Potential investors should carefully consider all the information contained in this prospectus including the risk factors associated with an investment in the Company set out below before making any investment decision in relation to the Company.

RISKS RELATING TO THE GROUP

Potential product liability

If the products manufactured and sold by the Group contain defects or errors, the Group may incur additional costs in correcting the defects or defending any legal proceedings and claims brought by its customers against the Group for damages. It may also affect the Group's relationship with such customers and result in negative publicity which may adversely affect the reputation of the Group. The Group does not maintain any insurance against product liability. In addition, the Group may not be able to effect an insurance policy to cover all the risk exposures in connection with product liability on commercially reasonable terms. There can be no assurance that there will not be any product liability claims against the Group in the future.

Reliance on key personnel

The Group's success is, to a substantial extent, attributable to the leadership, expertise, experience, management and business connections of Mr. Yang, the Chairman of the Company, and the other Directors and senior management of the Group. Although the Company has entered into service contracts for an initial fixed period of three years with all of its executive Directors, the Group's business operations and performance may be adversely affected should any of the Directors or senior management of the Group discontinue their service with the Group.

Reliance on major customers

The Group has a customer base of over 60 customers. The five largest customers of the Group in aggregate accounted for approximately 82.0%, 52.9% and 47.6% respectively of its turnover for the three years ended 31 December 2002. The Group's largest customer accounted for approximately 25.6%, 20.2% and 21.7% respectively of its turnover for the three years ended 31 December 2002. The Group has not entered into any long-term sales agreement of more than one year with any of its customers. If any of the Group's five largest customers ceases its business relationship with the Group or substantially reduces the volume of its business with the Group and the Group is unable to compensate this with sales to other customers, the Group's profitability will be adversely affected.

Reliance on major suppliers

For the three years ended 31 December 2002, the Group's purchases from its top five suppliers represented about 75.2%, 74.2%, and 72.0% of the Group's total purchases respectively, of which the largest supplier of the Group accounted for approximately 31.5%, 30.5% and 38.4% of the Group's total purchases respectively. The Group has not entered into any long-term procurement contracts with its top five suppliers and should these suppliers cease to supply raw materials to the Group and the Group is unable to find replacement suppliers for the same type of raw materials within a short period of time, the Group's business and profitability may be adversely affected.

Sustainability of high profit margin

The Group's growth in turnover and profit during the Track Record Period was mainly attributable to the increase in sales of tinplate cans, the greater economies of scale achieved by the Group and the increase in demand of the Group's tinplate lacquering and printing services. For the three years ended 31 December 2002, the Group achieved gross profit margins of approximately 33.5%, 30.8% and 38.2% respectively. During the same period, net profit margins of the Group were approximately 25.4%, 21.3% and 28.9% respectively. The business of the Group is dependent on, among other things, the global economic conditions. Any significant downturn in the global economy could have an adverse impact on the economic conditions in the PRC. The customers of the Group are currently based in the PRC and may scale down their budget for purchase of tinplate cans and the lacquering and printing services in response to a decline in consumer demand. Such a decline of orders by the Group's customers would have an adverse impact on the operations of the Group. In addition, other tinplate can manufacturers may reduce the pricing of their products to cope with the decline of orders. The Group in turn, may have to reduce its profit margin in order to remain competitive. There is no assurance that the turnover and the profitability of the Group can be sustained.

Environmental regulations and enforcement

The Group's tinplate cans manufacturing and lacquering and printing operations are subject to environmental protection laws and regulations in the PRC. The Group's existing production plants have implemented a system to control its pollutant emissions and to oversee compliance with the PRC environmental regulations. The PRC government may, however, take additional steps towards more rigorous enforcement of applicable laws, and towards the adoption of more stringent environmental standards. If the PRC national or local authorities enact additional regulations or enforce current or new regulations in a more rigorous manner, the Group may be required to incur additional compliance costs, which could have an adverse impact on the Group's financial condition.

