## OVERVIEW

We are mainly engaged in the manufacturing of packaging products for consumer goods such as food, beverages and household chemical products and are the largest manufacturer in the PRC metal packaging industry. In addition, we provide comprehensive packaging solutions, including high-tech packaging design, printing, shipment and overall customer services. Our growth rate has significantly outpaced the average growth rate of the PRC packaging industry in terms of sales revenue. We aim to be a leading manufacturer of packaging products for a comprehensive range of consumer goods. Our products mainly include three-piece beverage cans, food cans, aerosol cans, metal caps, printed and coated tinplates and steel barrels. We conduct our business through 11 operating subsidiaries and their branches, which are strategically located in different parts of China to effectively serve our customers. We have a well-established customer base comprising domestically and internationally recognized high-end manufacturers of consumer products. According to the CPF Report, we ranked first in 2008 in terms of revenue in the PRC metal packaging industry and our key products of three-piece beverage cans, milk powder cans, aerosol cans and twist caps all ranked first in terms of sales revenue in their respective sectors in China.

Our products consist of the following:

- **Three-piece beverage cans** — tinplate cans with easy-open ends for packaging tea drinks, protein drinks, energy drinks, congees, fruit and vegetable juices and coffee drinks;
- **Food cans** — milk powder cans mainly for packaging milk powder, nutrition powder and seasonings; and general food cans mainly for packaging processed food, such as fruit, vegetables, meat and seafood;
- **Aerosol cans** — aerosol cans mainly for packaging household chemical products, such as air fresheners, personal care products and insecticides and other chemical products, such as auto-care products and construction glues;
- **Metal caps** — twist caps mainly for glass jars for packaging vegetables, fruit and seasonings; crown caps for bottles of beer, carbonated drinks and other drinks; and easy-open ends for three-piece beverage cans and two-piece beverage cans;
- **Printed and coated tinplates** — printed and coated tinplates for other manufacturers to produce metal containers, batteries, other electrical items and electrical appliances, such as rice cookers;
- **Steel barrels** — 200-liter or larger steel barrels mainly for the storage of bulk edible oil, fruit juice, jam, fragrance and flavoring substances for industrial use and lubricating oil; and
- **Others** — mainly plastic containers, rectangular cans, miscellaneous cans for small-pack edible oil, alcohol, tea, solid food, such as cookies, confectionary and chocolate, stationery and toys.

We are in the process of expanding our product range to include two-piece beverage cans for packaging carbonated drinks, tea drinks and beer. We also intend to further expand our existing plastic packaging business and to enter into paper packaging business at the appropriate time.

Our customer base comprises manufacturers of food, beverages and household chemical products. Approximately 98.4% of our revenue in 2008 was generated from sales in China. We also export, either directly or indirectly through our distributors, some of our twist caps, food cans and aerosol cans to Oceania and a number of countries in Asia and Europe.

Our business experienced remarkable growth in recent years, although the growth rates of some of our operating indicators have moderated since 2008 mainly as a result of the global financial crisis. Our revenue increased from RMB2,077.5 million in 2006 to RMB2,739.5 million in 2007 and further increased to RMB3,349.5 million in 2008, representing a CAGR of 27.0% for the three-year period ended December 31, 2008, which significantly outpaced the CAGR of approximately 11.8% of China's packaging industry. For each of the years ended December 31, 2006, 2007 and 2008, our net profit attributable to equity holders was RMB47.0 million, RMB88.0 million and RMB92.5 million, respectively, representing a CAGR of 40.3%. Despite the global financial crisis which caused our revenue to decline slightly by 4.6% to RMB1,660.2 million for the six months ended June 30, 2009 as compared to the same period in 2008, our business has nevertheless remained generally steady. Our net profit attributable to equity holders increased by 13.8% to RMB91.4 million for the six months ended June 30, 2009 as compared to the same period in 2008.

**Impact of the Global Economic Crisis**

Our business is not completely insulated from the global economic crisis because some of our customers are engaged in the export business and a small portion of our products are exported. Further, the domestic economy is intricately linked to the global economy to some extent. As a result, some aspects of our business were affected by the global economic crisis. 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.

However, the impact of such economic slowdown on our overall business and financial condition has been limited as compared with domestic manufacturers focusing on exports. In addition, we adopted a number of proactive measures to minimize the impact of the economic slowdown. For instance, during the first half of 2009, we reduced sales of selected products to customers with longer payment terms to minimize collection risk for our accounts receivable.

We believe that we have been less affected by the global financial crisis for three reasons. First, most of our customers are manufacturers of consumer products for daily necessities, the consumption of which has not substantially decreased in an economic slowdown. Second, the decrease in the price of raw materials, including tinplates, the key raw material for our production, in the first half of 2009 has significantly reduced our production costs, whereby improving our profit margin of some of our products. Third, in light of the increasingly stringent regulatory requirements over food quality, safety and hygiene, we, as the largest manufacturer in the PRC metal packaging industry, believe we are in a better position to compete with our peers during an economic slowdown.

## OUR COMPETITIVE STRENGTHS

We believe that our success to date and potential for future growth are attributable to our competitive strengths, which include the following:

### The Largest Manufacturer of Metal Packaging Products Mainly Serving Fast-moving Consumer Products, with Leading Market Positions across Various Product Sectors

We have become the largest manufacturer in the PRC metal packaging industry through years of development and consolidation. According to the CPF Report, our three-piece beverage cans, milk powder cans, aerosol cans and twist caps ranked first in each of their respective sectors in terms of sales revenue in 2008.

Our aggregate production capacity for metal cans, namely three-piece beverage cans, food cans and aerosol cans, was approximately 2.2 billion units in 2008 and reached approximately 1.0 billion units for the six months ended June 30, 2009. Our aggregate production capacity for metal caps was approximately 12.4 billion units in 2008 and reached approximately 5.9 billion units for the six months ended June 30, 2009. Meanwhile, our aggregate production capacity for printed and coated tinplates was approximately 178.9 thousand tons in 2008 and reached approximately 94.3 thousand tons for the six months ended June 30, 2009. Our aggregate production capacity for steel barrels was approximately 1.9 million units in 2008 and reached approximately 1.0 million units for the six months ended June 30, 2009. We are in the process of installing one production line for two-piece beverage cans in Hangzhou CPMC Canmaking with an annual production capacity of 700 million cans and expect to commence commercial production of two-piece beverage cans by the end of 2009. We believe that the metal packaging industry will continue its fast growth and that we will be able to successfully implement our expansion plan through cost efficient expansion of production capacity at our existing facilities, as well as integrating newly acquired facilities. We are confident that our large-scale operation and market leadership positions will allow us to benefit from the market consolidation of the PRC packaging industry.

