
HISTORY, REORGANIZATION AND GROUP STRUCTURE

GENERAL

Our Company was incorporated in the Cayman Islands on 9 June 2010, and as part of the Reorganization, became the ultimate holding company of our various operating subsidiaries. Through certain holding companies and wholly foreign owned enterprises, our Company owns 100% of our operating subsidiaries. Further details of our corporate structure and reorganization are set out under the paragraph headed “Reorganization” below.

OUR MAJOR MILESTONES

In 1985, Mr. Chum and Mrs. Chum established High Den which was principally engaged in the business of trading non-degradable plastic bags. While our founders, Mr. Chum and Mrs. Chum, have many years of experience in the hygienic disposables industry through the establishment of High Den, our Group officially began with the establishment of Huizhou Junyang, our wholly-owned subsidiary and our principal production base located in Huizhou of Guangdong Province, the PRC, in 2000. Throughout our corporate history, in addition to our being a producer of the then existing products, we have evolved to become a producer of oxo-biodegradable hygienic disposables with innovative designs, expanded our client base to the health-care sector and broadened our market coverage to the US and European countries.

As the business of our Group further expanded, Mr. Chum and Mrs. Chum noticed that the non-degradable plastic shopping bags that High Den had traded became less popular and the market for non-degradable plastic shopping bags was declining. Moreover, Mr. Chum and Mrs. Chum anticipated that the profit of our Group’s business activities will be considerably higher than the profit of High Den’s trading business. Under these circumstances, in order to focus on developing our Group’s business including degradable plastic products, the Chum Family decided to cease the business of High Den in 2006.

For the purpose of the Global Offering, High Den was excluded from the Group as it has ceased its operation since 2006. In order to minimize the unwarranted confusion over any perceived or potential conflict of interest and/or issues surrounding competing or excluded business, High Den was disposed of in 2010 when Ms. Shirley Chum and Mr. Desmond Chum on 26 May 2010 sold the entire issued share capital of High Den to two Independent Third Parties, whom came to be acquainted with Mr. Chum through personal dealings, at an aggregate consideration of HK\$5,967,233.50. The consideration was determined on the basis of the net asset value of High Den as indicated in the management accounts of High Den as at 31 March 2010.

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Set out below is a summary of our major milestones and achievements throughout our corporate history:

October 2000	Establishment of Huizhou Junyang
April 2002	Our production base in Huizhou commenced business
April 2003	Mr. Chum successfully obtained patent in the PRC on the manufacture method for “easy-to-wear” disposable film gloves
October 2003	Mr. Chum successfully obtained patent in the PRC which is used in our innovative “easy-pick” design for disposable film bags
February 2004	Established Two-Two-Free as the corporate headquarters and principal trading company of our Group
April 2004	Mr. Chum successfully obtained patent in the US which is used in our “easy-open” disposable film bags
May 2004	Mr. Chum successfully obtained patent in the PRC which is used in our production technology in the manufacture of our “easy-pick” film bags
January 2005	Huizhou Junyang was accredited with ISO:9001:2000 for its plastic bags production
April 2005	Mr. Chum was accredited with the “Sixth National Science and Technology Progress Achievement — First Award” (第六屆國家科技成果「進步獎」一等獎) and the “Sixth National Patent Technology Invention — First Award” (第六屆國家專利技術「發明獎」一等獎) by Assessment Panel for National Science and Technology Progress Achievement Award* (國家科技進步獎評審委員會) and Assessment Panel for National Technology Invention Award* (國家科技發明獎評審委員會), respectively for our customized production equipment, “Automatic Continuous Band Sealer of Plastic Bags” (塑質膜袋連續封口製袋機)
March 2006	Mr. Chum successfully obtained patent in the PRC which is used in our production technology (subsequently complemented by two additional PRC patents obtained in 2008) in enhancing plastication quality and quantity of the injection molding machine especially for processing plastic products with various additives

