

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As the following is a summary, it does not contain all the information that may be important to you and you should read the prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk factors” in this prospectus. You should read that section carefully before making any decision to invest in the Offer Shares.

Various expressions used in this summary are defined in the section headed “Definitions” in this prospectus.

OVERVIEW

We are a manufacturer of paper-based packaging products in the PRC capable of offering paper-based packaging services coupled with our own corrugated medium paper manufacturing capability. Our Group is a production enterprise integrating the processes of recycling of waste paper, manufacturing of corrugated medium paper, and production of paper-based packaging products, which are used to substitute traditional packaging materials such as foam and plastic materials that are generally considered to cause unfavourable effects on the environment.

Our principal products are: (i) paper-based packaging products, which mainly include corrugated cartons and other ancillary products such as honeycomb paper-based products, and are suitable for the packaging of consumer products, in particular household air-conditioners and other small household appliances; and (ii) high-strength corrugated medium paper, which is divided into different grades with different specifications to suit various industrial purposes, and is mainly sold to manufacturers of corrugated paperboard and cartons (including our packaging manufacturing subsidiaries, namely Zheng Ye Packaging (Zhongshan) and Zheng Ye Packaging (Zhuhai)). In order to capture the increasing market demand, we have commenced the commercial production of honeycomb paper-based products since December 2010.

The following table shows the breakdown of our revenue by business lines during the Track Record Period:

| | Year ended 31 December | | | | | | Nine months ended 30 September | | | |
|--------------------------------|------------------------|---------------|-----------------------|---------------|-----------------------|---------------|--------------------------------|---------------|-----------------------|---------------|
| | 2007 | | 2008 | | 2009 | | 2009 | | 2010 | |
| | RMB'000 | % of Total | RMB'000 | % of Total | RMB'000 | % of Total | RMB'000 | % of Total | RMB'000 | % of Total |
| Revenue by product | | | | | | | | | | |
| Paper-based packaging products | 297,989 | 43.3% | 371,571 | 44.4% | 388,497 | 52.3% | 275,431 | 51.8% | 422,635 | 55.7% |
| Corrugated medium paper | <u>389,556</u> | 56.7% | <u>464,838</u> | 55.6% | <u>354,854</u> | 47.7% | <u>256,135</u> | 48.2% | <u>335,526</u> | 44.3% |
| Total | <u>687,545</u> | 100.0% | <u>836,409</u> | 100.0% | <u>743,351</u> | 100.0% | <u>531,566</u> | 100.0% | <u>758,161</u> | 100.0% |

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The following table shows the breakdown of our Group's sales of paper-based packaging products to manufacturers of household air-conditioners, small household appliances and food condiment in the PRC during the Track Record Period:

| Customer segment | Year ended 31 December | | | | | | Nine months ended 30 September | |
|----------------------------|------------------------|-------------|----------------|-------------|----------------|-------------|--------------------------------|-------------|
| | 2007 | | 2008 | | 2009 | | 2010 | |
| | RMB'000 | % of Total | RMB'000 | % of Total | RMB'000 | % of Total | RMB'000 | % of Total |
| Household air-conditioners | 167,406 | 56% | 185,907 | 50% | 185,845 | 48% | 253,023 | 60% |
| Small household appliances | 25,909 | 9% | 66,960 | 18% | 82,216 | 21% | 80,731 | 19% |
| Food condiment | 43,995 | 15% | 64,431 | 17% | 77,096 | 20% | 56,096 | 13% |
| Others | 60,679 | 20% | 54,273 | 15% | 43,340 | 11% | 32,785 | 8% |
| Total | 297,989 | 100% | 371,571 | 100% | 388,497 | 100% | 422,635 | 100% |

Apart from internal use within our Group, we also sell our Group's corrugated medium paper to third parties. The following table shows the breakdown of the percentage of our Group's corrugated medium paper sold to third parties and our Group's companies respectively during the Track Record Period:

| | Year ended 31 December | | | Nine months ended 30 September |
|-------------------------------|------------------------|------|------|--------------------------------|
| | 2007 | 2008 | 2009 | 2010 |
| Third parties (<i>note</i>) | 85% | 87% | 78% | 78% |
| Our Group's companies | 15% | 13% | 22% | 22% |

