

OVERVIEW

We are principally engaged in the production of paper-based packaging products and corrugated medium paper as well as recycling waste paper, through our six operating subsidiaries established in the PRC, namely, Yong Fa Paper, Zheng Ye Packaging (Zhongshan), Zheng Ye Packaging (Zhuhai), Zheng Ye Alliance Packaging, Zhong Tang Recycling and Zheng Ye Packaging (He Fei).

Prior to the Listing, our Group underwent the Reorganisation, the major steps of which are summaries below:

- (a) On 15 July 2010, Yong Fa Paper acquired 40% and 60% of the equity interest of Zhong Tang Recycling from Mr. Hu Hanchao, an executive Director and Zheng Ye Group respectively by reference to the net assets value at the consideration of RMB523,000 and RMB785,000, respectively. Since then, Zhong Tang Recycling has become a wholly-owned subsidiary of Yong Fa Paper.
- (b) On 18 August 2010, Yong Fa Paper and Zhong Tang Shi Ye entered into a merger agreement (合併協議) for the merger by absorption of Zhong Tang Shi Ye by Yong Fa Paper. As Yong Fa Paper and Zhong Tang Shi Ye were both wholly owned by Zheng Ye International immediately prior to completion of the merger by absorption, no consideration was paid by either party for the merger as it was a merger by absorption between two wholly owned subsidiaries of Zheng Ye International. Following completion of the necessary procedures and notification requirements, the relevant PRC authorities gave their final approval to the merger by absorption on 14 October 2010 and Zhong Tang Shi Ye was de-registered on 28 October 2010. The merger by absorption became effective on 28 October 2010 upon issuance of the fresh business licence of Yong Fa Paper and as a result of the merger by absorption, Yong Fa Paper (as the surviving company after the merger by absorption) succeeds to the entire assets, business, rights as creditors, interests, rights, debts, liabilities and obligations of Zhong Tang Shi Ye in accordance with the merger agreement (合併協議) and the Company Law of the PRC. As advised by our legal advisers as to PRC law, our Directors confirmed that the de-registration of Zhong Tang Shi Ye had not resulted in any liability or obligation being imposed against any Director or our senior management.
- (c) On 21 September 2010, Zheng Ye International acquired 51% of the equity interest of Zheng Ye Alliance Packaging (equivalent to RMB5,100,000) from Zheng Ye Group at a consideration of RMB5,100,000 equivalent to the amount of the registered capital transferred. Since then, Zheng Ye Alliance Packaging has become a wholly-owned subsidiary of Zheng Ye International.
- (d)
 - (i) Zheng Ye (BVI) was incorporated on 5 July 2010 in BVI as a BVI business company with 50,000 authorised shares of US\$1.00 each.
 - (ii) On 30 September 2010, an aggregate of 1,000 shares of US\$1.00 each were allotted and issued as fully paid at par by Zheng Ye (BVI), as to 510 shares to Hu Zheng Investment, 250 shares to Hu Hancheng Investment, 200 shares to Hu Hanchao Investment and 40 shares to Hu Hanxiang Investment.

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- (iii) On 31 January 2011, Zheng Ye (BVI) became the intermediate holding company of our Group through its acquisition of 30% and 70% of the entire issued share capital of Zheng Ye International from Mr. Hu Hanchao and Mr. Hu Zheng respectively, in consideration of and in exchange for which Zheng Ye (BVI) allotted and issued, credited as fully paid, an aggregate of 9,000 shares of US\$1.00 each in its capital, at the direction of Mr. Hu Zheng and Mr. Hu Hanchao, as to 4,590 shares to Hu Zheng Investment, 2,250 shares to Hu Hancheng Investment, 1,800 shares to Hu Hanchao Investment and 360 shares to Hu Hanxiang Investment.

- (e) (i) On 18 August 2010, our Company was incorporated in Bermuda under the Companies Act as an exempted company with an authorised share capital of HK\$200,000 divided into 2,000,000 Shares. On 1 September 2010, one Share was allotted and issued, nil paid, to Mr. Hu Zheng.

- (ii) On 4 March 2011, our Company became the ultimate holding company of our Group through its acquisition of 51%, 25%, 20% and 4% of the entire issued share capital of Zheng Ye (BVI) from Hu Zheng Investment, Hu Hancheng Investment, Hu Hanchao Investment and Hu Hanxiang Investment respectively, in consideration of and in exchange for which our Company (aa) allotted and issued, credited as fully paid, an aggregate of 1,999,999 new Shares, as to 1,019,999 Shares to Hu Zheng Investment, 500,000 Shares to Hu Hancheng Investment, 400,000 Shares to Hu Hanchao Investment and 80,000 Shares to Hu Hanxiang Investment; and (bb) credited as fully paid at par one nil paid Share then held by Mr. Hu Zheng. On the same day, Mr. Hu Zheng transferred his one Share to Hu Zheng Investment at nil consideration.