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June 2006	Successfully established business relationship with HPC Healthline UK Limited, one of the authorized distributors of clinical disposables to clinics and hospitals operating under the National Health Service public healthcare system in the UK and one of our five largest customers during the Track Record Period, paving our way into the European clinical hygienic disposables product market
November 2006	Successfully established business relationship with Stenqvist AS, a packaging producer in Europe and one of our five largest customers during the Track Record Period, further strengthening our market share in the European packaging product market
March 2007	Mr. Chum successfully obtained patent in the PRC which is used in our custom-designed “Automatic Continuous Band Sealer of Plastic Bags” (塑質膜袋連續封口製袋機)
February 2008	Mr. Chum successfully obtained patent in EU on our “easy-pick” disposable film bags
August 2008	Successfully established trading relationship with one of the largest supermarket chains in the UK which later became one of our 10 largest customers for each of the two financial years ended 31 March 2010, signifying our direct reach to the mass retail market in the UK
February 2010	Mr. Desmond Chum commenced the process of applying for the patent in the US which is used in our production of the “K-seal” garbage bags targeted for clinical use
September 2010	Establishment of Chum Baokang Medical, intended to be our principal entity of sales of medical disposables targeting clinics and hospitals in Beijing, the PRC

OUR CORPORATE HISTORY

Huizhou Junyang

Located in Huizhou of Guangdong Province, the PRC, Huizhou Junyang has been our principal production arm. It was established on 24 October 2000 as a wholly foreign owned enterprise in the PRC with a registered capital of US\$5,000,000 and an approved business scope of “manufacture of plastic bags, environmentally friendly meal boxes, plastic additives and plastics production equipment and machineries, for export sales exclusively”, which was subsequently amended on 3 March 2006 to include domestic sales, and on 2 June 2010 to include the manufacture of medical plastic products (except products which require certificates and licenses) and packaging plastic products. However, Huizhou Junyang has commenced the production of relevant products prior to such amendment. According to relevant PRC laws and regulations, if a company fails to carry out amendment registration when a registered item of the company has been changed, it shall be ordered to register within a prescribed time limit, and where the company has not carried out registration after expiration of such time limit, a fine of not less than RMB 10,000 but not more than RMB 100,000 shall be imposed. As Huizhou Junyang’s direct supervisory authority in charge of commerce, the Foreign Trade and Economic Cooperation Bureau of Huicheng District, Huizhou City* (惠州市惠城區對外經濟貿易合作局) issued a confirmation letter on 11 June 2010 to confirm that Huizhou Junyang will not be penalized for the aforementioned non-compliance. As Huizhou Junyang’s direct supervisory authority in charge of industry and commerce, Huizhou City Administration for Industry and Commerce (惠州市工商行政管理局*) issued a similar confirmation letter on 11 June 2010 in this regard. As advised by the PRC Legal Advisers, both the Foreign Trade and Economic Cooperation Bureau of Huicheng District, Huizhou City and Huizhou City Administration for Industry and Commerce are the competent authorities to issue such confirmation letters and based on such confirmation letters, the possibility that Huizhou Junyang would be penalized by the Foreign Trade and Economic Cooperation Bureau of Huicheng District, Huizhou City and Huizhou City Administration for Industry and Commerce for its abovementioned non-compliance is low.

Since its establishment, Huizhou Junyang has been owned as to 50% by Tary and 50% by Ramber, both of which are wholly-owned subsidiaries of our Company.

Based on three capital verification reports dated 2 July 2001, 30 April 2002 and 12 September 2002 issued by PRC certified public accounting firms, up to 12 September 2002, Tary made capital contribution totalling US\$2,500,000 to Huizhou Junyang (comprising cash of US\$1,696,497.50 and fixed assets of US\$803,502.50), and Ramber made capital contribution totalling US\$2,534,539.99 to Huizhou Junyang (comprising cash of US\$566,911.89 and fixed assets and tangible goods of US\$1,967,628.10), of which US\$2,500,000 was credited as registered capital and the remaining US\$34,539.99 was credited as capital reserve. Accordingly, the registered capital of Huizhou Junyang has been fully paid. According to the Rules for the Implementation of the Law of the People’s Republic of China on Foreign-invested Enterprises* (《中華人民共和國外資企業法實施細則》) and relevant regulations, the registered capital of foreign-invested enterprise can be contributed by instalment. The first instalment shall be no less than 15% of the total

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amount of the registered capital of such company and shall be contributed within 90 days since the issuance of its business licence. In addition, pursuant to the article of incorporation of Huizhou Junyang and the approval issued by the relevant government authority, the registered capital of Huizhou Junyang shall be contributed in full within one year from the issuance of its business licence. However, Tary and Ramber did not make the relevant capital contribution within the time limit required by relevant PRC regulations and governmental authority. In this respect, (i) the Foreign Trade and Economic Cooperation Bureau of Huicheng District, and (ii) Huizhou City and Huizhou City Administration for Industry and Commerce being two relevant competent authorities have issued the confirmations respectively confirming that no penalties will be levied on us for our delay in making such contribution.