Payment terms

Currently, the Group grants credit terms to its customers ranging from 60 days to 90 days, depending on the past payment history and the length of business relationship with the relevant customers. New customers are usually required to pay a 10% deposit on the purchase price in cash. As at 31 December 2002, trade receivables of the Group amounted to approximately RMB67.1 million. The Group's future revenue, working capital and cashflow position may be adversely affected if its customers fail to settle and/or delay in making their payments.

Technological changes

Tinplate cans are improved and enhanced from time to time and new industry standards are being introduced continuously. The development of new technologies and introduction of new industry standards may render the Group's existing products and services obsolete. The Group's prospect may be adversely affected if it is unable to keep pace with the technological advances in a timely and cost-efficient manner by improving and enhancing its existing products and services and by introducing new products and services embodying the latest technologies.

Price fluctuations in raw materials

One of the Group's major raw materials is tinplate which is used by the Group for its production of tinplate cans. All tinplate purchased by the Group are sourced in the PRC. For each of the three years ended 31 December 2002, purchases of tinplate accounted for approximately 54.1%, 52.4% and 50.4% respectively of the total purchases of the Group. During the Track Record Period, the highest monthly average price of tinplate paid by the Group was RMB5,467 per tonne while the lowest was RMB4,788 per tonne. The purchase prices of easy-opening ends, ink and lacquer by the Group had been relatively stable during the Track Record Period.

Any increase in the purchase prices for tinplate, easy-opening ends, ink and lacquer is likely to have an adverse impact on the Group's business, operations and financial condition.

Debt to equity ratio

For each of the three years ended 31 December 2002, the debt to equity ratio of the Group was approximately 105.2%, 79.4% and 43.4% respectively. Debt comprises bank loans and interest bearing one-year term loan. Potential investors should note that any adverse changes in the cashflow position of the Group may affect the financial position of the Group and its debt to equity ratio in the future.

Dividends

For each of the three years ended 31 December 2002, the Group declared dividends of approximately RMB19.5 million, RMB26.0 million and RMB30.0 million respectively to the then existing shareholders of various members of the Group, which represented approximately 65.3%, 75.3% and 39.5% of the net profit of the Group respectively. The dividend payments were financed by the Group's internal resources. There is no assurance that dividends of a similar amount or at a similar rate will be made in the future and the past dividend payments referred to above should not be used as a reference for the Company's dividend policy nor as a basis to forecast the amount of dividend payable in the future.

After taking into consideration the Group's funding requirements as set out in the "Future plans" section in this prospectus, the Directors consider that it is appropriate for the Group to declare dividends in order to reward its shareholders for their efforts and contribution to the Group during the Track Record Period. The Directors believe that the Group has sufficient funds to satisfy the funding requirements of the Group in the near future.

Non-inclusion of a profit forecast for the year ending 31 December 2003

A profit forecast for the year ending 31 December 2003 has not been included in this prospectus since the Directors, the Sponsor and the Co-sponsors are of the view that it is not possible to predict with certainty the turnover of the Group. The reasons for this include:

(i) the business of the Group is of a nature without long-term confirmed orders;

(ii) the varying ordering time placed by customers of the Group due to the following reasons:

- the date of renewal of each contract with the Group's long term and/or major customers varies during the year, which depend on the expiry date of the relevant contract and the time of negotiation between the Group and the relevant customer for the renewal of the relevant contract; and

- although the contracts entered into between the Group and its customers set out, among others, the names of products, quantities and specifications required by the customers, the customers still have the discretion to place orders with the Group at different times during the contracted period; and

(iii) the Group's sale of tinplate cans are subject to the prevailing market conditions and competition in the industry from time to time.

Given these factors, the Directors, the Sponsor and the Co-sponsors do not consider it appropriate to prepare a profit forecast for the Group for the year ending 31 December 2003 due to the level of accuracy and reliability required for information to be included in a prospectus. Investors should be aware that there is no assurance that the Group will increase or maintain its historical revenue or profitability and that the historical results of the Group should not, therefore, be used as an indication of its future performance.