Note: Third parties include manufacturers of corrugated paperboard and cartons other than our Group's companies.

| Quantity sold by product | Year ended 31 December | | | Nine months ended 30 September | |
|---|------------------------|---------|---------|--------------------------------|---------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| Paper-based packaging products ('000 sq.m.) | 90,801 | 109,895 | 127,406 | 89,765 | 119,750 |
| Corrugated medium paper ('000 tonne) | 165 | 177 | 183 | 134 | 123 |
| Average selling price (RMB) | | | | | |
| Paper-based packaging products (per sq.m.) | 3.3 | 3.4 | 3.0 | 3.1 | 3.5 |
| Corrugated medium paper (per tonne) | 2,361 | 2,626 | 1,939 | 1,911 | 2,728 |

OUR PRODUCTS

Our principal products are: (i) paper-based packaging products, which mainly include corrugated cartons and other ancillary products such as honeycomb paper-based products; and (ii) high-strength corrugated medium paper. Approximately 43.3%, 44.4%, 52.3% and 55.7% of our total revenue during the Track Record Period was generated from our paper-based packaging products, of which approximately 24.3%, 22.2%, 25.0% and 33.4% of our total revenue was generated from our sales to household air-conditioner manufacturers.

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According to the Synovate Report commissioned by our Group, paper-based packaging for household air-conditioners in the PRC accounted for approximately 24.0% of the total revenue generated in the PRC paper-based packaging business for major household appliances (commonly known as “white goods”) in 2009. We were the largest supplier of paper-based packaging products for household air-conditioners in the PRC and our sales volume and revenue accounting for approximately 28.7% and 25.7% of the total paper-based packaging products for household air-conditioners in the PRC for the year ended 31 December 2009, respectively. Further, according to the China Packaging Federation, we were the largest supplier of paper-based packaging products for household air-conditioners in the PRC in terms of production volumes for the year ended 31 December 2009. For background and industry standing of the China Packaging Federation, please refer to the section headed “Definitions” in this prospectus. For the year ended 31 December 2009, our Group’s paper-based packaging products accounted for approximately 30.5% of the total production volume of the paper-based packaging products for air-conditioners in the PRC. We sell our paper-based packaging products to consumer product manufacturers in various industries, targeting in particular major manufacturers of white goods, such as Gree, Midea and Galanz.

As we consider the quality of corrugated medium paper is very critical for the production of our high-quality paper-based packaging products, our Group also manufactures high-strength corrugated medium paper, which could satisfy our Group’s demand for corrugated medium paper for producing our paper-based packaging products. We are also committed in the continuous development and production of low quantum corrugated medium paper. This could ensure the stable supply of quality raw materials for our Group’s production of paper-based packaging products.

OUR CUSTOMERS AND SUPPLIERS

The target customers of our paper-based packaging products are large scale manufacturers of household appliances, food condiment, information technology and consumer electronics in the PRC. Our Group intends to build long term relationships with them, and adopts the system of placing orders for individual batches of purchase in our business. In addition, we have established a stable corrugated medium paper customer base, which we also adopt the sales model of orders for individual batches of purchase. Currently, we manufacture and sell corrugated medium paper and paper-based packaging products, major customers of which are manufacturers of corrugated paperboard and cartons and consumer products in various industries such as household appliances, food condiment, motor bike and information technology products. For each of the three years ended 31 December 2009 and nine months ended 30 September 2010, we had a total of 333, 274, 331 and 346 customers respectively, most of whom have an average of three to seven years of business relationship with our Group. Our Group has established long term business relationship of approximately seven years with our major customers, such as Gree, Midea and Galanz, all of whom are the major household appliances manufacturers in the PRC.