OUR CORPORATE HISTORY

Our business started when our first subsidiary, Zheng Ye International, incorporated in Hong Kong in 1999, and commenced its business of waste paper trading from 2002. Seeing the growth potential in paper-packaging business, we established Zheng Ye Packaging (Zhongshan) and Yong Fa Paper in Zhongshan, Guangdong Province, the PRC in 2003 to commence the business of manufacturing of paper-based packaging products and manufacturing and sales of corrugated medium paper, respectively. Later in 2005, we expanded our production base for the manufacturing of paper-based packaging products by setting up Zheng Ye Packaging (Zhuhai) in Zhuhai, the PRC. As part of the Reorganisation Zheng Ye International acquired 51% interest of Zheng Ye Alliance Packaging from Zheng Ye Group and Yong Fa Paper acquired 100% interest in Zhong Tang Recycling from Zheng Ye Group and Mr. Hu Hanchao in 2010 and Zheng Ye Alliance Packaging and Zhong Tang Recycling became our wholly owned subsidiaries. In order to capture the business opportunities in Hefei, Anhui Province, the PRC where it is expected to become a growing hub for household appliance industry, we set up Zheng Ye Packaging (He Fei) and commenced the establishment of our new production base in Hefei in 2010.

As part of the Reorganisation and to achieve the centralization of and facilitate our paper making operation, we entered into a merger agreement with Zhong Tang Shi Ye, a company which was wholly owned by Zheng Ye International immediately prior to the completion of merger by absorption, for the merger by absorption of Zhong Tang Shi Ye by Yong Fa Paper as more particularly described in the sub-paragraph headed “Yong Fa Paper” below.

CORPORATE HISTORY, DEVELOPMENT AND REORGANISATION

During the Track Record Period, the beneficial interests of our founders, i.e. the Hu Brothers, in our Group were 51% (Mr. Hu Zheng), 25% (Mr. Hu Hancheng), 20% (Mr. Hu Hanchao) and 4% (Mr. Hu Hanxiang) respectively. During the Track Record Period and up to the Latest Practicable Date, the Hu Brothers had not entered into any shareholders agreement among themselves in respect of any members of our Group. The Hu Brothers had been acting in concert (within the meaning of the Takeovers Code) with each other by actively co-operating with the others to obtain or consolidate control of 30% or more of the voting rights of our Group during the Track Record Period and will remain so prior to the Listing. After the Listing, the Hu Brothers will in their respective capacity as our Directors act and discharge their duties as our Directors in the best interests of our Company and our Shareholders as a whole.

Zhong Tang Shi Ye was principally engaged in the manufacturing of paper, paper paperboard and other paper-based products immediately prior to completion of its merger by absorption by Yong Fa Paper. Zhong Tang Shi Ye was a domestic enterprise established in the PRC on 25 December 2000 with limited liability. At the time of its establishment, Zhong Tang Shi Ye had a registered capital of RMB10.0 million, which was owned as to 70% by Zheng Ye Group and 30% by Zhongshan City State-Operated Zhongshan Sugar Factory, being an Independent Third Party. According to the capital verification report issued by 中山市成諾會計師事務所 (Zhongshan Promise Certified Public Accountants*) dated 25 December 2000, the initial registered capital of RMB10.0 million was fully paid up by Zheng Ye Group as to RMB7.0 million and by Zhongshan City State-Operated Zhongshan Sugar Factory as to RMB3.0 million, in proportion to their respective percentage equity holding in Zhong Tang Shi Ye. On 15 December 2005, Zhongshan City State-Operated Zhongshan Sugar Factory entered into an equity transfer agreement with Zheng Ye Group to transfer all of its 30% equity interest in Zhong Tang Shi Ye to Zheng Ye Group or such company as designated by it by reference to the net assets value at a consideration of RMB10.0 million. Following completion of the said transfer upon issuance of the fresh business licence of Zhong Tang Shi Ye in January 2006, Zhong Tang Shi Ye became owned as to 70% by Zheng Ye Group and as to the remaining 30% by Zhong Fa Equipment. On 22 May 2006, Zhong Fa Equipment entered into an equity transfer agreement with Zheng Ye International to transfer all of its 30% equity interest in Zhong Tang Shi Ye to Zheng Ye International by reference to the net assets value at a premium of about 9% at a consideration of RMB6.0 million. Following completion of the said transfer upon issuance of the fresh business licence of Zhong Tang Shi Ye on 18 August 2006, Zhong Tang Shi Ye became owned as to 70% by Zheng Ye Group and as to the remaining 30% by Zheng Ye International. On 28 June 2010, Zheng Ye Group entered into an equity transfer agreement with Zheng Ye International to transfer all of its 70% equity interest in Zhong Tang Shi Ye by reference to the net assets value after deducting all accumulated profits at a consideration of RMB16.0 million. Following completion of the said transfer upon issuance of the fresh business licence of Zhong Tang Shi Ye on 8 September 2010 and prior to its de-registration after the merger by absorption as disclosed in sub-paragraph headed “Yong Fa Paper” below, Zhong Tang Shi Ye had been wholly owned by Zheng Ye International.

