

# Annual Report 2011



# GREATVIEW ASEPTIC PACKAGING COMPANY

(Incorporated in the Cayman Islands with limited liability) Stock Code: 0468



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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Mr. BI Hua, Jeff (*CEO*)  
Mr. HONG Gang (*Chairman*)

### Non-Executive Directors

Mr. HILDEBRANDT James Henry  
Mr. ZHU Jia  
Mr. LEE Lap, Danny  
Mr. LEW Kiang Hua  
Ms. SHANG Xiaojun

### Independent Non-Executive Directors

Mr. LUETH Allen Warren  
Mr. BEHRENS Ernst Hermann  
Mr. CHEN Weishu

## JOINT COMPANY SECRETARIES

Mr. CHANG Fuquan  
Ms. MA Sau Kuen Gloria

## AUTHORISED REPRESENTATIVES

Mr. ZHU Jia  
Ms. MA Sau Kuen Gloria

## AUDIT COMMITTEE

Mr. LUETH Allen Warren (*Chairman*)  
Mr. BEHRENS Ernst Hermann  
Mr. CHEN Weishu

## REMUNERATION COMMITTEE

Mr. CHEN Weishu (*Chairman*)  
(Appointed as Chairman on 28 March 2012)  
Mr. ZHU Jia (Resigned as Chairman on 28 March 2012)  
Mr. BI Hua, Jeff  
Mr. LUETH Allen Warren  
Mr. BEHRENS Ernst Hermann

## NOMINATION COMMITTEE

Mr. HONG Gang (*Chairman*) (Appointed on 28 March 2012)  
Mr. BI Hua, Jeff (Resigned on 28 March 2012 )  
Mr. BEHRENS Ernst Hermann  
Mr. CHEN Weishu

## REGISTERED OFFICE

Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

8th Floor, Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

## HEADQUARTERS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

14 Jiuxianqiao Road  
Chaoyang District  
Beijing 100015  
The PRC

## AUDITORS

PricewaterhouseCoopers, *Certified Public Accountants*

## COMPLIANCE ADVISER

TC Capital Asia Limited

## LEGAL ADVISERS

Norton Rose Hong Kong  
Tian Yuan Law Firm

## PRINCIPAL BANKERS

China Construction Bank  
China Merchants Bank  
Industrial and Commercial Bank of China  
DBS Bank (Hong Kong) Limited

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Investor Services Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

## COMPANY WEBSITE

[www.ga-pack.com](http://www.ga-pack.com)  
[www.greatviewpack.com](http://www.greatviewpack.com)

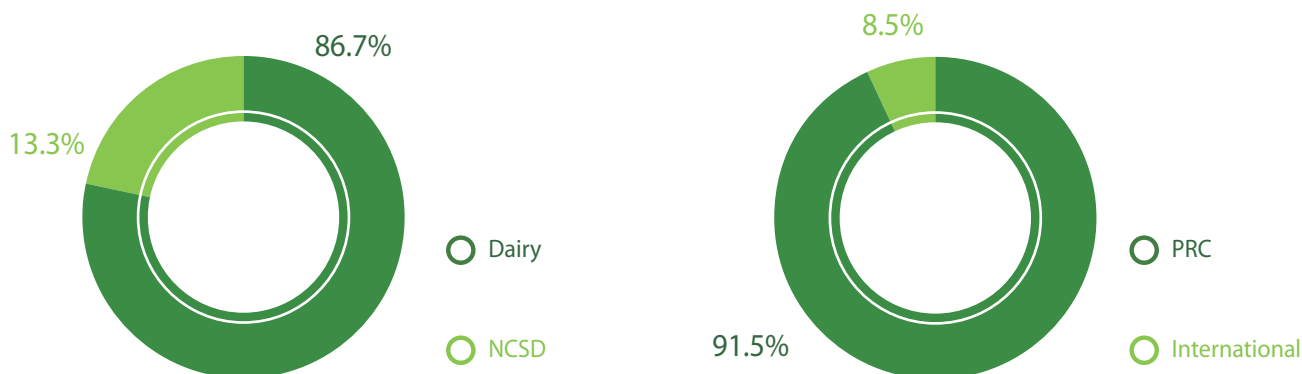


*Choice creates Value*

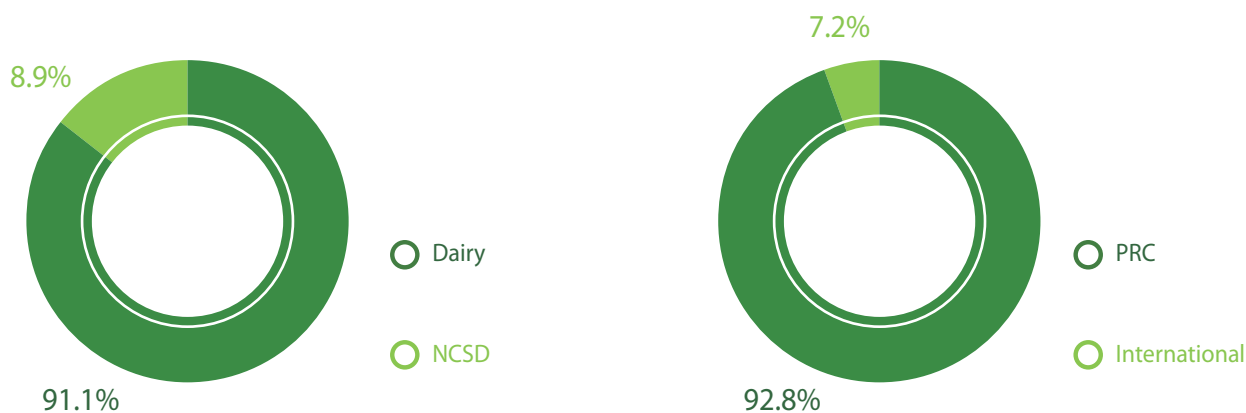
# FINANCIAL SUMMARY

	Year ended 31 December		Percentage %
	2011 RMB million	2010 RMB million	
Revenue	1,574.1	1,160.3	+35.7
Gross profit	475.0	369.1	+28.7
Net profit	263.1	201.2	+30.8
Profit attributable to shareholders	263.1	201.2	+30.8
Earnings per share — basic and diluted (RMB)	0.20	0.18	

## REVENUE ANALYSIS



## PROFIT ANALYSIS



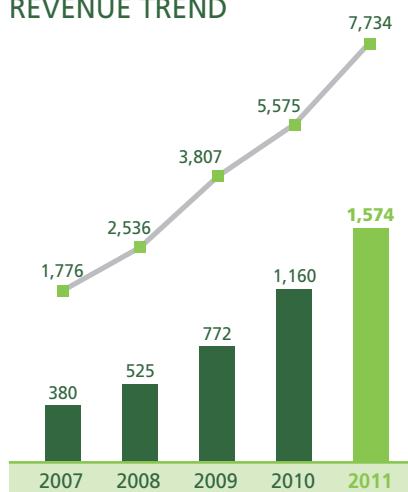
> 35%

Our revenue and volume growth for the year ended 31 December 2011.



# FIVE YEARS FINANCIAL SUMMARY

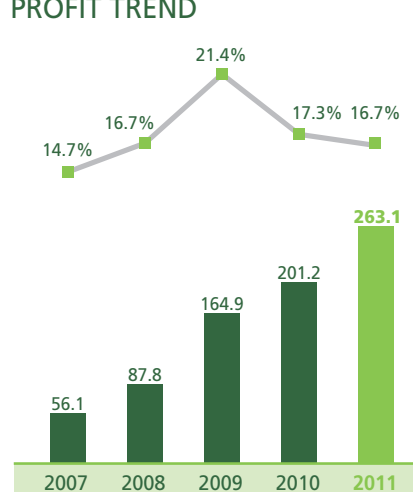
## REVENUE TREND



—■—  
Volume (in million packs)

■ ■  
Revenue  
(in RMB million)

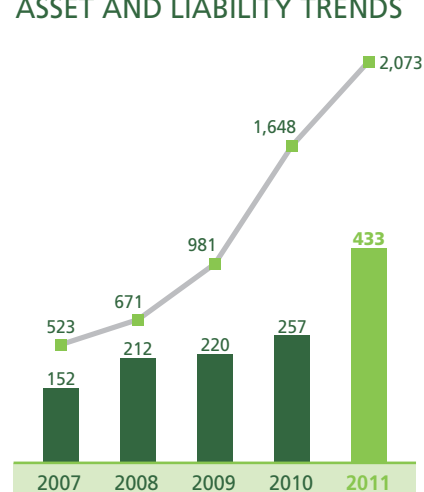
## PROFIT TREND



—■—  
% of Revenue

■ ■  
Net Profit  
(in RMB million)

## ASSET AND LIABILITY TRENDS



—■—  
Total Assets  
(in RMB million)

■ ■  
Total Liabilities  
(in RMB million)

	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000
<b>Assets</b>					
Non-current assets	985,311	569,655	503,522	306,431	310,736
Current assets	1,088,153	1,078,504	477,738	164,173	212,541
<b>Total assets</b>	<b>2,073,464</b>	1,648,159	981,260	670,604	523,277
<b>Liabilities</b>					
Non-current liabilities	46,230	68,374	94,957	10,798	798
Current liabilities	386,955	188,344	125,198	200,989	151,421
<b>Total liabilities</b>	<b>433,185</b>	256,718	220,155	211,787	152,219
<b>Total equity</b>	<b>1,640,279</b>	1,391,441	761,105	458,817	371,058



# CEO'S STATEMENT

Dear shareholders,

**2011 marked the first year as a public company for Greatview Aseptic Packaging Company Limited ("Greatview" or the "Company"). Aimed high, Greatview strives to transform itself in the new operating environment. Facing up to numerous challenges, e.g. volatile economic environment, capital markets' skepticism to Chinese listed companies...I am happy to report that Greatview has fared well.**

Operating results of the Company were encouraging — In both domestic and international markets, Greatview out-grew the industry average significantly. With an after-tax net profit of RMB263 million, we fulfilled our commitments to shareholders with solid performance. We believe in fulfilling commitments, even if that requires unrelenting efforts — the trust we built by standing by our words have always, and will help fuel our rapid growth.

In 2011, with the backdrop of sustaining rapid growth, we set down our goals in transformation: Satisfy human resources requirements that support our rapid growth, and strengthen organisation and governance mechanisms to a true multi-national enterprise. We looked to transform Greatview and the impact is profound — Success in transformation will enhance competitiveness and strengthen growth sustainability, while failure could raise our operational risk. I am pleased to report that human resource initiatives, in staff capability enhancement and succession planning, are being implemented. With respect to our organisation and governance, we successfully migrated from a "Store in the Front, Factory at the back" model to a Multi-entity model. Based on these efforts, Greatview achieved another year of healthy, sustainable development, fulfilled significant volume growth while replicated our technical and management capabilities to our new Inner

Mongolia and Halle factories. "Look ahead, be prepared", are our basis for Greatview's transformation.

In addition, the Düsseldorf court dismissed the patent claim case filed by our competitor at the end of 2011. We see this as recognition of the long-standing efforts of Greatview being a responsible corporate citizen respecting the laws that govern our operating environment.

In 2012, the priority of Greatview and together with its subsidiaries (collectively, our "Group") will be to continue to grow rapidly. We foresee two major areas of development: in our domestic market, we will launch the four-billion-pack capacity expansion in Phase II of our Inner Mongolia factory, and commence a four-billion-pack capacity expansion project at Shandong Province; In Europe, we will launch our Phase I production facility at Halle, Germany with four billion pack capacity. These projects will lift us to the next level, reaching over 20 billion pack per annum in capacity, three times the capacity during our initial public offering ("IPO"). To promote our international business, Greatview will participate in Anuga Food Tec, the global food packaging exhibition held every three years, to meet customers and further grow our business. We will also step up our R&D investments to strengthen our technical capabilities, equip ourselves for a long term, sustainable growth.

We strive to maintain a set of values in our rapid growth: clear vision; constant self-reflection; thankfulness to customers, vendors and partners; and continuous improvement. These values help us transform, look ahead and be prepared for our next steps. Let us share the above values together, and create value to the global liquid food packaging industry in 2012!



**Mr. Jeff Bi**  
CEO

Beijing, the PRC, 28 March 2012

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Overview

We are the second largest roll-fed supplier of aseptic packaging globally and the leading alternative supplier in the PRC, producing and selling a broad variety of aseptic packs. These aseptic packs include GA Brick, our carton form packaging and GA Pilo, our soft pouch form packaging. Our commitment to provide customised, high-quality and competitively priced aseptic packs, which are fully compatible with standard roll-fed filling machines, enabled us to secure some of the leading dairy and non-carbonated soft drink ("NCSD") producers in the PRC as well as a number of international producers as our clients.

During the year ended 31 December 2011, our European production facility in Halle, Germany (our "European Plant") has commenced construction and has been progressing very well. This new factory, estimated at a total investment of around Euro 50 million, marks an important milestone in our Group's international growth strategy by penetrating one of the largest aseptic packaging markets in the world. Our European plant is expected to ramp up production and extend its geographical coverage to reach across the European region once completed.

Our second production line of the Hellingeer factory in Inner Mongolia has been completed as at the end of 2011. This production line is expected to commence trial production in early 2012. With increasing number of production lines, the Hellingeer factory is expected to

contribute an increasingly significant portion of the Group's production volume.

As disclosed in the prospectus of the Company dated 26 November 2010 (the "Prospectus"), the Company will construct a third production line in the PRC. We plan to start construction of this factory in 2012 and expect that the third production line will contribute a significant increase in the Group's production capacity.

In order to streamline and improve efficiencies of the Group, centralisation of the Group's management function was put in place during the year ended 31 December 2011. Operations of some of the departments have been successfully centralised from individual factories to our head office in Beijing. The Group, in the long term, hopes to benefit from these cost saving and operational efficiency.

### Products

We sold a total of 7.73 billion packs during the year ended 31 December 2011, with GA Brick aseptic 250ml Base remained as the top selling product and followed by GA Brick aseptic 1000ml as the second most popular selling product of our Group.

Driven by the increasing consumer affluence and concern with health, fitness and well-being in the PRC, the increased demand of dairy and NCSD products have brought forward to the growth of sales volume.

The completion of the second production line of the Hellingeer factory, the implementation of our European development plan together with the expansion project of introducing the third production line in Gaotang, will help us meet our growing demands, strengthen our position in key markets, and capture additional market opportunities around the world.

### Production Capacity and Utilisation

Due to the introduction of the second production line in the Hellingeer factory during the year ended 31 December 2011, the annual production capacity of our Group increased to 13.4 billion packs as at the end of 2011.

During the year ended 31 December 2011, we have commenced construction of our European Plant, being our first overseas production facility, dedicated to produce high quality roll-fed aseptic packaging for dairy and NCSD customers in the overseas markets. Our European Plant is expected to be commissioned in the second quarter of 2012 and is expected to facilitate the growth of our Group's annual production capacity by 4 billion packs.

Furthermore, the development of the third production line in Gaotang is expected to bring an additional annual production capacity of 4 billion packs to the Group in 2013.

# Management Discussion and Analysis

During the year ended 31 December 2011, our Group was operating at a high utilisation rate, whereby we produced approximately 7.83 billion packs. In 2012, we estimate the utilisation rate of our Group will be affected to a reasonable extent, due to the of the ramp up period of the second production line of Helingeer factory and the first production line of the European plant.

## Suppliers and Raw Materials

With the depreciation of the US dollar but the inflationary pressure on the price of raw materials, our cost of raw materials increased slightly in 2011 compared to 2010. It was mainly contributed by the prices increase of polyethylene and Liquid Paper Board ("LPB").

As a significant portion of our raw materials are customised, their prices are generally less volatile than their commodity counterparts. As a result, we managed to contain the increase in raw materials prices within a reasonable range. Furthermore, we are continuously expanding our supplier base to manage and control the raw materials prices more efficiently.

## Sales and Marketing

We sell our aseptic packs and services to leading dairy and NCS D producers across the world, with a primary focus on the PRC and European markets. For the year ended 31 December 2011, we have continuously expanded our customer base in the PRC and continued to grow volume with our key dairy customers.

During the year ended 31 December 2011, our sales and marketing team have penetrated selected international markets such as Italy, Slovakia, Oman and Kazakhstan. Meanwhile, we have also expanded our technical support capability to customers, and continued to build a dedicated team of international sales and marketing professionals

to provide greater emphasis and better services to our customers in the international markets.

