RISKS RELATING TO OUR BUSINESS

Our failure to implement our future expansion plans in time, within budget, or at all, or our failure to obtain the anticipated benefits from our expansion would have a material adverse effect on our financial condition and results of operations, as well as the growth of our sales and earnings.

Our future success to a large extent depends on our ability to expand production capacity and product range, and to increase our market share through organic growth as well as mergers and acquisitions. We have expanded and will continue to expand our production capacity and product range in our metal packaging business to capture market opportunities. For instance, we plan to expand our business to include the production of two-piece beverage cans. Details of our future expansion plans are set forth in the section headed "Future Plans" in this document. If we are unable to identify suitable targets for mergers and acquisitions consistent with our strategy or if we fail to successfully integrate the new businesses into our existing business, our financial condition and results of operations would be materially and adversely affected.

Our future plans of expansion require substantial capital expenditures and dedicated management attention. These plans may or may not be implemented in time, within budget or at all, or may not result in the anticipated benefits even if implemented. Our aggregate capital expenditure for the two years ending December 31, 2010 is estimated to be approximately RMB629.1 million, most of which is budgeted for our production capacity and product range expansion. We expect to finance a portion of the estimated capital expenditures with the net proceeds from the [●] and the remainder with cash flows generated from our operations and short-term bank borrowings, if necessary. We currently do not anticipate difficulties in obtaining debt financing on commercially acceptable terms for our expansion plans. However, if the PRC government tightens credit or the disruption in the global financial markets widens credit spreads, we could be subject to a potential increase of financing costs in relation to our capital expenditure and expansion plans. Furthermore, if the PRC economy continues to deteriorate as a result of the global economic downturn, we would have to adjust our capital expenditure and expansion plans accordingly.

Our business strategies are subject to significant business, economic and competitive uncertainties and contingencies in the market, many of which are beyond our control and may delay or increase the costs of implementation. Such uncertainties and contingencies may include, but are not limited to, inability to finance or obtain capital to finance our expansion plans, delays in the delivery and installation of manufacturing equipment, operational difficulties resulted from technology imperfections and our lack of experience in the new target markets, labor shortage and related issues, raw material and other cost increases or the promulgation of new laws and regulations related to environmental, food and product safety, delays or failure in securing the necessary governmental approvals and land-use rights and further downturn in the economy. Furthermore, managing the expansion may be time-consuming and may distract our management from focusing on our existing operations, which may adversely affect our ability to satisfy current customer demand and maintain product quality. Any failure to successfully manage our expansion in any of these aspects would materially and adversely affect our financial condition and results of operations, as well as the growth of our sales and earnings.

Any shortage of raw material supplies or fluctuation in the prices of our raw materials may adversely impact our profit margins and results of operations.

Our production requires large quantities of raw materials, principally tinplates for can and cap production and aluminum coils for future two-piece beverage can production. As at the Latest Practicable Date, we had six major tinplate suppliers and, other than a purchase agreement with one of our suppliers, Transhell, with a term of three years from 2007 to 2009 for supply of easy-open ends, we did not have any long-term contracts with any of our major suppliers. There is no assurance that we will always be able to secure an adequate supply of raw materials at commercially viable prices to meet our future production requirements. Moreover, fluctuations in the prices of our raw materials, especially tinplates, which we have previously experienced, may increase our cost of sales and reduce our gross profit and gross margin. Our purchase price of tinplates ranged between approximately RMB7,150 to RMB10,240 per ton during the Track Record Period. Our purchase of tinplates accounted for 62.5%, 62.0%, 70.3% and 70.5% of our total raw materials and consumables purchased during the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively. There is no guarantee that we will not suffer adverse effects from any price increases of raw materials in the future. If we encounter a shortage of raw materials or if we are unable to pass on the price increases of raw materials to our customers in a timely manner, our business and results of operations could be adversely affected.

The global financial markets have experienced significant deterioration and volatility recently, which have negatively impacted the global economy and may adversely affect our financial condition and results of operations.

Certain recent adverse financial developments have impacted the global financial markets. These developments include a general slowdown of economic growth both in China and globally, substantial volatility in equity securities markets, and volatility and tightening of liquidity in credit markets that have affected some aspects of our business. For instance, in the last quarter of 2008, some of our three-piece beverage can customers postponed their purchases; selling prices of our steel barrels fetched a lower price than expected; and sales of aerosol cans and twist caps to customers engaging in the export business significantly decreased. At the same time, the cost of tinplates remained relatively high in the last quarter of 2008, which created pressure on our gross margins. For the foregoing reasons, our revenue and gross profit in 2008 grew at slower rates compared with 2007. The economic slowdown continued in the first quarter of 2009 and affected the operating results of some of our product groups. For instance, sales revenue of our metal caps, food cans and aerosol cans decreased from RMB367.0 million, RMB102.6 million and RMB217.4 million for the six months ended June 30, 2008 to RMB259.2 million, RMB95.7 million and RMB166.9 million for the same period in 2009, respectively.