### Comprehensive Customer Services and Solid Base of High-end Customers

Over the years, we have built a large, stable customer base consisting of domestically and internationally recognized food, beverage and other consumer product manufacturers. The following table shows some of our high-end customers, the major brand names currently used to market their respective products, the year in which we first established a business relationship with them and the products we supplied to them:

| High-end Customers | Major Brand Names | Year Relationship Established | Products Supplied |
|---|---|---|---|
| JDB | 王老吉 | 1999 | three-piece beverage cans |
| China Resources Snow Breweries (華潤雪花啤酒(中國)有限公司) (together with its subsidiaries, "China Resources") | 雪花 SNOW | 2002 | crown caps |
| Red Bull Vitamin Drink Co., Ltd. (紅牛維他命飲料有限公司) ("Red Bull") | | 2004 | three-piece beverage cans |
| Mead Johnson | Mead Johnson 美贊臣 | 2003 | milk powder cans |

| High-end Customers | Major Brand Names | Year Relationship Established | Products Supplied |
|---|---|---|---|
| Amway (China) Co., Ltd. (安利(中國)日用品有限公司) ("Amway (China)") | Amway 安利 | 1998 | milk powder cans |
| Shanghai Johnson | Raid | 1997 | aerosol cans |
| Shenzhen Rainbow Fine Chemical Industry Co., Ltd. (深圳市彩虹精細化工股份有限公司) ("Shenzhen Rainbow") | | 1995 | aerosol cans |
| Panasonic Energy (Shanghai) Co., Ltd. (松下能源(上海)有限公司) ("Shanghai Panasonic") | Panasonic | 1997 | printed and coated tinplates |
| Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd. (佛山市順德區美的電熱電器制造有限公司) ("Midea") | Midea | 1998 | printed and coated tinplates |
| Heinz (China) Sauces & Condiments Co., Ltd. (亨氏(中國)調味食品有限公司) ("Heinz") | Heinz | 2004 | twist caps |
| Guiyang Nanming Laoganma Special Flavour Foodstuffs Co., Ltd. (貴陽南明老乾媽風味食品有限責任公司) ("Laoganma") | | 2007 | twist caps |
| Coca-Cola China Industries Ltd. (可口可樂(中國)有限公司) ("Coca-Cola China") | Coca-Cola | 2004 | easy-open ends crown caps |
| Tsingtao Brewery Co., Ltd. (青島啤酒股份有限公司) ("Tsingtao Brewery") | TSINGTAO | 2000 | crown caps |
| Foshan Hai Tian Flavoring & Food Company Limited (佛山市海天調味食品有限公司) ("Hai Tian") | | 1996 | twist caps |
| Budweiser (Wuhan) International Brewing Co., Ltd. (百威(武漢)國際啤酒有限公司) ("Budweiser") | Budweiser 百威啤酒 | 1998 | crown caps |
| East Ocean | | 1995 | steel barrels rectangular cans |

Moreover, we have conducted business with the above high-end customers for nearly ten years on average. We have conducted business with our five largest customers in 2008 for almost nine years on average. The aggregate sales revenue attributable to the high-end customers listed in the table above accounted for approximately 60% and 61% of our total revenue in 2008 and the six months ended June 30, 2009, respectively. On October 26, 2006, we entered into a 10-year strategic cooperative agreement with JDB Investment Limited for the supply of metal packaging products. We have also entered into a supply and purchase cooperation agreement with Shanghai Johnson for the supply of aerosol cans for a term of three years from January 1, 2008. We normally enter into short-term supply agreements with our other customers, which, to our best knowledge, is in line with the industry practice. We do typically correspond with our major customers on a frequent basis to discuss their expected needs for the coming period.

For our customer services, we have implemented a TSS operation and sales model that involves the full participation of our staff at multiple levels in building a multi-layered relationship with our customers, ranging from sales, finance, technical, quality control and production staff to our senior management actively participating throughout the sales, production and delivery stages. During the pre-production stage, our technical team works closely with our sales team with respect to product design and specifications for prospective customers. During the production stage, our sales, marketing and production teams frequently communicate with customers to ensure timely response to their needs. During the post-production stage, our sales and marketing teams coordinate seamlessly with our customers throughout the product delivery process to ensure timely delivery and early detection of any product defects. In order to maintain long-term relationships, our production, quality control and technical teams visit customers regularly so as to keep track of their needs and receive their feedback on our products and services. This fully interactive and comprehensive customer service approach helps us win the loyalty of, and maintain long-term relationships with, our customers.

**Diversified and Complementary Product Portfolio and Strategically Located Production Facilities**

We offer our customers a diversified and complementary portfolio of packaging products, including metal cans, metal caps, printed and coated tinplates and steel barrels, as well as plastic packaging containers. It enables us to shift production focus promptly in response to any change in consumer consumption patterns, as well as to minimize the seasonality impact on our production and sales.

In addition, our strategic network of production facilities allows us to meet the demands from our large customers as well as local customers. Since southern and eastern China are regions with the most developed economy in China, while central and southwestern China are regions with high growth potential in the consumption of metal packaging products, we have strategically placed our production facilities in the municipality of Tianjin and in the provinces of Fujian, Guangdong, Hubei, Jiangsu, Shandong, Sichuan, Chongqing and Zhejiang. Most of our production facilities are currently located on average within a 120-kilometer radius of the sites of some of our major customers, including JDB, Red Bull, Amway (China), Shenzhen Rainbow and Shanghai Johnson, allowing us to respond quickly to our customers' needs and to deliver our products to them in a timely and cost-efficient manner.

**Unique Relationship with COFCO Group**

COFCO, our ultimate controlling shareholder, is a leading company with a global reach and engages in a wide array of businesses, including packaging products through our Company and agricultural commodities trading and agricultural products processing, food and beverages, dairy products, real estate development, hotel management, logistics, native produce and animal by-products, financial services through various other subsidiaries. COFCO has been listed by Fortune as one of the Global Top 500 Companies consecutively since 1994. Our Group is one of the core businesses under COFCO, with which we have a unique relationship. We strive to produce high-quality packaging products for use in the complete industrial chain of cereal, oil and foodstuff products.

China Foods and China Agri, two of the core COFCO Group businesses, are listed on the Main Board of the Stock Exchange in Hong Kong. We have been providing packaging products to them for their various products, such as Coca-Cola beverages, chocolate, seasonings for China Foods and bulk edible oil for China Agri. We expect to continue to develop business relationships with China Foods and China Agri in the future. In addition, COFCO Tunhe, another business of COFCO Group listed on the Shanghai Stock Exchange, is one of the largest tomato processing companies in the world. We have been providing packaging products to COFCO Tunhe for its small-pack ketchup. Although as of the Latest Practicable Date, we did not have any agreement with China Mengniu Dairy Co., Ltd., in which COFCO has an indirect equity interest of approximately 14%, we plan to provide plastic container, paper containers and milk powder cans to China Mengniu Dairy Co., Ltd. as well as various producers of dairy products. However, our transactions with COFCO Group are on normal commercial terms without any guarantee of sales volume or profit margin. Although we do not have any long-term sales contracts with different businesses within COFCO Group, we believe that the extensive business connections provided by COFCO Group will benefit us significantly as we are able to leverage COFCO's well-established brand name to develop business opportunities and expand our sales channels.

**Strong Research and Development Capabilities with Active Participation in Setting Industry Standards**

We have always placed great emphasis on research and development. We highly value our strong research and development team, which as of June 30, 2009 comprised 551 engineers and technicians. These engineers and technicians, apart from performing production and other operational functions, engage in research and development projects organized and decided by our research and development center. As we believe a high-caliber research and development team is essential to our maintenance of strong research and development capabilities, we occasionally send our engineers and technicians abroad visiting our overseas equipment suppliers to strengthen their knowledge on the advanced technologies in the packaging industry. In December 2003, we established a research and development center in Hangzhou and have developed a comprehensive quality management system that involves setting up, uniformly within our Group, a standardized production procedure system, a quality assurance system and an equipment management system, together with the overall supervision, verification and management of these systems. We focus our research and development effort on improving our product designs, manufacturing techniques and equipment as well as developing new packaging materials and products. By taking these proactive measures, we aim to reduce production costs, improve our existing equipment and products and, at the same time, provide our customers with new packaging products and solutions. Since July 2006, Hangzhou CPMC has been cooperating with ZUST in certain research and development projects and we have jointly developed certain designs for packaging products. Hangzhou COFCO-MC has been designated by CPF as the "Development and Production Base for the PRC Printed Tinplate Packaging Containers" since 2001.