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Apart from the equity interest transactions in the preceding paragraph, we set out below the detailed corporate history and shareholding changes of the members of our Group:

Yong Fa Paper

Yong Fa Paper is engaged in the manufacturing and sales of paper and paperboard. It was established on 26 November 2003 initially as a sino-foreign equity joint venture in the PRC. At the time of its establishment, Yong Fa Paper had a registered capital of HK\$6.0 million, and was owned as to 90% by Zheng Ye International and as to 10% by Zhong Fa Equipment. According to the capital verification report issued by 中山通力會計師事務所有限公司 (Zhongshan Tongli Certified Public Accountants Limited Company*) dated 28 March 2004, the initial registered capital of HK\$6.0 million was fully paid up by Zheng Ye International as to HK\$5.4 million and by Zhong Fa Equipment as to HK\$0.6 million, in proportion to their respective percentage equity holding in Yong Fa Paper.

On 30 July 2007, Yong Fa Paper increased its registered capital from HK\$6.0 million to HK\$20.0 million. According to the capital verification report issued by 中山同力會計師事務所有限公司 (Zhongshan Tongli Certified Public Accountants Limited Company*) dated 11 July 2007, the additional registered capital in such increase was contributed as to RMB12,276,180 (which approximated to HK\$12.6 million) and RMB1,364,020 (which approximated to HK\$1.4 million) in the form of contribution by the undistributed profits of Yong Fa Paper respectively by Zheng Ye International and Zhong Fa Equipment. Following the increase in capital, Yong Fa Paper remained to be 90% owned by Zheng Ye International and 10% owned by Zhong Fa Equipment.

On 8 December 2007, Zhong Fa Equipment entered into an equity transfer agreement with Zheng Ye International to transfer all of its 10% equity interest in Yong Fa Paper to Zheng Ye International by reference to the net assets value at a premium of approximately 1.8% at a consideration of HK\$12.8 million. Following completion of the said transfer upon issuance of the fresh business licence of Yong Fa Paper on 7 January 2008, Yong Fa Paper became wholly owned by Zheng Ye International as a wholly foreign-owned enterprise.

As part of the Reorganisation, Yong Fa Paper and Zhong Tang Shi Ye entered into a merger agreement (合併協議) on 18 August 2010 for the merger by absorption of Zhong Tang Shi Ye by Yong Fa Paper. As Yong Fa Paper and Zhong Tang Shi Ye were both wholly owned by Zheng Ye International immediately prior to completion of the merger by absorption, no consideration was paid by either party for the merger as it was a merger by absorption between two wholly owned subsidiaries of Zheng Ye International. Following completion of the necessary procedures and notification requirements, the relevant competent authorities in the PRC granted the final approval of the merger by absorption on 14 October 2010 and Zhong Tang Shi Ye was de-registered thereafter on 28 October 2010. The merger by absorption became effective on 28 October 2010 upon issuance of the fresh business licence of Yong Fa Paper and as a result of the merger by absorption, Yong Fa Paper (as the surviving company after the merger by absorption) succeeds to the entire assets, business, rights as creditors, interests, rights, debts, liabilities and obligations of Zhong Tang Shi Ye in accordance with the merger agreement (合併協議) and the Company Law of the PRC. The purpose of the acquisition by Zheng Ye International of 70% of the equity interests in Zhong Tang Shi Ye from Zheng Ye Group followed by the subsequent merger by absorption of Zhong Tang Shi Ye by Yong Fa Paper is to minimise the costs and expenses, including tax expenses, that would otherwise be required for operating and maintaining Zhong Tang Shi Ye as a separate legal entity with minimal assets and operation and to achieve the centralization of the paper making

operation and the supply of heat and electricity for the operation of our Group. As the merger by absorption is an intra-group transaction, and being eliminated, there is no material impact to our Group. As a result of the merger by absorption, Yong Fa Paper has equipped with its own utility plant for heat and electricity co-generation to support its production.