As it is difficult to predict how long these conditions will exist and whether business activities and consumer confidence will continue to decline, these developments could continue to present risks to our business and operations for an extended period of time, including a potential slowdown in our sales to customers, increase in interest expenses on bank borrowings, and reduction in the amount of banking facilities currently available to us. If this economic slowdown continues, our financial condition and results of operations may be materially and adversely affected.

We rely heavily on our major customers and, in particular, our largest customer. Any significant reduction in sales to or the loss of any of our major customers could materially and adversely affect our profitability and results of operations.

We rely heavily on our major customers and, in particular, our largest customer. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, sales to our largest customer, JDB, accounted for 37.7%, 44.2%, 47.9% and 49.5% of our revenue, respectively, and sales to our five largest customers accounted for 46.0%, 51.5%, 56.2% and 56.6% of our revenue, respectively. It is thus essential for us to maintain close and mutually beneficial relationships with our major customers, especially with our largest customer. As of the Latest Practicable Date, we did not have any long-term supply agreements with any of our major customers other than JDB, Mead Johnson and Shanghai Johnson. There can be no assurance that our major customers will continue their purchases, if at all, from our Group at the current levels. In addition, our major customers' businesses may be negatively impacted by any potential challenge to their brand portfolio, intellectual property management, product quality and sales strategy implementation, which, in turn, may adversely affect our sales. Any significant reduction in sales to or the loss of any of our major customers, especially our largest customer, could materially and adversely affect our profitability and results of operations.

Insufficiency in production capacity for some of our products could result in a loss of sales or decline in profit, as well as damage to our reputation.

Even with our continuous business expansion over the past decade, we have from time to time, particularly during the summer season, experienced insufficiency in our production capability despite operating at full production capacity. We have, therefore, outsourced a portion of our production, mainly with respect to three-piece beverage cans, milk powder cans and printed and coated tinplates. As a result, we incurred sub-contracting costs of RMB94.3 million, RMB132.4 million, RMB145.7 million and RMB84.8 million for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively. While providing flexibility to our operations, especially during a downturn in our business, such outsourcing also increases our costs and reduces our profits. Furthermore, if the outsourcing fails to meet our product standards or becomes less reliable in terms of product quality and availability, we may be unable to fulfill our customers' orders, thereby losing future sales. As a consequence, our financial condition and results of operations could be adversely affected and our reputation could be damaged.

Our inability to adequately protect our intellectual property, or any disputes arising from a third-party claim for the infringement of its intellectual property, could adversely affect our business operations and profitability.

We rely on our intellectual property in the manufacturing of cans and caps, as well as tinplate printing and coating. Nevertheless, there is no registration mechanism for some forms of intellectual property, including trade secrets, know-how and other technical information, as well as licenses and permissions in respect of the foregoing. We cannot guarantee that misappropriation of our intellectual property will not occur, and our competitors may independently develop other equivalent or superior technologies based on our intellectual property. The legal regime governing intellectual property in China is still evolving and the level of protection of intellectual property rights in China differs from those in other jurisdictions. In the event that the steps we have taken and the protection afforded by law do not adequately safeguard our proprietary technological know-how and registered patents, we could suffer losses due to the sale of competing products that exploit our intellectual property.

In the event of a third-party claim for the infringement of its patents or the violation of its rights, we may incur significant expenses defending against such claim. An adverse result may subject us to significant liabilities or require us to seek licenses from third parties on commercially unfavorable terms, if such licenses were to be available at all, and, consequently, our business operations and profitability could be adversely affected.

Our failure to accurately anticipate the demand of our existing and potential customers as well as changes in packaging trends and to adjust our production capacity accordingly could adversely affect our financial condition and results of operations.

We generally adjust our production capacity based on our anticipation of the demands of our existing and potential customers. However, we may fail to correctly anticipate such demands and, consequently, be unable to maintain satisfactory capacity utilization rates. In addition, if our customers' requirements change due to changes in packaging trends, such as the change of preference from metal packaging products to plastic or paper packaging products, we may not be able to timely adjust our production capacity. As a result, we may suffer loss of sales and income and our financial condition and results of operations may be adversely affected.

Our insurance may not be sufficient to cover the risks connected with our operations and potential losses.

We maintain insurance policies to cover different aspects of our business, including but not limited to property insurance, public liability insurance, employers liability insurance, equipment damage insurance and shipment insurance. However, unforeseen situations or events which are not covered under such insurance policies may arise. Furthermore, we do not maintain product liability insurance in respect of our products sold in and outside of China, and we may be subject to product liability claims and may be liable for full damages awarded against us. Consistent with what we believe to be the customary industry practice in China, we do not carry any business interruption or environmental liability insurance. To the extent that our Group is liable for any material amounts denied under or exceeding our insurance policy coverage, our business and results of operations would be materially and adversely affected.

We require a considerable amount of working capital and may be unable to adequately finance such capital needs through cash generated from our operations and short-term bank borrowings.