Our product quality has been recognized through the numerous quality certificates and awards that we have received for our rigorous quality control and inspections during the production process, including the ISO 9001 certification for quality control system, the HACCP certification and the ISO 22000 certification for food safety management system. We received a gold medal at the 4th Asian Print Awards for specialty printing, the Gold Award for Asian Packaging Printing and the Gold Award for Chinese Digital Printing for our utilization of advanced technology and equipment in tinplate printing and coating in 2006. Furthermore, at the 5th International Steel Packaging Congress held in Düsseldorf, Germany, in April 2008, we received the second prize award for outstanding metal packaging from the Association of European Producers of Steel for Packaging. In addition, in 2006, CPF granted to our Group the "China Famous Brand Packaging Products Award" for some of our products in recognition of their outstanding quality, including our three-piece beverage cans, printed and coated tinplate products, aerosol cans, rectangular cans and food cans.

We have developed proprietary product designs and technologies such as the sealing compound for twist caps, which fully complies with well-recognized international standards on product quality, safety and health, is certified by the Swiss Quality Testing Services and Société Générale de Surveillance SA, and meets the relevant overall migration requirements of the U.S. Food and Drug Administration and European Commission Directive 2007/19/EC. This innovation has increased the sealing capability of the caps. In addition, our high-fidelity (hi-fi) printing technology has been accredited as a 2005 State Torch Program (2005年國家火炬計劃) of the PRC as well as a new key national product. With our strong innovation capability, we have also achieved major technological breakthroughs, including computer-aided deep-punching pre-deformation plating, digital sample designing for tinplate printing, integrated application of traditional and UV printing technologies, anti-counterfeiting printing technology and a medium-frequency induction curing technology. We currently hold 21 registered patents in China.

Our strong research and development capability has been recognized in the metal packaging industry. At the invitation of the relevant government authorities, we exclusively formulated the industry standard for tinplate prints for packaging and decoration, when we solely drafted the specifications of the standard for submission to the competent authorities for review and approval without the participation of other industry players. Moreover, we have (i) led the formulation of the industry standards for three-piece cans with aluminum easy-open ends, tinplate miscellaneous cans and claw-shaped twist caps when we initially drafted the specifications of those standards, with the subsequent participation of other industry players through review and comments before submission to the competent authorities for final review and approval, and (ii) participated in the process of reviewing the specifications of the industry standards for coated tinplates (or ECCS) and packaging products and steel aerosol cans, which were initially drafted by other industry players, before submission to the competent authorities for final review and approval. Five of these six industry standards have been promulgated and implemented. The one remaining industry standard has passed governmental reviews and is expected to be promulgated and implemented in the near future. With our modern equipment and advanced technology, we have been an active participant in setting and enhancing several industry manufacturing standards, which provides us with a strong competitive advantage and puts us in a better position to consolidate small manufacturers in the industry.

**Experienced Management Team with a Proven Record of Successful Acquisitions and Integrations**

Our senior management team and key operational personnel possess extensive management skills, operating experience and industry expertise in the metal packaging industry. On average, each member of our senior management possesses a tenure of over 13 years of experience. Our Group managed to overcome the economic slowdown in 1998 during the major financial crisis in Asia and in 2002 due to the significant increase in the prices of our raw materials. Even during the recent crisis in the global financial markets in 2008, our senior management team has led us to achieve a stable growth.

During the course of operating Wuxi Huapeng and Hangzhou COFCO-MC as joint ventures with internationally-recognized packaging enterprises, our senior management accumulated extensive experience in the metal packaging industry, including managing the operations of the companies under a modern management system, and led our Group towards a rapid improvement of performance. Under our management structure, Wuxi Huapeng saw a quick turnaround after it became a member of our Group in 2000. Its net profit reached a record of RMB19.5 million in 2008 after suffering an average loss of approximately RMB53.0 million in both 1997 and 1998 under PRC GAAP. In addition, after being acquired by us in 2002, Panyu MCP's results improved from an accumulated loss of over RMB199.4 million in 2002 to a net profit of RMB17.5 million in 2008 under PRC GAAP. Moreover, we also successfully acquired Zhenjiang Huading Cibo Dni Can End Co., Ltd., a private domestic enterprise currently known as CPMC (Zhenjiang). From 2006 to 2007, we successfully completed the construction of, and commenced operations at, our three new facilities in Hangzhou, Tianjin and Chengdu.

Our senior management team has successfully reorganized our existing businesses, integrated newly acquired businesses, expanded our customer base, improved operating efficiency and increased profitability. Under the leadership of our senior management team, we have expanded from one operating company to a group with 11 operating subsidiaries through successful organic growth and acquisitions. We believe that our experienced management team will continue to lead our Group in seizing market opportunities and to implement sound business strategies in an effective manner.

### Effective Cost Control System

We have successfully implemented measures to reduce costs, including increasing the scale of our production to reduce per unit production costs, establishing our centralized purchasing of major raw materials to reduce cost of supplies and strategically locating our production facilities in proximity to our customers to reduce transportation costs. Furthermore, in order to reduce our costs associated with imported production lines, we continue to selectively design and assemble our production facilities through our experience and technical know-how. We believe these measures will help us lower our capital expenditures significantly.

We have maintained the quality of our products, reduced our consumption of raw materials and realized cost-savings through the effective use of technological innovations, including the adoption of waveform cutting and sealing compound thinning technologies, among others, in our production processes. Additionally, we have developed the necessary sealing compound for twist caps, the cost of which is two-thirds of the cost of imported raw materials.

## OUR BUSINESS STRATEGIES

Our principle goal is to become a leading manufacturer of packaging products for a comprehensive range of consumer goods. We plan to further strengthen our leading position, to increase market shares of our existing packaging products, to expand into new regional markets and new businesses, especially packaging businesses for fast-moving consumer goods. Building on the strategy of COFCO in offering a complete industrial chain of cereal, oil and foodstuff products — "From Origination to Consumption" ("從田間到餐桌"), we strive to produce high-quality packaging products not only for our existing and potential customers but also for businesses within such industrial chain. We aim to achieve these goals by implementing the following strategies:

### Continue our Mergers and Acquisitions Strategy and Expand into New Businesses

We have historically accomplished rapid expansion in geographical locations, product lines and scale of production through organic growth and successful mergers and acquisitions. We believe that the current domestic metal packaging market is under consolidation mainly due to (i) lack of concentration among metal packaging manufacturers; (ii) operational and financial difficulties faced by many metal packaging companies as a result of the global financial crisis; and (iii) increasingly stringent government regulations over food quality, safety and hygiene. As a leading player in the metal packaging industry, we aim to take advantage of such industrial consolidation by making appropriate mergers and acquisitions to expand our market share in different sectors, in particular the two-piece beverage can sector.

We also intend to expand our plastic packaging business and to enter into the paper packaging business for food, beverage and household chemical products through mergers and acquisitions in order to further diversify our product portfolio in response to the demand of our existing customers, including COFCO Group. In the absence of suitable mergers and acquisitions opportunities, we will continuously expand our geographical coverage and product diversity by increasing our production capacity and constructing new production facilities.

