



POLYGROUP



USE OF MATERIALS

PVC

Rigid PVC is used in making Christmas trees and soft PVC is used in making pools and inflatables. Recycled PVC is made into Christmas tree stands, light sockets for Christmas light strings, protective covers for raw materials and finished goods, and plastic baskets for transporting goods.

PE

PE is used for PE Christmas tree tips. Recycled PE is used as plastic bags for packaging replacement parts and bubble wrap to protect finished products.

STEEL

Steel is used to make support poles for frame pools, metal tree stands, tree hinges and wire for tree tips and branches.

PAPER

Paper and cardboard are used in packaging materials. All discarded boxes and paper waste are recycled. Packaging material contain at least 25% recycled content.

Recycling Program

Our Commitment to Environmental Sustainability

Since 2001, Polygroup has embarked on an ambitious plan to recycle wasted and defective materials as an integral part of our manufacturing process. One of Polygroup's sustainability goals is to protect the environment by reducing, reusing and recycling materials and lessening landfill waste.

With all three of Polygroup's manufacturing plants involved in the recycling program, raw materials left over from the production lines are further produced into lower tolerance components.

With a pledge to protect the environment, our recycling system reused almost 9000 metric tons of PVC, PE, steel and paper in 2007's production year. This collective effort amounted to a total savings of approximately USD 7 million for 2007. With recycling programs in place, Polygroup will continue to make sustainability part of every business decision.

PVC

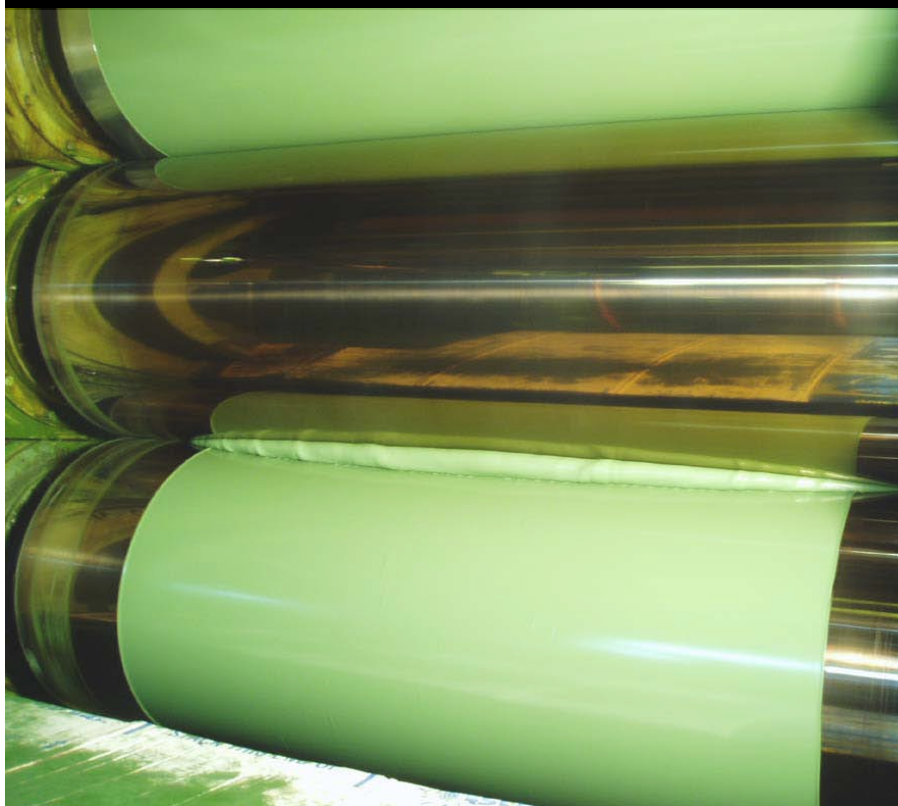
Polyvinyl Chloride

PVC resin is the largest amount of raw material purchased for use in Polygroup's manufacturing plants. Soft PVC resin is used in pools and inflatables production, and rigid PVC resin is used in Christmas tree production.

In the Christmas tree manufacturing process, approximately 2% of PVC is wasted due to the cropping and trimming of tree tips; including the occasional defective tree tip that does not pass quality assurance tests. Since the beginning of its recycling initiative, Polygroup has been able to salvage the majority of the PVC that was previously wasted by recycling them.