We require a considerable amount of working capital to build, maintain and operate our production facilities. We also require considerable capital to acquire new equipment, develop new products and implement new technologies. A substantial portion of our capital expenditures are incurred in advance of any actual sales. Our success therefore depends on our ability to continue to secure and successfully manage sufficient amounts of working capital. To the extent that our capital requirements exceed our cash resources, we will have to seek additional debt or equity financing or defer the implementation of our budgeted capital expenditures.

In the past, we have financed our working capital primarily through cash generated from our operations and short-term borrowings. Such practice carries the following risks:

- A negative working capital position would expose us to liquidity risk. We had net current liabilities of RMB52.6 million as at June 30, 2009 and RMB41.1 million as at August 31, 2009. The net current liabilities positions mainly reflected our incurrence of additional short-term borrowings from RMB710.6 million as at December 31, 2008 to RMB830.8 million as at June 30, 2009 and further to RMB861.9 million as at August 31, 2009 to finance the expansion of our production capacity. We may be unable to settle all of our current liabilities using internally generated funds when they become due, and in such circumstances we may be required to obtain funding through bank and other borrowings, which may not be available on terms acceptable to us, if at all. Our financial condition and results of operations may be adversely affected if we cannot continue to finance our liquidity needs in a manner consistent with our current practices.
- A high level of indebtedness would expose us to interest rate risk. Our bank and other borrowings increased from RMB775.1 million as at December 31, 2008 to RMB830.8 million as at June 30, 2009 and further to RMB861.9 million as at August 31, 2009. Although interests for most of our existing bank borrowings are charged at fixed rates, any additional borrowings or our roll-over of these borrowings are subject to fluctuations in interest rates. Based on our level of bank and other borrowings as at June 30, 2009, any 10 basis points increase in interest rate would result in increased interest expenses on such borrowings of approximately RMB0.6 million and consequently lower profit.

To successfully manage our working capital, we need to repay or roll over our short-term borrowings in time and be able to obtain new borrowings on terms acceptable to us. Further, we need to repay or renegotiate our trade payables and collect our trade receivables in an efficient manner. There is no assurance that we can continue to adequately finance our working capital needs through cash generated from our operations and short-term bank borrowings, or that we will be able to finance any shortfall through debt or equity financing on terms acceptable to us, or at all. If we are unable to manage our working capital efficiently, our growth, competitive position and future profitability could be adversely affected.

Our failure to retain key management and personnel could adversely affect our ability to implement our business strategy.

Members of our senior management team have extensive industry practice and experience. We believe that our future success depends heavily on our experienced senior management team and, in particular, Mr. Zhang Xin, who has been recognized for his accomplishments in the packaging field and was awarded the Governmental Special Allowance by the State Council of the PRC for his outstanding contributions to the development of engineering technology in the PRC. While we have established long-term employment relationships with our senior management and may hire additional qualified individuals to work in various capacities for our Group, there is no assurance that any individual will continue in his or her present capacity with our Group for any particular period of time, and the loss of services of any member of our senior management team without appropriate replacement could have an adverse effect on our ability to implement our business strategy.

Our controlling shareholders have the ability to exercise substantial control over us, which allows them to influence our business in ways which may not be in the best interests of our other shareholders.

Our controlling shareholders, COFCO (HK) and its wholly-owned subsidiary, Wide Smart, will hold in aggregate approximately 75% of our issued share capital upon completion of the [●] and the Capitalization Issue, assuming no exercise of the [●] (or approximately 72.3% if the [●] is exercised in full). Accordingly, subject to our Articles of Association and applicable laws and regulations, COFCO (HK) and Wide Smart as our largest shareholder collectively, will continue to have the ability to exercise a controlling influence over our business, including matters relating to our management and policies and certain matters requiring the approval of our shareholders, including the election of our Directors, the approval of significant corporate transactions and the timing and distribution of dividends. COFCO (HK) and Wide Smart will also have veto power with respect to any shareholder action or approval requiring a majority vote (save for matters which are subject to independent shareholders' approval under the Listing Rules and when COFCO (HK) and Wide Smart are not considered independent, in which case COFCO (HK) and Wide Smart would not vote). COFCO (HK) and Wide Smart may take actions with which you may not agree or which are not in our or our public shareholders' best interests. This ownership relationship may have the effect of delaying, deferring or preventing a change in control, discouraging bids for our shares at a premium over the market price or adversely affecting the market price of our shares.

Furthermore, a number of our Directors and senior management concurrently hold positions within COFCO Group. We have in place a corporate governance structure whereby matters considered by our Board that involve transactions between any member of our Group and any of COFCO and/or its associates will be considered and voted on solely by our independent non-executive Directors and other Directors, such as Mr. Zhang Xin, who have no management role in COFCO Group. Such matters will be decided by majority vote. Based on the current composition of our Board, Messrs. Ning Gaoning, Xue Guoping, Wang Jinchang, Zhou Zheng and Hu Yonglei will not be counted in the quorum and will abstain from voting on such matters. In addition, they will excuse themselves from Board meetings when such matters are discussed, unless expressly requested to attend by a majority of our independent non-executive Directors. This corporate governance system will also apply to any other existing or future Director who holds concurrent positions within COFCO Group. We cannot assure you that COFCO will not appoint other members of our Board or senior management to positions within COFCO Group or that our future Directors will not hold concurrent positions within COFCO Group. If this occurs, we will take appropriate measures to ensure our continued compliance with the Listing Rules with respect to corporate governance requirements; nonetheless, the effectiveness of our corporate governance system could be adversely affected. To the best knowledge of our Directors and as at the Latest Practicable Date, our Directors confirm that there is no new appointment or proposed new appointment of any existing Director or senior management member of our Company as a director or member of senior management of COFCO Group.