Zheng Ye Packaging (Zhongshan)

Zheng Ye Packaging (Zhongshan) is engaged in the manufacturing and operating of paper-based packaging products, packaging related business and the printing of decorative packaging products. It was established on 25 August 2003 initially as a sino-foreign equity joint venture in the PRC. At the time of its establishment, Zheng Ye Packaging (Zhongshan) had a registered capital of HK\$3.0 million, and was owned as to 90% by Zheng Ye International and as to 10% by Zheng Ye Group. According to the capital verification reports issued by 中山市中信會計師事務所有限公司 (Zhongshan City Zhongxin Certified Public Accountants Co., Ltd.*) dated 15 December 2003 and 10 April 2004 respectively, the initial registered capital of HK\$3.0 million was fully paid up by Zheng Ye International as to HK\$2.7 million and by Zheng Ye Group as to HK\$0.3 million, in proportion to their respective percentage equity holding in Zheng Ye Packaging (Zhongshan).

In May 2004, Zheng Ye Packaging (Zhongshan) increased its registered capital from HK\$3.0 million to HK\$12.0 million, of which, according to the capital verification reports issued by 中山同力會計師事務所有限公司 (Zhongshan Tongli Certified Public Accountants Limited Company*) dated 6 January 2005 and 26 May 2006 respectively, Zheng Ye International contributed an additional sum of HK\$8.1 million and Zheng Ye Group contributed an additional sum of HK\$0.9 million. Immediately after the capital increase, the percentage of equity interest in Zheng Ye Packaging (Zhongshan) of Zheng Ye International and Zheng Ye Group remained unchanged.

On 8 December 2007, Zheng Ye Group entered into an equity transfer agreement with Zheng Ye International to transfer all of its 10% equity interests in Zheng Ye Packaging (Zhongshan) to Zheng Ye International by reference to the net assets value at a premium of approximately 4.9% at a consideration of HK\$10.6 million. Following completion of the said transfer upon issuance of the fresh business licence of Zheng Ye Packaging (Zhongshan) on 31 January 2008, Zheng Ye Packaging (Zhongshan) has become wholly-owned by Zheng Ye International as a wholly foreign-owned enterprise.

Zheng Ye Packaging (Zhuhai)

Zheng Ye Packaging (Zhuhai) is engaged in the manufacturing and sale of paper-based packaging products and related packaging services. It was established on 25 August 2005 initially as a sino-foreign equity joint venture in the PRC. At the time of its establishment, Zheng Ye Packaging (Zhuhai) had a registered capital of HK\$10.0 million, and was owned as to 51% by Zheng Ye Group and 49% by Shing Yip (Hong Kong). According to the capital verification reports issued by 廣東恆信德律會計師事務所有限公司 (Guangdong Hengxin Delu Certified Public Accountants Company Limited*) dated 12 December 2005 and 25 April 2006 respectively, the registered capital of HK\$10.0 million was fully paid up by Zheng Ye Group contributing HK\$5.1 million and by Shing Yip (Hong Kong) contributing HK\$4.9 million.

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On 18 December 2006, Zheng Ye Group entered into an equity transfer agreement with Shing Yip (Hong Kong) pursuant to which Zheng Ye Group transferred its 51% equity interest in Zheng Ye Packaging (Zhuhai) to Shing Yip (Hong Kong) at a consideration of HK\$5.1 million equivalent to the amount of the registered capital transferred. Following completion of the said transfer upon issuance of the fresh business licence of Zheng Ye Packaging (Zhuhai) on 8 March 2007, Zheng Ye Packaging (Zhuhai) has become wholly-owned by Shing Yip (Hong Kong) as a wholly foreign-owned enterprise.

In June 2008, Zheng Ye Packaging (Zhuhai) increased its registered capital from HK\$10.0 million to HK\$10.6 million with the additional capital contribution of HK\$600,000 fully paid by Shing Yip (Hong Kong) in cash. In June 2008, Zheng Ye Packaging (Zhuhai) further increased its registered capital from HK\$10.6 million to HK\$12.0 million. According to the capital verification report issued by 珠海和通泰會計師事務所 (Zhuhai He Tong Tai Certified Public Accountants Firm*) dated 11 June 2008, the additional capital contributions were fully paid into Zheng Ye Packaging (Zhuhai) by Shing Yip (Hong Kong).

