

## RELATIONSHIP WITH COFCO GROUP

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We were incorporated in Hong Kong on October 25, 2007 and became a wholly-owned subsidiary of COFCO and COFCO (HK) on February 15, 2008. As part of the Reorganization, COFCO and COFCO (HK) transferred to our Group their respective interests in nine companies engaging in the packaging business and two subsidiaries and an associate of China Agri also transferred their respective steel barrel and rectangular can businesses to our Group. As at the [●], COFCO (HK) will directly and indirectly own and control 75% of our issued share capital (assuming that the [●] is not exercised). COFCO (HK) is also the holding company of two other companies listed on the Stock Exchange, namely China Agri and China Foods. COFCO is the ultimate sole shareholder of COFCO (HK) and ultimate controlling shareholder of our Company. Details of COFCO (HK) and COFCO are set out in the paragraph headed "Corporate History" under the section headed "History and Reorganization" in this document.

COFCO is currently engaged in a wide array of businesses, including agricultural commodities trading and agricultural products processing, food and beverages, real estate development, hotel management, logistics, native produce and animal by-products, financial services and, through our Company, packaging products. China Agri is principally engaged in oilseed processing; production and sale of brewing materials; trading and processing of rice; wheat processing; and production and sale of biofuel and biochemical products. China Foods, on the other hand, is principally engaged in production, sale and trading of wine and related products; processing and distribution of beverages; distribution of packaged consumer-pack edible oil; and production and distribution of chocolate and related products.

Upon completion of the Reorganization, COFCO Group ceased to be engaged in the packaging business, save for the production and sale of paper valve bags, plastic woven bags and plastic barrels mainly for packaging agricultural products for further processing which are not undertaken by our Group and different from our business in terms of raw materials, production facilities and technologies, product classifications and customer base. Our Directors believe that the businesses of COFCO Group are not directly or indirectly in competition with our businesses.

From the [●], our Company will operate independently from COFCO Group in all essential respects.

### INDEPENDENCE FROM COFCO GROUP

Having considered the following factors, our Directors believe that we can conduct our business independently of COFCO and its associates from the [●].

#### Independence of Business Operations

We hold all of the production and operating facilities and technology relating to our current business operations. Sales, marketing and administrative functions relating to our business are carried out independently by our Group. We have sufficient operational capacity in terms of capital, equipment and employees to operate our businesses independently of COFCO Group.

#### *Lease of production and office premises from COFCO Group*

We have been leasing production premises in Guangzhou and Tianjin and office premises in Beijing and Hong Kong from COFCO Group and an associate of COFCO, details of which are set out in the section headed "Connected Transactions" in this document. The total area of premises leased from COFCO Group and an associate of COFCO is approximately 21,180 square meters, representing approximately 2.6% of the total area of the premises occupied by our Group.

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### **Independence of Access to Customers and Sources of Supplies**

Our Directors are of the view that our sales and marketing functions and raw materials procurement functions are carried out independently from those of COFCO Group. Our Group has its own procurement department and independent access to customers and sources of supplies.

COFCO Group is engaged in a wide array of businesses while our Group focuses on the packaging business. Notwithstanding that our Group and COFCO Group have certain common customers and suppliers, our Group and COFCO Group essentially target different types of major supplies and raw materials for their respective businesses and offer different products or services to their respective customers. On this basis, our Directors believe that our Group and COFCO Group are unlikely to be in direct or indirect competition for suppliers or customers so long as the two groups do not have competing businesses.

During the Track Record Period, some of our subsidiaries have sold certain types of products to COFCO Group. These transactions have been conducted in the ordinary course of our business and on normal commercial terms and will continue following the [●]. COFCO Group does not guarantee our sales volume or profit margin under these transactions. Our aggregate sales attributable to the supply of goods to COFCO and its associates for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 were approximately RMB11.9 million, RMB14.8 million, RMB19.4 million and RMB9.3 million, respectively, representing 0.6%, 0.5%, 0.6% and 0.6%, respectively, of our total sales during the Track Record Period. For more details regarding these transactions, please refer to the subsection headed "Continuing Connected Transactions Exempt From Independent Shareholders' Approval Requirements — Supply of Products" under the section headed "Connected Transactions" in this document.