During the year ended 31 December 2011, our Group has actively conducted marketing activities tailor-made for our customers and geared towards supporting the activities of our sales team by keeping abreast of industry trends, interacting with existing customers, cultivating new relationships and building brand awareness.

In order to enhance the position of our products in the market, we managed to obtain United States Food and Drug Administration certification that our GA Brick aseptic packaging material complies with their regulations during the year. We believe this will provide a strong selling point for our products, particularly in the international market.

## FINANCIAL REVIEW

### Overview

2011 has been a fruitful year for our Group. Following the domestic and international expansions of our business, we have attained an impressive result during the year of 2011. Our management is pleased with the financial results and strives towards an even higher target in 2012.

### Revenue

We primarily derive revenue from domestic and international sales of aseptic packaging and related services to dairy and NCS D producers. Revenue of

# Management Discussion and Analysis

our Group increased by 35.7% from RMB1,160.3 million for the year ended 31 December 2010 to RMB1,574.1 million for the year under review. The increase was primarily driven by volume growth of aseptic packaging sold as a result of production capacity expansion and additional orders from existing customers.

With respect to the domestic segment, our revenue increased by RMB357.4 million, or 33.0%, to RMB1,440.0 million for the year ended 31 December 2011 from RMB1,082.6 million for the year ended 31 December 2010.

With respect to the international segment, our revenue increased by RMB56.4 million, or 72.6%, to RMB134.1 million for the year ended 31 December 2011 from RMB77.7 million for the year ended 31 December 2010.

Our revenue from dairy customers increased by RMB456.0 million, or 50.2%, to RMB1,364.1 million for the year ended 31 December 2011 from RMB908.1 million for the year ended 31 December 2010, while our revenue from NCSD customers decreased slightly by RMB42.1 million, or 16.7%, to RMB210.0 million for



the year ended 31 December 2011 from RMB252.2 million for the year ended 31 December 2010.

## Cost of Sales

Our cost of sales increased by RMB 307.9 million, or 38.9%, to RMB1,099.1 million for the year ended 31 December 2011 from RMB791.2 million for the year ended 31 December 2010. The growth in cost of sales was in line with the growth in total sales volume.

Raw material costs, which make up the largest portion of our cost of production, increased by RMB306.4 million, or 44.9%, to RMB989.3 million for the year ended 31 December 2011 from RMB682.9 million for the year ended 31 December 2010. The growth in raw material costs was related to the increase in production volume and work in progress.

## Gross Profit and Gross Margin

As a result of the foregoing factors, our gross profit increased by RMB 105.9 million, or 28.7% from RMB369.1 million for the year ended 31 December 2010 to RMB475.0 million for the year under review. Our gross margin decreased by 1.6 percentage points to 30.2% for the year ended 31 December 2011 from 31.8% for the year ended 31 December 2010, primarily due to the slight decrease in average selling price ("ASP").

## Other Income — net

Our other income – net increased by RMB7.9 million, or 68.6%, to RMB19.5 million for the year ended 31 December

2011 from RMB11.5 million for the year ended 31 December 2010, primarily due to the tax refund from local government.

## Distribution Costs

Our distribution costs increased by RMB15.1 million, or 23.2%, to RMB80.5 million for the year ended 31 December 2011 from RMB65.4 million for the year ended 31 December 2010. The increase was primarily due to the sales volume growth of our aseptic packaging, which results in subsequent increase in shipping and transportation costs.

## Administrative Expenses

Our administrative expenses increased by RMB20.3 million, or 26.7%, to RMB96.1 million for the year ended 31 December 2011 from RMB75.8 million for the year ended 31 December 2010, primarily due to the expenses of share option scheme for employees.

## Taxation

Our tax expenses increased by RMB17.0 million to RMB52.4 million for the year ended 31 December 2011 from RMB35.4 million for the year ended 31 December 2010. Effective tax rate increased 1.6% to 16.6% for the year ended 31 December 2011 from 15.0% for the previous financial year.

## Profit for the Year and Net Profit Margin

Driven by the factors described above, our net profit increased by RMB61.9 million, or 30.8%, to RMB263.1 million for

the year ended 31 December 2011 from RMB201.2 million for the year ended 31 December 2010. Our net profit margin decreased by 0.6 percentage points to 16.7% for the year ended 31 December 2011 from 17.3 % for the year ended 31 December 2010 primarily due to the decrease of ASP and the increase of raw material cost.

## LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2011, we had RMB273.6 million (31 December 2010: RMB548.3 million) in cash and cash equivalents. Our cash and cash equivalents consist primarily of cash on hand and bank balances which are primarily held in RMB denominated accounts with banks in the PRC.

### Analysis of Turnover of Inventories, Trade Receivables and Payables

Our Group's inventories primarily consist of finished packaging products. Inventory turnover days (inventories/cost of sales) was 92.7 days as at 31 December 2011 as compared to 83.3 days as at 31 December 2010. Turnover days for trade receivables (trade receivables/revenue) increased from 49.4 days as at 31 December 2010 to 69.4 days as at 31 December 2011. Turnover days for trade payables (trade payables/cost of sales) increased from 21.4 days as at 31 December 2010 to 28.8 days as at 31 December 2011.

### Borrowings and Finance Cost

Total borrowings of our Group as at 31 December 2011 were RMB204.4 million (31 December 2010: RMB105.3 million) and denominated in RMB. For the year under review, net finance costs of our Group were approximately RMB2.3 million (31 December 2010: RMB2.9 million).

### Gearing Ratio

As at 31 December 2011, the gearing ratio (calculated by dividing total loans and bank borrowings by total equity) of our Group has increased to 0.125 (31 December 2010: 0.076). It was mainly contributed by the increased of short-term borrowing.

### Working Capital

Our working capital (calculated by the difference between the current assets and current liabilities) as of 31 December 2011 was RMB701.2 million (31 December 2010: RMB890.2 million).



# Management Discussion and Analysis

## Foreign Exchange Exposure

Our Group's sales were primarily denominated in RMB. During the year under review, our Group recorded exchange loss of RMB10.4 million (31 December 2010: RMB2.6 million).

## Capital Expenditure

As at 31 December 2011, our Group's total capital expenditure amounted to approximately RMB460.0 million (31 December 2010: RMB102.2 million), which is used in the construction of our new factory and the acquisition machinery and fittings for the said factory.

## Charge on Assets

As at 31 December 2011, our Group had pledged certain property, plant and equipment of a subsidiary with an aggregate net book value of RMB86.0 million (2010: RMB103 million) and an aggregate net book value of approximately RMB1.34 million (2010: RMB1.37 million) of land use right for the purpose of securing a loan with carrying value of RMB59.0 million.

## Contingent Liabilities

As disclosed in the Prospectus, a claim was brought by Tetra Laval Holdings & Finance S.A., Pully Switzerland ("Tetra Pak") in July 2010 in the Düsseldorf district court in Germany (the "Court"), alleging patent infringement of a claim of a European patent related to aseptic packaging material ("Tetra Pak's Claim") against two group companies.

The Court has denied Tetra Pak's Claim in December 2011 and found Tetra Pak liable for the costs of the proceedings (the "Judgement"). On 16 January 2012, Tetra Pak filed a notice of appeal to Düsseldorf Higher Regional Court against the Judgement. The Company was advised by its legal adviser on German law that the Group has a strong case to defend against Tetra Pak's appeal.



## HUMAN RESOURCES

As at 31 December 2011, our Group employed approximately 940 employees (31 December 2010: 838 employees). Our Group offered competitive salary package, as well as discretionary bonuses, cash subsidies and contribution to social insurance to its employees. In general, we determine employee salaries based on each employee's qualifications, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary review, bonuses and promotions. Share option schemes have also been adopted for employees of our Group. In order to ensure that our Group's employees remain competitive in the industry, the Group has adopted training schemes for our employees managed by our human resources department.

## CORPORATE SOCIAL RESPONSIBILITY

Our Group has made significant efforts on corporate social responsibility by carrying out audits on all our major suppliers to ensure they adhere to our standards during their manufacturing process and comply with their respective social responsibilities.

As our product is derived mainly from wood, we place strong emphasis when conducting our operations in compliance with the international environmental standards. We want our future generations to be able to enjoy the fruits of our labour and not suffer because of our generations has consumed the resources.



# Management Discussion and Analysis

Our aim for the fragile environment is that some day in the future, our business would only be consuming recoverable resources from this earth.

## PROSPECTS

With slightly over one year since the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 2010, the Company has implemented most of the proposed expansion as discussed in our Prospectus. They include:

- Construction of an additional production line at the Helingeer factory.
- Construction of our European Plant which enable us to further expand to the European market.
- Construction of an additional production line in the PRC, which resulted in our current third line proposed to be in Gaotang.

With the expansion of factories in place, the Company can now focus on other areas of business to ensure the capacity of these factories will be fully utilised. In this regard, the Company will continue to:

- grow market share with our key customers while broadening customer mix in the PRC market;
- further expand and penetrate selected international markets;
- expand our own roll-fed filling machine support services;
- strengthen the centralisation of the Group's management functions in order to achieve a more efficient

"plug & play" system for future capacity expansion projects in the markets outside the PRC,

- continue to optimise products and production processes and accelerate research and development in roll-fed filling machine business.

As our products are essential part of fast moving consumer goods, we do not expect significant impact from economic turmoil around the globe. Furthermore, the Company has positioned itself well in the PRC market, which is expected to become one of the world's largest consumer market.



# BOARD OF DIRECTORS AND SENIOR MANAGEMENT

## DIRECTORS

### Executive Directors

**Mr. BI Hua, Jeff (畢樺)**, aged 48, is our co-founder, Chief Executive Officer and executive director of the Company (the “Director”). Mr. Bi joined the Group in March 2003 and was appointed as an executive Director on 29 July 2010. He is primarily responsible for our overall business strategy formulation, execution and organisational development. Mr. Bi is also a director of our subsidiaries, namely Partner One Enterprises Limited, Greatview Holdings Limited (“Greatview Holdings”), Greatview Aseptic Packaging (Shandong) Co. Ltd. (“Shangdong Greatview Aseptic”), Greatview Aseptic Packaging (Inner Mongolia) Co. Ltd. (“Inner Mongolia Greatview Aseptic”), Greatview Beijing Trading Co. Ltd. (“Beijing Greatview”), Greatview Aseptic Packaging Europe GmbH (formerly known as Tralin Pak Europe GmbH and GA Pack Europe GmbH), and Greatview Aseptic Packaging Manufacturing GmbH (formerly known as GA Pack Property GmbH and GA Pack Manufacturing GmbH ). Mr. Bi has more than 15 years of experience in marketing development in the aseptic packaging industry as well as company management. From 1997 to 2003, he was a sales and marketing manager at a leading aseptic packaging producer. From 1992 to 1997, Mr. Bi was the Greater China manager of Echostar Corporation, a software and service provider for television companies worldwide. Mr. Bi graduated from the University of Denver with a Master of Arts degree in 1992. He did not hold any directorship in other listed public companies in the last three years.

**Mr. HONG Gang (洪鋼)**, aged 53, is our co-founder, Chairman and executive Director. Mr. Hong joined the Group in March 2003 and was appointed as an executive Director on 29 July 2010. He is primarily responsible for the strategic development, as well as supervision of daily marketing and communications of our Group. Mr. Hong is also a director of our subsidiaries, namely Partner One Enterprises Limited, Greatview Holdings, Shangdong Greatview Aseptic, Greatview Beijing Packaging Equipment Co. Ltd., Inner Mongolia Greatview Aseptic, Beijing Greatview, and Greatview Aseptic Packaging Europe GmbH (formerly known as Tralin Pak Europe GmbH and GA Pack Europe GmbH). Mr. Hong has more than 23 years of experience in the packaging industry. From 1993 to 2002, he held various executive positions with a leading aseptic packaging producer. Mr. Hong graduated from Zhejiang University in China with a Bachelor of Science degree in 1982 and obtained a Master of Philosophy (Development Studies) degree from Sussex University in the United Kingdom in 1987. He did not hold any directorship in other listed public companies in the last three years.

### Non-executive Directors

**Mr. HILDEBRANDT James Henry**, aged 52, is a non-executive Director. Mr. Hildebrandt joined the Group on 13 September 2006 and was appointed as a non-executive Director on 29 July 2010. Mr. Hildebrandt is also a director of our subsidiaries, namely Partner One Enterprises Limited, Greatview Holdings, Shangdong Greatview Aseptic, Inner Mongolia Greatview Aseptic, and Beijing Greatview. Mr. Hildebrandt is primarily responsible for the development and monitoring of the overall business strategy of our Group. Mr. Hildebrandt is a managing director of Bain Capital Asia, LLC (“Bain Capital Asia”). Prior to joining Bain Capital Asia in 2005, Mr. Hildebrandt was a partner and director at Bain & Company, where he worked for 18 years, helping to establish the Asian offices in China, Southeast Asia, Korea and Australia. Mr. Hildebrandt had regional responsibility for the Asian Private Equity Practice, as well as the China and Southeast Asia Financial Services Practice. From 1983 to 1984, Mr. Hildebrandt worked at the law firm of Bennett Jones in Calgary, Alberta, Canada. Mr. Hildebrandt obtained an MBA from the Leland Stanford Junior University in 1986 and received a Juris Doctor from the University of Toronto in 1983. He did not hold any directorship in other listed public companies in the last three years.

# Board of Directors and Senior Management

**Mr. ZHU Jia (竺稼)**, aged 49, is a non-executive Director. Mr. Zhu joined the Group in 2006 and was appointed as a non-executive Director on 29 July 2010. Mr. Zhu is also a director of our subsidiaries, namely Partner One Enterprises Limited, Greatview Holdings, Shangdong Greatview Aseptic, Inner Mongolia Greatview Aseptic, and Beijing Greatview. Mr. Zhu is primarily responsible for the development and monitoring of the overall business strategy of our Group. He is currently a managing director of Bain Capital Asia. From 1996 to 2006, Mr. Zhu was a managing director of Morgan Stanley Asia Limited and the chief executive officer of its China business. Mr. Zhu is currently chairman of the board of Clear Media Limited (stock code: 100), non-executive director of SinoMedia Holding Limited (stock code: 623), GOME Electrical Appliances Holding Limited (stock code: 493) and Sunac China Holdings Limited (stock code: 1918), all are listed on the Main Board of the Stock Exchange. Mr. Zhu is also an independent director of Youku.com (a company listed on New York Stock Exchange). Mr. Zhu graduated from Zhengzhou University with a Bachelor of Arts degree in 1982 and obtained a Master of Arts degree from Nanjing University in 1984. He obtained a Juris Doctor Degree from Cornell Law School in 1992. Save as disclosed above, he did not hold any directorship in other listed public companies in the last three years.

**Mr. LEE Lap, Danny (李立明)**, aged 39, is a non-executive Director. Mr. Lee joined the Group in 2010 and was appointed as a non-executive Director on 12 October 2010. Mr. Lee is also a director of our subsidiaries, namely Partner One Enterprises Limited, Shangdong Greatview Aseptic, Inner Mongolia Greatview Aseptic and Beijing Greatview. Mr. Lee is primarily responsible for the development and monitoring of the overall business strategy of our Group. Mr. Lee is currently a managing director in the private equity team of Bain Capital Asia, responsible for sourcing and leading the execution of transactions, covering healthcare, chemicals, consumer and retail sectors in the Asia Pacific region. Prior to joining Bain Capital Asia in 2006, Mr. Lee was with the Asian private equity arm and worked with the subsidiaries or affiliates of Sweden's Investor AB since 1998, one of the largest industrial holding companies in the Nordic region. Mr. Lee was a vice president of Investor Asia Limited, which is now known as Investor Growth Capital, a wholly-owned venture capital arm of Investor AB, the largest listed industrial holding company in Northern Europe, from September 1998 to June 2000; vice president of imGO Limited, an investment holding company which was formed by among others, Investor AB in 2000 focusing on the emerging wireless communications area in Asia, from 2000 to 2002 and vice president of Investor Asia Limited from 2003 to 2006. From 1995 to mid-1998, Mr. Lee was with Lehman Brothers Investment Banking in New York and Hong Kong. Mr. Lee graduated from Columbia College of Columbia University with a Bachelor of Arts degree in economics in 1995. Mr. Lee is a Chartered Financial Analyst. He did not hold any directorship in other listed public companies in the last three years.