Tary

Tary, the 50% equity owner of Huizhou Junyang, was incorporated in Hong Kong on 14 March 1986 as a limited liability company with an authorized share capital of HK\$1,000,000 divided into 1,000,000 shares of HK\$1.00 each, all of which have been issued. It was initially held as to 50% by High Den and 50% by an Independent Third Party. Although the shareholdings of Tary went through a number of changes subsequent to its incorporation, it has been beneficially wholly owned by members of the Chum Family (either directly or indirectly) since July 1995. The following sets out the shareholding changes in Tary since its incorporation:

- on 26 July 1995, the Independent Third Party shareholder of Tary transferred 500,000 shares in Tary, representing 50% of its entire issued share capital, as to one share to Mr. Chum and 499,999 shares to High Den at an aggregate consideration of HK\$500,000.60;
- on 11 August 1998, High Den transferred 400,000 shares in Tary, representing 40% of its entire share capital to Ramber at par for a consideration of HK\$400,000.00. Further, on 25 January 2000, High Den transferred its remaining 599,999 shares in Tary, representing approximately 60% of its entire share capital, as to 199,999 shares, representing approximately 20% of its entire share capital to Mr. Chum, as to 200,000 shares, representing 20% of its entire share capital to Mrs. Chum and as to 200,000 shares, representing 20% of its entire share capital to Mr. Desmond Chum at par for an aggregate consideration of HK\$599,999.00;
- on 28 December 2006, Mr. Chum and Mrs. Chum transferred all their respective shareholdings in Tary to Mr. Desmond Chum, and Ramber transferred all its shareholdings in Tary to Ms. Shirley Shum, at par for an aggregate consideration of HK\$800,000.00. Subsequently on 24 November 2009, the entire issued share capital of Tary were transferred back from Mr. Desmond Chum and Ms. Shirley Chum as to 600,000 shares, representing 60% of its entire issued share capital to Mr. Chum and 400,000 shares, representing 40% of its entire issued share capital to Mrs. Chum at par for an aggregate consideration of HK\$1,000,000.00.

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Since Huizhou Junyang commenced its business in April 2002, Tary had been acting as its principal trading arm responsible for purchases of raw materials from and sales of finished goods to overseas markets for Huizhou Junyang. Tary started transferring its trading business to Two-Two-Free following Two-Two-Free's establishment in February 2004. Since then, Two-Two-Free has become the primary trading company of Huizhou Junyang for its sales of finished goods to and purchases of raw materials from overseas markets, while Tary had retained a certain portion of its trading business to facilitate the operation of Huizhou Junyang. Tary had completely ceased its business operations since 2009 and remained as the holding company of Huizhou Junyang holding 50% equity interests in Huizhou Junyang.

Ramber

Ramber, the other 50% equity owner of Huizhou Junyang, is a company with limited liability incorporated in Hong Kong on 16 June 1989 with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, two of which have been issued. Prior to 18 July 2005, two shares in Ramber had been registered under the names of certain relatives of the Chum Family. On 18 July 2005, these two shares were transferred back to each of Mr. Chum and Mrs. Chum at an aggregate nominal consideration of HK\$2. Pursuant to the statutory declarations executed by Mr. Chum and Mrs. Chum on 12 July 2010 and each of the relatives who held share(s) of Ramber in June 2010, the shares of Ramber once held by each of such relatives were held in trust in favour of Mr. Chum and Mrs. Chum, and that Mr. Chum and Mrs. Chum funded the entire contribution made by Ramber to the registered capital of Huizhou Junyang.

Two-Two-Free

Two-Two-Free was incorporated in Macau on 5 February 2004 as a limited company with a capital of MOP\$100,000 divided into two quotas with nominal value of MOP\$60,000 and MOP\$40,000 each. Since its incorporation and up to the Reorganization, it was owned as to 60% by Mr. Chum and 40% by Mrs. Chum.

Two-Two-Free was established with a view of better rationalizing our corporate structure in preparation of our business growth. Having considered that our Group is subject to tax relief for the Macau operations, the operating costs are considerably lower in Macau than that of the Hong Kong and our employees in Macau also possess stronger language proficiency than those in PRC and are more experienced in handling overseas customers, thus, since its establishment, Two-Two-Free has become our corporate headquarters and has gradually assumed the role as the principal trading arm of our Group.

Greenstar

Greenstar is a company incorporated in the BVI with limited liability on 12 January 2010 and is authorized to issue a maximum of 50,000 shares of US\$1.00 each. Before the Reorganization, Greenstar was wholly-owned by Mr. Chum and became the intermediate holding company of our Group on 24 December 2010 pursuant to the Reorganization.