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The percentage of sales to Gree, Midea and Galanz during the Track Record Period was as follows:

| | Year ended 31 December | | | Nine months ended |
|--------|------------------------|--------------------|--------------------|--------------------|
| | 2007 | 2008 | 2009 | 30 September |
| | <i>% to</i> | <i>% to</i> | <i>% to</i> | <i>% to</i> |
| | <i>total sales</i> | <i>total sales</i> | <i>total sales</i> | <i>total sales</i> |
| Gree | 14.2 | 12.3 | 14.3 | 19.0 |
| Midea | 5.3 | 6.1 | 6.8 | 8.9 |
| Galanz | 2.3 | 6.6 | 10.9 | 10.3 |

In order to obtain better pricing terms from our suppliers and to avoid reliance on any single source of supply, we maintain close business relationships with a number of suppliers for principal raw materials and coal. We had a total of 415, 467, 412 and 357 suppliers for each of the three years ended 31 December 2009 and nine months ended 30 September 2010, respectively, having an average of three to seven years of business relationship with our Group. As we maintain good relationship with our suppliers, we can benefit from assured quality, competitive purchase prices and steady and in-time deliveries, which, in turn, leads to the reduction of inventory costs. As the principal raw materials (including waste paper and raw paper) and coal are not rare or difficult to source, our Directors do not anticipate any material difficulties in sourcing them. During the Track Record Period, we did not experience any material shortage of the principal raw materials. To maintain our business flexibility, our Group has not entered into any long-term agreements with our suppliers.

OUR PRODUCTION FACILITIES

Production line of corrugated cartons

As at the Latest Practicable Date, our Group carried out our production activities in our paper production plant in Zhongshan, Guangdong Province, the PRC and our four paper-based packaging processing plants in Zhongshan and Zhuhai, Guangdong Province, the PRC, respectively, occupying a total gross floor area of approximately 178,090 sq.m..

For our four paper-based packaging processing plants, we have eight production lines, with an aggregate annual designed production capacity of approximately 316,180,000 sq.m. of corrugated cartons and other ancillary products such as honeycomb paper-based products, six of which are for the production of corrugated cartons and the remaining two are for the production of honeycomb paper-based products. Among these eight production lines, three of them were not put into operation during the Track Record Period, one for corrugated cartons and two for honeycomb paper-based products. The production line of corrugated cartons of our Zheng Ye Packaging (Zhuhai) was set up in September 2010, and commenced production in December 2010. The two production lines of honeycomb paper-based products were fully set up in the first half of 2010, and began trial production on 30 September 2010 with the completion of the first sales order in December 2010. Our Directors have concluded that no impairment provision should be made for these three production lines on the basis that these production lines will benefit our Group's operations in the foreseeable future. Most of the remaining production lines attained utilisation rate of more than 70% for the period of nine months ended 30 September 2010.

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Production line of corrugated medium paper

As at the Latest Practicable Date, our Group had one production line with an aggregate annual designed capacity of approximately 220,000 tonnes corrugated medium paper, comprising three paper making machines and pulp deeding systems. We are in the process of setting up the fourth paper making machine with an annual designed capacity of approximately 80,000 tonnes corrugated medium paper, which is scheduled to commence its operation in the second half of 2011. The paper making machines in operation attained an effective operating ratio of not less than 90% for the period of nine months ended 30 September 2010. All pulp feeding systems and paper making machines are supported by automated online quality control to ensure effective quality assurance for the products.

For details of our production facilities, please refer to “Business — Production — Production facilities” in this prospectus.

EXPANSION PLAN

In view of the potential business opportunity in the central China area, we intend to set up a paper-based packaging production plant with three production lines in Zhengzhou, Henan Province, the PRC, which is expected to contribute to our Group an additional annual production capacity of up to approximately 106,920,000 sq.m. of corrugated cartons, 7,700,000 sq.m. of honeycomb paper-based products and other ancillary products starting from the fourth quarter of 2011. In addition, Zheng Ye Packaging (He Fei) was established on 10 September 2010 for setting up our new production base in Hefei, Anhui Province, the PRC, where it is expected to become a growing hub for the household appliance industry. It is expected that this production base with three production lines will contribute to our Group an additional annual production capacity of up to approximately 148,500,000 sq.m. of corrugated cartons, 7,700,000 sq.m. of honeycomb paper-based products and other ancillary products starting from the first quarter of 2012. Our Group has filed with the competent authority regarding the construction plan of infrastructure such as factory and office building for our Hefei project, but we have yet to undergo procedures regarding land use, environmental protection, construction planning, etc. The Zhengzhou project is still in a preliminary stage and our Group is in the process of setting up a company in Zhengzhou, Henan Province, the PRC to undertake this project.