**Mr. LEW Kiang Hua (劉謹華)** aged 58, is a non-executive Director. Mr. Lew joined the Group in 2005 and was appointed as a non-executive Director on 29 July 2010. Mr. Lew is also a director of our subsidiaries, namely Partner One Enterprises Limited, Greatview Holdings, Shangdong Greatview Aseptic, Inner Mongolia Greatview Aseptic and Beijing Greatview. Mr. Lew is primarily responsible for the development and monitoring of the overall business strategy of our Group. Mr. Lew is a managing director of CDH Investment Advisory Private Limited, a private equity fund management vice president company based in Singapore. Prior to joining CDH Investment Advisory Private Limited in 2009, he was the chief financial officer of CDH China Management Company Limited from 2002 to 2008 and managing director of CDH Investments Management (Hong Kong) Limited from 2008 to 2009. From 1980 to 2002, he worked in a number of European and US multi-national corporations in the field of finance, operations and business management including setting up the first joint venture of each of Philips Electronics and General Electric Company in China. He graduated from Nanyang University in Singapore with a Bachelor of Commerce degree in 1978. He is a fellow of both of the Institute of Certified Public Accountants of Singapore and the Association of Chartered Certified Accountants, United Kingdom. He did not hold any directorship in other listed public companies in the last three years.

# Board of Directors and Senior Management

**Ms. SHANG Xiaojun (商曉君)**, aged 38, is a non-executive Director. Ms. Shang joined the Group in 2005 and was appointed as a non-executive Director on 29 July 2010. Ms. Shang is also a director of our subsidiaries, namely Partner One Enterprises Limited, Greatview Holdings, Shangdong Greatview Aseptic, Inner Mongolia Greatview Aseptic and Beijing Greatview. Ms. Shang is primarily responsible for the development and monitoring of the overall business strategy of our Group. Ms. Shang is currently an executive director of CDH Investments Management (Hong Kong) Limited, an asset management company based in Hong Kong. Prior to becoming an executive director of CDH Investments Management (Hong Kong) Limited on 1 October 2010, Ms. Shang was an executive director of CDH Investment Advisory Private Limited, a private equity fund management company based in Singapore during 2009 to 2010, vice president of CDH Investments Management (Hong Kong) Limited from 2007 to 2009. From 2003 to 2007, Ms. Shang was a vice president of CDH China Management Company Limited. Prior to joining CDH China Management Company Limited in 2003, Ms. Shang was an assistant vice president of GIC Special Investments' Asia Pacific private equity group, focusing on direct investment opportunities in China. From 1997 to 2001, she worked for DBS Land Limited and CapitalLand Residential Limited in the field of business development, strategic planning, asset management and corporate planning. Ms. Shang graduated from the National University of Singapore, with a Bachelor of Business Administration degree in 1996 with a first class honour. She currently sits on the board of directors of Guangdong Haid Group Co. Ltd. (002311.SZ), a company which is principally engaged in the business of research and development, production and sale of pre-mixed aquatic feeds, mixed aquatic feeds, as well as mixed livestock feeds. Ms. Shang was a director of Air Media Group Inc. (AMCN NASDAQ) since October 2005 as a representative appointed by CDH China Growth Management Company Limited, a financial investor, and resigned from its board in November 2008 after listing of Air Media Group Inc. in November 2007. Save as disclosed above, she did not hold any directorship in other listed public companies in the last three years.

## Independent Non-executive Directors

**Mr. LUETH Allen Warren**, aged 43, was appointed as an independent non-executive Director on 15 November 2010. Mr. Lueth is primarily responsible for scrutinising and monitoring the performance of the Group. Mr. Lueth is currently an independent director of CNinsure Inc. (CISG-NASDAQ), one of the largest independent insurance agencies in the PRC. Mr. Lueth is also vice president of finance of Cardinal Health China (formerly owned by Zuellig Pharma), a company focused on pharmaceutical distribution. He has worked for the company since 2005, previously in the position of chief financial officer. Previously Mr. Lueth worked for GE Capital from 1998 to 2004 in a variety of roles, including chief financial officer and chief executive officer for the Taiwan operations, and representative for China. Earlier, he served with Coopers & Lybrand as an auditor. Mr. Lueth received his Bachelor of Science in business degree from the University of Minnesota and an MBA degree from the Kellogg School of Management at Northwestern University. Mr. Lueth obtained his certificate as a certified public accountant in 1991 and certified management accountant in 1994. Save as disclosed above, he did not hold any directorship in other listed public companies in the last three years.

**Mr. BEHRENS Ernst Hermann**, aged 64, was appointed as an independent non-executive Director on 15 November 2010. Mr. Behrens is primarily responsible for scrutinising and monitoring the performance of our Group. Mr. Behrens is currently a senior adviser on China business of Vermilion Partners Limited which is a private equity and investment advisory firm based in China offering a range of merchant banking and corporate advisory services to leading multinationals, Chinese companies and investors. Mr. Behrens was the non-executive chairman of EADS China from 2007 to 2009 and president and chief executive officer of EADS China from 2005 to 2006. From 1997 to 2004, Mr. Behrens served as president and chief executive officer of Siemens Ltd., China and from 1992 to 1997, he served as president and chief executive officer of Siemens Inc. Philippines. Prior to joining Siemens Inc. Philippines, Mr. Behrens was an executive vice president of Electronic Telephone Systems, Industries Inc., Philippines from 1984 to 1992; a country representative for Siemens in Jebsen and Co. PRC, from 1981 to 1984; a technical and administration manager of Nixdorf Computers, Hong Kong from 1976 to 1981; head of filed engineering of Nixdorf Computers, Germany from 1972 to 1976 and an electronics engineer of German Naval Air Force, Germany from 1968 to 1971. Mr. Behrens was the chairman of the Executive Committee of Foreign Investment Companies (ECIFC) in China from 2002 to 2005; president of European Union Chamber of Commerce in China from 2002 to 2004; president of German Chamber of Commerce in

China from 1999 to 2001; president of European Chamber of Commerce in Philippines from 1995 to 1997 and its treasurer from 1993 to 1994. Mr. Behrens was honoured by Beijing Municipality with the Great Wall Friendship Award in 2004; awarded by Shanghai Municipality with the Magnolia Award Gold level in 2003 and decorated by the German government with the cross of the Order of Merit in 1993. Mr. Behrens was appointed as independent non-executive director by Deutsche Bank (China) Co. Ltd. and non-executive director by Nordex (Beijing) Wind Power Engineering & Technology Co. in the first half year of 2011. He did not hold any directorship in other listed public companies in the last three years.

**Mr. CHEN Weishu (陳偉恕)**, aged 65, was appointed as an independent non-executive Director on 15 November 2010. Mr. Chen is primarily responsible for scrutinising and monitoring the performance of our Group. Mr. Chen is the consultant member of Shanghai Pudong Development Bank, independent director of The Royal Bank of Scotland (China) Co. Ltd., and Suzhou Trust Co. Ltd., and also chairman of Academy for World Watch. He served various positions including secretary general of the Research Centre for Economics of Fudan University, deputy head of world economics department and professor and head of international finance department, and also executive director and vice president of Shanghai Pudong Development Bank, CEO and deputy chairman of Shanghai Industrial Holdings Ltd., chairman of Shanghai Industrial Development Co. Ltd. and vice chairman of Shanghai Industrial Investment (Holdings) Co. Ltd.. He has more than 47 years of experience in the areas of economics, financial research and banking, and corporate management. Mr. Chen graduated from Fudan University with a master degree in economics. He did not hold any directorship in other listed public companies in the last three years.

## SENIOR MANAGEMENT

**Mr. CHANG Fuquan (常福泉)**, aged 54, is our Chief Financial Officer and one of our joint company secretaries. Mr. Chang joined our Group in June 2005. He is primarily responsible for the overall accounting, financial management and treasury of our

Group. Mr. Chang has over 23 years of experience in financial management. Prior to joining us, Mr. Chang was the chief finance officer of Fujian Nanping Nanfu Battery Co., Ltd. From 2002 to 2005, the Finance Controller of John Deere Jialian Harvester Co. Ltd., from 1999 to 2001, the Deputy Finance Controller of China Automotive Components Corporation from 1997 to 1999, the Chief Financial Officer of San Miguel Bada (Baoding) Brewery Co., Ltd. from 1995 to 1996 and the Financial Director of China Enterprise Culture Group from 1992 to 1994. Mr. Chang has also worked as the financial supervisor at 北京麥當勞食品有限公司 (Beijing McDonald's Food Co Ltd.), from 1994 to 1995 and as an accountant in each of Bohai Oil Corporation and Oil Drilling Service Co, both being subsidiaries of China National Offshore Oil Corporation from 1985 to 1992. Mr. Chang graduated from Xiamen University in the PRC in 1985, major in International Accounting. He completed a Master of Accounting Class in Xiamen University in the PRC in 1998.

**Mr. CHEN Guining (陳桂寧)**, aged 56, is our Chief Technical Officer. Mr. Chen joined our Group in May 2003. He is primarily responsible for aseptic packaging filling line production and maintenance. Mr. Chen has over 20 years of experience in the aseptic packaging industry. Prior to joining us, Mr. Chen was a technical service engineer of a leading aseptic packaging materials producer from 1988 to 2001 and its field service manager from 2001 to 2003, respectively. Mr. Chen graduated from the Beijing Open University with a Bachelor of Science in Machinery Science in 1983.

**Mr. GROSSENBACHER Pierre Michel Edmond**, aged 69, is our Senior Converting Advisor. Mr. Grossenbacher joined our Group on 5 May 2003. He is primarily responsible for converting, production, quality, organisational and technical advice. Mr. Grossenbacher has over 30 years of experience in the aseptic liquid food packaging industry. Mr. Grossenbacher obtained a Diploma in Physics Engineering from the Swiss Polytechnic University in Lausanne, Switzerland in 1966. From 1966 to 1969, he was working in Sweden in a window glass industry, in charge of laboratory and improvement of Quality. From 1969 to 1973, he was working in R+D Department of a major Swiss Aluminum

Industry, developing Special Ceramics (Oxides, Carbides, Borides, etc.). Later, from 1973 to 1974, he was working as Production Manager in Synthetic Stones production. Mr. Grossenbacher was with a leading aseptic international provider of packaging systems for dairy and liquid food industry from 1975 to 1998, in Switzerland and China. From 1998 to 2002, Mr. Grossenbacher was the General Manager of China operations at a leading international provider of packaging systems for dairy and liquid food industry.

**Mr. LIU Jun (劉鈞)**, aged 50, is our Chief Operating Officer. Mr. Liu joined our Group in October 2009. He is primarily responsible for management and operations. Mr. Liu has over 18 years of experience in management and technology, including many years in high-tech industries. Mr. Liu was the general manager of the China branch of an international process control product producer for the semiconductor, mask, and related industries from 2006 to 2009. Prior to joining the aforesaid company, Mr. Liu was with an international producer of chemical vapour deposition (CVD), physical vapour deposition (PVD), electrochemical deposition (ECD), and surface preparation equipment used in the manufacturing of semiconductors. Mr. Liu graduated from Peking University in the PRC with a Bachelor of Science in Physics in 1983. He obtained a Doctor of Philosophy (Ph.D) in Materials Science and Applied Physics from Cornell University in 1992 and an Executive MBA from the China Europe International Business School in the PRC in 2008.

**Mr. YANG Jiuxian (楊久賢)** aged 48, is our Sales Director. Mr. Yang joined our Group in September 2003. He is primarily responsible for domestic sales. Mr. Yang has over 12 years of experience in dairy industry management and sales. Mr. Yang was the general manager of NIUMAMA Dairy Co., Ltd. in 2003. Prior to joining NIUMAMA Dairy Co., Ltd., Mr. Yang was a key account manager of Northeast China and Inner Mongolia for a leading aseptic packaging materials producer in Beijing from 2000 to 2003 and a key account manager of six provinces in southwest China for the aforesaid company's Shanghai office from 1998 to 2000. Mr. Yang graduated from the Beijing Union University with a Bachelor of Chinese Language and Literature degree in 1986.

# REPORT OF THE DIRECTORS

The Board presents its report together with the audited financial statements of the Company and the Group for the year ended 31 December 2011.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in note 30 to the consolidated financial statements. There were no significant changes in nature of Group's activities during the year.

## RESULTS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated income statement.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2011, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate accounted for 41.3% and 76.7% respectively of the Group's total purchases for the year. Revenue attributable to the Group's largest customer and the five largest customers in aggregate accounted for 33.8% and 75.0% respectively of the Group's total revenue for the year.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any material beneficial interest in the Group's five largest customers and suppliers.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 6 to the consolidated financial statements.

## SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 12 to the consolidated financial statements.

## RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

As at 31 December 2011, the Company had reserves available for distribution of RMB728.9 million (2010: RMB772.1 million).

## DIRECTORS

The Directors during the year and up to the date of this report were:

### Executive Directors

Mr. BI Hua, Jeff  
Mr. HONG Gang

### Non-Executive Directors

Mr. HILDEBRANDT James Henry  
Mr. ZHU Jia  
Mr. LEE Lap, Danny  
Mr. LEW Kiang Hua  
Ms. SHANG Xiaojun

## Independent Non- Executive Directors

Mr. LUETH Allen Warren  
Mr. BEHRENS Ernst Hermann  
Mr. CHEN Weishu

Mr. BI Hua, Jeff, Mr. LEW Kiang Hua, Mr. HILDEBRANDT James Henry and Mr. BEHRENS Ernst Hermann will retire from office as Directors by rotation at the forthcoming annual general meeting. All of them, being eligible, will offer themselves for re-election pursuant to the Articles of Association of the Company (the "Articles").

## BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 16 to 19 of this annual report.

## CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON- EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") from each of the independent non-executive Directors and the Company considers such Directors to be independent.

# Report of the Directors

## DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and non-executive Directors has entered into a service contract and letter of appointment with the Company for an initial fixed term of two years unless terminated by not less than three months' notice in writing served by either party on the other.

Save for Mr. LUETH Allen Warren who has renewed the letter of appointment with the Company for a term of one year and effective from 9 December 2011, each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of two years unless terminated by not less than three months' notice in writing served by either party on the other.

None of the Directors, including those to be re-elected at the forthcoming annual general meeting, has a service contract which is not determinable by the Group within one year without the payment of compensation (other than statutory compensation).

## EMOLUMENT POLICY

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

The Company has adopted share option schemes as incentive to eligible employees, details of the schemes are set out in the section headed "Share Option Schemes" below.

## REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five individuals with highest emoluments are set out in note 24 to the consolidated financial statements.

## INTEREST AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2011, interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") are as follows:

# Report of the Directors

## Interests and short position in the shares of the Company (the “Shares”) and underlying Shares

Name of Director/ Chief Executive	No. of Shares	Notes	Capacity	Nature of interest	Percentage of total number of Shares in issue (%) (Note 5)
Hong Gang	159,489,234	1	Founder of a discretionary trust	Long position	11.96
	86,961,966	2	Interest of controlled corporation	Long position	6.52
	18,454,000	3	Interest of controlled corporation	Long position	1.38
	11,831,560	4	Founder of a discretionary trust	Long position	0.89
<b>Total long position</b>	<b>276,736,760</b>				<b>20.75</b>
	14,916,000	3	Interest of controlled corporation	Short position	1.12
	14,820,000	1	Founder of a discretionary trust	Short position	1.11
<b>Total short position</b>	<b>29,736,000</b>				<b>2.23</b>

### Notes:

- Wiseland Holdings Ltd. (“Wiseland”) has a direct interest in 129,489,234 Shares and an earn out arrangement with Bain Capital TP Holdings, L.P. (“Bain Capital”) for an additional 30,000,000 Shares (the “Bain Capital Earn Out Arrangement”). Therefore, Wiseland is interested in an aggregate of 159,489,234 Shares. Wiseland in return agreed to transfer 14,820,000 Shares to Phanron Holdings Limited (“Phanron”), Hillma Global Limited, Goldmap Investment Limited, Parview Development Limited (“Parview”), J. Schwartz Ltd and Wallson Investment Limited if it obtains the Shares from the Bain Capital Earn Out Arrangement (the “Wiseland Earn Out Arrangement”). Therefore Wiseland has a short position in 14,820,000 Shares. Fosing Limited (“Fosing”), is interested in the same 159,489,234 Shares and short position in 14,820,000 Shares by virtue of its 41.90% interest in Wiseland. Fosing is wholly-owned by one of the two discretionary trusts, which are discretionary trusts established for the benefit of senior management of our Group and their respective issue (the “SM Trusts”). Hong Gang is a settler of the SM Trusts and therefore is deemed to be interested in the same 159,489,234 Shares and short position in 14,820,000 Shares.
- Phanron is wholly-owned by Hong Gang and he is therefore deemed to be interested in the 86,961,966 Shares held by Phanron.
- Liwei Holdings (PTC) Limited (“Liwei”) is 50% owned by each of Hong Gang and Gao Wei. Therefore, Hong Gang and Gao Wei are deemed to be interested in all of the underlying Shares to be issued pursuant to the options granted to Liwei under the pre-IPO share option scheme of the Company (the “Pre-IPO Share Option Scheme”).