### **Financial Independence**

We have historically engaged COFCO Finance for deposits, loans and other financial services licensed by PBOC. All business arrangements between our Group and COFCO Finance, including deposits of our Group placed with COFCO Finance and loans from COFCO Finance to our Group, were on normal commercial terms. Please refer to Note 32 of the Accountants' Report set forth in Appendix I to this document for more details regarding the deposits placed with, loans from, balances with, and guarantees from or to COFCO Group during the Track Record Period.

All outstanding balances and deposits placed with and guarantees and other securities provided by COFCO Group in respect of our Group's borrowings have been fully settled, eliminated or released prior to the [●].

We have our own financial management and relevant personnel who are independent from COFCO Group. Our Group has independent access to third party financing, including long-term and short-term bank borrowings. Our Group also has its own settlement and treasury functions. No settlement or treasury functions are currently carried out by COFCO Group, including COFCO Finance, for or on behalf of our Group.

### **Independence of Management**

Our Board, which comprises three executive Directors, three non-executive Directors and three independent non-executive Directors, will function effectively and independently of COFCO Group. Five members of our Board, namely Messrs. Xue Guoping, Wang Jinchang, Ning Gaoning, Zhou Zheng and Hu Yonglei, also hold positions in COFCO Group.

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Set out below is a summary of the positions currently held by the Directors within our Group and COFCO Group and their respective industry experience and contribution to our Group:

<u>Name</u>	<u>Role within our Group</u>	<u>Role within COFCO Group</u>	<u>Industry experience and contribution to our Group</u>
Mr. Xue Guoping . . . .	<ul style="list-style-type: none"> <li>● Chairman of our Board and executive Director</li> <li>● Director of CPMC (HK), COFCO-MC (HK) and Powerful Chance</li> </ul>	<ul style="list-style-type: none"> <li>● Director and vice chairman of COFCO, responsible for overseeing the packaging business unit</li> <li>● Director and vice chairman of COFCO (HK)</li> <li>● Director of Wide Smart</li> <li>● Director of two operating subsidiaries within COFCO Group, which are principally engaged in oil processing and property development businesses respectively</li> <li>● Director of several investment holding companies within COFCO Group</li> </ul>	<ul style="list-style-type: none"> <li>● Joined COFCO in 1976 and our Group in 2008</li> <li>● Over 30 years of experience in international trade and management, covering areas such as operations, manufacturing and logistics</li> <li>● Primarily responsible for overall management, major decision making, strategic planning and business development of our Group</li> </ul>
Mr. Wang Jinchang . . .	<ul style="list-style-type: none"> <li>● Executive Director</li> <li>● Member of the remuneration committee of our Board</li> <li>● Chairman of the boards and director of CPMC (Tianjin), Hangzhou COFCO-MC, Hangzhou CPMC, Panyu MCP and Wuxi Huapeng</li> <li>● Director of COFCO-MC (HK), CPMC (HK) and Powerful Chance</li> </ul>	<ul style="list-style-type: none"> <li>● Assistant to the chairman of COFCO in charge of the packaging business</li> <li>● Chairman of the board and director and general manager of an operating subsidiary within COFCO Group, which is principally engaged in the import and export business</li> <li>● Director of two operating subsidiaries within COFCO Group, which are principally engaged in the meat business</li> <li>● Director of an investment holding company within COFCO Group</li> </ul>	<ul style="list-style-type: none"> <li>● Joined COFCO in 1990 and our Group in 2000</li> <li>● Eight years of experience in the packaging industry</li> <li>● Primarily responsible for assisting the chairman of our Board in formulating our business strategies and making corporate and operational decisions</li> </ul>