Zhong Tang Recycling

Zhong Tang Recycling is engaged in the procurement and wholesale of waste paper. It was established on 16 February 2001. At the time of its establishment, it had a registered capital of RMB500,000 and was owned as to 60% by Mr. Li Guang Kun and as to 40% by Mr. Liu Jian Hang, both being Independent Third Parties. According to the capital verification report issued by 中山市信誠合夥會計師事務所 (Zhongshan City Xincheng Certified Public Accountants Firm*) dated 9 February 2001, the initial registered capital of Zhong Tang Recycling was fully paid up by Mr. Li Guang Kun and Mr. Liu Jian Hang, in proportion to their respective percentage equity holding in Zhong Tang Recycling.

On 19 September 2002, Mr. Li Guang Kun entered into an equity transfer agreement with Mr. Hu Hanchao (one of our executive Directors), pursuant to which Mr. Li Guang Kun transferred his 60% equity interest in Zhong Tang Recycling to Mr. Hu Hanchao at a consideration of RMB300,000 equivalent to the amount of the registered capital transferred. Immediately after completion of the said transfer upon issuance of the fresh business licence of Zhong Tang Recycling on 27 November 2002, Zhong Tang Recycling became owned as to 60% by Mr. Hu Hanchao and 40% by Mr. Liu Jian Hang.

On 28 November 2003, both of Mr. Hu Hanchao and Mr. Liu Jian Hang entered into an equity transfer agreement with Zheng Ye Group, pursuant to which Mr. Hu Hanchao and Mr. Liu Jian Hang transferred 20% and 40% of the equity interest in Zhong Tang Recycling respectively to Zheng Ye Group at the respective consideration of RMB100,000 and RMB200,000 equivalent to the amount of the registered capital transferred. Following completion of the said transfers upon issuance of the fresh business licence of Zhong Tang Recycling on 3 December 2003, Zhong Tang Recycling was owned as to 60% by Zheng Ye Group and 40% by Mr. Hu Hanchao, of which 32% was held by Mr Hu Hanchao on trust for Mr Hu Zheng (as to 20.4%), Mr. Hu Hancheng (as to 10%) and Mr. Hu Hanxiang (as to 1.6%). We are advised by our legal advisers as to PRC law that the trust was not in violation of the PRC laws.

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As part of the Reorganization, both Zheng Ye Group and Mr. Hu Hanchao entered into an equity transfer agreement dated 18 June 2010 with Yong Fa Paper pursuant to which Yong Fa Paper acquired 60% and 40% of the entire registered capital of Zhong Tang Recycling from Zheng Ye Group and Mr. Hu Hanchao respectively at the consideration of RMB785,000 and RMB523,000 respectively. Following completion of the said transfer upon issuance of the fresh business licence of Zhong Tang Recycling on 15 July 2010, Zhong Tang Recycling has become a wholly owned subsidiary of Yong Fa Paper.

Zheng Ye Alliance Packaging

Zheng Ye Alliance Packaging is engaged in the manufacturing and sale of paper-based packaging products and printing of decorative packaging products. It was established in the PRC as a sino-foreign equity joint venture on 21 August 2006 with a registered capital of RMB10.0 million which was contributed as to 49% and 51% by Zheng Ye International and Zheng Ye Group respectively in accordance with their respective percentage equity holdings in Zheng Ye Alliance Packaging.

As part of the Reorganisation, Zheng Ye Group entered into an equity transfer agreement with Zheng Ye International on 28 July 2010, pursuant to which, Zheng Ye Group transferred its 51% interest in the registered capital of Zheng Ye Alliance Packaging (equivalent to RMB5.1 million) to Zheng Ye International at a consideration of RMB5.1 million equivalent to the amount of the registered capital transferred. Following completion of the said transfer upon issuance of the fresh business licence of Zheng Ye Alliance Packaging on 21 September 2010, Zheng Ye Alliance Packaging has become a wholly-owned subsidiary of Zheng Ye International.

Zheng Ye Packaging (He Fei)

Zheng Ye Packaging (He Fei) was established by our Group with a business scope of manufacturing of paper-based packaging products and the printing of decorative packaging products. It was established in the PRC on 10 September 2010 with a registered capital of RMB10.0 million which was contributed as to 100% by Zheng Ye Packaging (Zhongshan).