Any disruption to or shortage of utilities may harm our business operations and financial results.

Our production activities require a significant and constant supply of water, electricity and gas. Our reliance on such supply will further increase as we expand our production capacity. Any disruption to and shortage of such supply may adversely affect our production flow and prevent us from manufacturing products to fill our customers' orders during the affected period, which may harm our business operations and financial results.

Any past failure to obtain certain approvals required to establish our operating subsidiaries, or any loss of or failure to obtain or renew any or all of the licenses and permits to operate our business or certifications relating to quality control could materially and adversely affect our business, financial condition and results of operations.

Under PRC laws and regulations, we are required to obtain certain approvals from various authorities to establish our operating subsidiaries. Approval from the local office of NDRC was not obtained in connection with the establishment of CPMC (Zhenjiang) by its initial owners, who were independent third parties. We reported verbally to the local office of NDRC of the failure to obtain such approval when we applied for its approval to increase CPMC (Zhenjiang)'s registered capital in May 2008. Despite the defects in the establishment of CPMC (Zhenjiang) , the local office of NDRC subsequently granted approval for the increase in CPMC (Zhenjiang)'s registered capital. There can be no assurance that the initial failure of CPMC (Zhenjiang) to obtain the required approval for its establishment will not have any material adverse effect on its development and operations in the future.

Under PRC laws and regulations, we are required to maintain certain licenses, permits and certifications relating to the operations of our business. We are also required to comply with the applicable regulations in relation to our business operations. Additionally, the relevant regulatory authorities may conduct regular inspections to ascertain our compliance with applicable regulations. In respect of quality control, we have achieved certain certifications, such as the ISO 9001 certification on quality management system, ISO 22000:2005 certification on food safety management in connection with the design, development and production of food cylindrical cans and HACCP certification on quality control and inspection associated with the production process for metal caps, which are subject to annual review. Failure to pass these inspections, or failure to renew our licenses and permits and certifications on quality control, could disrupt our operations and make us unable to meet our customers' demands. This may materially and adversely affect our business, financial condition and results of operations.

Certain defects in title to the properties owned or leased by us in the PRC may adversely affect our right to use such properties.

For some of the properties that we own, we have not yet obtained title certificates that allow us to freely use, transfer, mortgage or otherwise dispose of the properties. As at August 31, 2009, we did not possess building ownership certificates for 25 buildings with a total gross floor area of approximately 15,226.6 square meters, representing approximately 5.1% of the properties we own and occupy. However, of these 25 buildings, 18 buildings with a total gross floor area of approximately 12,205.2 square meters were mainly leased out to third parties instead of being used for our business operations. Furthermore, among these 18 buildings, 16 buildings with a total gross floor area of approximately 11,142.3 square meters fall into the scope of government's demolition. Under such circumstances, the total gross floor area of the remaining nine buildings we own with defective titles represents approximately 1.4% of the properties we own and occupy. Moreover, for four of the buildings that we lease with a total gross floor area of approximately 10,854.4 square meters, representing approximately 3.7% of the properties we occupy, the lessors do not possess or are unable to provide us with building ownership certificates. Among the four buildings we lease with defective titles, two buildings with a total gross floor area of approximately 7,687.4 square meters are used for production purposes, which represents approximately 3.4% of the total gross floor area of the buildings we are occupying for production purposes.

We cannot guarantee that we will be able to effectively mitigate the possible adverse effects that may be caused by loss of such properties. Also, we may need to relocate our business carried out on such properties, which may cause interruptions to our business. Consequently, we may incur extra costs, and our financial condition and results of operations may be adversely affected. Please refer to Appendix IV to this document under the section headed "Property Valuation" for further details.

We rely on dividend payments from our subsidiaries located in the PRC for funding our dividend payments, servicing our indebtedness and meeting our working capital and other capital needs.

We are a holding company and conduct our core business operations through our operating subsidiaries in China. Therefore, the availability of funds to us to pay dividends to our shareholders, to service our indebtedness and to meet our working capital and other capital needs depends upon dividends received from our subsidiaries. If our subsidiaries in China incur debt or losses, such indebtedness or losses may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends, service our indebtedness and meet our working capital and other capital needs will be restricted. The PRC laws permit payment of dividends only out of net income as determined in accordance with PRC accounting standards and regulations. Our PRC subsidiaries are required to set aside a portion of their net income each year to fund certain statutory reserve funds and other kinds of funds in accordance with relevant PRC laws and regulations. These reserves are not distributable as cash dividends. As a result, our primary source of funds for dividend payments is subject to these and other legal restrictions and uncertainties. In addition, restrictive covenants in bank credit facilities, joint venture agreements or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to make dividend payments to us and our ability to receive distributions. Therefore, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our shareholders, to service our indebtedness and to meet our working capital and other capital needs.