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<u>Name</u>	<u>Role within our Group</u>	<u>Role within COFCO Group</u>	<u>Industry experience and contribution to our Group</u>
Mr. Ning Gaoning . . . .	<ul style="list-style-type: none"> <li>● Non-executive Director</li> <li>● Chairman of the nomination committee of our Board</li> </ul>	<ul style="list-style-type: none"> <li>● Chairman of the boards and director of COFCO, COFCO (HK), China Agri and China Foods</li> <li>● Director of Wide Smart</li> <li>● Director of an operating subsidiary within COFCO Group, which is principally engaged in financial services</li> <li>● Director of several investment holding companies within COFCO Group</li> </ul>	<ul style="list-style-type: none"> <li>● Joined COFCO in December 2004 and our Group in 2008</li> <li>● Extensive experience in corporate management, investment and corporate finance, business restructurings and governmental relations resulting from many years of management experience with various companies listed in Hong Kong</li> <li>● Takes a supervisory role on the strategic planning and overall management and direction of our Group</li> </ul>

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<u>Name</u>	<u>Role within our Group</u>	<u>Role within COFCO Group</u>	<u>Industry experience and contribution to our Group</u>
Mr. Zhou Zheng . . . . .	<ul style="list-style-type: none"> <li>● Non-executive Director</li> <li>● Chairman of the boards and director of CPMC (Chengdu), CPMC (Zhenjiang) and Zhangjiagang CPMC</li> <li>● Director of CPMC (Tianjin), Hangzhou COFCO-MC, Hangzhou CPMC, Panyu MCP and Wuxi Huapeng</li> </ul>	<ul style="list-style-type: none"> <li>● Director and vice chairman of an operating subsidiary within COFCO Group, which is principally engaged in the real estate business</li> <li>● Director and general manager of an operating subsidiary within COFCO Group, which is principally engaged in the real estate business</li> <li>● General manager of an operating subsidiary within COFCO Group, which is principally engaged in the real estate business</li> <li>● Director of three operating subsidiaries within COFCO Group, which are principally engaged in the real estate business</li> <li>● Director of an operating subsidiary within COFCO Group, which is principally engaged in the import and export business</li> <li>● Director of an investment holding company within COFCO Group</li> </ul>	<ul style="list-style-type: none"> <li>● Joined COFCO Group in 1993 and our Group in 1994</li> <li>● 15 years of experience and expertise in the packaging industry</li> <li>● Primarily responsible for providing constant advice and guidance at the strategic level over the business and operations of the operating subsidiaries of our Group</li> </ul>

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<u>Name</u>	<u>Role within our Group</u>	<u>Role within COFCO Group</u>	<u>Industry experience and contribution to our Group</u>
Mr. Hu Yonglei . . . . .	<ul style="list-style-type: none"> <li>● Non-executive Director</li> <li>● Member of the audit committee of our Board</li> </ul>	<ul style="list-style-type: none"> <li>● Deputy head of the strategy division and general manager of the investment management division in COFCO, responsible for investment management</li> <li>● Director of an operating subsidiary within COFCO Group, which is principally engaged in agricultural product processing</li> <li>● Deputy general manager of the biofuel and biochemical division in COFCO</li> </ul>	<ul style="list-style-type: none"> <li>● Joined COFCO in 2005 and our Group in 2008</li> <li>● Over 10 years of experience and expertise in investment management</li> <li>● Takes a supervisory role and primarily responsible for reviewing the financial reporting process and internal control system of our Company</li> </ul>

To the best knowledge of our Directors and as at the Latest Practicable Date, no other Director or senior management member of our Company was also a director or member of senior management of COFCO Group.