**Continue to Develop New Regional Markets, Strengthen Relationship with Our Existing Customers and Acquire New Customers**

We continue to develop new regional markets through the approach of "Diligently Exploring a Market before Running a Facility." Under this approach, before we decide to enter a regional market by means of leasing facilities and relocating production facilities or outsourcing production, we (i) evaluate whether a local region is a potential market for our products; (ii) identify our comparative advantages over our competitors in the local region; and (iii) assess availability of management personnel. If our operating results in a new regional market become fruitful, we will determine whether to set up a regional base by building a new production facility or acquiring a target company. Our decision to acquire a target company in a region is based on a number of factors, including costs of acquisition compared with new production facility investment, historical performance, business value, customer base and quality of production facilities of the target company. We have successfully completed several acquisitions following this approach for expansion. For instance, we first fully explored the southern China market before acquiring Panyu MCP, which has now become one of our profitable subsidiaries.

In order to strengthen our relationship with existing customers and acquire new customers, we will continue our TSS operation and sales model to better serve our existing and potential customers. While solidifying our existing customer relationships, we aim to further strengthen and develop our customer base by (i) integrating available resources within and outside COFCO Group and (ii) leveraging our specialized capacities in production technology, research and development and product design. As for our key products, including three-piece beverage cans, milk powder cans, aerosol cans and twist caps, we plan to strategically develop new medium-sized customers while maintaining major customers. Meanwhile, as for other products with high growth potential, including general food cans, easy-open ends and steel barrels, we plan to increase capital investment and marketing efforts to attract large and medium-sized customers and to cultivate smaller high-end customers. We have established several product business departments in Hangzhou mainly responsible for market analysis, sales and marketing as well as customer maintenance and development.

We will continuously develop overseas markets. In particular, through our overseas market departments in our Hangzhou, Wuxi and Guangzhou subsidiaries, we seek to develop markets in Southeast Asia, the Middle East, Oceania and Africa for our food can, twist cap, aerosol can and printed and coated tinplate products.

**Increase Investment in Research and Development to Improve Product Quality and Develop New Products**

While keeping our focus on three-piece beverage cans and food cans, we also intend to utilize our strong research and development capability to improve product safety and quality as well as to develop new products, such as two-piece beverage cans, drawn and ironed cans, steel easy-open ends, easy peelable ends and new degradable plastic packaging products. We also plan to invest in advanced equipment to produce new types of food cans for our existing customers, including businesses within COFCO Group.

In light of the demand of our customers and the increasing stringent regulatory requirements over food quality, safety and hygiene, we will increase our research and development investment to improve our production equipment and environment. We will also cooperate with international and domestic authoritative agencies to establish a top quality inspection and testing laboratory to improve product quality and safety.

### Enhance Internal Management, Reduce Costs and Improve Profitability

We will thoroughly utilize the Enterprise Resource Planning system in all of our operating subsidiaries, in order to improve management efficiency, reduce costs and enhance internal control over operating risks.

We will continue to adopt measures to reduce costs, such as (i) centralizing our procurement of major raw materials to enhance our bargaining power and reduce our sourcing cost; (ii) leveraging technological improvement and enhanced management reviews to reduce energy consumption and raw material cost, such as tinplate and aluminum coil; (iii) improving production efficiency in the production process by establishing benchmarks, promoting Single Minute Exchange of Die (SMED), and adopting standardized operational processes in all our subsidiaries; (iv) improving product quality by implementing comprehensive quality control measures, including Layered Processed Audits (LPA) and Failure Mode Effect Analysis (FMEA); (v) improving certain key equipment through research and development; and (vi) reducing inventory and logistical costs by way of scientific forecasts and planning.

### Attract and Retain Qualified Personnel and Develop Human Resources

It is crucial for us to attract and retain qualified personnel. We will continue to focus on attracting highly-skilled technical and managerial personnel. We intend to do this by continuing to develop a strong corporate culture focused on trust, teamwork, professionalism and innovation and to offer our key personnel competitive share option schemes that are linked to our equity market performance.

We have implemented a human resources management plan based on Competency Model for screening, training and promoting our employees, and we have adopted a self-developed evaluation system, namely KAAPP, to review the performance of and promote key personnel. By such human resources management, we believe we will be able to develop a unique and competitive management and technical team.

## PRODUCTS

Our products mainly include three-piece beverage cans, food cans, aerosol cans, metal caps, printed and coated tinplates, steel barrels and others. In addition, we are in the process of expanding our product range to include two-piece beverage cans.

Our products are manufactured or will be manufactured primarily at the facilities of our 11 operating subsidiaries located in Chengdu, Guangzhou, Hangzhou, Shenzhen, Tianjin, Wuhan, Wuxi, Zhangjiagang and Zhenjiang. For detailed information on the production capacity of each of our product groups, please refer to the subsection headed "Production Facilities" below.

The table below presents our total revenue and the percentage of our total revenue attributable to each of our product groups for the years ended December 31, 2006, 2007 and 2008 and the six-months ended June 30, 2008 and 2009, respectively.

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 | | 2007 | | 2008 | | 2008 | | 2009 | |
| Revenue | RMB'000 | % of total revenue | RMB'000 | % of total revenue | RMB'000 | % of total revenue | RMB'000 | % of total revenue | RMB'000 | % of total revenue |
| | | | | | | | (unaudited) | | | |
| Three-piece beverage cans | 862,035 | 41.5 | 1,314,430 | 48.0 | 1,764,033 | 52.7 | 841,495 | 48.4 | 912,492 | 54.9 |
| Food cans | 88,092 | 4.2 | 173,043 | 6.3 | 222,454 | 6.6 | 102,622 | 5.9 | 95,716 | 5.8 |
| Aerosol cans | 270,304 | 13.0 | 296,535 | 10.8 | 303,453 | 9.1 | 217,359 | 12.5 | 166,925 | 10.1 |
| Metal caps | 418,020 | 20.1 | 589,941 | 21.5 | 675,547 | 20.2 | 366,987 | 21.1 | 259,203 | 15.6 |
| Printed and coated tinplates | 126,449 | 6.1 | 142,466 | 5.2 | 168,485 | 5.0 | 78,548 | 4.5 | 82,638 | 5.0 |
| Steel barrels | 144,895 | 7.0 | 133,639 | 4.9 | 121,498 | 3.6 | 77,117 | 4.4 | 69,316 | 4.2 |
| Others | 167,735 | 8.1 | 89,464 | 3.3 | 94,024 | 2.8 | 56,256 | 3.2 | 73,929 | 4.4 |
| **Total** | **2,077,530** | **100** | **2,739,518** | **100** | **3,349,494** | **100** | **1,740,384** | **100** | **1,660,219** | **100** |

### *Three-piece Beverage Cans*

We manufacture three-piece beverage cans in two diameters and various volumes, primarily used for packaging tea drinks, protein drinks, energy drinks, congees, fruit and vegetable juices and coffee drinks. Our manufacturing facilities are equipped with advanced powder coating and inside spray machines to ensure that our customers' food and beverage products are better sealed and preserved.

According to the CPF Report, the market value of three-piece beverage cans in China in terms of revenue was approximately RMB8.5 billion in 2008. Our revenue accounted for 20.8% of the total revenue of the three-piece beverage can market in China and ranked at the top of the industry in 2008.

Our three-piece beverage can production lines utilize advanced imported equipment, with automated processes from raw material feeding and canning to end product packaging. We currently have 14 three-piece beverage can production lines at five of our facilities in Hangzhou, Guangzhou, Tianjin, Chengdu and Zhangjiagang. The combined annual production capacity at these facilities reached approximately 1.65 billion cans in 2008.