Our current dividend policy and our historical dividend payment should not be taken as an indication of our future ability to pay dividends and we may not be able to pay any dividends in the future.

Our Company may declare dividends in HK dollars to be paid to the shareholders in general meetings but no dividends may be declared in excess of the amount recommended by our Board. Our Company may also make a distribution to its shareholders out of contributed surplus in general meetings. No dividend may be paid, and no distribution may be made, out of contributed surplus, if to do so would render our Company unable to pay its liabilities as they become due or the realized value of its assets would thereby become less than an aggregate of its liabilities and its issued share capital and share premium account.

Considering our financial position, we currently intend, in the absence of any circumstances that might reduce the amount of distributable profits whether by losses or otherwise, to distribute dividends that would amount in total to not less than 20% of the net profit available for distribution from ordinary activities attributable to equity holders of our Company for each of the years ending December 31, 2009 and 2010. Such intention does not amount to any guarantee or representation or indication that our Company must or will declare and pay dividend in such manner or declare and pay any dividend at all. After completion of the [●], priority will be given to retained earnings in order to facilitate capital growth and expansion of our Group.

On September 18, 2009, our Board declared an interim dividend of RMB95,000,000 for the year ending December 31, 2009. Such interim dividend was paid to COFCO (HK), the then sole shareholder of our Company, prior to [●]. Our historical dividend payment should not be taken as an indication of our future ability to pay dividends and there can be no assurance that we will declare dividends in the future. Future dividends, if any, are discretionary and will be subject to the recommendation of our Board and approval of our shareholders in general meetings. Our dividend payment amounts will be dependent upon our future results of operations, capital requirements, financial condition, legal and contractual restrictions and other factors our Board may deem relevant.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

Our business and reputation may be adversely affected by potential product liabilities, product defects, consumer complaints or claims or negative publicity in relation to our products, as well as boycotts against products made in China involving our customers' products.

Most of our products are used to package consumer products and there is a potential risk that such products may be found unfit for their intended use if there are defects in such products or more stringent food and product safety regulations are implemented in the future. Any occurrence of such events may result in consumer complaints or claims or adverse publicity, causing serious damage to our reputation and brand name or resulting in potential product liabilities. Furthermore, as a result of media coverage of adverse events and product quality issues relating to Chinese made products, our customers may encounter international boycotts of their products, which could result in reduced demand for our packaging products and thus adversely affect our profitability and results of operations.

The discovery by AQSIQ of melamine contamination in milk powder products of certain dairy companies, including several of our customers of milk powder cans, in China in September 2008 resulted in the widespread recall of and prohibition on the sale of such contaminated milk powder products and food and beverage products containing milk or dairy products in the PRC and overseas markets and abroad, as well as international restrictions on the import of Chinese food and beverage products that contain any traces of milk. The Chinese dairy industry has undertaken active remedial measures but it has yet to fully recover from this incident. The melamine incident undermined people's confidence in milk powder products, leading to a decrease in the demand for milk powder cans from several of our customers as compared to the demand in previous years. Any similar incidents in the future concerning food and beverage products of our customers could have an adverse effect on our financial results, as sales of our milk powder cans accounted for 3.7%, 4.0%, 4.3% and 4.6% of our revenue for the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009.

Our failure to compete with our domestic and international competitors could lead to a loss of sales or decline in our profitability.

Metal packaging is a competitive industry. In our existing and future target markets, we may face competition from both domestic and international companies with respect to quality, price, brand recognition, manufacturing capacity, marketing and customer service. In particular, we may be unable to obtain sufficient purchase orders from potential customers in our new target markets due to fierce competition. A number of large-scale domestic packaging enterprises have been consistently upgrading their technology and improving their products. Moreover, several internationally-recognized metal packaging companies have already established operating facilities in the PRC and others may do so in the future. These foreign-invested companies potentially have greater access to global financial resources and may possess more sophisticated technology and more advanced management structures than our Group. Additionally, we may have to lower the selling price of our products due to competition. There is no guarantee that we would be able to maintain our existing profit levels or profitability ratios or sustain our market share in the face of competition. If we fail to maintain our competitiveness by continuing to expand our product portfolio, maintaining and improving the quality of our products and maintaining competitive prices, or if the number of competitors increases substantially, or if their service quality improves rapidly, or if the commercial terms they offer are more competitive than what we can offer, we could lose sales and experience a decline in profitability.

Alternative packaging products or changes in consumption patterns could undermine the competitiveness of our main products, which could result in reduced sales or profit.

We face intense competition from producers of alternative packaging made from paper and plastic, particularly from producers of paper containers for food and beverages, whose market shares have been growing substantially over the past several years. Our sales depend heavily on customer demand in the food and beverage markets. Changes in preferences for packaging products by our consumers could significantly influence our sales. Changes in packaging by our customers may require us to re-tune our manufacturing operations, which could require substantial capital expenditures. In addition, a decrease in the costs of, or a further increase in consumer demand for, alternative packaging could result in reduced sales or profit for us.