In the recycling process, the wasted PVC film and defective tree tips are shredded into a very fine grain and are then sifted through a liquid solution where the PVC parts float to the top and the steel parts sink to the bottom. The PVC is then cleaned, dried, melted down, cooled into small pellets, and stored for future use.

Recycled PVC is darker in color, duller in texture, less resilient, and is less reliable when seeking a consistent quality. However, recycled PVC perform very well as other components necessary in the manufacturing process. Examples of these components are plastic tree stands used with Christmas trees and light sockets used in the light strings on pre-lit trees. In addition, recycled PVC can be made into tools that facilitate the manufacturing process such as baskets that distribute the light strings around the plant and plastic covers that protect raw materials and finished goods.



PVC CONSUMPTION

FACT:

In 2007, Polygroup consumed approximately 44,000 metric tons of soft and rigid PVC resin from Japan, Korea and Taiwan.

Through the recycling program, Polygroup turned 6000 metric tons of wasted PVC (about 14% of consumed amount) into usable products.

PE

Polyethylene

PE is used in the new "PE tips" on Christmas trees that have become very popular in the past several years. As a result of the increased use of PE materials, Polygroup developed a recycling program to reuse PE to manufacture bubble wrap and plastic bags for packaging replacement parts such as light bulbs and fuses.

Steel

Besides plastics, large quantities of steel are required in the production of Christmas trees and pools. Steel parts include tree poles, some tree stands, metal hinges, wire for the tree tips, and support poles for frame pools.

Polygroup maximizes the use of steel in our production by purchasing the most upstream steel products appropriate for our use and then

manufacturing in-house all the needed steel parts through our vertically integrated production system. Despite this efficient use of steel, up to 6% of steel used in the manufacturing process will be wasted if not recycled.

At this time, Polygroup does not have the facilities to melt down and recycle steel parts in our plants. Currently, all steel recycling is outsourced to a third party. However, options to recycle steel within our facilities will be explored in the near future.

Paper

Since all of our products require packaging for shipment, we are focused on reducing the amount of packaging needed and replacing packaging materials with recycled components. As part of our vertically integrated manufacturing system, we produce our own cardboard

packaging with at least 25% recycled content and all discarded boxes and paper waste are recycled. Using recycled cardboard boxes in combination with bubble wrap recycled from PE, Polygroup continues to make every effort in becoming more environmentally friendly.

Summary

Reduce, reuse and recycling PVC, PE, steel and paper is only one of the goals that Polygroup has established for our environmental sustainability efforts. Our focus with the Recycling Program is to reduce unnecessary waste in the manufacturing process and to reuse waste to create functional, second-life components. Together, we can reduce the impact our manufacturing process has on landfills without compromising product quality or customers' expectations.