Legality of the Reorganisation

Pursuant to 關於外國投資者併購境內企業的規定 (Regulations on the Merger with and Acquisitions of Domestic Enterprises by Foreign Investors*), which were promulgated by six PRC governmental and regulatory agencies, including MOFCOM and the China Securities Regulatory Commission, on 8 August 2006, and became effective on 8 September 2006 (the “**Merger and Acquisition Regulations**”), an offshore special purpose vehicle formed for listing purposes and controlled, directly or indirectly, by PRC companies or individuals, shall be required to obtain approval from the China Securities Regulatory Commission prior to the listing and trading of the securities of such offshore special purpose vehicle on an overseas stock exchange.

As advised by our legal advisers as to PRC law, the foreign-invested enterprises among our subsidiaries in the PRC were all set up by way of newly establishment as foreign-invested enterprises (as opposed to formation by way of merger) before 8 September 2006 and accordingly, the Merger and Acquisition Regulations are not applicable to the establishment of these subsidiaries. In addition, our legal advisers as to PRC law also advised that, our subsidiaries in the PRC are not subject to the Merger and Acquisition Regulations as there is no such acquisition of domestic enterprises by foreign investors, as defined in the Merger and Acquisition Regulations, involved in

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their reorganisation and neither our Company nor any of our indirect subsidiaries in the PRC is required to obtain approvals or permits from any relevant PRC government authorities or departments (MOFCOM), China Securities Regulatory Commission, etc.) or complete any other legal procedures, or register with any other PRC government authorities or departments for the purpose of the Reorganisation and the Listing.

In addition to rules and regulations of the PRC to which our PRC subsidiaries are subject, each of Hu Brothers is required under 關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知 (Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration on Domestic Residents' Fund-raising and Round-trip Investment via Overseas Special Purpose Companies*) (the "Notice") promulgated by SAFE on 21 October 2005 and effective as of 1 November 2005 to apply to relevant foreign exchange administration authorities for foreign exchange registration of overseas investment before they set up or control our Company and its associated overseas companies. Our legal advisers as to PRC law have confirmed that each of Hu Brothers had submitted the relevant applications to the local foreign exchange administration department as required by the Notice.

All the steps involved in the Reorganisation regarding our subsidiaries in the PRC comply with applicable laws and regulations, and all necessary approvals from PRC regulatory authorities required to implement such steps have been obtained.

Zheng Ye International and Shing Yip (Hong Kong)

Both Zheng Ye International and Shing Yip (Hong Kong) are limited liability companies incorporated in Hong Kong.

Zheng Ye International was incorporated on 5 February 1999 in Hong Kong with an authorised share capital of HK\$10,000 divided into 100 shares of HK\$100 each, of which two issued shares of HK\$100 each were allotted and issued upon its incorporation as to one share to each of Mr. Lau Hin and Mr. Hu Zheng. The one share in Zheng Ye International registered in the name of Mr. Lau Hin was held by him upon trust as to 2%, 8%, 40% and 50% for Mr. Hu Zheng, Mr. Hu Hanxiang, Mr. Hu Hanchao and Mr. Hu Hancheng respectively until its transfer to Mr. Hu Hanchao on 31 December 2002 whereupon Mr. Hu Hanchao is holding the one share in Zheng Ye International upon trust as to 2%, 8% and 50% for Mr. Hu Zheng, Mr. Hu Hanxiang and Mr. Hu Hancheng respectively. In September 2004, Zheng Ye International issued and allotted an additional 98 new shares of HK\$100 each, as to 69 shares to Mr. Hu Zheng and 29 shares to Mr. Hu Hanchao. Of the 69 new shares that were issued and allotted to Mr. Hu Zheng, 1902/6900 of which were held by Mr. Hu Zheng upon trust for Mr. Hu Hancheng. Of the 29 new shares that were issued and allotted to Mr. Hu Hanchao, 548/2900 and 392/2900 of which were held by Mr. Hu Hanchao upon trust for Mr. Hu Hancheng and Mr. Hu Hanxiang respectively. Immediately following the issue and allotment of the 98 new shares and by reason of the trusts, the 100 issued shares in the capital of Zheng Ye International were beneficially owned as to 51%, 25%, 20% and 4% by Mr. Hu Zheng, Mr. Hu Hancheng, Mr. Hu Hanchao and Mr. Hu Hanxiang respectively. Pursuant to the Reorganisation, Zheng Ye International has become a wholly owned subsidiary of Zheng Ye (BVI) and an indirect wholly owned subsidiary of our Company through a share swap as more particularly described in the paragraph headed "Further information about our Company and our subsidiaries — 4. Group Reorganisation" in Appendix VI to this prospectus. At the time of incorporation of Zheng Ye International in 1999, companies incorporated in Hong Kong under the Companies Ordinance were required to have at least two shareholders and this statutory requirement of a minimum of two shareholders was reduced to one on 13 February 2004. In order to comply with this statutory requirement at the relevant times and to accord with the beneficial interests of the Hu Brothers in