A portion of our products are affected by seasonal factors and our quarterly results may fluctuate.

Sales of some of our products are generally affected by seasonality. Our operations generally experience higher sales volumes in the second and third quarters due to increased customer demand. For each of the three years ended December 31, 2006, 2007 and 2008, over 55% of our revenue was derived from sales during the second and third quarters. In particular, because aerosol cans for packaging insecticides usually experience the highest demand between March and June, the sales of our aerosol cans during this period typically peak and account for approximately 50% of our annual aerosol can sales. Our revenue and earnings are likely to continue to be affected by seasonal factors. Unexpected variations in quarterly results could also adversely affect our share price.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

Substantially all of our assets and operations are located in China and most of our revenue is derived from China. Accordingly, our business operations and prospects are subject, to a significant degree, to the economic, political and legal developments in China.

Changes in China's economic, political and social conditions and government policies may have an adverse effect on us.

The Chinese economy differs from the economies of most developed countries in a number of respects, including structure, degree of government involvement, level of development, control of capital investment, growth rate, control of foreign exchange and allocation of resources. Our products can be used across various industries, and each industry may experience different changes in government policies and regulations at any time.

The Chinese economy has been transitioning from a planned economy to a more market-oriented economy. For the past three decades, the PRC government has implemented measures for economic reform, emphasizing utilization of market forces in the development of the Chinese economy. In the meantime, the PRC government continues to play a significant role in regulating industries by imposing industrial policies. We cannot predict whether changes in the political, economic and social conditions in China or changes in the laws, regulations and policies promulgated by the PRC government will have any adverse effect on our current or future business, results of operations or financial condition.

Any significant change in, or promulgation of, laws and regulations may increase our costs of production, and our failure to comply with any of these developments could result in legal liabilities for us.

Our operations are subject to PRC laws and regulations, which include, but are not limited to, laws and regulations governing product safety, the printing business, foreign investment, labor and insurance matters, tax, foreign exchange and the protection of the environment. Any significant change in the scope or application of these laws or regulations or any promulgation of new laws and regulations may increase our costs of production and have an adverse effect on our financial condition and results of operations. In particular, the Food Safety Law and its implementation regulations were promulgated on February 28, 2009 and July 20, 2009, respectively, providing more stringent requirements on food and its packaging materials. Any failure to comply with such laws and regulations could result in fines, suspension of operations, loss of any licenses, penalties or lawsuits. There can also be no assurance that the government in China will not impose additional or stricter laws or regulations in the future, which could give rise to significant compliance costs that we may be unable to pass on to our customers.

The PRC legal system embodies uncertainties that could adversely affect our business and results of operations.

The PRC legal system is based on written statutes, and prior court decisions may be used for reference but have limited precedential value. Since 1979, a series of PRC laws and regulations have significantly enhanced the protections afforded to various forms of foreign investments in the PRC. However, since these laws and regulations are relatively new and the PRC legal system continues to evolve rapidly, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve significant uncertainties, which may limit the available legal protections. In addition, the PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms and it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may affect our judgment on the relevance of legal requirements and our decisions on the measures and actions to be taken to fully comply therewith, and may affect our ability to realize our contractual or tort rights. Such uncertainties may increase our operating expenses and costs, and materially and adversely affect our business and results of operations.

The implementation of the newly enacted PRC tax law and its implementation regulations may significantly increase our income tax expenses.

The PRC National People's Congress passed the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “New Tax Law”) on March 16, 2007, which took effect on January 1, 2008. On December 6, 2007, the PRC State Council promulgated the Regulations on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) (the “Tax Implementation Regulations”), which became effective on January 1, 2008. The New Tax Law and the Tax Implementation Regulations may affect us and our shareholders with respect to tax levies on dividends payable.

Our subsidiaries, COFCO-MC (HK) and CPMC (HK), were exempt from withholding tax in relation to the dividends distributed by their subsidiaries in the PRC prior to the implementation of the New Tax Law. According to the New Tax Law and the Tax Implementation Regulations, a foreign enterprise may be subject to a 10% withholding tax with respect to the dividends received by it from its subsidiary in the PRC if it is not deemed a PRC tax resident enterprise. According to the Arrangement between the PRC and Hong Kong on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which was executed on August 21, 2006 and became effective on January 1, 2007, such withholding tax is reduced to 5% if a Hong Kong resident enterprise beneficially owns at least a 25% equity interest in a PRC entity. As COFCO-MC (HK) and CPMC (HK) are incorporated in Hong Kong and each holds more than a 25% equity interest in each of our PRC entities, respectively, according to the aforesaid arrangement, any dividend paid to COFCO-MC (HK) and CPMC (HK) may be subject to a withholding tax of 5%.