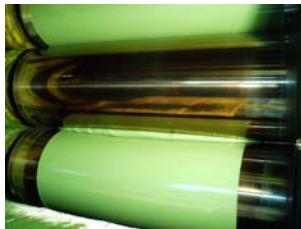
THE PROCESS

Reduce
Reuse
Recycle

PVC Recycling Process



Calendaring Machine



Pressing PVC sheets



Completed PVC sheets



Stringing out tree tips



Completed tree tips



Wasted PVC from trimming



Wasted PVC



Defective tree tips



Shredding up tree tips



Melting down PVC



Recycled PVC pellets

Uses of Recycled PVC



Protective covers



Christmas tree stands



Plastic baskets

PE Recycling Process



PE bag for recycling



PE recycling machine



Drying shredded PE



Shredded PE



Melting down PE



Making recycled PE

Uses for Recycled PE



Replacement parts bag



Bubble wrap

Steel



Steel for repurchase

Paper



Paper for recycling

LANDMARKS

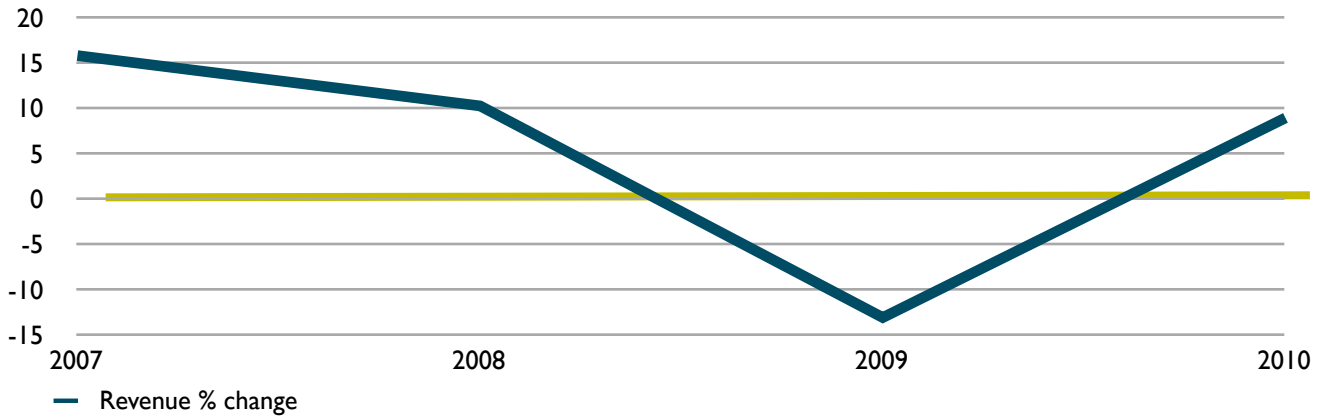
- * **2001:** Began to reduce, reuse and recycle PVC, PE, steel and paper to a level far exceeding industry standards
- * **2007:** Reused 7,000 metric tons of PVC, PE, steel and paper
- * **2009:** Heyyuan government presented us the “Outstanding Enterprise in Environmental Protection Effort” award
- * **2010:** Offer to recycle light sets and christmas trees from all final consumers, regardless of who and where the product was manufactured
- * **2012:** Reduce use of energy in all manufacturing plants by 20%



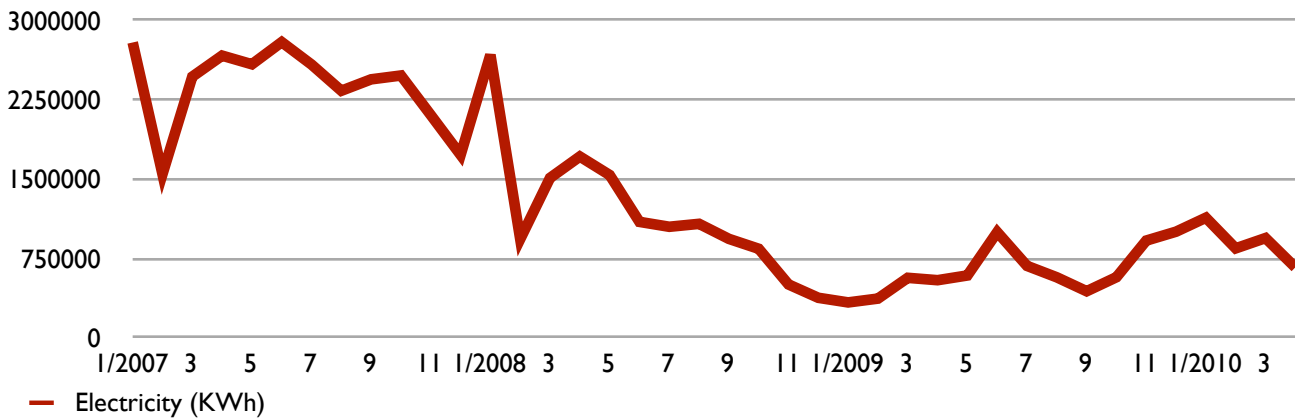
ENERGY SAVING

Reducing our energy consumption by 20% by 2012.

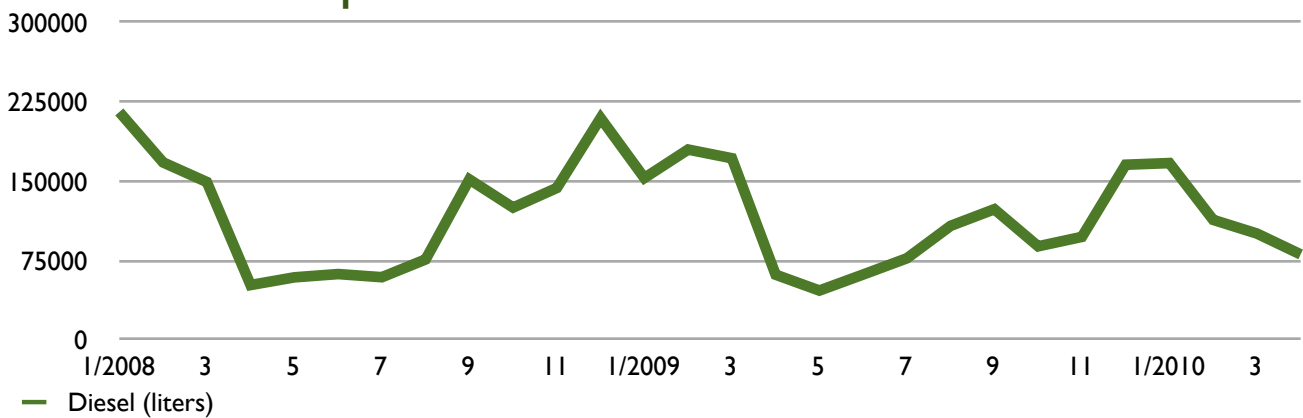
Total Revenue



Electricity Consumption



Diesel Consumption



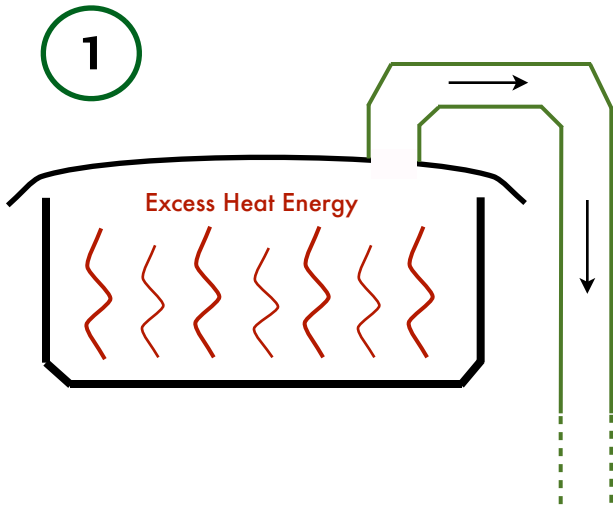
ENERGY SAVING

Energy Saving Strategies

- ***Jan 2007:** Installed electric meters in every production line across all facilities to accurately monitor electricity consumption
- ***Jan 2008:** Installed 3 boilers to drive turbines and engines, significantly reducing electricity usage
- ***Jun 2008:** New production facilities all have transparent ceilings windows to reduce dependency on artificial light
- ***Jun 2008:** New pool production facility utilizes excess heat created from calender machines in a neighboring facility to maintain a fair temperature to reduce cracking in the soft PVC liners
- ***May 2009:** Created a maintenance team that analyses and maintains all production machinery and motors to ensure optimal production efficiency
- ***May 2009:** Created an energy saving team that continuously procures new ways to reduce energy consumption by observation of in-house production techniques and research industry best practices
- ***Jan 2010:** Installed energy saving T8 fluorescent lamps in all dormitories
- ***Mar 2010:** Upgrade all boilers to require less diesel consumption and reduce pollution emissions

ENERGY SAVING

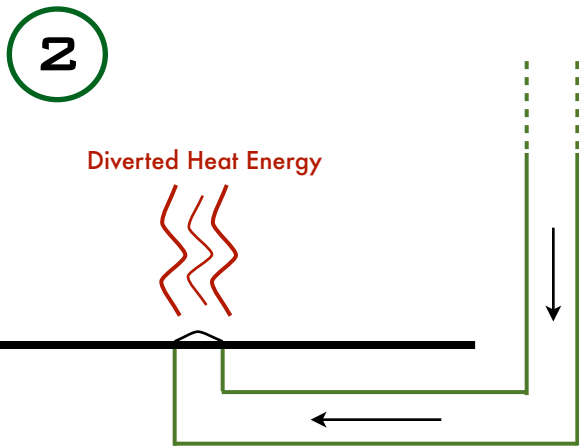
Utilizing excess heat energy



Excess heat energy is trapped at the source (calender and cardboard forming machines)



Excess heat emitted by calender machine



Heat energy is then diverted to the pool production lines to reduce the chance of soft PVC cracking under cold temperatures in the winter



Heat is redirected to floor heat vents at pool facility