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The following table sets forth, among others, the details of our expansion plan, estimated total investment up to the Latest Practicable Date and sources of funding:

| Details of expansion plan | Status of expansion | Date of expected commencement of production | Total investment up to the Latest Practicable Date | Expected time of completion of payment | Estimated total investment (RMB) and sources of funding |
|--|---|---|--|--|---|
| To establish a production plant in Zhengzhou, the PRC, to engage in the manufacturing of paper-based packaging products and the printing of decorative packaging products. | Our Group is in the course of obtaining the regulatory approval and shall apply to the competent authorities for all the applicable licences and permits in due course. Construction is expected to commence in the second quarter of 2011. | Fourth quarter of 2011 | Nil | By the third quarter of 2012 | RMB133,300,000; Net proceeds from the Global Offering and working capital |
| To establish a production plant in Hefei, the PRC, to engage in the manufacturing of paper-based packaging products and the printing of decorative packaging products. | Zheng Ye Packaging (He Fei) was established in the PRC on 10 September 2010. Our Group shall apply to the competent authorities for all the applicable licences and permits in due course. Construction is expected to commence in the second quarter of 2011. | First quarter of 2012 | RMB6,750,000 | By the first quarter of 2013 | RMB122,300,000; Net proceeds from the Global Offering and working capital |

SUMMARY OF FINANCIAL INFORMATION

The selected summary information of our combined statements of comprehensive income and combined statements of financial information for the years ended 31 December 2007, 2008 and 2009 and the nine months ended 30 September 2009 and 2010 and the selected summary information of our combined balance sheets as at 31 December 2007, 2008 and 2009 and 30 September 2010 were extracted from our combined financial information included in the accountant's report of our Company set out in Appendix I to this prospectus. You should read the entire financial information, including the notes thereto, included in Appendix I to this prospectus for more details.

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The table below sets forth the summary information of our combined statements of comprehensive income for the three years ended 31 December 2007, 2008 and 2009 and the nine months ended 30 September 2009 and 2010:

Combined statements of comprehensive income

| | Year ended 31 December | | | Nine months ended 30 September | |
|--|------------------------|------------------|------------------|-----------------------------------|------------------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | | | | (unaudited) | |
| Revenue | 687,545 | 836,409 | 743,351 | 531,566 | 758,161 |
| Cost of sales | <u>(566,486)</u> | <u>(733,530)</u> | <u>(604,273)</u> | <u>(428,314)</u> | <u>(619,059)</u> |
| Gross profit | 121,059 | 102,879 | 139,078 | 103,252 | 139,102 |
| Other income | 11,056 | 5,610 | 6,528 | 4,834 | 4,803 |
| Other gains and losses | (179) | 2,208 | (894) | (16) | 12,835 |
| Distribution and selling expenses | (17,362) | (20,130) | (20,504) | (14,666) | (17,109) |
| Administrative and other expenses | (36,538) | (42,424) | (38,877) | (27,503) | (42,353) |
| Finance costs | <u>(10,520)</u> | <u>(17,860)</u> | <u>(13,062)</u> | <u>(9,715)</u> | <u>(11,940)</u> |
| Profit before tax | 67,516 | 30,283 | 72,269 | 56,186 | 85,338 |
| Income tax expense | <u>(7,181)</u> | <u>(5,817)</u> | <u>(10,005)</u> | <u>(7,546)</u> | <u>(13,883)</u> |
| Profit and total comprehensive income for the year/period | <u>60,335</u> | <u>24,466</u> | <u>62,264</u> | <u>48,640</u> | <u>71,455</u> |
| Earnings per share | | | | | |
| Basic (<i>RMB</i>) | <u>0.16</u> | <u>0.07</u> | <u>0.17</u> | <u>0.13</u> | <u>0.19</u> |

The table below sets forth the summary information of our combined balance sheets as at 31 December 2007, 2008 and 2009 and 30 September 2010:

Combined statements of financial position

| | As at 31 December | | | As at |
|---------------------------------------|-------------------|----------------|----------------|----------------------|
| | 2007 | 2008 | 2009 | 30 September 2010 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Non-current assets | 239,486 | 280,794 | 289,577 | 354,188 |
| Current assets | 504,314 | 487,449 | 599,549 | 788,109 |
| Current liabilities | 478,859 | 491,776 | 559,200 | 798,075 |
| Net current assets (liabilities) | 25,455 | (4,327) | 40,349 | (9,966) |
| Total assets less current liabilities | 264,941 | 276,467 | 329,926 | 344,222 |
| Non-current liabilities | 13,293 | 10,692 | 15,431 | 15,994 |
| Total equity | 251,648 | 265,775 | 314,495 | 328,228 |