Under the New Tax Law, a foreign enterprise with “de facto management body” in China is deemed a PRC tax resident enterprise. Pursuant to Notice on Determination of Tax Resident Enterprises of Chinese-controlled Offshore Incorporated Enterprises in accordance with Their De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準確定為居民企業有關問題的通知》) (“Notice”), which was issued by State Administration of Taxation (“SAT”) on April 22, 2009 and became effective on January 1, 2008, enterprises controlled by Chinese enterprises or enterprises groups and registered outside China shall be regarded as resident enterprises with de facto management bodies located in China, or “offshore-registered resident enterprises” (非境內註冊居民企業), provided that all of the following criteria are present or effected in China: (1) senior management in charge of daily operations and offices; (2) decisions or authorizing departments regarding financial management and human resources; (3) primary assets, accounting books, seals, records and files of shareholders meetings or board of directors; and (4) directors or senior management with fifty percent or more voting rights habitually reside in China. Whether or not a Chinese-controlled offshore enterprise is an offshore-registered resident enterprise is subject to preliminary review by the local tax bureau where the de facto management body of Chinese-controlled offshore enterprise or its controller is based and is subject to final confirmation by SAT.

In accordance with the Notice, we would likely be deemed an offshore-registered resident enterprise. If it were the case, we would be subject to enterprise income tax of 25% on our worldwide income in accordance with PRC tax laws and regulations and would be exempt from withholding tax for the dividends derived from our PRC subsidiaries. During the year ended December 31, 2008 and the six months ended June 30, 2009, our overseas subsidiaries did not have any taxable profit, hence the New Tax Law would not adversely affect our financial position during such periods.

On the other hand, under the New Tax Law, a withholding tax of 10% is applicable to dividends payable to shareholders that are “non-resident enterprises” to the extent such dividends have their sources within China, unless tax treaties with other countries otherwise stipulate.

Similarly, any gain realized on the transfer of shares by such shareholders is also subject to a 10% PRC income tax, unless tax treaties with other countries otherwise stipulate, if such gain is regarded as income derived from sources within China. If our Company is considered to be an "offshore-registered resident enterprise", the dividends we pay with respect to our shares would be treated as income derived from sources within China and be subject to a 10% withholding tax, unless tax treaties with other countries otherwise stipulate. The gain shareholders may realize from the transfer of our shares may also be treated as income derived from sources within China and be subject to PRC income tax if such shareholders are considered as non-resident enterprises. If shareholders are required to pay PRC income tax on the transfer of our shares, the value of their investment in our shares may be materially and adversely affected.

Additionally, pursuant to the New Tax Law, enterprises that previously enjoyed preferential treatments of low tax rates will be subject to the new enterprise income tax rate of 25% after a five-year transitional period. Moreover, preferential treatments of tax exemption or reduction with fixed terms enjoyed by enterprises including us will continue until the expiry of the prescribed period. We have been enjoying certain preferential tax treatments, the expiry or reduction of which may adversely affect our financial condition and results of operations.

Furthermore, in connection with the New Tax Law and Tax Implementation Regulations, the Ministry of Finance and SAT jointly issued, on April 30, 2009, the Circular on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business (《關於企業重組業務企業所得稅處理若干問題的通知》) ("Circular"), which became effective retrospectively on January 1, 2008. During the year ended December 31, 2008, in preparation for the [●], COFCO and its subsidiaries underwent the Reorganization. For more details of the Reorganization, please refer to the section headed "History and Reorganization" in this document. Under the Circular, the transfer of equity interests in certain PRC subsidiaries held by BVI subsidiaries of our Group to other HK subsidiaries of our Group is subject to an income tax of 10% on capital gains which may be determined as the difference between the fair value of the equity interests transferred and the cost of investment. As the Circular has only recently been promulgated, our Directors consider that it is uncertain as to how it will be implemented, especially how the fair value will be determined, by the relevant PRC tax authorities, and the respective tax base and the tax exposure cannot be determined reliably at this stage. In case we are required to pay the income tax on capital gains by the relevant PRC tax authorities, our financial conditions and results of operations could be adversely affected.

It may be difficult to effect service of process or to enforce foreign judgments in the PRC.

Almost all of our assets and our operating subsidiaries are located in China. In addition, most of our Directors and officers reside in China, and the assets of our Directors and officers may also be located in China. As a result, it may be difficult to effect service of process from outside China upon us or most of our Directors and officers, including with respect to matters arising under the applicable securities laws. A judgment of a court of another jurisdiction may be recognized or enforced by the PRC courts either through treaties between the PRC and the state in which the other jurisdiction is located, or through the application of the principle of reciprocity, subject to the satisfaction of other requirements. However, China does not have treaties with Japan, the United Kingdom, the United States and most other countries providing for the reciprocal enforcement of judgments. In addition, Hong Kong has no arrangement with the United States for the reciprocal enforcement of judgments. As a result, recognition and enforcement in the PRC or Hong Kong of judgments in these jurisdictions in relation to any matter is subject to uncertainties.

Changes in foreign exchange regulations and fluctuations in the value of the Renminbi could have an adverse effect on our financial results and our ability to distribute dividends.