On 22 January 2010, 22,000,000 options were granted to Liwei under the Pre-IPO Share Option Scheme. On 17 March 2011, 284 employees were granted (by way of transfer) by Liwei the rights to subscribe for up to 20,010,000 Shares under the Pre-IPO Share Option Scheme upon vesting of their option. On 1 September 2011, 3,546,000 options were vested, of which 54,000 options were lapsed after vesting. As at 31 December 2011, 1,548,000 share options were lapsed before the vesting period, which were taken back by Liwei and none of the options has been exercised under the Pre-IPO Share Option Scheme.

Liwei is therefore deemed to be interested 18,454,000 Shares in a long position and have a short position in respect of the potential obligation to deliver 14,916,000 Shares.

- Parview has a direct interest in 10,631,560 Shares and an additional 1,200,000 Shares from the Wiseland Earn Out Arrangement. Therefore, Parview is interested in an aggregate of 11,831,560 Shares. Parview is wholly-owned by one of the SM Trusts, whereby Hong Gang is a settler of the SM Trusts and therefore is deemed to be interested in the same 11,831,560 Shares.
- There were 1,333,600,000 Shares of our Company in issue as at 31 December 2011.



# Report of the Directors

Save as disclosed above, as at 31 December 2011, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the

Company and the Stock Exchange pursuant to the Model Code.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2011, as far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

### Interests and short position in the Shares and underlying Shares:

Name of Substantial Shareholder	No. of Shares	Notes	Capacity	Nature of interest	Percentage of total number of Shares in issue (%) (Note 10)
Bain Capital Investors, LLC	392,458,300	1	Interest of controlled corporation	Long position	29.43
	30,000,000	1	Interest of controlled corporation	Short position	2.25
CDH China Growth Capital Fund II, L.P.	296,942,700	2	Interest of controlled corporation	Long position	22.27
CDH China Growth Capital Holdings Company Limited	296,942,700	2	Interest of controlled corporation	Long position	22.27
CDH Packaging Limited	296,942,700	2	Beneficial owner	Long position	22.27
China Diamond Holdings Company Limited	296,942,700	2	Interest of controlled corporation	Long position	22.27
China Diamond Holdings II, L.P.	296,942,700	2	Interest of controlled corporation	Long position	22.27
Madam Xu Zhen	276,736,760	3	Interest of spouse	Long position	20.75
	29,736,000	3	Interest of spouse	Short position	2.23
Gao Wei	159,489,234	4	Founder of a discretionary trust	Long position	11.96
	221,000	5	Beneficial owner	Long position	0.02
	18,454,000	6	Interest of controlled corporation	Long position	1.38
	11,831,560	7	Founder of a discretionary trust	Long position	0.89
Total long position	189,995,794				14.25
	14,916,000	6	Interest of controlled corporation	Short position	1.12
	14,820,000	5	Founder of a discretionary trust	Short position	1.11
Total short position	29,736,000				2.23

# Report of the Directors

Name of Substantial Shareholder	No. of Shares	Notes	Capacity	Nature of interest	Percentage of total number of Shares in issue (%) (Note 10)
Madam Wang Wei	189,995,794	8	Interest of spouse	Long position	14.25
	29,736,000	8	Interest of spouse	Short position	2.23
Fosing Limited (復昇有限公司)	159,489,234	4	Interest of controlled corporation	Long position	11.96
	14,820,000	4	Interest of controlled corporation	Short position	1.11
Foxing Development Limited	159,489,234	4	Interest of corporation controlled	Long position	11.96
	14,820,000	4	Interest of corporation controlled	Short position	1.11
Wiseland Holdings Ltd ("Wiseland")	159,489,234	4	Beneficial owner	Long position	11.96
	14,820,000	4	Beneficial owner	Short position	1.11
Phanron Holdings Limited	86,961,966	9	Beneficial owner	Long position	6.52

## Notes:

- (1) Bain Capital Investors, LLC is deemed to be interested in 392,458,300 Shares by virtue of its wholly-owned subsidiary's, Bain Capital, interest in 392,458,300 Shares. The short position in 30,000,000 Shares are subject to the Bain Capital Earn Out Arrangement, whereby such Shares will be transferred to Wiseland if the conditions for the Bain Capital Earn Out Arrangement are fulfilled. Bain Capital is therefore deemed to have a short position in respect of the potential obligation to deliver the 30,000,000 Shares.
- (2) CDH Packaging Limited, is a wholly-owned subsidiary of CDH China Growth Capital Fund II, L.P.. The general partner of CDH China Growth Capital Fund II, L.P. is CDH China Growth Capital Holdings Company Limited. China Diamond Holdings II, L.P. is the holding company of CDH China Growth Capital Holdings Company Limited, and China Diamond Holdings Company Limited is the general partner of China Diamond Holdings II, L.P.. Each of CDH China Growth Capital Fund II, L.P., CDH China Growth Capital Holdings Company Limited, China Diamond Holdings II, L.P. and China Diamond Holdings Company Limited is deemed to be interested in the Shares held by CDH Packaging Limited. The interest in 296,942,700 Shares by these companies relates to the same block of Shares.
- (3) Madam Xu Zhen is interested in a long position of 276,736,760 Shares and short position in 29,736,000 Shares by virtue of her being the spouse of Hong Gang.
- (4) Wiseland has a direct interest in 129,489,234 Shares and an additional 30,000,000 Shares from the Bain Capital Earn Out Arrangement. Therefore, Wiseland is interested in an aggregate of 159,489,234 Shares. Wiseland has a short position in 14,820,000 Shares under the Wiseland Earn Out Arrangement. Foxing Development Limited ("Foxing") and Fosing are interested in the 58.10% and 41.90% of Wiseland, respectively, and therefore are interested in the same 159,489,234 Shares and a short position in 14,820,000 Shares. Gao Wei is the founder of the trust that wholly owns Foxing and also one of the settlers of the SM Trusts holding Fosing. Gao Wei therefore is deemed to be interested in the same 159,489,234 Shares and a short position in 14,820,000 Shares. The interest in 159,489,234 Shares and a short position in 14,820,000 Shares relates to the same block of Shares.
- (5) During the year ended 31 December 2011, Gao Wei have acquired 221,000 Shares by cash consideration.
- (6) Liwei is 50% owned by each of Hong Gang and Gao Wei. Therefore, Hong Gang and Gao Wei are deemed to be interested in all of the underlying Shares to be issued pursuant to the options granted to Liwei under the Pre-IPO Share Option Scheme.

On 22 January 2010, 22,000,000 options were granted to Liwei under the Pre-IPO Share Option Scheme. On 17 March 2011, 284 employees were granted (by way of transfer) by Liwei the rights to subscribe for up to 20,010,000 Shares under the Pre-IPO Share Option Scheme upon vesting of their option. On 1 September 2011, 3,546,000 options were vested, of which 54,000 options were lapsed after vesting. As at 31 December 2011, 1,548,000 share options were lapsed before the vesting period, which were taken back by Liwei and none of the options has been exercised under the Pre-IPO Share Option Scheme.

# Report of the Directors

Liwei is therefore deemed to be interested 18,454,000 Shares in a long position and have a short position in respect of the potential obligation to deliver 14,916,000 Shares.

- (7) Parview has a direct interest in 10,631,560 Shares and an additional 1,200,000 Shares from the Wiseland Earn Out Arrangement. Therefore, Parview is interested in an aggregate of 11,831,560 Shares. Parview is wholly-owned by one of the SM Trusts, whereby Gao Wei is a settler of the SM Trusts and therefore is interested in the same 11,831,560 Shares.
- (8) Madam Wang Wei is interested in a long position of 189,995,794 Shares and a short position of 29,736,000 Shares by virtue of her being the spouse of Gao Wei.
- (9) Phanron is interested in 78,141,966 Shares and 8,820,000 Shares under the Wiseland Earn Out Arrangement if the Bain Capital Earn Out Arrangement is fulfilled.
- (10) There were 1,333,600,000 Shares of our Company in issue as at 31 December 2011.

Save as disclosed above, and as at 31 December 2011, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

## DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest in, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2011.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

## CONNECTED TRANSACTIONS

During the year ended 31 December 2011, there were no connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules.

## PURCHASE, SALES OR REDEMPTION OF THE SHARES

During the year ended 31 December 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

# Report of the Directors

## MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 December 2011, there was no material acquisition and disposal of subsidiaries and associated companies by the Company.

## DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the year ended 31 December 2011, the Directors were not aware of any business or interest of the Directors or any substantial shareholder (as defined under the Listing Rules) of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

## BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2011 are set out in note 18 to the consolidated financial statements.

## RETIREMENT SCHEMES

Information of the retirement schemes of the Group are set out in note 23 to the consolidated financial statements.

## CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in Appendix 10 — Model Code for Securities Transactions by Directors of Listed Issuer under the Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they had complied with such code of conduct during the year ended 31 December 2011.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2011.

## SHARE OPTION SCHEMES

### Pre-IPO Share Option Scheme

On 15 November 2010, the Pre-IPO Share Option Scheme was adopted by resolution of shareholders of the Company. The main purpose of the scheme is, among others, to provide incentives to the employees of the Group with regard to their services and employment. Pursuant to the Pre-IPO Share Option Scheme, for a consideration of HK\$1, Liwei was granted options ("Pre-IPO Options") to subscribe for up to 22,000,000 Shares, and Liwei will grant (by way of transfer) the Pre-IPO Options to eligible participants. Prior approval from the board of directors (the "Board") of the Company is required for Liwei to grant the Pre-IPO Options. Such approval covers key terms of the Pre-IPO Options including eligibility, performance target and share subscription price.

The exercise price per Share under the Pre-IPO Share Option Scheme is HK\$4.30, being the global offering price. No further options was granted under the Pre-IPO Share Option Scheme on or after the day of the listing of the Shares on the Stock Exchange ("Listing Date"). All options granted under the Pre-IPO Share Option

# Report of the Directors

Scheme may be exercised during the option period after the Listing Date to the date falling 10 years from the Listing Date subject to conditions imposed by the Board to the respective employees. The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Pre-IPO Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

Set out below are the details of the outstanding options granted under the Pre-IPO Share Option Scheme:

Name of grantees	Notes	Date of grant/ vesting	Exercise period	Exercise price (HK\$)	Pre-IPO Options outstanding as at 1 January 2011	Pre-IPO Options vested during the year	Pre-IPO Options exercised during the year	Pre-IPO Options cancelled / lapsed during the year	Pre-IPO Options outstanding as at 31 December 2011
Liwei	1	22/01/2010	09/12/2010–22/11/2020	4.30	22,000,000	(3,546,000)	—	—	18,454,000
Employees in aggregate	2	01/09/2011	01/09/2011–01/06/2014	4.30	—	3,546,000	—	(54,000)	3,492,000
Total					22,000,000	—	—	(54,000)	21,946,000

Notes:

- (1) The Board approved Liwei to grant (by way of transfer) the Pre-IPO Options on 17 March 2011. Pursuant to the Pre-IPO Option Scheme, 284 employees were granted the Pre-IPO Options to subscribe for up to 20,010,000 Shares. Such 20,010,000 Pre-IPO Options will only be transferred to the employees upon vesting. The Pre-IPO Options will vest in four instalments on 1 September 2011, 1 June 2012, 1 June 2013, and 1 June 2014.
- (2) As at 31 December 2011, 3,546,000 Pre-IPO Options were vested, of which 54,000 Pre-IPO Options were lapsed after vesting.

## Share Option Scheme

The Company adopted a share option scheme ("Share Option Scheme") with the purpose of providing an incentive for Qualified Participants (as defined below) to work with commitment towards enhancing the value of the Company and the Shares for the benefit of our shareholders, to compensate such employees for their contribution based on their individual performance and that of the Group and to retain and attract high calibre working partners whose contribution are or may be beneficial to the growth and development of the Group.

There is no minimum period for which an option must be held before it can be exercised under the Share Option Scheme, provide that in granting options under the Share Option Scheme, the Board can determine whether there is any minimum holding period, and whether there is any performance target which must be achieved, before an option granted under the Share Option Scheme can be exercised. The Board will also determine the price per Share upon the exercise of an option according to the terms of the Share Option Scheme, provided that it shall be at the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the

five business days immediately preceding the date of grant of the options; and (iii) the nominal value of the Shares on the date of grant of the options.

The Board may from time to time grant options to (i) any executive Director, or employee (whether full time or part time) of our Company, any member of our Group or any entity in which any member of our Group holds an equity interest ("Invested Entity"); (ii) any non-executive Director (including independent non-executive Directors) of our Company, any member of our Group or any Invested Entity; and (iii) any such other person as the Board may consider appropriate (collectively "Qualified Participants").

# Report of the Directors

The Share Option Scheme shall be valid and effective for a period of ten years commencing on 15 November 2010. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of options is HK\$1.00. An option may be exercised at any time during a period which shall not exceed ten years from the date of grant subject to the provisions of early termination under the Share Option Scheme.

The Company shall be entitled to issue options, provided that the total number of Shares which may be issued upon exercise of all outstanding options to be granted under the Share Option Scheme and any other share option scheme of the Company does not exceed 10% of the Shares in issue at the date when the Shares were first listed on the Stock Exchange, which is 133,360,000 Shares. The Company may at any time refresh such limit, subject to compliance with the Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company does not exceed 30% of the Shares in issue from time to time. The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

No option has been granted pursuant to the Share Option Scheme during the year ended 31 December 2011.

## **PUBLIC FLOAT**

During the year ended 31 December 2011, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

## **PRE-EMPTIVE RIGHT**

There are no provisions for pre-emptive rights under the Articles and the laws of the Cayman Islands.

## **DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2011.

# Report of the Directors

## AUDITORS

PricewaterhouseCoopers has acted as auditors of the Company for the year ended 31 December 2011.

PricewaterhouseCoopers shall retire in the forthcoming annual general meeting and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

**Mr. HONG Gang**

*Chairman*

Beijing, the PRC, 28 March 2012

# CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report in the annual report of the Company for the year ended 31 December 2011.

## CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has adopted the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

The Company has complied with the code provisions as set out in the CG Code during the year of 2011 and up to the date of this annual report.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

## THE BOARD

### Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and

operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") (together, the "Board Committees"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

### Board Composition

The Board currently comprises ten members, consisting of two executive Directors, five non-executive Directors and three independent non-executive Directors.

The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The Board comprises the following Directors:

*Executive Directors:*  
Mr. HONG Gang (*Chairman*)  
Mr. BI Hua, Jeff  
(*Chief Executive Officer*)

*Non-executive Directors:*  
Mr. HILDEBRANDT James Henry  
Mr. ZHU Jia  
Mr. LEE Lap, Danny  
Mr. LEW Kiang Hua  
Ms. SHANG Xiaojun

*Independent non-executive Directors:*  
Mr. LUETH Allen Warren  
Mr. BEHRENS Ernst Hermann  
Mr. CHEN Weishu

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

None of the members of the Board is related to one another.

During the year of 2011 and up to the date of this annual report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.



# Corporate Governance Report

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

## Chairman and Chief Executive Officer

The Company fully supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority. The positions of Chairman and Chief Executive Officer are held by Mr. HONG Gang and Mr. BI Hua, Jeff respectively. Their respective responsibilities are clearly defined and set out in writing. The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board.

## Appointment and Re-Election of Directors

All of the Directors (save for our independent non-executive Director, Mr. LUETH Allen Warren) are appointed for a term of two years commencing from 9 December 2010, which are terminable by not less than three months' notice in writing and are subject to retirement in accordance with the Articles. Mr. LUETH Allen Warren is appointed for a term of one year, terminable by not less than three months' written notice and is subject to retirement in accordance with the Articles. Mr. LUETH Allen Warren's appointment letter has been renewed on 9 December 2011 for one year.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

In accordance with the Articles, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a causal vacancy shall submit himself/herself for re-election by shareholders at the first general meeting of the Company after appointment and new Directors appointed as an addition to the Board shall submit himself/herself for re-election by shareholders at the next following annual general meeting of the Company after appointment.

The procedures and process of appointment, re-election and removal of directors are set out in the Articles. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment, re-election and succession planning of Directors.

## Nomination Committee

The Nomination Committee comprises three members, namely Mr. HONG Gang (chairman of the Nomination Committee), Mr. BEHRENS Ernst Hermann and Mr. CHEN Weishu, the majority of them are independent non-executive Directors. Pursuant to a resolution of the Board passed on 28 March 2012, Mr. BI Hua, Jeff resigned as a chairman and member and Mr. HONG Gang has been appointed as the chairman of the Nomination Committee.

The following is a summary of work performed by the Nomination Committee during the year ended 31 December 2011:

- (1) reviewed the structure, size and composition of the Board and make recommendations regarding any proposed changes;
- (2) identified suitable candidates for appointment as directors;
- (3) made recommendations to the Board on appointment or re-appointment of and succession planning for directors; and
- (4) assessed the independence of independent non-executive Directors.

# Corporate Governance Report

There was 1 meeting of the Nomination Committee held during the year ended 31 December 2011. The attendance records of each member of the Nomination Committee are set out below:

<b>Members</b>	<b>Attendance / Number of meetings held</b>
Mr. BI Hua, Jeff (Chairman)	1/1
Mr. BEHRENS Ernst Hermann	1/1
Mr. CHEN Weishu	1/1

In accordance with the Articles, Mr. BI Hua, Jeff, Mr. LEW Kiang Hua, Mr. HILDEBRANDT James Henry and Mr. BEHRENS Ernst Hermann shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

The Nomination Committee recommended the re-appointment of the retiring Directors standing for re-election at the forthcoming annual general meeting of the Company.

The Company's circular dated 23 April 2012 contains detailed information of the retiring Directors standing for re-election.

## Induction and Continuing Development of Directors

Each newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors will be continuously updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Briefing and professional development for Directors will be arranged where necessary.

## Board Meetings

### Board Practices and Conduct of Meetings

Provision A.1.3 of the CG Code stipulates that at least 14 days' notice should be given for a regular Board meeting.

Certain regular Board meetings held during the year ended 31 December 2011 were convened with at least 14 days' notice. The Company adopted a flexible approach in convening Board meetings and ensuring that sufficient time and adequate information were given to Directors in advance.

Agenda and board papers together with all necessary information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep Directors apprised of the latest developments and financial position of the Company in order to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

The senior management attended all regular Board meetings and where necessary, other Board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The board secretary and the joint company secretaries are responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and final versions are open for Directors' inspection.

# Corporate Governance Report

The Articles contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

## Directors' Attendance Records

There were five Board meetings held during the year ended 31 December 2011. The attendance records of each Director at the Board meetings during the year 2011 are set out below:

Name of Director	Attendance / Number of meetings held
<i>Executive Directors</i>	
Mr. BI Hua, Jeff	5/5
Mr. HONG Gang	5/5
<i>Non-Executive Directors</i>	
Mr. HILDEBRANDT James Henry	5/5
Mr. ZHU Jia	5/5
Mr. LEE Lap, Danny	5/5
Mr. LEW Kiang Hua	5/5
Ms. SHANG Xiaojun	5/5
<i>Independent Non-Executive Directors</i>	
Mr. LUETH Allen Warren	5/5
Mr. BEHRENS Ernst Hermann	5/5
Mr. CHEN Weishu	5/5

## Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and each of the Directors has confirmed that he/she has complied with the Model Code during the year of 2011 and up to the date of this annual report.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for

securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company during the year ended 31 December 2011.

## Delegation by the Board

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets,

internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. All Directors have full and timely access to all relevant information as well as the advice and services of the joint company secretaries, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director may seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

# Corporate Governance Report

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

The Board has established three committees, namely, the Nomination Committee, Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are available to shareholders upon request.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

### Remuneration Committee

The Remuneration Committee comprises five members, namely, Mr. CHEN Weishu (chairman of the Remuneration Committee), Mr. BI Hua, Jeff, Mr. LUETH Allen Warren, Mr. BEHRENS Ernst Hermann and Mr. ZHU Jia, the majority of which are independent non-executive Directors. Pursuant to a resolution of the Board passed on 28 March 2012, Mr. CHEN Weishu has been appointed as the chairman of the Remuneration Committee and Mr. ZHU Jia resigned as chairman but remained as member of the Remuneration Committee.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive Directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for formulating such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The following is a summary of work performed by the Remuneration Committee during the year ended 31 December 2011:

1. Reviewed and approved the remuneration packages (including year-end bonuses) of our executive Directors and senior management; and
2. Reviewed the remuneration of non-executive Directors and made proposal regarding Director's fees to the Board for shareholder approval at the 2011 annual general meeting.

There was 1 meeting of the Remuneration Committee held during the year ended 31 December 2011. The attendance records of each member of the Remuneration Committee are set out below:

Members	Attendance / Number of meetings held
Mr. ZHU Jia ( <i>Chairman</i> )	1/1
Mr. BI Hua, Jeff	1/1
Mr. LUETH Allen Warren	1/1
Mr. BEHRENS Ernst Hermann	1/1
Mr. CHEN Weishu	1/1

# Corporate Governance Report

## ACCOUNTABILITY AND AUDIT

### Directors' Responsibilities for Financial Reporting in Respect of Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2011.

The Board, with support of the finance and legal teams, is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other applicable statutory and regulatory requirements.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

### Internal Control

The Board acknowledges that it is the responsibility of the Board for maintaining an adequate internal control system to safeguard shareholder investments and Company assets and reviewing the effectiveness of such system on an annual basis.

The Board has conducted a review of the effectiveness of the internal control system of the Company including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

### Audit Committee

The Audit Committee comprises all the three independent non-executive Directors namely, Mr. LUETH Allen Warren (chairman of the Audit Committee), Mr. BEHRENS Ernst Hermann and Mr. CHEN Weishu. In compliance with Rule 3.21 of the Listing Rules, Mr. LUETH Allen Warren possesses the appropriate professional qualifications or accounting or related financial management expertise. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the internal audit division or external auditors before submission to the Board
- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditors

- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures

During the year of 2011 and up to the date of this annual report, the Audit Committee reviewed the annual results and annual report of the Company and its subsidiaries for the year ended 31 December 2011, the financial reporting and compliance procedures, the Company's internal control and risk management systems and processes, and the re-appointment of the external auditors.

The Audit Committee held 2 meetings during the year of 2011, and all the members attended the meeting.

### External Auditors and Auditors' Remuneration

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" on page 37.

Annual audit fees of the financial statements of the Group for the year ended 31 December 2011 payable to the external auditors are approximately RMB1.86 million. In addition, approximately RMB0.32 million was incurred for other non-audit services.

# Corporate Governance Report

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable shareholders and investors to make the informed investment decisions.

To promote effective communication, the Company maintains the websites at [www.ga-pack.com](http://www.ga-pack.com) and [www.greatviewpack.com](http://www.greatviewpack.com), where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Latest information on the Group including annual and interim reports, announcements and press releases are updated on the Company's website in a timely fashion.

The 2012 Annual General Meeting ("AGM") will be held on 30 May 2012. The notice of AGM will be sent to shareholders at least 20 clear business days before the AGM.

## SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the website of the Company and the Stock Exchange in a timely manner after each general meeting.

On behalf of the Board

**Mr. HONG Gang**

*Chairman*

Beijing, the PRC, 28 March 2012

# Independent Auditor's Report



羅兵咸永道

**To the shareholders of GREATVIEW ASEPTIC PACKAGING COMPANY LIMITED**

*(incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Greatview Aseptic Packaging Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 39 to 88, which comprise the consolidated and company statement of financial positions as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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# Independent Auditor's Report

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

## OTHER MATTERS

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 28 March 2012



# Consolidated Statement of Financial Position

As at 31 December 2011

Prepared in accordance with International Financial Reporting Standards

Amount expressed in thousands of RMB, except for share data

	Note	As at 31 December	
		2011	2010
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	791,509	461,602
Land use rights	7	2,647	2,705
Intangible assets	8	51,816	52,065
Deferred income tax assets	19	22,026	15,706
Long-term prepayment	20	117,313	37,577
		<b>985,311</b>	569,655
<b>Current assets</b>			
Inventories	9	354,634	203,624
Trade receivables, other receivables and prepayments	10	459,913	326,594
Cash and bank balances	11	273,606	548,286
		<b>1,088,153</b>	1,078,504
<b>Total assets</b>		<b>2,073,464</b>	1,648,159
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital, share premium and capital reserve	12	930,861	916,207
Statutory reserve	13	85,490	52,146
Exchange reserve		(30,838)	(1,878)
Retained earnings	14	654,766	424,966
<b>Total equity</b>		<b>1,640,279</b>	1,391,441
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	18	32,800	59,040
Deferred government grants	16	9,000	9,334
Deferred income tax liabilities	19	4,430	—
		<b>46,230</b>	68,374

# Consolidated Statement of Financial Position

As at 31 December 2011

Prepared in accordance with International Financial Reporting Standards

Amount expressed in thousands of RMB, except for share data

		As at 31 December	
	Note	2011	2010
<b>Current liabilities</b>			
Trade payables, other payables and accruals	17	<b>195,548</b>	132,569
Income tax liabilities		<b>19,829</b>	9,525
Borrowings	18	<b>171,578</b>	46,250
		<b>386,955</b>	188,344
<b>Total liabilities</b>		<b>433,185</b>	256,718
<b>Total equity and liabilities</b>		<b>2,073,464</b>	1,648,159
<b>Net current assets</b>		<b>701,198</b>	890,160
<b>Total assets less current liabilities</b>		<b>1,686,509</b>	1,459,815

The notes on pages 46 to 88 are an integral part of these consolidated financial statements.

*Director*  
**Bi Hua, Jeff**

*Director*  
**Hong Gang**

# Statement of Financial Position

As at 31 December 2011

Prepared in accordance with International Financial Reporting Standards

Amount expressed in thousands of RMB, except for share data

	Note	As at 31 December	
		2011	2010
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	30	195,598	195,598
Amount due from a subsidiary	33	700,700	774,089
		<b>896,298</b>	969,687
<b>Current assets</b>			
Prepayments		161	—
Amount due from a subsidiary	33	30,000	—
		<b>30,161</b>	—
<b>Total assets</b>		<b>926,459</b>	969,687
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital, share premium and capital reserve	12	984,460	984,460
Accumulated losses	14	(58,001)	(14,773)
<b>Total equity</b>		<b>926,459</b>	969,687
<b>Total equity and liabilities</b>		<b>926,459</b>	969,687
<b>Net current assets</b>		<b>30,161</b>	—
<b>Total assets less current liabilities</b>		<b>926,459</b>	969,687

The notes on pages 46 to 88 are an integral part of these consolidated financial statements.

Director  
Bi Hua, Jeff

Director  
Hong Gang

# Consolidated Income Statement

For the year ended 31 December 2011

Prepared in accordance with International Financial Reporting Standards

Amount expressed in thousands of RMB, except for share data

	Note	Year ended 31 December	
		2011	2010
Revenue	21	<b>1,574,096</b>	1,160,298
Cost of sales	22	<b>(1,099,060)</b>	(791,150)
<b>Gross profit</b>		<b>475,036</b>	369,148
Other income — net	21	<b>19,468</b>	11,545
Distribution costs	22	<b>(80,518)</b>	(65,380)
Administrative expenses	22	<b>(96,050)</b>	(75,787)
<b>Operating profit</b>		<b>317,936</b>	239,526
Finance expense — net	25	<b>(2,343)</b>	(2,874)
<b>Profit before income tax</b>		<b>315,593</b>	236,652
Taxation	26	<b>(52,449)</b>	(35,441)
<b>Profit for the year</b>		<b>263,144</b>	201,211
<b>Profit attributable to:</b>			
Equity holders of the Company		<b>263,144</b>	201,211
Earnings per share for profit attributable to equity holders of the Company			
— Basic and diluted	27	<b>0.20</b>	0.18
Dividend	28	—	23,414

The notes on pages 46 to 88 are an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

Prepared in accordance with International Financial Reporting Standards

Amount expressed in thousands of RMB, except for share data

	Year ended 31 December	
	2011	2010
<b>Profit for the year</b>	<b>263,144</b>	201,211
<b>Other comprehensive income:</b>		
Currency translation differences	(28,960)	(1,891)
<b>Total comprehensive income for the year</b>	<b>234,184</b>	199,320
<b>Attributable to:</b>		
— Equity holders of the Company	<b>234,184</b>	199,320
<b>Total comprehensive income for the year</b>	<b>234,184</b>	199,320

The notes on pages 46 to 88 are an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

Prepared in accordance with International Financial Reporting Standards

Amount expressed in thousands of RMB, except for share data

	Attributable to equity owners				Total
	Share capital, share premium and capital reserve (Note 12)	Statutory reserve (Note 13)	Exchange reserve	Retained earnings (Note 14)	
<b>As at 31 December 2009</b>	461,777	30,899	13	268,416	761,105
<b>Comprehensive income:</b>					
Profit for the year	—	—	—	201,211	201,211
<b>Other comprehensive income:</b>					
Currency translation differences	—	—	(1,891)	—	(1,891)
<b>Transactions with owners:</b>					
Shares issued	798,280	—	—	—	798,280
Deemed distribution	(334,430)	—	—	—	(334,430)
Capitalisation as issued shares as part of the Reorganisation	(9,420)	—	—	—	(9,420)
Transfer to statutory reserve	—	21,247	—	(21,247)	—
Dividend	—	—	—	(23,414)	(23,414)
<b>As at 31 December 2010</b>	916,207	52,146	(1,878)	424,966	1,391,441
<b>Comprehensive income:</b>					
Profit for the year	—	—	—	263,144	263,144
<b>Other comprehensive income:</b>					
Currency translation differences	—	—	(28,960)	—	(28,960)
<b>Transactions with owners:</b>					
Employee share options	14,654	—	—	—	14,654
Transfer to statutory reserve	—	33,344	—	(33,344)	—
<b>As at 31 December 2011</b>	<b>930,861</b>	<b>85,490</b>	<b>(30,838)</b>	<b>654,766</b>	<b>1,640,279</b>

The notes on pages 46 to 88 are an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2011

Prepared in accordance with International Financial Reporting Standards

Amount expressed in thousands of RMB, except for share data

	Note	Year ended 31 December	
		2011	2010
<b>Cash flows from operating activities</b>			
Cash generated from operations	29	159,824	77,455
Interest paid		(6,246)	(5,388)
Income tax paid		(44,035)	(30,279)
Net cash generated from operating activities		109,543	41,788
<b>Cash flows from investing activities</b>			
Property, plant and equipment ("PPE")			
— Additions		(380,236)	(64,670)
— Prepayment		(79,736)	(37,577)
— Interest paid — capitalised		(1,588)	(2,086)
— Value added tax paid		(23,476)	(6,783)
Proceeds from disposal of PPE		227	1,199
Purchase of intangible assets		(835)	(4,422)
Entrusted loan repaid by an affiliate of a former shareholder		—	50,000
Interest received		3,988	1,935
Net cash used in investing activities		(481,656)	(62,404)
<b>Cash flows from financing activities</b>			
Net proceeds from initial public offering		—	780,328
Proceeds from borrowings		281,708	396,454
Repayments of borrowings		(180,163)	(393,880)
Repayments of shareholder loan		—	(334,430)
Dividends paid to equity holders		—	(23,414)
Net cash generated from financing activities		101,545	425,058
<b>Net (decrease)/increase in cash and cash equivalents</b>		(270,568)	404,442
Cash and cash equivalents at the beginning of the year		526,970	124,233
Exchange loss on cash and cash equivalents		(2,542)	(1,705)
<b>Cash and cash equivalents at the end of the year</b>		253,860	526,970

The notes on pages 46 to 88 are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

Prepared in accordance with International Financial Reporting Standards

Amount expressed in thousands of RMB, unless otherwise stated

## 1 GENERAL INFORMATION AND REORGANISATION

Greatview Aseptic Packaging Company Limited (the "Company") was incorporated in the Cayman Islands on 29 July 2010 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and together with its subsidiaries (the "Group") are principally engaged in the business of manufacturing, distribution and selling of paper packaging for soft drinks and beverages, and filling machines (the "Listing Business").

These financial statements have been approved for issue by the board of directors (the "Board") of the Company on 28 March 2012.

The Company's ordinary shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 December 2010.

In preparation for the listing of the shares of the Company on the Main Board of the Stock Exchange, the Company underwent a Group reorganisation ("the Reorganisation"). The following reorganisation steps were carried out:

- The Company was incorporated in the Cayman Islands on 29 July 2010 with an authorised share capital of HK\$390,000 divided into 39,000,000 shares of HK\$0.01 each, with one share issued and allotted. On the same date, the one share was transferred to Hexis Enterprises Limited ("Hexis"). Partner One Enterprises Limited ("Partner One") was incorporated on 23 July 2010 in the British Virgin Islands and on 16 August 2010 Partner One issued and allotted one share of US\$1.00 to the Company. Hexis also held 100% equity interests in Greatview Holdings Limited ("Greatview Holdings") that owns, directly or indirectly, all other entities now comprising the Group.
- Pursuant to a deed of assignment dated 11 November 2010, the Company through Partner One acquired from Hexis, at face value, interest free loan totalling US\$60 million due from Greatview Holdings to Hexis. In addition, on 22 November 2010, the Company, through Partner One, acquired from Hexis all of Hexis' equity interest, i.e. one share, in Greatview Holdings.
- On 22 November 2010, as consideration for the acquisition of the one share in Greatview Holdings and repayment of US\$10 million payable to Hexis, the Company issued a total of 1,099,999,999 new shares to Hexis, and Hexis then distributed all such shares to its shareholders. Moreover, on 22 November 2010, the Company settled in cash US\$50 million payable to Hexis. The payment of US\$50 million is accounted for as deemed distribution.
- After the completion of the Reorganisation steps as described above, the Company became the holding company of the subsidiaries now comprising the Group.

Immediately prior to and after the Reorganisation, the Listing Business is held by Greatview Holdings. The Listing Business is mainly conducted through Greatview Aseptic Packaging (Shandong) Co., Ltd. (formerly known as, "Shandong Tralin Packaging Co., Ltd."), Greatview Beijing Packaging Equipment Co., Ltd. (formerly known as, "Beijing Tralin Packaging Machinery Co., Ltd."), Greatview Aseptic Packaging (Inner Mongolia) Co., Ltd. and Greatview Aseptic Packaging Europe GmbH (formerly known as, "Tralin Pak Europe GmbH"), which are all 100% owned subsidiaries of Greatview Holdings. Pursuant to the Reorganisation, Greatview Holdings and the Listing Business are transferred to and held by the Company via Partner One. The Company and Partner One have not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same. Accordingly, the consolidated financial statements of the Group are presented using the carrying values of the Listing Business under Greatview Holdings for all the years presented.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

Prepared in accordance with International Financial Reporting Standards

Amount expressed in thousands of RMB, unless otherwise stated

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The Group has adopted the following new and amended IFRS for the first time to the financial year beginning 1 January 2011:

<i>IAS 24 (Revised)</i>	<i>Related party disclosures</i>
<i>IFRS 7 (Amendment)</i>	<i>Financial instruments: Disclosure</i>
<i>IAS 1 (Amendment)</i>	<i>Presentation of financial statements</i>
<i>IAS 27 (Amendments)</i>	<i>Consolidated and separate financial statements</i>

The adoption of these standards, amendments and interpretations has no significant impact on the results and financial position of the Group.

The following standards, amendments and interpretations which have been issued and are not yet effective have not been early adopted by the Group:

<i>IFRS 1 (Amendment)</i>	<i>First time adoption of International Financial Reporting Standards</i>
<i>IAS 12 (Amendment)</i>	<i>Income taxes</i>
<i>IFRS 10</i>	<i>Consolidated financial statements</i>
<i>IFRS 11</i>	<i>Joint arrangements</i>
<i>IAS 28 (Revised)</i>	<i>Investments in Associates</i>
<i>IFRS 12</i>	<i>Disclosure of interests in other entities</i>
<i>IFRS 13</i>	<i>Fair value measurements</i>
<i>IAS 19 (Amendment)</i>	<i>Employee Benefits</i>
<i>IFRIC — Int 20</i>	<i>Stripping costs in the production phase of a surface mine</i>
<i>IAS 32 (Amendment)</i>	<i>Financial instruments: Presentation</i>
<i>IFRS 9</i>	<i>Financial instruments</i>

The Group is in the process of making an assessment of the impact of these standards, amendments and interpretations on the financial statements of the Group upon their initial application.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

Prepared in accordance with International Financial Reporting Standards

Amount expressed in thousands of RMB, unless otherwise stated

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.2 Consolidation

#### *Subsidiaries*

Subsidiaries are all entities including special purpose entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

### 2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

Prepared in accordance with International Financial Reporting Standards

Amount expressed in thousands of RMB, unless otherwise stated

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.4 Foreign currency translation

#### *(a) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Renminbi ("RMB") which is the company's functional and the Group's presentation currency.

#### *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains — net'.

#### *(c) Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in equity.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

Prepared in accordance with International Financial Reporting Standards

Amount expressed in thousands of RMB, unless otherwise stated

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.4 Foreign currency translation *(continued)*

#### *(c) Group companies (continued)*

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings are taken to shareholders' equity. On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to profit or loss. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

### 2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board that makes strategic decisions.

### 2.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the year in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual value over their estimated useful lives, as follows:

Buildings	30 years
Machinery	12 years
Vehicles and office equipment	4–8 years

Depreciation on construction in progress will not commence depreciation until the relevant assets are ready for their intended use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains — net' in the income statement.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

Prepared in accordance with International Financial Reporting Standards

Amount expressed in thousands of RMB, unless otherwise stated

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.7 Land use rights

Land use rights represent upfront operating lease payments made for the land and are stated at payments less amount written off on a straight line basis described below and impairment loss.

Upfront operating lease payments less impairment, if any, are written off to the income statement on a straight line basis over the lease period of 50 years.

### 2.8 Intangible assets

#### *(a) Goodwill*

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or Groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or Group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

#### *(b) Computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 4 years.

### 2.9 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill or intangible assets not ready for use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

Prepared in accordance with International Financial Reporting Standards

Amount expressed in thousands of RMB, unless otherwise stated

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.10 Financial assets

#### 2.10.1 Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's financial assets comprise 'trade receivables, other receivables and notes receivables' and 'cash and bank balances' in the statement of financial position. (Note 2.11 and 2.13)

When there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables, impairment test is performed on individual account and related provision for doubtful accounts is made based on the shortfall between carrying amounts and respective present value of estimated future cash flows. The carrying amounts of the receivables are reduced through the use of allowance accounts, and the amount of the provision is recognised within 'operating expenses — others'. When a receivable is uncollectible, it is written off against the allowance account for the receivable. Subsequent recoveries of amounts previously written off are credited against 'operating expenses — others'.

#### 2.10.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Loans and receivables are recognised initially at fair value, and subsequently carried at amortised cost less provision for doubtful debts using the effective interest method.

### 2.11 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

Prepared in accordance with International Financial Reporting Standards

Amount expressed in thousands of RMB, unless otherwise stated

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### 2.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

### 2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### 2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### 2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

Prepared in accordance with International Financial Reporting Standards

Amount expressed in thousands of RMB, unless otherwise stated

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### (a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### (b) Deferred income tax

##### *Inside basis differences*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statement. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

##### *Outside basis differences*

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.



# Notes to the Consolidated Financial Statements

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.18 Current and deferred income tax *(continued)*

#### (c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

### 2.19 Employee benefits

All eligible employees of the Group's subsidiaries which operate in the People's Republic of China (PRC) participate in a central pension scheme operated by the local municipal government. The Group recognises employee benefits as liabilities during the accounting period when employees render services and allocates to related cost of assets and expenses based on different beneficiaries.

In connection with pension obligations, the Group operate defined contribution plans in accordance with the local conditions and practices in the countries and provinces in which they operate. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a publicly administered pension insurance plan. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

### 2.20 Deferred government grants

Grant from the government is recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grant relating to property, plant and equipment are included in non-current liabilities as deferred revenue and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

### 2.21 Share-based payments

#### (a) *Equity-settled share-based payment transactions*

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.21 Share-based payments *(continued)*

#### *(a) Equity-settled share-based payment transactions (continued)*

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

#### *(b) Share-based payment transactions among group entities*

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

### 2.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

#### *(a) Sales of goods*

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the customer, and the customer has accepted the products and collectability of the related receivables is reasonably assumed.

#### *(b) Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method.

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.23 Leases — as a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lesser are classified as operating leases. Payments made under operating leases (net of any incentives received from the lesser) are charged to the income statement on a straight-line basis over the period of the lease.

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk, fair value and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group's exposure to foreign exchange risk mainly arises from cash and bank balances, trade payables and loan that are denominated in United States Dollars ("US\$"), Hong Kong Dollars ("HK\$") and EURO ("EUR"). Please refer to Note 11, 17 and 18 for details.

At 31 December 2011, if RMB had weakened/strengthened by 2% against US\$ with all other variables held constant, post-tax profit for the year would have been RMB3,523,000 (2010: RMB511,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of US dollar-denominated trade payables and borrowings. At 31 December 2010, if RMB had weakened/strengthened by 2% against the HK\$ with all other variables held constant, post-tax profit for the year would have been RMB3,413,000 higher/lower, mainly as a result of foreign exchange gains/losses on translation of HK dollar-denominated cash.

Changes in HK\$ or EUR against RMB would not have material impact on current year's profit after tax of the Group.

(ii) Price risk

The Group is not exposed to significant price risk as they do not hold equity financial assets or financial liabilities.

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## 3 FINANCIAL RISK MANAGEMENT *(continued)*

### 3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(iii) Interest rate risk

The Group's exposure to interest rate risk arises mainly from cash and bank balances and borrowings. Cash and bank balances and borrowings at fixed rates expose the Group to fair value interest-rate risk, and those at variable rates expose the Group to cash flow interest-rate risk.

As at 31 December 2011, approximately RMB130 million (2010: RMB446 million) of the Group's cash and bank balances were at fixed rates, and approximately RMB143 million (2010: RMB102 million) of the Group's cash and bank balances was at variable rates.

As at 31 December 2011, RMB184.38 million (2010: RMB105.29 million) of the borrowings of the group was at variable rates. The interest rates and maturities of the group's cash and bank balances and borrowings are disclosed in Notes 11 and 18.

Management monitors interest rate fluctuations to ensure that exposure to interest rate risk is within an acceptable level.

At the end of the year, changes in the interest rates on cash and bank balances and borrowings with all other variables including tax rate being held constant, would not have material impact on the profit after tax of the Group. The Group has no other financial assets or liabilities that are exposed to significant interest rate risk.

(b) Credit risk

Financial assets that potentially subject the Group to concentrations of credit risk consist principally of cash and bank balances (Note 11) and trade receivables (Note 10). The Group's cash and bank balances are mainly placed with State-owned banks in the PRC and investment grade credit rated foreign banks, which management believes are of high credit quality.

Receivables are presented net of provision for impairment. The Group performs periodic credit evaluations of its customers and the trade credit terms granted, such as credit amount and length of payment are determined by management on case-by-case basis taking into account factors such as customers' payment history.

# Notes to the Consolidated Financial Statements

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## 3 FINANCIAL RISK MANAGEMENT (continued)

### 3.1 Financial risk factors (continued)

#### (c) Liquidity risk

Liquidity risk management is to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. The Group finances its working capital requirements through a combination of funds generated from operations and bank borrowings (Note 18). The Group maintains undrawn banking facilities to manage its working capital requirements.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity Groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
<b>At 31 December 2010</b>				
Borrowings	52,174	29,689	34,470	116,333
Trade and other payables	101,834	—	—	101,834
<b>At 31 December 2011</b>				
Borrowings	<b>173,710</b>	<b>29,214</b>	<b>7,590</b>	<b>210,514</b>
Trade and other payables	<b>151,790</b>	—	—	<b>151,790</b>

### 3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as total debt divided by total capital. Total debt is calculated as interest bearing borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position). Total capital is calculated as 'equity' as shown in the consolidated statement of financial position.

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## 3 FINANCIAL RISK MANAGEMENT *(continued)*

### 3.2 Capital management *(continued)*

The Group's general strategy which was unchanged from 2010 is to maintain gearing ratio of about 10% to 50% or less. The gearing ratio at 31 December 2011 and 2010 were as follows.

	As at 31 December	
	2011	2010
Total debt	204,378	105,290
Total equity	1,640,279	1,391,441
Gearing ratio	12%	8%

The Group is not subject to any externally imposed capital requirements for the years ended 31 December 2011 and 2010.

### 3.3 Fair value estimation

None of the financial instruments are carried of fair value.

The Group's financial assets are classified as loans and receivables and are measured at amortised cost. The carrying amounts of the Group's financial assets, including cash and bank balances, trade and other receivables, notes receivables and entrusted loan receivable, approximate their fair values due to their short maturities.

The carrying amounts of the Group's financial liabilities, including trade and other payables, notes payables and external borrowings are measured at amortised cost. The carrying amounts of the variable-rate borrowings approximate their fair values because the interest rates are reset to market rates.

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## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) *Estimated impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. Refer to Note 8 for details of impairment testing of goodwill.

(b) *Estimated provision for doubtful debts*

The Group makes provision for doubtful debts based on an assessment of the recoverability of trade and other receivables. Provisions are applied to these receivables where events or changes in circumstance indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and doubtful debt expenses in the year in which such estimate has been charged. When previous impaired debts are recovered, both doubtful debt expenses and provision for impairment balance are reversed in this year.

(c) *Estimated provision for slow moving inventories*

Provisions for declines in the value of inventories are determined on an item-by-item basis when the carrying value of the inventories is higher than their net realisable value. The estimation of net realisable values requires the use of judgements and estimates.

# Notes to the Consolidated Financial Statements

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## 5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board which are used for making strategic decisions.

The operating segments are based on sales generated by geographical areas. The segment information provided to the Board are as follows:

	PRC	International	Total
<b>2011</b>			
Sales — Revenue from external customers	1,439,987	134,109	1,574,096
Cost	(999,296)	(99,764)	(1,099,060)
Segment result	440,691	34,345	475,036
<b>Other segment items</b>			
Depreciation and amortisation	—	—	(51,173)
Interest income	—	—	3,988
Interest expense	—	—	(6,246)
<b>2010</b>			
Sales — Revenue from external customers	1,082,605	77,693	1,160,298
Cost	(732,933)	(58,217)	(791,150)
Segment result	349,672	19,476	369,148
<b>Other segment items</b>			
Depreciation and amortisation	—	—	(40,692)
Interest income	—	—	1,935
Interest expense	—	—	(5,388)



# Notes to the Consolidated Financial Statements

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## 5 SEGMENT INFORMATION (continued)

A reconciliation of total segment result to total profit for the year is provided as follows:

	Year ended 31 December	
	2011	2010
Segment result for reportable segments	475,036	369,148
Other income — net	19,468	11,545
Distribution costs	(80,518)	(65,380)
Administrative expenses	(96,050)	(75,787)
Operating profit	317,936	239,526
Finance expense — net	(2,343)	(2,874)
<b>Profit before income tax</b>	<b>315,593</b>	<b>236,652</b>
Income tax expense	(52,449)	(35,441)
<b>Profit for the year</b>	<b>263,144</b>	<b>201,211</b>

Although the international segment does not meet the quantitative thresholds required by IFRS8, management has concluded that this segment should be reported, as it is closely monitored by the Board as a potential growth region.

Information on segment assets and liabilities are not disclosed as this information is not presented to the Board as they do not assess performance of reportable segments using information on assets and liabilities. The non-current assets excluding financial instruments, deferred tax assets (there is no employment benefit assets and rights arising under insurance contracts) amount to RMB963,285,000 (2010: RMB553,949,000).

The following table presents the financial information of sales generated from packaging materials for:

	Year ended 31 December	
	2011	2010
Dairy	1,364,059	908,133
Non-carbonated soft drink("NCSD")	210,037	252,165
	<b>1,574,096</b>	<b>1,160,298</b>

Revenue of approximately RMB972,152,000 (2010: RMB762,177,000) was derived from 2 (2010: 3) single external customers. Each of the external customers contributes more than 10% of the Group's revenue. These revenues are attributable to the PRC segment.