Our major customers of three-piece beverage cans include JDB and Red Bull.

### *Food Cans*

The food cans we produce include milk powder cans and general food cans.

*Milk powder cans*

Our milk powder cans are produced in four diameters and with various heights, primarily used for packaging milk powder, nutrition powder and seasonings. We have obtained the ISO 22000:2005 certification for our food safety management system. Our production facilities are installed in an enclosed environment in which all stages of production, from the input of raw materials on the production line to the finished products, are performed by machines, thus effectively reducing risks related to product quality and safety.

According to the CPF Report, the market value of milk powder cans in China in terms of revenue was RMB620 million in 2008. Our revenue accounted for 23.1% of the total revenue of the milk powder market in China and ranked at the top of the industry in 2008.

We currently own and operate six milk powder can production lines with advanced imported technology. Our four facilities in Hangzhou, Guangzhou, Shenzhen and Tianjin had a combined annual production capacity of approximately 64.0 million cans in 2008. These facilities are expected to reach a combined annual production capacity of 74.0 million cans by the end of 2009 as a result of the installation of two additional production lines in Shenzhen CPMC at the end of 2008. Our major customers of milk powder cans include Mead Johnson and Amway (China).

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, 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 which has led to a decrease in the demand for milk powder cans from several of our customers as compared to the demand in previous years during the Track Record Period. As a result, we experienced a decrease in our sales orders from these affected customers in the last quarter of 2008. However, this was partially offset by increased sales orders from our other customers whose milk powders were not contaminated with melamine.

*General food cans*

Our general food cans are mainly used for packaging processed food, such as fruit, vegetables, meat and seafood. We manufacture general food cans at our facilities in Chengdu and Tianjin. The combined annual production capacity at these facilities reached approximately 133.0 million in 2008.

As the standards for food packaging become more stringent, our technological advantage will enable us to seize more business opportunities. Therefore, we expect there will be significant growth in our general food can business.

***Aerosol Cans***

We produce aerosol cans in four diameters and with various heights. Our aerosol cans are used primarily for packaging household chemical products, including air fresheners, personal care products and insecticides and other chemical products, such as auto-care products and construction glues. We have been continuously improving our manufacturing technology and have developed pioneering products such as irregular-shaped cans and straight-body cans, among others, thus providing more selections for our customers.

According to the CPF Report, the market value of aerosol cans in China in terms of revenue was RMB1.36 billion in 2008. Our revenue accounted for 22.3% of the total revenue of the aerosol cans market in China and ranked at the top of the industry in 2008.

We have sophisticated aerosol can production lines, which use internationally renowned and imported equipment. We are also equipped with inspection and testing machines to further enhance our product quality. We currently possess nine production lines producing aerosol cans in Hangzhou, Guangzhou and Tianjin. The combined annual production capacity at these facilities reached approximately 312.0 million units in 2008.

A majority of our aerosol cans are for domestic sale. We also export a limited amount of our products overseas. Our major customers include nationally and internationally renowned companies such as Shanghai Johnson and Shenzhen Rainbow.

***Metal Caps***

Our metal caps include twist caps, crown caps and easy-open ends.

*Twist Caps*

We manufacture eight major categories of twist caps. Our twist caps are primarily used for glass jars for packaging vegetables, fruit and seasonings. Our production of twist caps has been certified by ISO 9001 for quality control system and by HACCP for food safety system, and complied with the U.S. Food and Drug Administration Regulations for determining the amount of extractives from resinous or polymeric coating.

According to the CPF Report, we produce 90% of the approximately 600.0 million units of twist caps annually produced for the packaged vegetable market, 20% of the approximately 2.2 billion units annually produced for the seasonings market and 30% of the approximately 1.2 billion units annually produced for the fruit market in 2008 in China. Our products have also been exported to Oceania and a number of countries in Asia.

According to the CPF Report, the market value of twist caps in China in terms of revenue was RMB800 million in 2008. Our revenue accounted for 40.7% of the total revenue of the twist cap market in China and ranked at the top of the industry in 2008.

With 24 high-speed twist cap production lines and first-rate inspection and testing equipment, we have currently maintained market leadership in production capacity and technology of twist caps in China. The combined annual production capacity at our Wuxi, Chengdu and Linyi facilities reached approximately 1.9 billion units in 2008.

Our well-known twist cap customers include Heinz, Hai Tian and Laoganma.

*Crown Caps*

We produce three types of crown caps, primarily used for bottles of beer, carbonated drinks and other drinks. Our production of crown caps has been certified by ISO 9001 for quality control system and by HACCP for food safety system.

According to the CPF Report, the market value of crown caps in China was RMB1.88 billion in 2008. Our revenue accounted for 11.3% of the total revenue of the crown caps market in China and ranked second in the industry in 2008.

With eight advanced imported production lines, we can provide our customers with comprehensive products and services such as design, plate forming, tinplate printing, cap making and technical support. The combined annual production capacity of our four facilities in Wuxi, Chengdu, Tianjin, and Guangzhou reached approximately 9.7 billion units in 2008.

Our well-known crown cap customers include Tsingtao Brewery, Budweiser, Coca-Cola China and China Resources.

*Easy-open Ends*

We produce two basic series of easy-open ends as sealing caps, primarily for three-piece beverage cans and two-piece beverage cans, such as for carbonated drinks and beer, and we have obtained the ISO 9001 certification for quality control system used in our production.

We have three imported high-speed advanced production lines at our Zhenjiang facility, which are mainly used for the production of easy-open ends as accessories for two-piece beverage cans for carbonated drinks, such as Coca-Cola beverages and beer, as well as for three-piece beverage cans for beverages, such as tea drinks. The annual production capacity at our Zhenjiang facility reached approximately 865.0 million units in 2008.

We have Coca-Cola China as one of our many well-known customers.

***Printed and Coated Tinplates***

We produce a variety of printed and coated tinplates for other manufacturers to produce metal containers, batteries, other electrical items and electrical appliances such as rice cookers. Our facilities producing printed and coated tinplates are strategically located in Hangzhou, Guangzhou, Tianjin, Wuxi and Chengdu.

We use advanced imported production equipment and have 41 printing and coating production lines, including a five-color UV printing line. The combined annual production capacity at these facilities reached 178.9 thousand tons in 2008. According to the CPF Report, we were one of the largest manufacturers of printed and coated tinplates in China in terms of revenue in 2008.

In addition to printed and coated tinplates products, we also provide pre-production services, including high-quality design, a remote access system for design preview and revisions, high-fidelity printing and digital printing. We seek to perfect our tinplate printing and coating technology and improve our product quality and production processes through equipment importing and technology innovation, including anti-counterfeiting printing, high-fidelity printing, computer-aided deep-punching pre-deformation plating and UV printing technologies, to meet our customers' changing requirements.

Customers for our printed and coated tinplates include Shanghai Panasonic and Midea.

***Steel Barrels***

We produce 200-liter or larger steel barrels for bulk edible oil, fruit juice, jam, fragrance and flavoring substances for industrial use and lubricant oil.

According to the CPF Report, the market value of steel barrels in China in terms of revenue was RMB6.8 billion in 2008.

We have three steel barrel production lines at our facilities in Zhangjiagang, Guangzhou and Tianjin, whose combined annual production capacity reached approximately 1.9 million units in 2008.

Our major customers for steel barrels include East Ocean.