Our Results of Operations

The revenue generated from our paper-based packaging products accounted for approximately 43.3%, 44.4%, 52.3% and 55.7% of our total revenue for each of the three years ended 31 December 2009 and the nine months ended 30 September 2010, respectively. The average selling price per sq.m. of our paper-based packaging products was stable and maintained at a range from approximately RMB3.0 per sq.m. to RMB3.5 per sq.m. during the Track Record Period, whereas sales from and

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contribution from the sales of our paper-based packaging products sales increased throughout the Track Record Period, due to our growing emphasis on promoting our paper-based packaging products, increasing demand by customers for such products due to favourable market conditions, as well as our effort in expanding our customer base from focusing on the air-conditioning industry in the past to a wider range of industries, including the household appliance and food condiment industries during the Track Record Period. With the rising portion of revenue generated from the paper-based packaging products, we recorded an increasingly stable overall gross profit margin during the Track Record Period. This is mainly attributable to higher stability in pricing and cost structure of paper-based packaging products segment. On the other hand, as a result of the rising portion of revenue generated from the paper-based packaging products, we may face a risk of longer payment cycle as a result of longer credit period we grant to the customers of our paper-based packaging products. For details, please refer to the section “Financial information — Description of certain components of statements of comprehensive income — Revenue — Paper-based packaging products” in this prospectus.

The revenue generated from our corrugated medium paper accounted for approximately 56.7%, 55.6%, 47.7% and 44.3% of our total revenue for each of the three years ended 31 December 2009 and the nine months ended 30 September 2010, respectively. Our Group prioritises the internal supply of corrugated medium paper for the production of our paper-based packaging products with a view to ensuring product quality. We only consumed approximately 1%, 24%, 10% and 4% of corrugated medium paper from third parties for each of the three years ended 31 December 2009 and the nine months ended 30 September 2010, respectively. Thus, Yong Fa Paper plays an important part in our integrated operations by satisfying the operation needs of Zheng Ye Packaging (Zhongshan) and Zheng Ye Packaging (Zhuhai) and generating stable revenue to our Group by selling its quality corrugated medium paper to third parties. For the same period, after the internal consumption of corrugated medium paper for our own production of paper-based packaging products, approximately 85%, 87%, 78% and 78% of our corrugated medium paper was sold to third parties. While the sales volume was growing steadily during the Track Record Period, the average selling price per tonne of our corrugated medium paper maintained at a range from approximately RMB1,911 to RMB2,728. For details, please refer to the section “Financial information — Revenue — Corrugated medium paper” in this prospectus.

| | Year ended 31 December | | | Nine months ended 30 September | |
|--------------------------------|------------------------|--------------|--------------|-----------------------------------|--------------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | % | % | % | (unaudited) % | % |
| Gross Profit Margin | | | | | |
| Paper-based packaging products | 18.2% | 18.4% | 21.5% | 22.4% | 18.8% |
| Corrugated medium paper | 17.1% | 7.4% | 15.6% | 16.3% | 17.7% |
| Overall | 17.6% | 12.3% | 18.7% | 19.4% | 18.3% |

Our gross profit for each of the three financial years ended 31 December 2009 and the nine months ended 30 September 2010 was approximately RMB121.1 million, RMB102.9 million, RMB139.1 million and RMB139.1 million, respectively, while our gross profit margin for each of the three financial years ended 31 December 2009 and the nine months ended 30 September 2010 was approximately 17.6%, 12.3%, 18.7% and 18.3%, respectively.

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Our Group's gross profit margin for corrugated medium paper dropped significantly from approximately 17.1% for the year ended 31 December 2007 to approximately 7.4% for the year ended 31 December 2008. As the then prevailing market price of corrugated medium paper dropped significantly in late 2008 after the outburst of the global financial crisis, our Group adjusted the selling price of our corrugated medium paper accordingly. Since the average selling price of our corrugated medium paper after the outburst of the crisis in late 2008 decreased at a greater rate than that of our average purchase cost of waste paper for the year 2008, our gross profit margin decreased.