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Zheng Ye International, Zheng Ye International was registered with two shareholders with the trust arrangements in place in respect of the issued shares in Zheng Ye International. As the two-shareholder structure and the trust arrangements had been implemented for almost five years since the incorporation of Zheng Ye International, they were continued to be implemented in respect of the allotment and issue of the 98 new shares of Zheng Ye International in September 2004 notwithstanding that the two-shareholder requirement was no longer applicable under the Companies Ordinance at that time. We are advised by our legal advisers as to Hong Kong law that the trust arrangements were valid under the Hong Kong law.

Zheng Ye International was initially set up to engage in waste paper trading. With a view to centralising the operations in the PRC, the paper trading operations of Zheng Ye International has in recent years been gradually taken up by our other subsidiaries, namely, Yong Fa Paper and Zhong Tang Recycling, in the PRC and Zheng Ye International has been acting as an investment holding company of our Group.

Shing Yip (Hong Kong) was incorporated on 6 May 2005 in Hong Kong with a registered share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each, of which 10,000 issued shares of HK\$1 each were allotted and issued upon its incorporation as to 5,100 shares to Mr. Hu Hancheng and 4,900 shares to Mr. Zhang Xiao Ming. The 2,600 shares in Shing Yip (Hong Kong) registered in the name of Mr. Hu Hancheng were held by him upon trust as to 200 shares, 400 shares and 2,000 shares for Mr. Hu Zheng, Mr. Hu Hanxiang and Mr. Hu Hanchao respectively. The 4,900 shares in Shing Yip (Hong Kong) registered in the name of Mr. Zhang Xiao Ming were held by him upon trust for Mr. Hu Zheng. Since February 2007, Shing Yip (Hong Kong) has become a wholly owned subsidiary of Zheng Ye International when Zheng Ye International acquired the then entire issue share capital of Shing Yip (Hong Kong) from Mr. Hu Hancheng and Mr. Zhang Xiao Ming. As the two-shareholder structure and trust arrangements had been implemented by the Hu Brothers for almost five years in relation to Zheng Ye International, the Hu Brothers were content with such structure. Shing Yip (Hong Kong) was therefore incorporated with two shareholders and with the said trust arrangements in place notwithstanding that the two-shareholder requirement was no longer applicable under the Companies Ordinance at that time. We are advised by our legal advisers as to Hong Kong law that the trust arrangements were valid under the Hong Kong law.

Shing Yip (Hong Kong) acts as an investment holding company of our Group.

Zheng Ye (BVI)

Zheng Ye (BVI) was incorporated on 5 July 2010 in BVI as a BVI business company with 50,000 authorised shares of US\$1.00 each as the intermediary holding company of our Group.

On 30 September 2010, an aggregate of 1,000 shares of US\$1.00 each were allotted and issued as fully paid at par by Zheng Ye (BVI), as to 510 shares to Hu Zheng Investment, 250 shares to Hu Hancheng Investment, 200 shares to Hu Hanchao Investment and 40 shares to Hu Hanxiang Investment.

On 31 January 2011, Zheng Ye (BVI) became the intermediate holding company of our Group through its acquisition of 30% and 70% of the entire issued share capital of Zheng Ye International from Mr. Hu Hanchao and Mr. Hu Zheng respectively, in consideration of and in exchange for which Zheng Ye (BVI) allotted and issued, credit as fully paid, an aggregate of 9,000 shares of US\$1.00 each in its capital, at the direction of Mr. Hu Zheng and Mr. Hu Hanchao, as to 4,590 shares to Hu Zheng Investment, 2,250 shares to Hu Hancheng Investment, 1,800 shares to Hu Hanchao Investment and 360 shares to Hu Hanxiang Investment.