Non-compliance with domestic and overseas sales ratio under Fuwang's business licence

The scope of business permitted under Fuwang's business licences since its incorporation and prior to 23 January 2003 was "the production of easy-opening cans and other metal products, colour paper boxes, paper containers and other high quality colour printing products, of which the easy-opening cans are 100% for export". As all the Group's products are sold in the PRC, Fuwang made an application to 福清市對外貿易經濟合作局 (The Foreign Trade and Economic Cooperation Bureau of Fuqing City) for, and was granted the approval for the amendment of its business scope by removing such export requirement. The business licence and the Certificate of Approval for Establishment of Enterprise with Foreign Investment reflecting such amendment were issued to Fuwang on 23 January 2003 and 16 December 2002 respectively. The PRC legal advisers have confirmed that since there are no legal liabilities and penalties imposed on the non-compliance with the domestic and overseas sales ratio by any foreign invested entity under the applicable PRC laws and regulations, the failure of Fuwang to comply with the export requirement of its easy-opening cans prior to 23 January 2003 did not and will not affect the legality of the business operation of Fuwang.

The opinion of the PRC legal advisers that there are no legal liabilities and penalties imposed on Fuwang's non-compliance with the export requirement prescribed by its business licences issued prior to 23 January 2003 are based on the following:

- Pursuant to 中華人民共和國行政處罰法 (Laws on Administrative Penalisation of the PRC) ("Penalisation Laws") which generally prescribed that the imposition of any administrative liabilities and penalties shall be in accordance with the relevant enactment of laws, rules and regulations. Any imposition of administrative liabilities and penalties would have to comply with the relevant provisions set out in the Penalisation Laws;

- So far as the PRC legal advisers are aware, there are no PRC laws, rules and regulations (whether issued by the ministries and commissions of State Council of the PRC, the government of the Fujian province or the government of the Fuzhou City) that set out the legal liabilities and penalties for foreign invested enterprises' non-compliance with the domestic and overseas sales ratio prescribed by their business licences and there are no PRC laws, rules and regulations that prescribe the minimum level of domestic and overseas sales ratio to be achieved in order to avoid legal liabilities and penalties; and

- 福清市對外貿易經濟合作局 (The Foreign Trade and Economic Cooperation Bureau of Fuqing City), the authority which approved the removal of the requirement for 100% export of its easy-opening cans under Fuwang's business licence, issued a letter dated 9 April 2003 confirming that there would be no legal liabilities and penalties imposed on Fuwang's failure to export its easy-opening cans prior to 16 December 2002 according to the relevant laws, rules and regulations of the PRC.

Based on the reasons set out above, the PRC legal advisers consider that there is no legal basis for them to quantify and disclose the potential liabilities and penalties imposed on Fuwang's non-compliance with the export requirement prescribed by its business licence. The PRC legal advisers confirmed that 福清市對外貿易經濟合作局 (The Foreign Trade and Economic Cooperation Bureau of Fuqing City) previously known as 福清市對外經濟貿易委員會 (The Foreign Economic and Trade Committee of Fuqing City) is the authority which approved both the requirement for the 100% export of Fuwang's easy-opening cans and the removal of such requirement.

Preferential tax treatment

The Group is not subject to Hong Kong Profits Tax as the Group did not generate any assessable profits arising in Hong Kong for each of the three years ended 31 December 2002. Pursuant to the relevant income tax laws and regulations in the PRC, Fuwang's operations are eligible for exemption from PRC enterprise income tax for two years starting with the first profit-making year and a 50% tax relief in the following three years. The first profit-making year of Fuwang's operations in the Fujian province is the year ended 31 December 1998. The applicable income tax rate is 24% with the local enterprise tax rate of 3%. The local enterprise tax of 3% is exempted according to local tax preferential policy. Fuwang's operations in the Shanxi Province started to generate profit in the year ended 31 December 2002. In 2003, Fuwang submitted an application in respect of the deferral of its entitlement of the privileged tax policy to 1 January 2003 to the State Tax Bureau of Fenyang, Shanxi Province (the "Tax Bureau"). The application was successfully approved by the Tax Bureau on 16 May 2003 and the Tax Bureau agreed to defer the tax holiday and concessions. Fuwang's operations in the Shanxi Province is exempted from PRC enterprise income tax commencing in 2003 for two years and thereafter a 50% tax relief for the next three years. The local enterprise tax rate of 3% is exempted according to local tax preferential policy. There can be no assurance that these preferential tax treatments will continue to apply to Fuwang in the future. In the event that any unfavourable changes in relation to such preferential tax treatments are adopted, the Group's profitability and financial position may be adversely affected.