Upon completion of the Reorganization, COFCO Group transferred all of its packaging business, other than the production and sale of paper valve bags, plastic woven bags and plastic barrels mainly for packaging agricultural products, to our Group. Upon [●], our Company will be the listed flagship of COFCO for its packaging business and COFCO will simply function as our ultimate holding company. Our Board is of the view that the roles of Messrs. Xue, Wang, Ning, Zhou and Hu with COFCO Group are beneficial to our Group and COFCO Group, as their presence with our Group will ensure the continuity and stability of our operations and their individual expertise and experience are valuable to the strategic development of both our Group and COFCO Group. For more details of the relevant experience of our overlapping Directors, please refer to the section headed "Directors and Senior Management" in this document.

Our Board believes that the positions in COFCO Group of Messrs. Xue, Wang, Ning, Zhou and Hu will not materially impact on their abilities to discharge their fiduciary duties and duties of skill, care and diligence to our Company, on the basis that:

- (1) Messrs. Xue and Wang, our executive Directors, will not be involved in the daily management of, nor have any specific management role in, the companies in COFCO Group. Having been responsible for our packaging business prior to the Reorganization, Messrs. Xue and Wang will devote approximately 80% of their time to the business operations and management of our Group;
- (2) Mr. Ning, as a non-executive Director, takes a supervisory role with us and will not be involved in the daily management of our Group. Mr. Ning will devote approximately 20% of his time to our Group initially. It is expected that after our Company has been operating as a listed company for a period of time, less attention will be required from Mr. Ning in supervising our Company's affairs, and Mr. Ning will devote less of his time to our Group;

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- (3) Mr. Zhou, as a non-executive Director, will continue to provide advice and guidance at the strategic level over the business and operation of the operating subsidiaries of our Group. Mr. Zhou will not be involved in the daily management of our Group and will devote approximately 30% of his time to our Group; and
- (4) Mr. Hu, as a non-executive Director, also takes a supervisory role with us and will not be involved in the daily management of our Group. Mr. Hu will devote approximately 20% of his time to our Group;
- (5) The corporate governance measures as detailed in the paragraph headed "Corporate governance measures" in this section will ensure our Board to function independently when matters involving transactions with COFCO Group or other matters involving conflicts of interests are considered.

Our Board also believes that it will function effectively with proper delegation of its responsibilities to senior management personnel of our Group. Our senior management team has extensive experience in the packaging industry and is equipped with technical, procurement, sales and marketing expertise. The team has played direct roles in the business and financial results of our Group to date. For more details regarding the relevant experience of our senior management, please refer to the section headed "Directors and Senior Management" in this document.

During the Track Record Period, Messrs. Xue, Ning and Hu did not receive any director's remuneration paid by our Group or COFCO Group for services rendered to our Group since they did not hold any directorship in our Group prior to the Reorganization. Mr. Wang was entitled to a total remuneration (including salaries, bonuses and social securities) of RMB[490,944], RMB[1,239,157], RMB[1,071,200] and RMB[900,000] for each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively, paid by COFCO Group for services rendered to COFCO Group, including services rendered to the packaging business carried out by our Group. However, no specific allocation of such remuneration amount to the services rendered to our Group had been made by COFCO Group. Mr. Wang did not receive any director's remuneration from our Group. Mr. Zhou received a director's remuneration (including salaries, bonuses and social securities) of RMB943,000, RMB1,155,000, RMB853,000 and RMB29,000, respectively, paid by our Group for services rendered to our Group during the Track Record Period and did not receive any director's remuneration from COFCO Group in this regard.

Messrs. Xue, Wang, Ning, Zhou and Hu will be entitled to a director's fee in the amount of RMB810,000, RMB720,000, HK\$19,000 (approximately RMB16,747), HK\$52,000 (approximately RMB45,835) and HK\$19,000 (approximately RMB16,747), respectively, for the year ending December 31, 2009 to be paid by our Company, and they will continue to be on the payroll of COFCO Group after the [●]. Each of Messrs. Xue, Wang, Ning, Zhou and Hu is eligible for the Share Option Scheme of our Company. Please refer to the section headed "Share Option Scheme" in Appendix VI to this document for the scheme details.