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Our Company

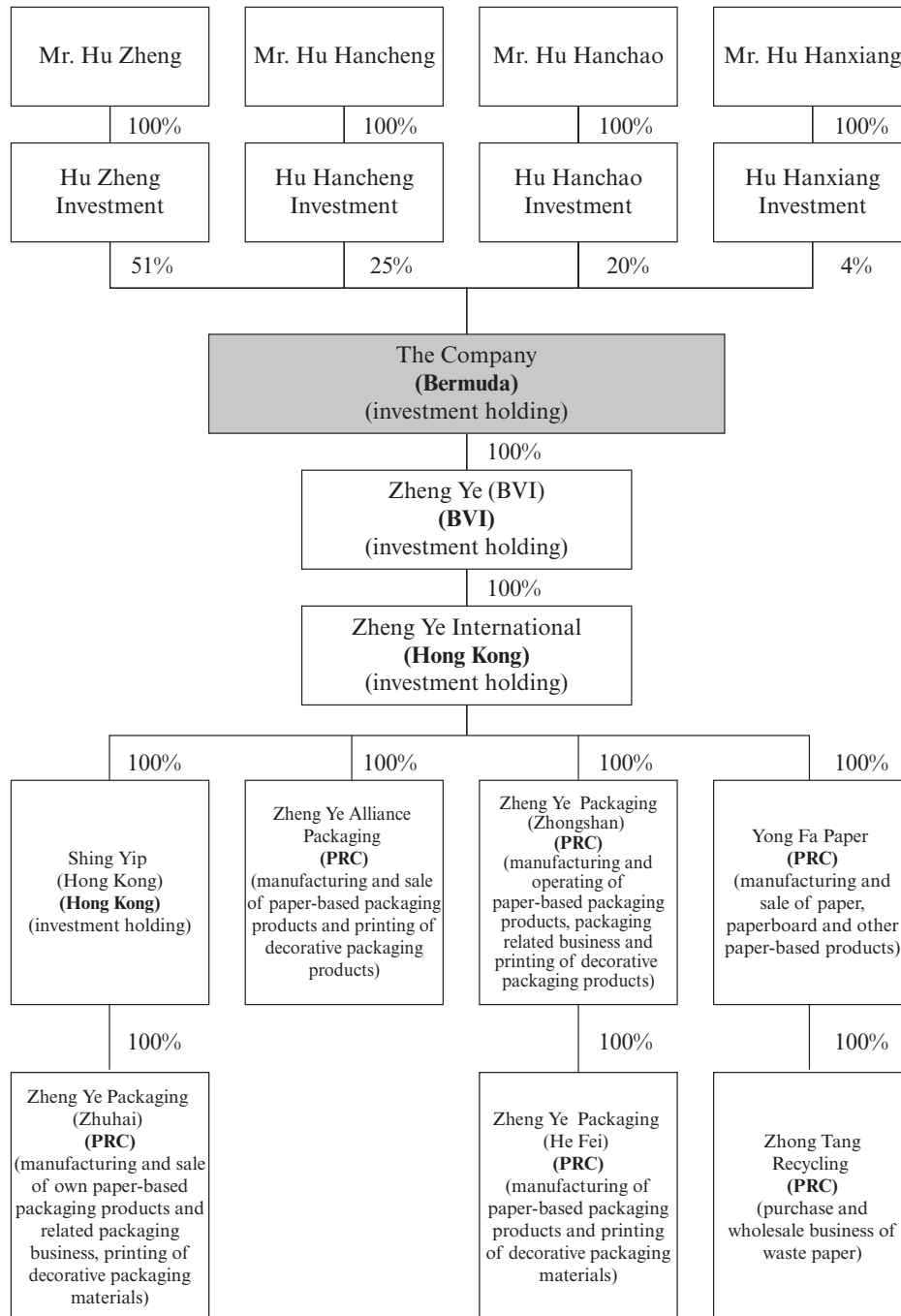
In preparation of the Listing, our Company was incorporated in Bermuda on 18 August 2010 as an exempted company with limited liability. As at the Latest Practicable Date, our Company was held as to 51%, 25%, 20% and 4% by Hu Zheng Investment, Hu Hancheng Investment, Hu Hanchao Investment and Hu Hanxiang Investment respectively, which were in turn wholly-owned by Mr. Hu Zheng, Mr. Hu Hancheng, Mr. Hu Hanchao and Mr. Hu Hanxiang respectively.

As a result of the Reorganisation, our Company, through Zheng Ye (BVI) and Zheng Ye International, became the holding company of our Group. Please refer to the paragraph headed “Overview” above in this section and the paragraph headed “Further information about our Company and our subsidiaries — 4. Group Reorganisation” as set out in Appendix VI to this prospectus for further details of the Reorganisation.

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GROUP STRUCTURE

The shareholding and corporate structure, place of incorporation/establishment and principal business activities of our Group immediately after the completion of the Reorganisation but prior to completion of the Capitalisation Issue and the Global Offering are set out below:



CORPORATE HISTORY, DEVELOPMENT AND REORGANISATION

The shareholding and corporate structure, place of incorporation/establishment and principal activities of our Group immediately following the completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option and any options that may be granted under the Share Option Scheme are not exercised) are set out below:

