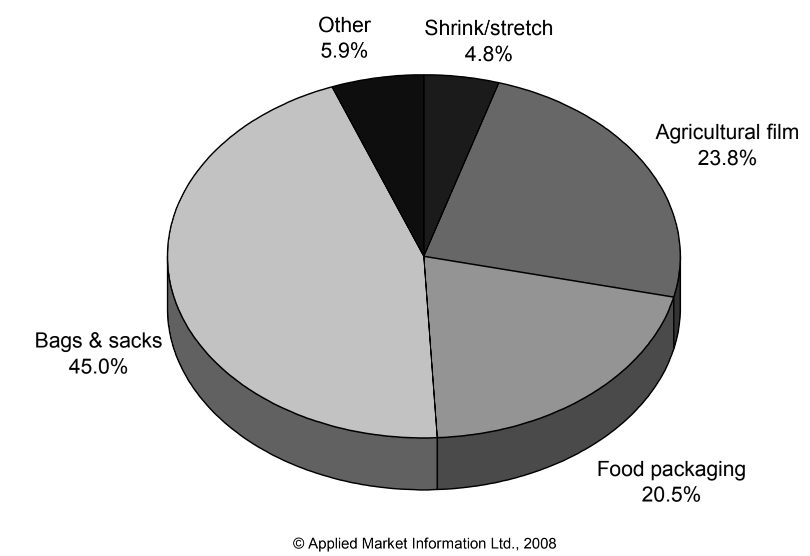
sentiment has been weak because of the global financial crisis and the expected slowdown in economic growth in North America and Europe impacting export markets. To some extent China is well placed to ride out any global recession because of the growth in domestic demand, but even so we anticipate that future growth in demand for film will be at more modest rates compared with the past decade.

End use applications

Polyethylene film is the largest segment of the flexible films market, which also includes PVC, PP, PET and polyamide types. Just under half of the market is accounted for by the production of bags and sacks. This proportion though has been declining in part because of the introduction of a ban on thin carrier bags in 2008 and also because of pressure on Chinese exports of PE bags. In 2007 China exported over 1.2 million tonnes of PE bags and volumes have nearly doubled over the past five years. However, Chinese exports have been the subject of various anti-dumping investigations which has seen a decline in volumes to countries such as the UK and the USA (two of the largest markets for Chinese made PE bags).

FIGURE 2: MAJOR END USE APPLICATIONS OF POLYETHYLENE FILM PRODUCTION IN CHINA 2008



China also has a significant production of agricultural film, reflecting the size and scale of agricultural production in a country with nearly 1.3 billion people to feed. The size of China's population is also a contributory factor to the size and growth of film manufacturing for food packaging. Foods packaged in PE film include liquid foods (e.g. milk, soybean products), fish/seafood, frozen foods, rice, flour, sugar, noodles, snacks, fruit and vegetables. In total about 2.2 million tonnes of PE film were produced for food packaging applications.

Most other markets are relatively small. Shrink and stretch accounts for less than 5% of the production but have been growing rapidly for use in industrial packaging, supermarket and household wraps.

Financial results[1]

Units: CNY Millions	2003	2004	2005	2006
Turnover	642.08	713.42	792.70	880.77
Profit before tax (PBT)	N/A	N/A	N/A	N/A
% of turnover in polyethylene film	40%	40%	40%	40%
Plastics processing as % of total turnover	100%	100%	100%	100%

[1] AMI estimate

Polyethylene film companies operating in Mainland China

	Company	Location	Estimated 2007 throughput (Tonnes)
1	Beijing Huadun Beisu Film	Beijing	13,500
2	Beijing Huadun Longsu Packaging	Beijing	4,500
Grand Total			**18,000**

Non-Mainland China polyethylene film operations

The company has no PE film activities outside China.

Group's specialisations

Beijing Huadun Beisu Film Products Co., Ltd. mainly produces agricultural mulch and greenhouse films.

Beijing Huadun Longsu Packaging Products Co., Ltd. mainly produces single-layer blown film and 3-layer co-extruded stretch cling film and cast film, including high-grade surface protective film for metal plate and plastic profiles, heat shrinkable film and stretch cling film. They are mainly LDPE and LLDPE films.

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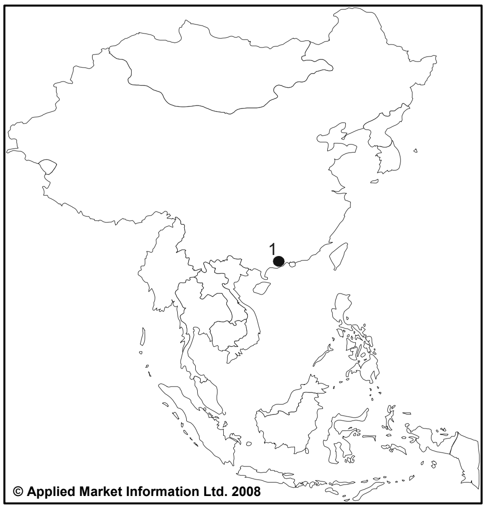
Website:

Ownership: British Polythene Industries, UK (95%)



Alida Xinhui Polythene Ltd. was founded in 1993 by Europe’s largest PE film extruder, British Polythene Industries, which moved a number of extruders from the UK to benefit from the economy and costs of manufacturing in China. Initially the plant focussed on the manufacture of shopping bags and other retail bags for export to the UK. However, over the years the product line has been extended and the company has expanded the geographic focus of its sales to include other Asian countries and North America. Refuse sack production was added (after production was ceased and its Stockton, UK Plant) and it also introduced production of film for compression packaging for hygiene products. In 2007 the company invested in a new line including an 8 colour printing press for the production of high quality bags and converted products.

Because of the heritage of the plant the majority of the output from the plant comprises HDPE based films although the proportion accounted for by lower density products is increasing as the product line expands. The other major characteristic of the operation in recent years has been the impact from EU anti dumping duties, which were initially fixed at a charge of over 8% on bags sent to Europe although this figure has now declined to 4.3% following representations by the company.

Being located in the Jinguzhou Economic Development Zone, the company’s imports of raw materials are exempt from import tariffs and it gets some VAT rebates on its exports of finished goods.

Financial results

Units: CNY Millions	**2003**	**2004**	**2005**	**2006[1]**
Turnover	98.5	120	130	144.22
Profit before tax (PBT)	-0.4	N/A	N/A	N/A
% of turnover in polyethylene film	100%	100%	100%	100%
Plastics processing as % of total turnover	100%	100%	100%	100%

[1] AMI estimate