### *Two-piece Beverage Cans*

We plan to manufacture two-piece beverage cans in two diameters and with various volumes, primarily used for packaging carbonated drinks, tea drinks and beer. We purchase production equipment, raw and auxiliary materials used in producing two-piece beverage cans from international suppliers in the industry so as to ensure that beverages are better sealed and preserved to satisfy our customers’ requirements and standards.

Additionally, our imported production lines with advanced and reliable technology are fully automated, i.e., from raw material feeding to canning and to end product packaging. We are in the process of installing one production line for two-piece beverage cans with a designed speed of 2,000 cans per minute and an annual production capacity of 700 million cans in Hangzhou, financed by our internally-generated funds and bank borrowings in the total amount of approximately RMB230 million. This production line is expected to commence production by the end of 2009. Based on our industry knowledge, we expect the gross margin of two-piece beverage cans to be similar to our overall gross margin.

Our potential customers for our two-piece beverage cans include JDB, Coca-Cola China and China Resources.

According to the CPF Report, the market value of two-piece beverage cans in China in terms of revenue was approximately RMB8.4 billion in 2008 and two-piece beverage cans are the second largest market segment in China’s metal packaging industry in terms of sales revenue in 2008. Besides, the CAGR of two-piece beverage can revenue from 2008 to 2010 is expected to reach approximately 21.0%, which significantly outpaces the average growth rate of China’s metal packaging industry at a CAGR of approximately 11.6%. Our expansion into the two-piece beverage cans business will enable us to serve the demand of our customers, benefit from the market opportunity and consolidate our leading market position in each major market segment of the metal packaging industry. We believe the two-piece beverage can business will become a part of driving force for our profitability growth,

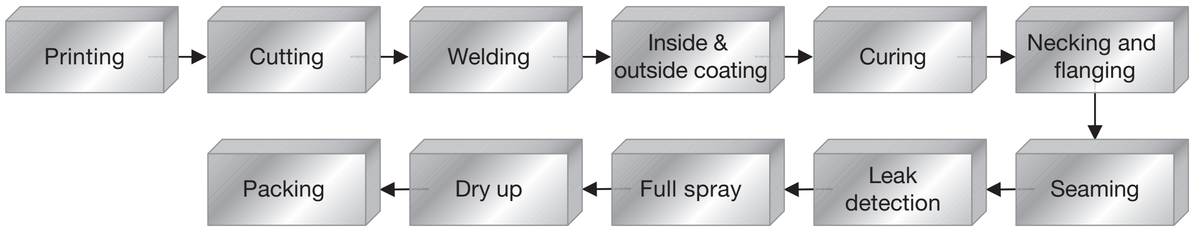
### Others

In addition to the products described above, we also produce plastic containers, rectangular cans, miscellaneous cans and chemical cans for packaging small-pack edible oil, alcohol, tea, solid food, such as cookies, confectionary and chocolate, stationery and toys.

## PRODUCTION PROCESS

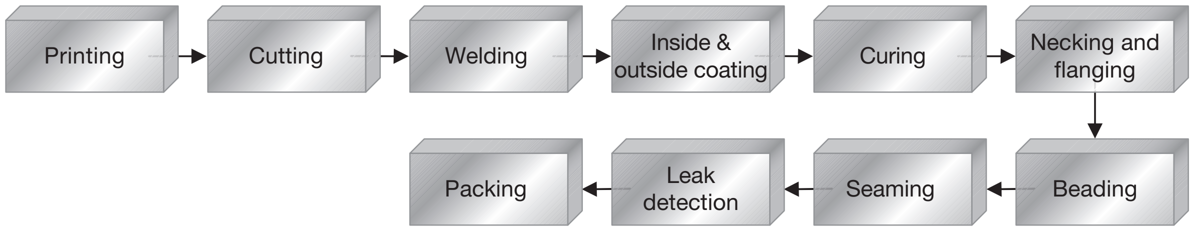
Set forth below are the principal steps of the production process for certain of our products:

***Three-Piece Beverage Cans***



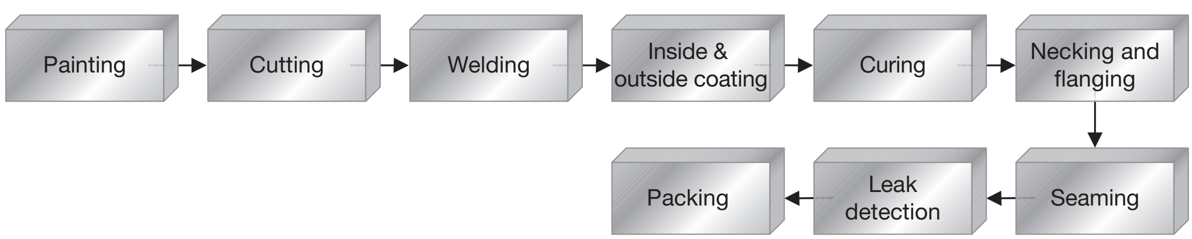

1) The tinplate, after being coated with paint and glaze, is cut into small pieces, each of which is used to make one can body;
2) Each small piece is rolled into a cylinder on the welding machine and the two layers of metal are securely welded at the splice joint to form a can body;
3) Touch-up paint is applied to the inside and outside the welded area to prevent corrosion and rusting;
4) The touch-up paint is dried in the drying chamber;
5) The two ends of the can body are shrunk and flanged outward with a mould to form a flange side around the top and bottom end of the can to match it with the enclosing cover;
6) Depending on the customer’s required specifications, the can top or the can bottom is rolled and folded together with the enclosing cover;
7) The cans are subjected to tests under a pressure detector and those with pinholes or with cracks are automatically rejected;
8) Paint is applied to the inside of the can to cover any paint that is scratched during the preceding steps;
9) The paint is dried; and
10) The finished can is transported to the packing station for packing.

### *Food Cans*




1) The tinplate, after being coated with paint and glaze, is cut into small pieces, each of which is used to make one can body;
2) Each small piece is rolled into a cylinder on the welding machine and the two layers of metal are securely welded at the splice joint to form a can body;
3) Touch-up paint is applied to the inside and outside the welded area to prevent corrosion and rusting;
4) The touch-up paint is dried in the drying chamber;
5) The two ends of the can body are shrunk and flanged outward with a mould to form a flange side around the top and bottom end of the can to match it with the enclosing cover;
6) The can body is passed through a beading device to augment the strength of the can body;
7) Depending on the customer's required specifications, the can top or the can bottom is rolled and folded together with the enclosing cover;
8) The cans are subjected to tests under a pressure detector and those with pinholes or with cracks are automatically rejected; and
9) The finished can is transported to the packing station for packing.

### *Aerosol Cans*




1) The tinplate, after being coated with paint and glaze, is cut into small pieces, each of which is formed into one can body;
2) Each small piece is rolled into a cylinder on the welding machine and the two layers of metal are securely welded at the splice joint to form a can body;
3) Touch-up paint is applied to the inside and outside the welded area to prevent corrosion and rusting;
4) The touch-up paint is dried in the drying chamber;

5) The two ends of the can body are shrunk and flanged outward with a mould to form a flange side around the top and bottom end of the can to match it with the enclosing cover;

6) The two ends of the can are folded and sealed together with the enclosing cover;

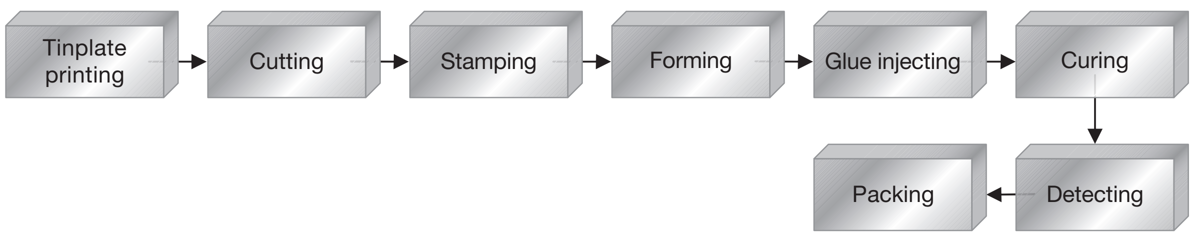
7) The cans are subjected to tests under a pressure detector and those with pinholes or with cracks are automatically rejected; and

8) The finished can is transported to the packing station for packing.