Throughout the year 2009, our gross profit margin for corrugated medium paper improved significantly due to the gradual improvement in the global economy after the financial crisis. Our Group's gross profit margin for corrugated medium paper then increased from approximately 15.6% to 17.7% for the year ended 31 December 2009 to the nine months ended 30 September 2010. During the same period, the gross profit margin for paper-based packaging products increased to approximately 21.5% for the year ended 31 December 2009 but then decreased to approximately 18.8% for the nine months ended 30 September 2010. The decrease in the gross profit margin of paper-based packaging products was mainly due to the increase in the cost of raw paper during the nine months ended 30 September 2010. For details please refer to the section "Financial information — Description of certain components of statements of comprehensive income — Gross profit and gross profit margin" in this prospectus.

During the three months ended 31 December 2010, our Group's unaudited total revenue was approximately RMB315.7 million, which has grown steadily, on an average total revenue per quarter basis, when compared to the revenue of approximately RMB758.2 million for the nine months ended 30 September 2010. The unaudited revenue of our paper-based packaging products and corrugated medium paper was approximately RMB163.6 million and RMB152.1 million, respectively. The gross profit margin of our Group dropped from approximately 18.3% for the nine months ended 30 September 2010 to approximately 15.3% for the three months ended 31 December 2010 and this drop was mainly due to the decrease in gross profit margin of both our paper-based packaging products and corrugated medium paper, resulting from the increase in average purchasing cost of the waste paper and raw paper of our Group.

As the prevailing market price of waste paper and raw paper is largely determined by market supply and demand, which is affected by the global economic conditions, it is neither a seasonal pattern nor caused by any one-off factors. Based on the experience of our Directors and our management, it is common to experience fluctuations in the purchase cost of waste paper and raw paper during the course of business.

Our Group's net profit margin decreased from approximately 9% for the nine months ended 30 September 2010 to approximately 3% for the three months ended 31 December 2010. Apart from the decrease in our gross profit margin as discussed above, there was a decrease in other gains and an increase in administrative expenses during the three months ended 31 December 2010, mainly attributable to (i) our Group recorded a one-off gain on the disposal of property plant and equipment of approximately RMB13.8 million made during the nine months ended 30 September 2010, and (ii) the listing expenses, which was non-recurring in nature, amounted to approximately RMB6.2 million was recognized for the three months ended 31 December 2010, as compared to the amount of approximately RMB5.1 million recognised in listing expenses for the nine months ended 30 September 2010.

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As the decline in the net profit margin of our Group is, to a large extent, due to factors that are non-recurring in nature, our Directors are of the view that the operation of our Group was not materially adversely affected. Accordingly, our Directors have confirmed that there have been no material adverse changes in our financial and trading position or prospects since 30 September 2010 and during the three months ended 31 December 2010.

Our Directors are not aware that the changes in the average selling price of our products and average purchase cost of the raw materials since December 2010 up to the Latest Practicable Date had material adverse impact on our Group's gross profit margin.

We had net current liabilities of approximately RMB4.3 million and RMB10.0 million as at 31 December 2008 and 30 September 2010, respectively. Our net current liabilities positions were principally attributed to the utilisation of short-term bank borrowings from licensed banks in the PRC to finance our business operations and capital expenditure for the respective financial periods. For details, please refer to the section "Financial information — Liquidity, financial resources and capital structure" in this prospectus.

Our Directors have confirmed that as at 31 December 2010, our Group remained at a net current liabilities position which was mainly due to a decrease in our bank and cash balances after 30 September 2010 resulting from the distribution of dividend to our major Shareholders during the three months ended 31 December 2010.

Our Directors have confirmed that there have been no material adverse changes in the financial and trading position or prospects of our Group since 30 September 2010 and up to the date of this prospectus.

The Company shall publish its result announcement for the financial year ended 31 December 2010 by no later than 31 March 2011 in compliance with Rule 13.49(1)(ii) of the Listing Rules (the expected date of publication is 31 March 2011).