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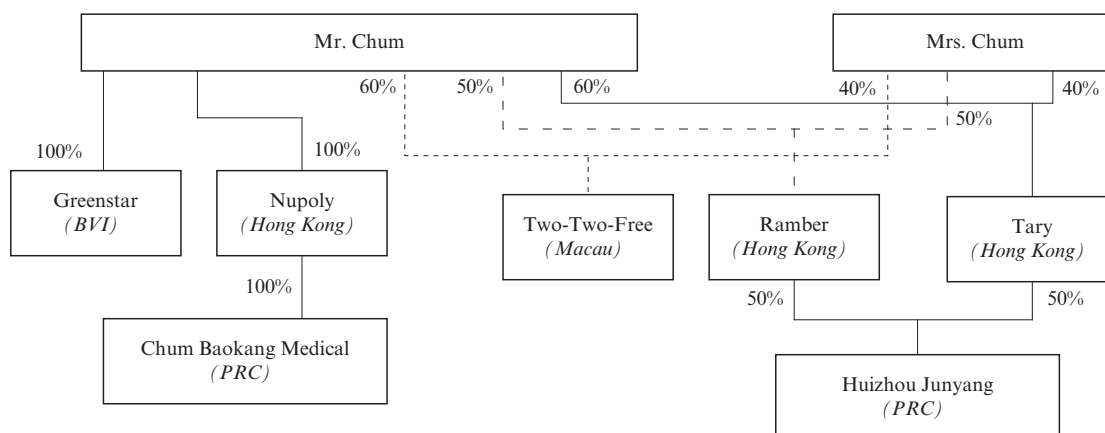
Nupoly

Nupoly was incorporated in Hong Kong on 25 March 2010 as a limited liability company with one issued share of HK\$1.00 held by Mr. Chum, which was transferred to Greenstar on 14 December 2010 pursuant to the Reorganization at consideration which was settled by the allotment and issue of 10,000 shares of Greenstar, credited as fully paid, to Able Bright under the direction of Mr. Chum. Nupoly has been established principally for our planned business expansions into the medical consumables market in the PRC.

Chum Baokang Medical

Chum Baokang Medical was established in the PRC on 16 September 2010 as a wholly foreign owned entity. It has a registered capital of HK\$1,200,000 and is wholly-owned by Nupoly. We intend to use Chum Baokang Medical as our principal entity to undertake the Group's sales of medical disposables targeting clinics and hospitals in Beijing, the PRC.

The shareholding structure of our Group immediately prior to the Reorganization as aforementioned is as follows:



REORGANIZATION

In preparation for the Listing, our Group underwent the Reorganization pursuant to which our Company became the ultimate holding company of other members of our Group, the details of which are set out below:

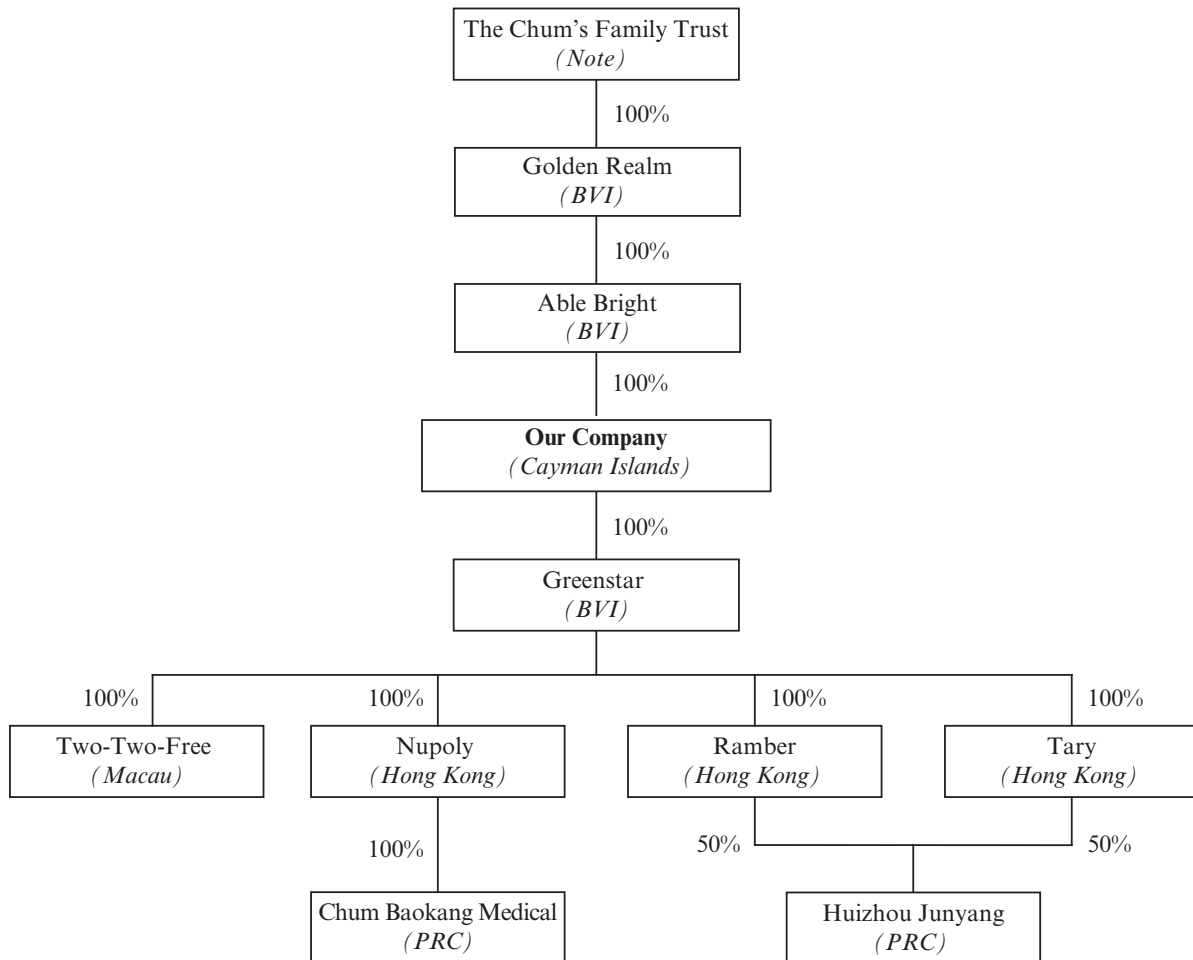
- On 9 June 2010, our Company was incorporated in the Cayman Islands as an exempted company with limited liability, having an authorized share capital of HK\$390,000 divided by 39,000,000 Shares of HK\$0.01 each, with one Share allotted and issued nil-paid to the initial subscriber which was then transferred to Mr. Chum.
- On 28 June 2010, The Chum's Family Trust has been set up as an irrevocable discretionary trust with Mr. Chum as the settlor, Sarasin Trust Company as the trustee and certain members of Mr. Chum's family as the beneficiaries.

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- On 27 July 2010, Mr. Chum transferred 10,000 shares of Greenstar (representing its entire issued share capital) at par to Able Bright.
- On 24 September 2010, Mr. Chum and Mrs. Chum completed the transfer of two quotas with nominal value of MOP\$60,000 and MOP\$40,000 of Two-Two-Free, respectively (representing in aggregate the entire share capital of Two-Two-Free), to Greenstar at an aggregate consideration of MOP\$100,000.
- On 14 December 2010, Mr. Chum and Mrs. Chum transferred two shares of Ramber (representing its entire shareholding interests) to Greenstar in consideration of the allotment and issue of 10,000 shares of Greenstar, credited as fully paid, to Able Bright under the direction of Mr. Chum and Mrs. Chum.
- On 14 December 2010, Mr. Chum and Mrs. Chum transferred 600,000 shares and 400,000 shares of Tary, respectively (representing in aggregate the entire issued share capital of Tary), to Greenstar in consideration of the allotment and issue of an aggregate of 10,000 shares of Greenstar, credited as fully paid, to Able Bright under the direction of Mr. Chum and Mrs. Chum.
- On 14 December 2010, Mr. Chum transferred the entire issued share capital of Nupoly (which in turn holds the entire equity interest of Chum Baokang Medical) to Greenstar in consideration of the allotment and issue of 10,000 shares of Greenstar, credited as fully paid, to Able Bright under the direction of Mr. Chum.
- On 14 December 2010, Mr. Chum transferred one nil-paid Share to Able Bright.
- On 15 December 2010, the authorized share capital of our Company was increased from HK\$390,000 divided into 39,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by creation of additional 9,961,000,000 Shares.
- On 24 December 2010, our Company acquired from Able Bright the entire issued share capital of Greenstar, in consideration for (i) one Share held by Able Bright credited as fully paid at par; and (ii) the allotment and issue of an additional 40,009,999 Shares, credited as fully paid, to Able Bright.