The RMB is currently not a freely convertible currency. We receive a significant proportion of our revenue in RMB. RMB valuation is subject to changes in the PRC government's policies and depends largely on domestic and international economic and political developments, as well as supply and demand in the local currency market. Between 1994 and July 21, 2005, the conversion of RMB into foreign currencies, including HK dollars and U.S. dollars, was based on exchange rates published by the PBOC. These rates were set daily based on the previous day's inter-bank foreign exchange market rates in the PRC and the then-current exchange rates in the world financial markets. During this period, the official exchange rate for the conversion of RMB into U.S. dollars enjoyed general stability. However, on July 21, 2005, as a result of the re-pegging of the RMB to a basket of currencies, the RMB was revalued and appreciated against the U.S. dollar by approximately 2% on the same date. On September 23, 2005, the PRC government widened the daily trading band for RMB against non-U.S. dollar currencies from 1.5% to 3% to improve the flexibility of the new foreign exchange system. From July 21, 2005 to June 30, 2009, the value of RMB appreciated by approximately 18.7% against the U.S. dollar. There can be no assurance that such an exchange rate will continue to remain stable against the U.S. dollar or any other foreign currencies in the future. Any significant change in the exchange rates of the RMB against the U.S. dollar or the HK dollar could adversely affect the value of our dividends, which are to be funded by RMB but paid in HK dollars. The fluctuation of the RMB exchange rate may have an adverse effect on our financial results.

In addition, conversion of the RMB is still strictly regulated by the PRC government. In principle, current foreign exchange regulations have significantly reduced the PRC government's foreign exchange control over routine transactions under current accounts, including trade and services related to foreign exchange transactions and payment of dividends. Under the existing foreign exchange regulations in the PRC, following completion of the [●], we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements, except for foreign exchange transactions on our capital account. There can be no assurance that the PRC government will not impose further restrictions on the conversion of RMB into foreign currencies.

We face risks related to natural disasters, acts of war, political unrest, health epidemics and other outbreaks.

Natural disasters, acts of war, political unrest, health epidemics and other outbreaks beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China are particularly susceptible to and have encountered earthquakes, floods and sandstorms. Should any of these unpredictable events take place in regions where our production facilities are located and cause direct damage to any of our production facilities, our business, financial condition and results of operations will be adversely affected.

On May 12, 2008, Sichuan Province and its neighboring areas were hit by an 8.0 magnitude earthquake and have since been hit by several aftershocks according to the China Earthquake Administration. The normal operations of CPMC (Chengdu) were interrupted by the earthquake. To ensure the safety of its employees, CPMC (Chengdu) suspended its business activities for approximately five days. The earthquake and its aftershocks also resulted in delays in the transportation of our products to certain customers in Sichuan Province and nearby areas. Due to the damage to the transportation system, these customers received their orders two to three days later than the originally scheduled delivery dates.

Political unrest, acts of war and terrorists attacks may cause damage or disruption to us, our employees or our production facilities, any of which could materially and adversely affect our sales, cost of sales, overall results of operations and financial condition. In addition, certain Asian countries, including the PRC, have encountered epidemics, such as the severe acute respiratory syndrome or SARS, or incidents of the avian flu. More recently, the H1N1 influenza (originally referred to as the swine flu), which was first identified in April 2009, spread quickly around the world and was declared a global pandemic by the World Health Organization in June 2009. Past occurrences of epidemics have caused various degrees of damage to the national and local economies in the PRC. A recurrence of an outbreak of SARS, avian flu or any other similar epidemic or the continued spread of the H1N1 influenza could cause a slowdown in the levels of economic activity generally, which could in turn adversely affect our results of operations and the price of our shares.

We cannot guarantee the accuracy of facts and statistics with respect to China contained in this document, the reliability of which cannot be assumed or assured.

Certain facts and statistics in this document relating to the PRC, its economy and the industries in which we operate in the PRC are derived from official government publications generally believed to be reliable. While we have taken reasonable care to reproduce such information, we cannot guarantee the quality or reliability of such materials. These facts and statistics have not been prepared or independently verified by us, the [●]s or the [●] or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts and statistics, or materials prepared based on such facts and statistics, such as those published by the National Bureau of Statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other difficulties, the statistics presented in this document may be inaccurate or may not be comparable to statistics produced for other economies and should not be relied upon. Further, there is 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.

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains statements that are forward-looking and uses words typically used for forward-looking statements such as "will," "expect," "estimate," "anticipate," "forecast," "plan," "believe", "may", "intend", "ought to", "continue", "project", "should", "seek", "potential" and other similar terms. Purchasers of our shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties in this regard, including those identified in the risk factors discussed above. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations by us that our plans and objectives will be achieved.

You should read the entire document carefully and we strongly caution you not to place any reliance on any information contained in press articles or disseminated through other media relating to us and/or the [●], some of which may not be consistent with the information contained in this document.

Prior to the publication of this document, there has been press and media coverage regarding us and the [●] such as an article in the Hong Kong Economic Journal published on October 20, 2009, the disclosure of which has not been authorized by us but included certain financial information, projections, valuations and other information about us (the "Unauthorized Information"). We wish to emphasize to potential investors that we do not accept any responsibility for any such

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