We manufacture aerosol cans but do not fill their contents in our production process. Therefore, we do not use any propellant in our production.

***Metal caps***

*Crown caps and twist caps:*




1) The tinplate, after being coated with paint and glaze, is cut into small pieces that are suitable for stamping into caps;

2) The caps are pre-bent, flanged and pressed with rolling screening equipment (crown caps);

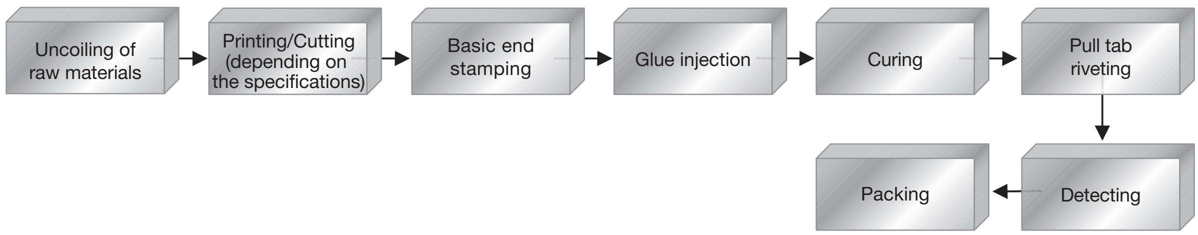
3) The caps are passed through the molding machine to be injected with glue;

4) After cooling, the caps are passed through the detection system to ensure that they are intact with no blemish. Any defective cap is automatically rejected;

5) The caps are counted; and

6) The finished caps are packed.

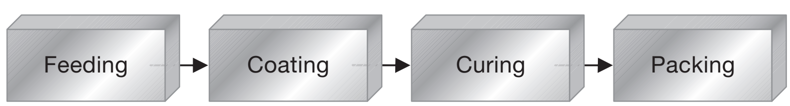
*Easy-open ends:*




1) The coated and printed aluminum sheets are cut into small pieces, or are directly uncoiled and put onto the press before basic ends are stamped;
2) The stamped ends go into the linear, where glue is injected along the edge of the end;
3) The ends are cured to dry up the glue;
4) The ends are then put onto a conversion press, where a pull tab is riveted onto the end to form a complete easy-open end;
5) The ends then go through a built-in, real-time light testing process to check for any defects. Any defective ends are automatically rejected;
6) The ends are numbered; and
7) The finished ends are packed.

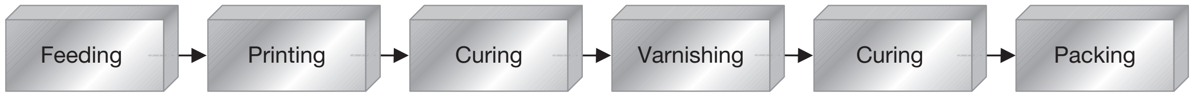
***Printed and Coated Tinplates***

*Coating:*



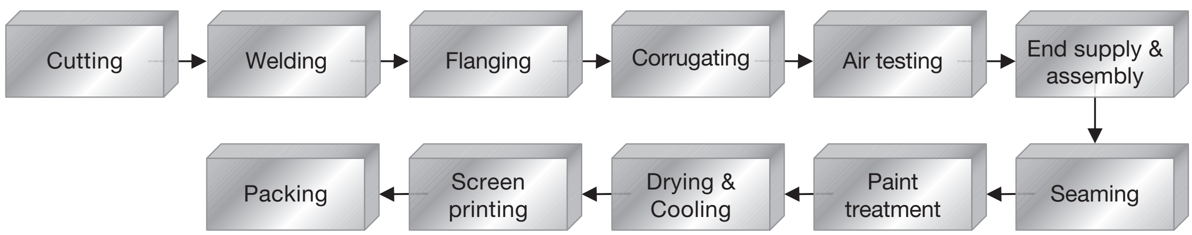

1) The tinplate sheets arrive at the coating facility;
2) The lacquer is applied to one side or both sides (subject to the product requirement) of the tinplate sheets;
3) The coated tinplate sheets are cured in an oven to dry; and
4) The dried tinplate sheets are packed.

*Printing:*



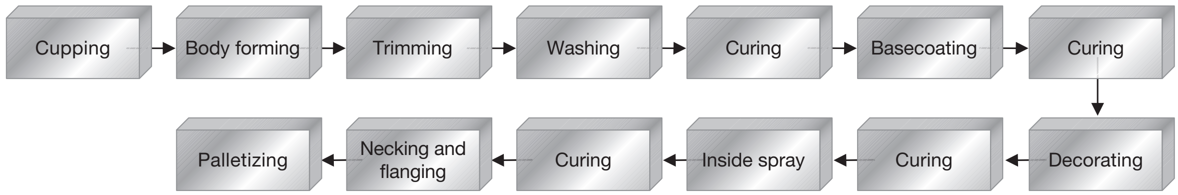

1) The coated tinplate sheets arrive at the printing facility;
2) Ink is applied to the tinplate sheets using the presensitized plate on which the pattern is dried in sunlight;
3) After printing, the tinplate is heated to cure the inks;
4) Coat varnish is applied;
5) The coated tinplate sheets are cured in an oven to dry; and
6) The cured tinplate sheets are packed.

***Steel Barrels***




1) The steel coils are uncoiled and cut into pieces of suitable size for making the barrel body and are also stamped into top and bottom ends;
2) The steel body piece is cut into a suitable width and rolled up;
3) The joints of the rolled body piece is welded on a welding machine;
4) The body is then transported on an automatic conveyor to the middle stage production line for flanging;
5) The flanged barrel body goes through a process of corrugating ;
6) The body is tested for any leakage;
7) The body is conveyed to the seamer where the top and bottom ends and the body are seamed together to form a complete barrel;
8) The barrel is spray-painted;
9) The paint is dried and cooled;
10) The barrel goes through a screen printing process and the date of production is printed on it; and
11) The finished barrel is checked again for any defects before being stored in a warehouse.

### *Two-piece Beverage Cans*




1) The aluminum coil is made into cups by a cupper that are ready for body forming;
2) A cup is drawn to form a can body;
3) The top edge of the can is trimmed by a trimmer to eliminate burrs and earnings;
4) The can is washed off lubricant and coolant residue in the washer using chemicals before it is cured;
5) The outside of the can is coated for better printing effect;
6) The outside of the can is printed with designed patterns and subsequently varnished before curing;
7) The inside of the can is sprayed evenly with coatings to avoid contact between liquids and metal;
8) The top of the can is necked to correct diameter and then flanged; and
9) Finished cans are palletized, strapped and wrapped before shipping.