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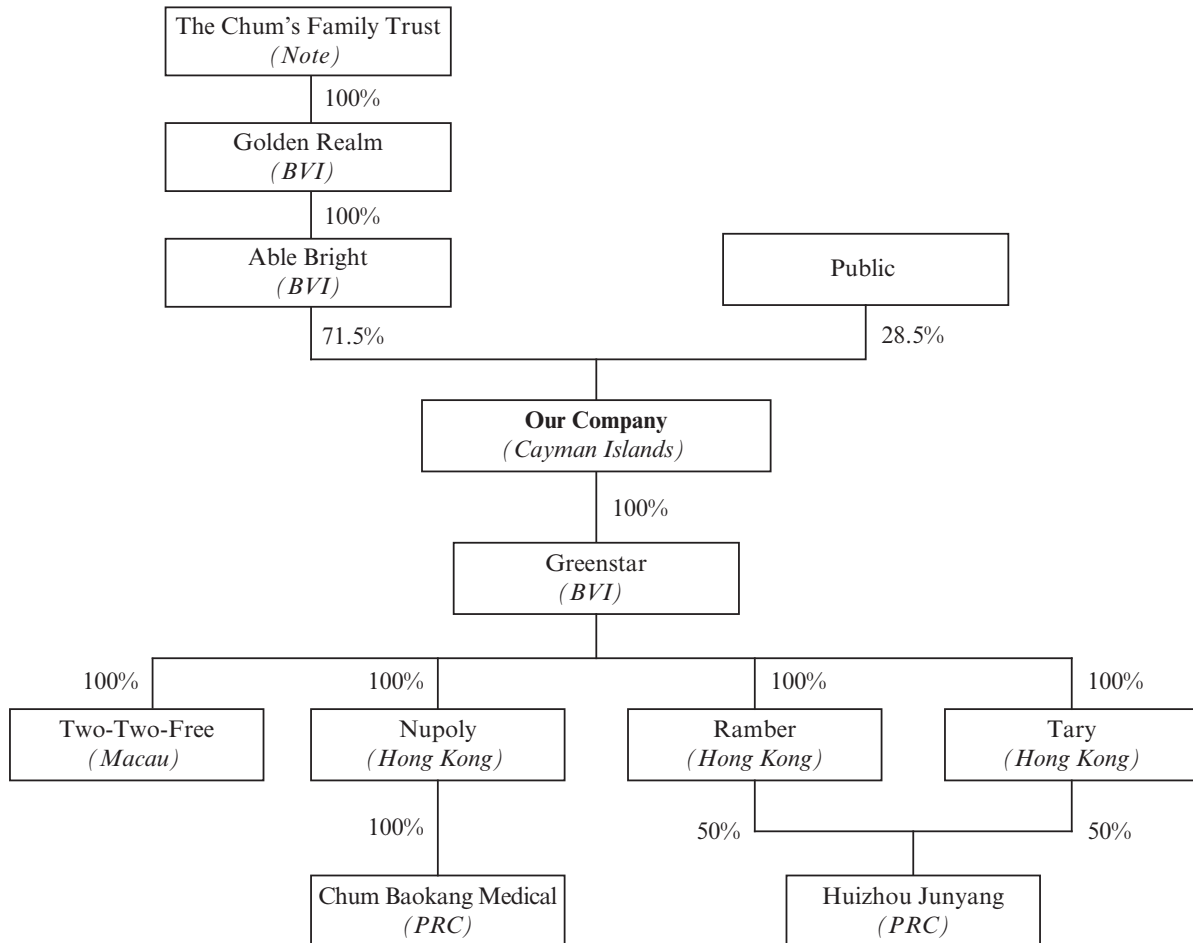
As a result of the Reorganization as aforementioned and up to the Latest Practicable Date and before the Global Offering and the Capitalization Issue, the shareholding structure of our Group is as follows:



Note: The entire issued share capital of Golden Realm is registered in the name of Bank Sarasin Nominees. Bank Sarasin Nominees acts as nominee for Sarasin Trust Company as trustee of The Chum's Family Trust.

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Following completion of the Global Offering and the Capitalization Issue (and assuming that the Over-allotment Option is not exercised), the shareholding structure of our Group shall be as follows:



Note: The entire issued share capital of Golden Realm is registered in the name of Bank Sarasin Nominees. Bank Sarasin Nominees acts as nominee for Sarasin Trust Company as trustee of The Chum's Family Trust.