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## 6 PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Machinery	Vehicles and office equipment	Construction in progress	Total
Cost					
<b>As at 31 December 2009</b>	46,325	347,743	10,484	188,973	593,525
Additions	214	821	2,477	64,300	67,812
Transfer upon completion	54,350	187,197	6,526	(248,073)	—
Disposals	—	(1,330)	(464)	—	(1,794)
<b>As at 31 December 2010</b>	100,889	534,431	19,023	5,200	659,543
Additions	9,666	717	1,122	368,731	380,236
Transfer upon completion	1,077	4,871	2,986	(8,934)	—
Disposals	—	(76)	(542)	—	(618)
<b>As at 31 December 2011</b>	<b>111,632</b>	<b>539,943</b>	<b>22,589</b>	<b>364,997</b>	<b>1,039,161</b>
Accumulated depreciation					
<b>As at 31 December 2009</b>	(3,941)	(151,329)	(3,176)	—	(158,446)
Current year depreciation	(2,140)	(35,929)	(2,229)	—	(40,298)
Current year disposals	—	578	225	—	803
<b>As at 31 December 2010</b>	(6,081)	(186,680)	(5,180)	—	(197,941)
Current year depreciation	(3,571)	(43,661)	(2,799)	—	(50,031)
Current year disposals	—	28	292	—	320
<b>As at 31 December 2011</b>	<b>(9,652)</b>	<b>(230,313)</b>	<b>(7,687)</b>	<b>—</b>	<b>(247,652)</b>
Net book value					
<b>As at 31 December 2010</b>	94,808	347,751	13,843	5,200	461,602
<b>As at 31 December 2011</b>	<b>101,980</b>	<b>309,630</b>	<b>14,902</b>	<b>364,997</b>	<b>791,509</b>

(a) Depreciation expenses have been charged to the income statement as follow:

	Year ended 31 December	
	2011	2010
Cost of sales	48,076	39,138
Distribution costs	160	158
Administrative expenses	1,795	1,002
	<b>50,031</b>	40,298

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## 6 PROPERTY, PLANT AND EQUIPMENT (continued)

- (b) Bank borrowings are secured by certain property, plant and equipment with an aggregate net book value of approximately RMB86 million (2010: RMB103 million) (Note 18).
- (c) The Group's buildings are mainly located in the PRC.
- (d) Construction in progress as at 31 December 2011 mainly comprises new manufacturing plant and production line being constructed in Germany and Inner Mongolia, China.
- (e) Borrowing cost capitalised into the cost of property, plant and equipment was as follows:

	Year ended 31 December	
	2011	2010
Borrowing cost capitalised	1,588	2,086

The average capitalisation rate of interest during 2011 is 3.46% (2010: 6.37%).

## 7 LAND USE RIGHTS

	Year ended 31 December	
	2011	2010
Cost		
At beginning of the year	2,920	2,920
Additions	—	—
At end of the year	2,920	2,920
Accumulated amortisation		
At beginning of the year	(215)	(157)
Current year amortisation	(58)	(58)
At end of the year	(273)	(215)
Net book value	2,647	2,705

All of the Group's land use rights are located in the PRC with the leasehold period between 10 to 50 years.

Amortisation of the Group's leasehold land has been charged to administrative expenses in the income statements.

Bank borrowings are secured by land use right with an aggregate net book value of approximately RMB1.34 million (2010: RMB1.37 million) (Note 18).

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## 8 INTANGIBLE ASSETS

	Goodwill	Computer software	Total
Cost			
<b>As at 31 December 2009</b>	47,773	299	48,072
Additions	—	4,422	4,422
<b>As at 31 December 2010</b>	47,773	4,721	52,494
Additions	—	835	835
<b>As at 31 December 2011</b>	<b>47,773</b>	<b>5,556</b>	<b>53,329</b>
Accumulated amortisation			
<b>As at 31 December 2009</b>	—	(93)	(93)
Current year amortisation	—	(336)	(336)
<b>As at 31 December 2010</b>	—	(429)	(429)
Current year amortisation	—	(1,084)	(1,084)
<b>As at 31 December 2011</b>	<b>—</b>	<b>(1,513)</b>	<b>(1,513)</b>
Net book value			
<b>As at 31 December 2010</b>	47,773	4,292	52,065
<b>As at 31 December 2011</b>	<b>47,773</b>	<b>4,043</b>	<b>51,816</b>

Amortisation of the Group's intangible assets had been charged to administrative expense in the income statement.

### Impairment tests for goodwill

The goodwill arose from acquisition of Greatview Aseptic Packaging (Shandong) Co., Ltd. in January 2005. As a result, the goodwill is allocated to this subsidiary, which is included in the PRC operating segment.

The recoverable amount of a cash-generated unit ("CGU") is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a three-year period using estimated growth rates which are based on past performance and their expectations of future development. Cash flows within the three-year period are extrapolated using the estimated growth rates stated below.

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## 8 INTANGIBLE ASSETS *(continued)*

The key assumptions used for value-in-use calculations are as follows:

	Year ended 31 December	
	2011	2010
Discount rate	13.8%	14.9%
Growth rate	3%	3%

During the year no impairment of goodwill was recognised. No impairment loss would be expected should the discounted interest rate increased by 5%.

## 9 INVENTORIES

	As at 31 December	
	2011	2010
Raw materials	265,159	142,593
Work in progress	16,310	10,531
Finished goods	81,992	55,587
	363,461	208,711
Less: Provision for obsolescence	(8,827)	(5,087)
	354,634	203,624

The cost of inventories recognised as expense and included in 'cost of sales' amounted to approximately RMB1,094,000,000 (2010: RMB791,000,000).

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## 10 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2011	2010
Trade receivables	353,852	244,391
Less: Provision for impairment	(4,619)	(11,197)
Trade receivables — net	349,233	233,194
Notes receivable	65,225	34,972
Value added tax deductible	20,352	26,663
Prepayments	25,341	32,962
Less: Provision for impairment	(7,002)	(7,002)
Prepayments — net	18,339	25,960
Other receivables	6,764	5,805
	459,913	326,594

The Group does not hold any collateral as security.

The carrying amounts of trade receivables, notes receivable and other receivables approximate their fair values and are mainly denominated in the following currencies:

	As at 31 December	
	2011	2010
Trade receivables		
— RMB	338,925	236,190
— EUR	7,306	5,220
— US\$	7,621	2,587
— GBP	—	394
	353,852	244,391
Notes receivable		
— RMB	65,225	34,972
Other receivables		
— RMB	6,170	4,982
— Others	594	823
	6,764	5,805

The credit terms granted to customers by the Group were usually 10 to 90 days (2010: 15 to 90 days) during the year.

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## 10 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS (continued)

The ageing analysis of trade receivables as at 31 December 2011 and 2010 is as follows:

	As at 31 December	
	2011	2010
Trade receivables, gross		
0–30 days	172,818	102,668
31–90 days	147,151	119,567
91–365 days	24,792	12,569
Over 1 year	9,091	9,587
	<b>353,852</b>	244,391

As at 31 December 2011 and 2010, the Group's trade receivables that are neither past due nor impaired are from customers with good credit history and low default rate.

Trade receivables of RMB31,884,000 (2010: RMB30,844,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2011	2010
Up to 90 days	24,629	29,026
91 to 365 days	7,255	1,818
	<b>31,884</b>	30,844

Trade receivables of RMB4,619,000 (2010: RMB11,197,000) were impaired and provided for. The amount of the provision was RMB4,619,000 (2010: RMB11,197,000). The individually impaired receivables mainly relate to customers which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	As at 31 December	
	2011	2010
Up to 30 days	—	174
31 to 90 days	—	—
91 to 365 days	469	1,636
Over 365 days	4,150	9,387
	<b>4,619</b>	11,197

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## 10 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS (continued)

Movements on the Group provision for impairment of receivables are as below:

	As at 31 December	
	2011	2010
<b>At beginning of the year</b>	<b>(11,197)</b>	(10,705)
Provision for impairment	<b>(1,888)</b>	(1,907)
Reversed during the year	<b>1,535</b>	1,415
Receivables written off during the year	<b>6,931</b>	—
<b>At end of the year</b>	<b>(4,619)</b>	(11,197)

## 11 CASH AND BANK BALANCES

	As at 31 December	
	2011	2010
Cash at bank and on hand	<b>143,536</b>	102,371
Bank deposits	<b>130,070</b>	445,915
	<b>273,606</b>	548,286

For the purpose of presenting the consolidated statement of cash flows, the consolidated cash and cash equivalents comprise the following:

	As at 31 December	
	2011	2010
Cash and bank balances	<b>273,606</b>	548,286
Less: Restricted cash	<b>(19,746)</b>	(7,336)
Restricted bank deposits	—	(13,980)
Cash and cash equivalents per consolidated statement of cash flows	<b>253,860</b>	526,970

The restricted cash is held in dedicated bank accounts mainly as a guarantee for the construction of the new manufacturing plant in Germany.



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## 11 CASH AND BANK BALANCES (continued)

The carrying amounts of cash and bank balances of the Group are denominated in the following currencies:

	As at 31 December	
	2011	2010
RMB	237,672	350,209
EUR	25,633	1,221
US\$	6,364	6,109
HK\$	3,603	190,682
Others	334	65
	<b>273,606</b>	<b>548,286</b>

## 12 SHARE CAPITAL, SHARE PREMIUM AND CAPITAL RESERVE

	Note	Group		Company	
		As at 31 December		As at 31 December	
		2011	2010	2011	2010
Share capital	(a)	11,423	11,423	11,423	11,423
Share premium	(a)	786,857	786,857	786,857	786,857
Capital reserve	(b)	132,581	117,927	186,180	186,180
		<b>930,861</b>	<b>916,207</b>	<b>984,460</b>	<b>984,460</b>

### (a) Share capital and share premium

#### Share capital — Group and Company

On 29 July 2010, the Company was incorporated in the Cayman Islands as a limited liability company with an authorised share capital of HK\$390,000 divided into 39,000,000 ordinary shares of HK\$0.01 each. On 15 November 2010, the shareholders resolved that the authorised share capital of the Company be increased from HK\$390,000 to HK\$30,000,000 by the creation of an additional 2,961,000,000 shares of HK\$0.01 each.

The total authorised number of ordinary shares is 3,000,000,000 shares (2010: 3,000,000,000 shares) with a par value of HK\$0.01 per share (2010: HK\$0.01 per share). The number of ordinary shares issued is 1,333,600,000 (2010: 1,333,600,000) with nominal value of HK\$0.01 per share (2010: HK\$0.01 per share). All issued shares are fully paid.

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## 12 SHARE CAPITAL, SHARE PREMIUM AND CAPITAL RESERVE (continued)

### (a) Share capital and share premium (continued)

Share premium — Group and Company

	2011	2010
As at 1 January	<b>786,857</b>	—
New shares issued under initial public offering	—	859,940
Share issuance costs	—	(73,083)
As at 31 December	<b>786,857</b>	786,857

On 9 December 2010, the Company completed its initial public offering by issuing 233,600,000 shares of HK\$0.01 each at a price of HK\$4.30 per share. The Company's shares were then listed on the Main Board of the Stock Exchange.

### (b) Capital reserve

	Group		Company	
	As at 31 December		As at 31 December	
	2011	2010	2011	2010
As at 1 January	<b>117,927</b>	461,777	<b>186,180</b>	—
Deemed distribution as part of the Reorganisation	—	(334,430)	—	—
Capitalisation as issued shares as part of the Reorganisation	—	(9,420)	—	186,180
Issued employee share options	<b>14,654</b>	—	—	—
As at 31 December	<b>132,581</b>	117,927	<b>186,180</b>	186,180

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## 13 STATUTORY RESERVE

	As at 31 December	
	2011	2010
As at 1 January	52,146	30,899
Transfer from retained earnings	33,344	21,247
As at 31 December	85,490	52,146

In accordance with PRC regulations and the Articles of Association of the PRC subsidiaries, the principal PRC subsidiaries of the Group appropriate 10% of their net profits as shown in the accounts prepared under PRC generally accepted accounting principles to statutory reserve, until the reserve reaches 50% of the registered capital. Appropriation of the statutory reserve must be made before distribution of dividend to equity holders.

## 14 RETAINED EARNINGS/(ACCUMULATED LOSS)

	Group		Company	
	As at 31 December		As at 31 December	
	2011	2010	2011	2010
As at 1 January	424,966	268,416	(14,773)	—
Profit/(loss) for the year	263,144	201,211	(43,228)	(14,773)
Transfer to statutory reserve	(33,344)	(21,247)	—	—
Dividend paid	—	(23,414)	—	—
As at 31 December	654,766	424,966	(58,001)	(14,773)

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB43,228,000 (2010: RMB14,773,000).

## 15 SHARE-BASED PAYMENTS

On 15 November 2010, a Pre-IPO Share Option Scheme was adopted by resolution of shareholders of the Company. The main purpose of the scheme is, among others, to provide incentives to directors and employees of the Group with regard to their services and employment. Pursuant to the Pre-IPO Share Option Scheme, for a consideration of HK\$1, Liwei Holdings Limited ("Liwei") was granted (by way of transfer) options to subscribe for up to 22,000,000 shares in the Company, and Liwei will grant the options to eligible participants. Prior approval from the Board is required for Liwei to grant the options. Such approval covers key terms of the options including eligibility, performance target and share subscription price. The Board approved Liwei to grant the Pre-IPO Options on 17 March 2011. Pursuant to the Pre-IPO Option Scheme, 284 employees were granted the Pre-IPO Options to subscribe for up to 20,010,000 shares of the Company. The Pre-IPO Options will vest in four instalments on 1 September 2011, 1 June 2012, 1 June 2013, and 1 June 2014 with the exercise price of HK\$4.30.

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## 15 SHARE-BASED PAYMENTS (continued)

The options are exercisable subject to the grantees still being employees of the Group and without any inappropriate behaviour that are forbidden by the Group on the vesting date. The options are exercisable starting from the vesting date with a contractual option term of two years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of the share options are as follows.

	<b>2011 Options (thousands)</b>
Granted to employees	<b>20,010</b>
Forfeit	<b>(1,548)</b>
Lapsed	<b>(54)</b>
Outstanding options granted to employees	<b>18,408</b>

Out of the 18,408,000 outstanding options, 3,492,000 options were exercisable as at year end. Share options outstanding at the end of the year have the following expiry date:

<b>Expiry Date</b>	<b>Vested Date</b>	<b>Options (thousands)</b>
1 September 2013	1 September 2011	3,492
1 June 2014	1 June 2012	4,972
1 June 2015	1 June 2013	4,972
1 June 2016	1 June 2014	4,972
		<b>18,408</b>

The fair value of the options granted during the period was determined using the binomial valuation model. The significant inputs into the model were spot price of HK\$4.98 at the grant date, vesting period based on the terms stipulated in the Scheme, dividend yield of 3.95%, volatility of 49.88% to 48.07%, post forfeiture rate of the management is 0% per annum, whilst 15.6% for employees and risk free rate of 0.735% to 1.678%.

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## 16 DEFERRED GOVERNMENT GRANTS

	As at 31 December	
	2011	2010
Opening net amount at the beginning of the year	9,334	9,667
Amortisation	(334)	(333)
<b>Closing net amount at the end of the year</b>	<b>9,000</b>	9,334
<b>At the end of the year</b>		
Cost	10,000	10,000
Less: accumulated amortisation	(1,000)	(666)
<b>Net book amount</b>	<b>9,000</b>	9,334

The government grant amounting to RMB10 million received by a subsidiary of the Group in 2008 was for the construction of the subsidiary's factory in Gaotang Country Liaocheng City Shandong Province.

## 17 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2011	2010
Trade payables	110,850	62,329
Advances from customers	16,116	12,006
Accrued expenses	27,642	18,729
Salary and welfare payable	14,455	13,476
Other payables	26,485	26,029
	<b>195,548</b>	132,569

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## 17 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS (continued)

The ageing analysis of the Group's trade payables at each year end is as follows:

	As at 31 December	
	2011	2010
Within 30 days	87,086	56,624
31–90 days	20,735	4,860
91–365 days	2,101	194
Over 365 days	928	651
	<b>110,850</b>	<b>62,329</b>

The carrying amounts of trade payables, salary and welfare payable and other payables approximate their fair values and are mainly denominated the following currencies:

		As at 31 December	
		2011	2010
Trade payables	— RMB	54,111	32,363
	— US\$	56,080	29,868
	— Others	659	98
		<b>110,850</b>	<b>62,329</b>
Salary and welfare payable	— RMB	14,439	13,102
	— Others	16	374
		<b>14,455</b>	<b>13,476</b>
Other payables	— RMB	17,175	16,135
	— EUR	8,263	—
	— HK\$	812	4,494
	— US\$	—	5,400
	— Others	235	—
		<b>26,485</b>	<b>26,029</b>

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## 18 BORROWINGS

		As at 31 December	
		2011	2010
<b>Non-current</b>			
Secured bank borrowing	— RMB	32,800	59,040
		<b>32,800</b>	59,040
<b>Current</b>			
Secured bank borrowing	— RMB	26,240	26,250
		<b>26,240</b>	26,250
Unsecured bank borrowing	— RMB	20,000	20,000
	— US\$	125,338	—
		<b>145,338</b>	20,000
Total current borrowing		<b>171,578</b>	46,250
<b>Total borrowings</b>		<b>204,378</b>	105,290

The secured borrowing will be fully repayable by 2014 and bears a floating interest rate which is based on People's Bank of China's rate. The effective interest rate is 6.37% (2010: 6.37%) per annum. The carrying amount of the borrowing approximates its fair value because the interest rates are reset to market rates. As at 31 December 2011, this borrowing is secured against an aggregate net book value of approximately RMB86 million (2010: RMB103 million) of property, plant and equipment (Note 6(b)) and an aggregate net book value of approximately RMB1.34 million (2010: RMB1.37 million) of land use right (Note 7).