Land use rights in respect of future production facilities

The Group entered into a land use agreement with 福清市上逕鎮排邊村民委員會 (Fuqing City Shang Jing Town Pai Bian Village Resident Committee) and 上逕鎮排邊村第六村及小組 (Shang Jing Town Pai Bian Village the Sixth Village and Group) in August 2002 to acquire conditionally the land use rights of a parcel of land with a site area of approximately 6,667 sq.m. (the "Land"). Subject to the obtaining of various approvals from 福建省人民政府 (People's Government of Fujian Province), 福清市人民政府 (People's Government of Fuqing City) and 福清市土地管理局 (The Land Administrative Bureau of Fuqing City), the signing of the assignment of the land with 福清市土地管理局 (The Land Administrative Bureau of Fuqing City) and the settlement by the Group of the land premiums and other relevant fees, the Group will apply to 福清市土地管理局 (The Land Administrative Bureau of Fuqing City) for the land use rights certificate of the Land. In the event that the Group is unable to obtain the land use rights certificate for the Land, the Group may have to seek another piece of land suitable for the construction of its new production facilities.

RISKS RELATING TO THE INDUSTRY

Competition

The Directors believe that the barriers of entry to tinplate can manufacturing are relatively low as advanced technology and substantial capital investment are not necessary. Accordingly, the Directors consider that the Group faces competition from other can manufacturers in the PRC with similar or even larger production capacities and similar lines of services. The Group mainly competes with such tinplate can manufacturers on price and quality. There is no assurance that the competition within the industry will not further intensify which could result in price reduction, diminution of market share of the Group and an adverse impact on the profitability of the Group's business. Further, there is no assurance that the Group will be able to adapt to the changing market environment in a timely and adequately manner to keep up with competition in the industry.

Statistics

Facts and statistics in relation to the industry in this prospectus are derived from available publications. Although steps have been taken to ensure that the facts and statistics presented are accurately reproduced from their respective sources, they have not been independently verified by the Company and, therefore, the Company makes no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside Hong Kong. Due to the use of different collection methods and other problems, the statistics in this prospectus may be inaccurate or may not be comparable between themselves or to statistics produced for other economies, and therefore should not be unduly relied upon. There can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

RISKS ASSOCIATED WITH THE PRC

As all the Group's products are manufactured and sold in the PRC, the Group's operations and prospects are therefore subject, to a significant degree, to the economic, political and legal developments in the PRC.

Political and economic considerations

Since early 1990's, the PRC government has undertaken substantial economic reform measures in order to transform the PRC economy into a more market-oriented "socialist market economy". These reforms have resulted in rapid economic growth in the PRC and an increased emphasis on the utilisation of market forces. The PRC economy has experienced high inflation and rapid economic growth at the same time. Although economic growth in the PRC is generally expected to continue, there can be no assurance that all the economic reform measures will continue or will continue to be effective. In addition, many of the reforms are unprecedented or experimental and are expected to be refined and improved upon. Other political, economic and social factors may also lead to further re-adjustment of the reform measures. This refinement and re-adjustment process may not always have a positive effect on the operations and business of the Group.

The business of the Group may also be adversely affected by changes in the PRC political and social conditions and by changes in the policies of the PRC government such as changes in laws and regulations (or their interpretation), taxation policies and foreign exchange controls. Although the Directors believe that the Group's business has benefited from the PRC economic reforms so far, there can be no assurance that the PRC government will continue to pursue such policies or that such policies may not be significantly altered.