As at the Latest Practicable Date, none of the Directors or their respective associates has interests in any business which competes or is likely to compete, either directly or indirectly, with that of our Group.



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### CORPORATE GOVERNANCE MEASURES

Our Board has set up a nomination committee, which consists of Messrs. Ning Gaoning, Cheng Yuk Wo and Fu Tingmei and is responsible for nomination and appointment of Directors. The nomination committee will meet regularly according to its terms of reference, and may make recommendations to our Board as to its composition and, if necessary, the appointment of additional Directors with relevant expertise and skills to ensure that our Board can function effectively.

Pursuant to our Articles of Association, matters which involve transactions between our Company or any of our subsidiaries, on the one part, and COFCO and/or any of its associates (excluding our Group), on the other part, will be decided by majority vote by our independent non-executive Directors and any other Director who does not hold any position in COFCO Group, among such persons are Messrs. Zhang Xin (an executive Director) and Shi Wanpeng (an independent non-executive Director) who are senior engineers having respectively 16 years and six years of experience respectively, in the packaging industry whose views carry weight. Such Directors will appoint among themselves a chairman of the meeting who will have a second or casting vote in case of equality of votes at the meeting. Directors with positions in COFCO Group, namely Messrs. Ning Gaoning, Xue Guoping, Wang Jinchang, Zhou Zheng and Hu Yonglei, will not be counted in the quorum and will abstain from voting on such matters. In addition, the overlapping Directors will excuse themselves from our Board meetings when such matters are discussed unless expressly requested to attend by a majority of our independent non-executive Directors.

In addition, connected transactions between our Group and COFCO Group will be conducted in compliance with the Listing Rules. In particular, our independent non-executive Directors and auditors will review all continuing connected transactions on an annual basis. Our Company will disclose the views of our independent non-executive Directors and information on the relevant connected transactions in our annual report and accounts in accordance with the Listing Rules.

### NON-COMPETITION DEED

COFCO, COFCO (HK), Wide Smart and our Company executed the Non-competition Deed on October 23, 2009, pursuant to which each of COFCO, COFCO (HK) and Wide Smart undertook for itself that for so long as it (individually or collectively with its respective associates) hold not less than 30% of our issued share capital or is otherwise regarded as our controlling shareholder, it will not, and will procure that its subsidiaries (other than any member of our Group) will not, at any time, either on its own or on behalf of or as an agent of any person, directly or indirectly, be employed or otherwise engaged or interested in any capacity (including as shareholders with interests in China Foods or China Agri so long as it holds 10% or more of the issued share capital of China Foods or China Agri, as the case may be) in any business which competes with our business or any part of it in any country in the world in which we carry out our business from time to time, provided that this restriction will not prohibit COFCO, COFCO (HK) or Wide Smart from holding shares up to 5% in the aggregate of the issued share capital of any competing company the shares of which are listed or dealt in on any stock exchange.

The Non-competition Deed will take effect on the [●] and will remain effective until the earlier of (a) in relation to each of COFCO, COFCO (HK) and Wide Smart, the date on which it (whether individually or collectively with any of its respective associates) holds less than 30% of our issued share capital or it otherwise ceases to be regarded as our controlling shareholder and (b) the date on which our shares cease to be listed on the Stock Exchange.



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In order to enhance the corporate governance of our Company, the Non-competition Deed further provides that:

- (1) our independent non-executive Directors will review on an annual basis the compliance with the Non-competition Deed by COFCO, COFCO (HK) and Wide Smart;
- (2) each of COFCO, COFCO (HK) and Wide Smart has undertaken to our Company that it will provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Non-competition Deed;
- (3) our Company will disclose the review by our independent non-executive Directors relating to the compliance and enforcement of the Non-competition Deed either in its annual report or by way of announcements to the public; and
- (4) each of COFCO, COFCO (HK) and Wide Smart will make an annual confirmation to our Company on compliance with the Non-competition Deed which shall be disclosed in the annual report of our Company or by way of announcements to the public.