Unsecured borrowing of RMB20,000,000 bears an effective interest rate of 6.31% to 6.94% per annum, and it is subsequently repaid in January 2012.

The remaining unsecured borrowing is denominated in US\$ with a maturity date of a maximum of 120 days from the date of each drawdown. It bears the interest rate of higher of 1.25% per annum over LIBOR or the Bank's Cost of Fund. The effective interest rate is 2.37% per annum.

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## 18 BORROWINGS (continued)

The Group's borrowings at each year end were repayable as follows:

	As at 31 December	
	2011	2010
Within 1 year	171,578	46,250
Between 1 and 2 years	26,240	26,240
Between 2 and 5 years	6,560	32,800
	<b>204,378</b>	105,290

## 19 DEFERRED INCOME TAXES

	As at 31 December	
	2011	2010
Deferred tax assets	22,026	15,706
Deferred tax liabilities	(4,430)	—
<b>Deferred tax assets (net)</b>	<b>17,596</b>	15,706

The gross movement on the deferred income tax account is as follows:

	As at 31 December	
	2011	2010
At the beginning of the year	15,706	16,645
Recognised in the income statement (Note 26)	1,890	(939)
At the end of the year	<b>17,596</b>	15,706



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## 19 DEFERRED INCOME TAXES (continued)

The gross movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Accrued expenses	Government grants	Impairments and provisions	Total
At 1 January 2010	2,842	2,333	11,470	16,645
Recognised in the income statement	(1,287)	(42)	390	(939)
At 31 December 2010	1,555	2,291	11,860	15,706
Recognised in the income statement	2,312	(42)	4,050	6,320
<b>At 31 December 2011</b>	<b>3,867</b>	<b>2,249</b>	<b>15,910</b>	<b>22,026</b>
Deferred tax liabilities				Withholding tax
At 1 January 2011				—
Recognised in the income statement				4,430
<b>At 31 December 2011</b>				<b>4,430</b>

Deferred income tax assets are recognised for tax loss carried-forwards to the extent that the realisation of the related tax benefits through the future taxable profits is probable. The amount of tax losses (mostly expiring within 5 years) for which no deferred tax asset were recognised in the statement of financial position was approximately RMB53,835,000 (2010: RMB15,282,000).

## 20 LONG-TERM PREPAYMENT

Long-term prepayment mainly comprised deposits paid to purchase machinery and factory equipments.

## 21 REVENUE AND OTHER INCOME — NET

	Year ended 31 December	
	2011	2010
Sales of products	1,574,096	1,160,298
Other income — net:		
— Income from sales of scrap materials	8,394	10,779
— Subsidy income from government	21,440	3,371
— Foreign exchange loss	(10,366)	(2,605)
	<b>19,468</b>	11,545

The subsidy income comprised grant from local government as incentive to promote local business.

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## 22 EXPENSES BY NATURE

	Year ended 31 December	
	2011	2010
Raw materials and consumables used	989,280	682,898
Changes in inventories of finished goods and work in progress	(32,184)	(3,083)
Provision for obsolescence on inventories	3,740	964
Depreciation and amortisation charges:	51,173	40,692
— Depreciation of property, plant and equipment (Note 6)	50,031	40,298
— Amortisation of intangible assets (Note 8)	1,084	336
— Amortisation of land use right (Note 7)	58	58
Provision for impairment of receivables and prepayment	353	3,010
Employee benefit expenses (Note 23)	98,540	65,913
Auditors' remuneration	1,860	1,530
Transportation expenses	50,334	39,404
Repair and maintenance expenses	14,384	14,135
Electricity and utilities	20,409	14,460
Rental expenses	5,605	3,334
Plating expenses	10,835	9,572
Professional fees	8,863	4,753
Travelling expenses	10,311	7,997
Advertising and promotional expenses	3,192	10,673
Other expenses	38,933	36,065
Total cost of goods sold, distribution costs and administrative expenses	1,275,628	932,317

## 23 EMPLOYEE BENEFITS

The analysis of employee benefits is as follows:

	Year ended 31 December	
	2011	2010
Wages and salaries (including discretionary bonuses)	67,552	55,708
Employer's contribution to pension scheme and others	16,334	10,205
Share options granted to employees (Note 15)	14,654	—
	98,540	65,913

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## 24 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

### (a) Directors' emoluments

The remuneration of directors of the Company was as follows:

Name of Director	Fees	Salary	Discretionary bonuses	Inducement fees	Other benefits	Employer's contribution to pension scheme	Total
Year ended 31 December 2010:							
Executive directors							
Mr Bi Hua, Jeff	—	2,130	417	—	89	—	2,636
Mr Hong Gang	—	1,000	194	—	28	28	1,250
Non-executive directors							
Mr Hildebrandt James Henry	—	—	—	—	—	—	—
Mr Zhu Jia	—	—	—	—	—	—	—
Mr Lew Kiang Hua	—	—	—	—	—	—	—
Ms Shang Xiaojun	—	—	—	—	—	—	—
Mr Lee Lap, Danny	—	—	—	—	—	—	—
Independent non-executive Directors							
Mr Lueth Allen Warren	9	—	—	—	—	—	9
Mr Behrens Ernst Hermann	9	—	—	—	—	—	9
Mr Chen Weishu	9	—	—	—	—	—	9
	27	3,130	611	—	117	28	3,913
Year ended 31 December 2011:							
Executive directors							
Mr Bi Hua, Jeff	—	2,147	318	—	151	—	2,616
Mr Hong Gang	—	1,005	134	—	30	30	1,199
Non-executive directors							
Mr Hildebrandt James Henry	—	—	—	—	—	—	—
Mr Zhu Jia	—	—	—	—	—	—	—
Mr Lew Kiang Hua	—	—	—	—	—	—	—
Ms Shang Xiaojun	—	—	—	—	—	—	—
Mr Lee Lap, Danny	—	—	—	—	—	—	—
Independent non-executive Directors							
Mr Lueth Allen Warren	166	—	—	—	—	—	166
Mr Behrens Ernst Hermann	166	—	—	—	—	—	166
Mr Chen Weishu	166	—	—	—	—	—	166
	498	3,152	452	—	181	30	4,313

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## 24 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included 2 directors (2010: 2), whose emoluments were reflected in the analysis presented above. The emoluments payable to the remaining individuals during the year are as follows:

	Year ended 31 December	
	2011	2010
Basic salaries, housing allowances, other allowances and benefits in kind	3,447	3,526
Pension	140	40
	<b>3,587</b>	<b>3,566</b>

The emoluments fell within the following bands:

	Year ended 31 December	
	2011	2010
Emolument bands		
HK\$0–HK\$1,000,000	—	—
HK\$1,000,001–HK\$1,500,000	2	2
HK\$1,500,001–HK\$2,500,000	1	1
	<b>3</b>	<b>3</b>

(c) During the year, no director or the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office.

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## 25 FINANCE EXPENSE — NET

	Year ended 31 December	
	2011	2010
Interest expense — bank borrowings	(6,246)	(5,388)
Exchange loss on cash and cash equivalents	(85)	—
<b>Finance expense</b>	<b>(6,331)</b>	<b>(5,388)</b>
Interest income — cash and cash equivalents	3,988	994
— entrusted loan receivable to an affiliate of a former shareholder	—	941
Exchange gain on cash and cash equivalents	—	579
<b>Finance income</b>	<b>3,988</b>	<b>2,514</b>
<b>Finance expense — net</b>	<b>(2,343)</b>	<b>(2,874)</b>

Interest expense of RMB1,588,000 (2010: RMB2,086,000) has been capitalised into cost of property, plant and equipment (Note 6(e)).

## 26 INCOME TAX EXPENSE

	Year ended 31 December	
	2011	2010
Current income tax:		
Enterprise income tax ("EIT")	54,339	34,502
Deferred tax (Note 19):		
Origination and reversal of temporary differences	(1,890)	939
<b>Taxation</b>	<b>52,449</b>	<b>35,441</b>

The Group's subsidiaries established in the PRC are subject to the PRC statutory EIT of 25% (2010: 25%) on the assessable income for the year. The profit arising from Hong Kong profits tax has been provided at rate of 16.5% for the current year (2010: No assessable profits in Hong Kong).

As a foreign investment production enterprise in the PRC, one of the Group's subsidiary Greatview Aseptic Packaging (Shandong) Co., Ltd. is entitled to tax exemption for two years followed by a 50% reduction in tax rate in the next three years effective from the first cumulative tax profit-making year. The subsidiary's first cumulative tax profit-making year is 2007, and the applicable EIT rate for the current year is 12.5% (2010: 12.5%). This preferential tax rate will expire after 2011.

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## 26 INCOME TAX EXPENSE (continued)

Another subsidiary, Greatview Aseptic Packaging (Inner Mongolia) Co., Ltd., is located in a special economic zone with the applicable tax rate of 15%, which subject to annual approval from the local tax bureau. The local tax bureau has approved this preferential tax rate of 15% for this subsidiary in year 2011.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group companies as follows:

	Year ended 31 December	
	2011	2010
Profit before tax	315,593	236,652
Tax calculated at domestic tax rates applicable to profits in the respective countries	94,971	64,228
Preferential tax treatment for subsidiaries	(48,263)	(32,285)
Income not subject to tax	(4,625)	—
Expenses not deductible for taxation purposes	192	202
Tax losses for which no deferred tax asset was recognised	9,434	2,863
Utilisation of previously unrecognised tax losses for which no deferred income tax was recognised	(532)	(761)
Others	1,272	1,194
Tax charge	52,449	35,441

## 27 EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2011	2010
Profit attributable to equity holders of the Company	263,144	201,211
Weighted average number of ordinary shares in issue (thousand)	1,333,600	1,114,080
Earnings per share (RMB per share)	0.20	0.18

## 28 DIVIDEND

No dividend was declared by the Board for the year ended 31 December 2011.

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## 29 CASH GENERATED FROM OPERATIONS

	Year end 31 December	
	2011	2010
Profit before income tax	<b>315,593</b>	236,652
Adjustments for:		
— Amortisation of intangible assets and land use right	<b>1,142</b>	394
— Amortisation of deferred revenue	<b>(334)</b>	(333)
— Depreciation of property, plant and equipment	<b>50,031</b>	40,298
— Impairment provision for trade receivables, other receivables and prepayments	<b>353</b>	3,010
— Provision for obsolescence on inventories	<b>3,740</b>	964
— Loss/(profit) on disposal of property, plant and equipment	<b>71</b>	(208)
— Finance expense — net	<b>2,343</b>	2,874
— Unrealised foreign exchange loss	<b>12,250</b>	1,983
Changes in working capital:		
— Inventories	<b>(154,750)</b>	(47,171)
— Trade receivables, other receivables and prepayments	<b>(120,858)</b>	(200,438)
— Trade payables, other payables and accruals	<b>50,243</b>	39,430
Cash generated in operations	<b>159,824</b>	77,455

### Non-cash transaction

In 2011, there is no significant non-cash transaction.

In 2010, the principal non-cash transaction is the issue of shares as part of the Reorganisation discussed in Note 1.

## 30 INVESTMENT IN SUBSIDIARIES

	As at 31 December	
	2011	2010
Unlisted shares, at cost	<b>195,598</b>	195,598

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## 30 INVESTMENT IN SUBSIDIARIES (continued)

Particulars of the subsidiaries of the Group as at 31 December 2011 are set out below:

Name	Place of incorporation/ establishment	Principal activities	Legal status	Issued or registered/paid up capital	Effective interest held as at December 31 2011
<b>Directly owned:</b>					
Partner One	British Virgin Island	Investment holding	Limited liability company	US\$2	100%
<b>Indirectly owned via Partner One:</b>					
Global Land International Industries Limited	Hong Kong	Investment holding	Limited liability company	HK\$10,000	100%
Greenone Co., Ltd	PRC	Research and development of multi-layers food packaging materials	Foreign investment enterprise	RMB500,000	100%
Greatview Holdings	Hong Kong	Investment holding	Limited liability company	HK\$10,000	100%
Greatview Aseptic Packaging (Shandong) Co., Ltd.	PRC	Production and sale of packaging products	Foreign investment enterprise	US\$40,000,000	100%
Greatview Beijing Packaging Equipment Co., Ltd.	PRC	Production and sale of filling machines	Foreign investment enterprise	RMB10,000,000	100%
Greatview Aseptic Packaging (Inner Mongolia) Co., Ltd.	PRC	Production and sale of packaging products	Foreign investment enterprise	US\$20,000,000	100%
Greatview Aseptic Packaging Europe GmbH	Switzerland	Sale of packaging products	Foreign investment enterprise	CHF50,000	100%
Greatview Beijing Trading Co.,Ltd.	PRC	Sale of packaging products and equipment and related technical development services	Foreign investment enterprise	US\$750,000	100%
Greatview Aseptic Packaging Manufacturing GmbH	Germany	Production and sale of packaging products	Foreign investment enterprise	EUR25,000	100%



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## 31 COMMITMENTS

(a) The Group's capital commitments at the statement of financial position date are as follows:

	As at 31 December	
	2011	2010
Contracted but not provided for — Property, plant and equipment	140,433	222,443

### (b) Operating leases commitments

The Group leases offices and warehouses under non-cancellable operating lease agreements. The lease terms are between three and ten years.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2011	2010
No later than 1 year	3,391	3,253
Later than 1 year and no later than 5 years	6,375	8,700
Later than 5 years	811	875
	10,577	12,828

## 32 RELATED — PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the consolidated financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties.

### Key management compensation

Key management includes Directors and other key management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Year end 31 December	
	2011	2010
Salaries and other short-term employees benefits	9,394	9,816
Social security cost	241	226
	9,635	10,042

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

Prepared in accordance with International Financial Reporting Standards

Amount expressed in thousands of RMB, unless otherwise stated

## 33 AMOUNT DUE FROM A SUBSIDIARY

The amount due from a Group's subsidiary, is unsecured and interest free. The amount of approximately RMB30,000,000 is repayable on demand. The remaining amount of RMB700,700,000 will not be recalled within the next 12 months.

## 34 FINANCIAL GUARANTEE

The nominal value of the financial guarantee issued by the Company as at 31 December 2011 are analysed as below:

	As at 31 December	
	2011	2010
Outstanding guarantee		
— Subsidiary	125,338	—

The Company has acted as the guarantor for external borrowings made to a subsidiary of the Group.

The Company considers that the fair value of the contract at the date of inception was not material, the repayment was on schedule and risk of default in payment was remote. Therefore no provision has been made in the financial statements for the guarantee.

## 35 CONTINGENT LIABILITIES

On 17 September 2010, the Group received a notice informing it that a competitor has filed a complaint in Germany against subsidiary companies of the Group. The named defendants in the notice are Tralin Pak Europe GmbH (renamed Greatview Aseptic Packaging Europe GmbH in 2011) and Tralin Packaging Company Limited (together in the following "Tralin Pak"); alleging patent infringement related to aseptic packaging material. The complaint seeks injunctive relief, accounting information and damages. The Directors of the Company intent to defend the claim vigorously and on 21 September 2010, Greatview Aseptic Packaging Europe GmbH submitted its notice of defence. Furthermore, on 20 October 2010, Greatview Aseptic Packaging Europe GmbH initiated Opposition Proceedings before the European Patent Office to nullify the same patent in question with effect for all member states of the European Patent Convention. The action was served to Tralin Pak on 19 January 2011 and Tralin Pak has formally notified the court of its intention to defend the action by communication dated 27 January 2011.

In December 2011, the Court denied the complaint and found the competitor liable for the costs of the proceedings ("the Judgement"). On 16 January 2012, this competitor filed a notice of appeal to Düsseldorf Higher Regional Court against the Judgement.

The Directors of the Company together with the Company's legal adviser on German law are of the views that the Group has a strong case in defending the appeal in Germany. Consequently, the Group considered there is no need to make any provision relating to this claim.