LEGAL AND REGULATORY MATTERS

We breached certain laws and regulations inadvertently during the Track Record Period of different nature, including failure to arrange our properties for proper procedural check by the relevant government authorities, failure to provide housing provident fund for certain employees and delayed in making capital contribution in certain PRC subsidiaries within the required time frame. As at the Latest Practicable Date, we had taken remedial actions to rectify the non-compliance incidents. For details of such non-compliance incidents, remedial actions taken and status, please refer to the section headed "Business — Legal and regulatory matters" in this prospectus.

PRC GOVERNMENT'S INITIATIVES TO ENCOURAGE SPENDING ON HOUSEHOLD APPLIANCES

Due to strong personal disposable income growth and rising living standards in the PRC, it is expected that the demand for "white goods" in terms of quality and value will continue to rise. Moreover, with the implementation of the Rural Appliance Rebate Program which encourages spending on household appliances, it is expected that the overall sales of household appliances shall continue to increase. Our Directors believe that such initiative to encourage spending on household appliances could stimulate the demand for household appliances, which would increase the demand of our paper-based packaging products by our customers, which include major manufacturers of

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household appliances. Sales of approximately RMB193.3 million, RMB252.9 million, RMB268.1 million and RMB333.8 million, representing approximately 65%, 68%, 69% and 79% of our revenue from the paper-based packaging product segment was derived from household appliances manufacturers for the three years ended 31 December 2009 and nine months ended 30 September 2010, respectively, and which accounted for approximately 28%, 30%, 36% and 44% of our total revenue for the same period. The Rural Appliance Rebate Program will expire on 30 November 2012 and another state policy, the Change of the Old for New Program, will expire on 31 December 2011. In addition, social advocacy of environmental protection would also fuel the demand for more environmentally friendly packaging. In particular, our Directors believe that the recent trend to fully replace the use of foam and plastic in packaging has induced the demand for alternative packaging materials (such as corrugated medium paper) and alternative packaging products (including corrugated paperboards and cartons), which in turn accelerates the growth potential for our paper-based packaging products. According to the Packaging Report, as the development of the PRC packaging industry and the consumer demand are highly correlated, it is expected that there will be an enormous growth potential at a CAGR of approximately 14.9% in the corrugating carton packaging industry in the PRC for the next three years.

Our Directors believe that our Group is competitive and well positioned in the paper-based packaging industry to capture the anticipated growth in the demand in the PRC for quality corrugated medium paper and paper-based packaging products, which are used to substitute traditional packaging materials such as foam and plastic materials that are generally considered to cause unfavourable effects on the environment, given that (i) our Group focuses on serving large scale household appliances enterprises with paper-based packaging products with strong emphasis on packaging design and products development which can substitute traditional packaging materials; (ii) our long-term relationship with our major customers (many of which are reputable brand-name holders in the PRC); (iii) our highly automated production lines and stringent quality control measures; (iv) our own capability to produce high quality corrugated medium paper to ensure the stable supply and quality of critical raw materials for our Group's packaging business; and (v) our professional and experienced management team with in-depth knowledge in the industry.

PROPOSED USE OF NET PROCEEDS

Our Directors intend to apply the net proceeds from the Global Offering to finance our capital expenditure and business expansion, strengthen our capital base and improve our overall financial position. Based on the Offer Price of HK\$1.68 (being the mid-point of the indicative Offer Price range between HK\$1.43 and HK\$1.93), the net proceeds from the Global Offering, assuming the Over-allotment Option is not exercised, and after deduction of underwriting commission and estimated expenses payable by us in relation to the Global Offering, are estimated to be approximately HK\$175.5 million. Our Directors currently intend to apply such net proceeds from the Global Offering as follows:

- approximately HK\$61.4 million (equivalent to approximately 35% of our total estimated net proceeds) on setting up the manufacturing facilities in our new production base in Hefei, the PRC;
- approximately HK\$52.7 million (equivalent to approximately 30% of our total estimated net proceeds) on setting up the manufacturing facilities in our new production base in Zhengzhou, the PRC;
- approximately HK\$31.6 million (equivalent to approximately 18% of our total estimated net proceeds) on upgrading our production facilities;

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- approximately HK\$8.8 million (equivalent to approximately 5% of our total estimated net proceeds) on research and development;
- approximately HK\$3.5 million (equivalent to approximately 2% of our total estimated net proceeds) on upgrading our ERP system;
- approximately HK\$17.5 million (equivalent to approximately 10% of our total estimated net proceeds) for general working capital purposes.