Legal and regulatory considerations

Since 1979, many laws and regulations governing economic matters have been promulgated in the PRC. However, the PRC system of laws is still not comprehensively established. The interpretation of PRC laws may be influenced by policy changes reflecting domestic, political and social changes. It may also be difficult to enforce a foreign judgement in the PRC. As the PRC legal system develops, the promulgation of new laws or refinement and modification of existing laws may affect foreign investors. The general effect of legislation since 1982, when the National People's Congress amended the constitution to authorise foreign investment, has been to enhance significantly the protection afforded to foreign investment enterprises in the PRC. However, these laws, regulations and requirements are relatively recent and their interpretation and enforcement are subject to considerable uncertainty. In addition, as the legal system in the PRC is subject to further development, foreign investors in a business similar to that of the Group may face uncertainties as a result of any introduction of new laws and changes in the existing legislation. There is no assurance that future changes in legislation or the interpretation thereof will not have an adverse effect on the Group.

Government control of currency conversion and exchange rate

With effect from 1 January 1994, the PRC government has abolished its two-tier exchange rate system and has replaced it with a single-managed floating exchange rate system based largely on supply and demand. Under the new system, the People's Bank of China announces the exchange rates between RMB and other major currencies based on the prevailing rates on the inter-bank foreign exchange market. Financial institutions authorised to deal in foreign currency may enter into foreign exchange transactions at exchange rates within an authorised range above or below the exchange rate published by the People's Bank of China according to market condition. However, despite such developments, RMB is still not a freely convertible currency.

Pursuant to the Rules of the People's Republic of China on Foreign Exchange Control issued by the State Council which came into effect on 1 April 1996 and the Administrative Regulations on Foreign Exchange Settlements, Sales and Payments of the PRC which came into effect on 1 July 1996 regarding foreign exchange control, conversion of RMB into foreign exchange by foreign investment enterprises for use on current account items, including the distribution of dividends and profits to foreign investors, is permissible. Foreign investment enterprises are permitted to convert their after-tax dividends and profits into foreign exchange and remit such foreign exchange from their foreign exchange bank accounts in the PRC. Conversion of RMB into foreign currencies for capital account items, including direct investment, loans, security investment, is still subject to control. On 14 January 1997, the State Council amended the Foreign Exchange Control Regulations and added, among other things, Article 5, which provides that the PRC government shall not impose restrictions on recurring international payments and transfers under current account items.

Chinese enterprises (including foreign investment enterprises) which require foreign exchange for transactions relating to current account items, may, without approval of the State Administration of Foreign Exchange, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, on the strength of valid receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders may, on the strength of board resolutions on the distribution of profits and other requisite documents, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks.

Convertibility of foreign exchange in respect of capital account items, like direct investment and capital contributions, is still subject to restriction, and prior approval from the State Administration of Foreign Exchange or its relevant branches must be sought.

The value of the RMB is subject to changes in the PRC government policies and to international economic and political developments. A devaluation of approximately 50% of the RMB against the US dollar occurred on 3 January 1994 in connection with the adoption of the new unitary managed floating rate exchange system. Since 1994, the official exchange rate for the conversion of the RMB to the US dollar generally has been stable. However, there is no assurance that RMB may not be subject to devaluation which may have a negative impact on the Group's financial position. In addition, there is no assurance that legislative intervention by the PRC government or adverse market movements, or that shortages in the availability of foreign currency will not develop or that the Group will be able to obtain sufficient foreign exchange to pay dividends or satisfy its foreign exchange requirements in the future. As the Group does not hedge its foreign exchange rate exposure, the value of income generated from the Group's operations in the PRC may be adversely affected by any fluctuation in the exchange rates of RMB against foreign currencies.

The outbreak of severe acute respiratory syndrome

The outbreak of severe acute respiratory syndrome ("SARS") in the PRC, Hong Kong, Singapore and Taiwan has brought about uncertainty to the economy in these regions. It has also affected investment sentiments and domestic spending in the PRC and may have an adverse impact on the overall economy of the PRC. If the SARS outbreak is not contained in the PRC, this may have an adverse effect on the performance and operations of the Group.