We intend to apply the net proceeds for the above usages as soon as the funds are available.

In the event that the Offer Price is finally determined at the highest end of the indicative Offer Price range, the net proceeds from the Global Offering will increase by approximately HK\$30.2 million. Our Directors intend to apply such additional net proceeds for the above usages in the proportions as referred to above.

If the Offer Price is finally determined at the lowest end of the indicative Offer Price range, the net proceeds from the Global Offering will reduce by approximately HK\$30.2 million. In such event, our Directors intend to reduce the intended use of proceeds for the above stated purposes on pro-rata basis and we will finance such shortfall by internal cash resources and/or additional bank borrowings, as and when appropriate.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase to approximately HK\$205.9 million, assuming an Offer Price of HK\$1.68 per Offer Share, being the mid-point of the proposed Offer Price range. If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds from the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will increase by approximately HK\$34.7 million or decrease by approximately HK\$34.7 million, respectively. We intend to apply the additional net proceeds to the above uses in the proportion stated above.

To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks and/or authorised financial institutions in Hong Kong and/or the PRC for so long as it is in our best interest. We will also disclose the same in the relevant annual report.

STATISTICS OF THE GLOBAL OFFERING

| | Based on the minimum indicative Offer Price of HK\$1.43 | Based on the maximum indicative Offer Price of HK\$1.93 |
|--|--|--|
| Market capitalisation ⁽¹⁾ | HK\$715.0 million | HK\$965.0 million |
| Prospective price/earnings multiple on a pro forma fully diluted basis ⁽²⁾ | 7.5 times | 10.1 times |
| Pro forma adjusted combined net tangible assets per Share ⁽³⁾ | HK\$1.07 | HK\$1.19 |

SUMMARY

Notes:

- (1) The calculation of market capitalisation is based on 500,000,000 Shares expected to be in issue following the completion of the Global Offering and the Capitalisation Issue, but takes no account of any Shares which may be issued upon exercise of the Over-allotment Option and the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.
- (2) Prospective price/earnings multiple on a pro forma fully diluted basis is calculated based on the unaudited pro forma estimated earnings per Shares at the respective Offer Price of HK\$1.43 per Offer Share and HK\$1.93 per Offer Share.
- (3) The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after making the adjustments set forth in the section headed “Unaudited pro forma financial information” in Appendix II to this prospectus and on the basis of a total of 500,000,000 Shares expected to be in issue following the completion of the Global Offering and the Capitalisation Issue, but takes no account of any Shares which may be issued upon exercise of the Over-allotment Option and the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

If the Over-allotment Option is exercised in full, the number of Shares in issue will increase by 18,750,000 Shares (without taking into account any Shares that may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme).

PROFIT ESTIMATE FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

Estimated combined net profit attributable to
equity holders of our Company
for the year ended 31 December 2010 ⁽¹⁾ Not less than HK\$95.2 million or
RMB80.0 million

Unaudited pro forma estimated earnings per Share
for the year ended 31 December 2010⁽²⁾ Not less than HK\$0.19 or RMB0.16

Notes:

- (1) The bases on which the above profit estimate has been prepared are set out in the section headed “Profit estimate for the financial year ended 31 December 2010” in Appendix III to this prospectus. Our Directors have prepared the estimated combined profit attributable to equity holders of our Company for the year ended 31 December 2010 based on the audited combined results of our Group for the nine months ended 30 September 2010 and the unaudited combined results of our Group based on management accounts of the Group for the three months ended 31 December 2010. The estimate has been prepared based on accounting policies consistent in all material respects with those adopted by our Group as summarised in the accountant’s report of the financial information on the Group for the three years ended 31 December 2009 and the nine months ended 30 September 2010, the text of which is set out in Appendix I to this prospectus.
- (2) The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated combined profit attributable to equity holders of our Company for the year ended 31 December 2010 and on the basis that 500,000,000 Shares are issued and outstanding during the entire period, assuming that the Global Offering had been completed on 1 January 2010. This calculation takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option and the options granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate or the repurchase mandate as described in the section headed “Share capital” in this prospectus.