## RAW MATERIALS AND SUPPLY

The most important raw material we currently use in our production of various cans and caps is tinplate. Our total purchase of tinplates accounted for 62.5%, 62.0%, 70.3% and 70.5% of our total raw materials and consumables purchase during the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively. We currently use a limited amount of aluminum coils and PE in our production of metal and plastic containers. However, as we plan to commence commercial production of two-piece beverage cans by the end of 2009, we expect our total purchase of aluminum coils to increase. We will leverage our experience gained from the purchase of aluminum coils for the production of easy-open ends in our procurement strategy. The cost of aluminum coils is estimated to account for approximately 65% of our total cost of sales for two-piece beverage cans under normal circumstances, subject to the fluctuation of the purchase price of aluminum coils from time to time. We also purchase paint for tinplate, easy-open ends and can printing for our metal can production. Currently, we purchase most of our raw materials from the domestic market. Accordingly, our purchases are settled mainly in RMB, with a portion of our raw material purchases, such as purchases of aluminum coil, settled in foreign currencies, including U.S. dollars and Japanese yen.

As of the Latest Practicable Date, we had six major tinplate suppliers, the largest of which was Baosteel. Our annual purchase for 2006, 2007 and 2008 and our purchase for the six months ended June 30, 2009 from Baosteel accounted for 19.5%, 18.1%, 24.6% and 28.9% of our total purchases in 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively. As of the end of 2008, we had been purchasing raw materials and consumables from our five largest suppliers for over nine years on average, and we believe that due to our bulk purchase of raw materials from our main suppliers, good reputation and long-standing relationships, we have become one of the preferred customers of our main suppliers. As a result, we enjoy preferable pricing terms and are able to lower our overall procurement costs. For instance, Baosteel has recognized us as one of its strategic customers of tinplates since the beginning of 2007, and we have received favorable pricing from it accordingly.

We have from time to time experienced cost increases for tinplates due to price fluctuations in the market for tinplates during the Track Record Period. Generally, we tend to pass on most of these increases to our customers. The extent to which we are able to do so depends on our evaluation of a combination of factors, including the market positions of our products being affected and our relationship with each customer, as well as the results of price negotiations with our customers. With regard to the portion of the increased raw material costs that we are unable to pass on to our customers, we have strived to absorb the additional production costs by implementing cost control and other production measures.

Our purchase agreements with our suppliers usually pre-set quantities and base prices, with quality requirements specified in each subsequent contract. The purchase price for raw materials is reset approximately every three to six months. Save for a purchase agreement with one of our suppliers, Transhell, with a term of three years from 2007 to 2009, we do not have any long-term contract with any of our major suppliers, relying instead on either short-term purchase agreements with a term of one year, one-off purchase agreements or purchase orders we submit from time to time. We expect to negotiate with Transhell for the renewal of the purchase agreement upon its expiration. In addition, we have maintained stable, long-term cooperative relationships with our major suppliers, which has enabled us to procure reliable supplies of raw materials for our production. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, we did not experience any raw material shortage that had materially affected our ordinary business operations.

As a result of our increased purchase volume and long-term relationships, our Directors believe that we are able to negotiate longer payment terms from most of our major suppliers. Except Baosteel, which requires advance payments from us in accordance with its business practice, most of our major suppliers typically offer us a credit period of 90 days.

Purchases from our five largest suppliers accounted for 48.4%, 50.6%, 60.0% and 57.2% of our total purchases for 2006, 2007, 2008 and the six months ended June 30, 2009, respectively. None of our existing shareholders (which, to the best knowledge of our Directors, owns more than 5% of our Company's issued share capital), our Directors or their associates held any interest in our five largest suppliers.

## PRODUCTION FACILITIES

Our production facilities are located in Chengdu, Chongqing, Guangzhou, Hangzhou, Jingzhou, Linyi, Sanming, Shenzhen, Tianjin, Wuhan, Wuxi, Zhangjiagang and Zhenjiang. Our 11 operating subsidiaries and their branches are strategically located to serve our customers in an efficient manner. The map below shows the geographic locations of our production facilities:

The table below is a summary of the key information regarding our production facilities as at June 30, 2009:

| Operating Subsidiaries | Location of Production Facilities/branches | Interest Owned by us | Production Lines | Products |
|---|---|---|---|---|
| CPMC (Chengdu) . . . . . . | Wenjiang, Chengdu; Dayi, Chengdu; Hechuan, Chongqing | 100% | 16 | metal cans, printed and coated tinplates, crown caps, twist caps |
| CPMC (Tianjin) . . . . . . . | Wuqing, Tianjin | 100% | 10 | metal cans, printed and coated tinplates |
| CPMC (Zhenjiang) . . . . . | Zhenjiang, Jiangsu | 100% | 3 | easy-open ends |
| Hangzhou COFCO-MC . . | Hangzhou, Zhejiang; Wuqing, Tianjin; Panyu, Guangzhou; and Sanming, Fujian | 100% | 16 | metal cans, crown caps |
| Hangzhou CPMC . . . . . . | Hangzhou, Zhejiang | 100% | 10 | metal cans, printed and coated tinplate |
| Panyu MCP . . . . . . . . . . | Guangzhou, Guangdong; Jingzhou, Hubei | 100% | 33 | metal cans, plastic containers, printed and coated tinplates |
| Wuxi Huapeng . . . . . . . | Wuxi, Jiangsu; Linyi, Shandong; and Wenjiang, Chengdu | 61.48% | 36 | crown caps, twist caps, printed and coated tinplates |
| Zhangjiagang CPMC . . . . | Zhangjiagang, Jiangsu; Zengcheng, Guangzhou; Zhangjiagang, Jiangsu; and Tanggu, Tianjin | 100% | 8 | metal cans, steel barrels, printed and coated tinplates |
| Shenzhen CPMC . . . . . . | Shenzhen, Guangdong | 100% | 22 | metal cans, printed and coated tinplates |

In addition, we are in the process of constructing our production facilities of metal cans in CPMC (Wuhan) and installing one production line in Hangzhou CPMC Canmaking for the production of two-piece beverage cans. We expect to commence our commercial production of two-piece beverage cans in Hangzhou by the end of 2009.

The table below sets forth the production capacity, production volume and utilization rates of our product lines for each of our product groups during the Track Record Period and the estimated production capacity of each of our product groups for the year ending December 31, 2009:

| | Year ended December 31, | | | | | | | | | Six months ended June 30, | | | Year ending December 31, |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 | | | 2007 | | | 2008 | | | 2009 | | | 2009 |
| | Production capacity(1) | Production volume | Utilization rates | Production capacity(1) | Production volume | Utilization rates | Production capacity(1) | Production volume | Utilization rates | Production capacity(1) | Production volume | Utilization rates | Estimated production capacity(2) |
| Three-piece beverage cans (million units) | 565.0 | 529.4 | 93.7% | 1,172.0 | 1,092.4 | 93.2% | 1,650.0 | 1,510.4 | 91.5% | 761.0 | 698.3 | 91.8% | 1,774.0 |
| Food cans (million units)(3) | 63.0 | 46.2 | 73.3% | 178.2 | 130.8 | 73.4% | 197.0 | 132.6 | 67.3% | 104.5 | 43.1 | 41.3% | 247.0 |
| Aerosol cans (million units) | 238.0 | 222.7 | 93.6% | 260.0 | 239.4 | 92.1% | 312.0 | 222.0 | 71.2% | 158.0 | 118.1 | 74.8% | 312.0 |
| Metal caps (million units) | 9,060.0 | 8,201.9 | 90.5% | 10,690.0 | 9,603.5 | 89.8% | 12,392.0 | 9,371.5 | 75.6% | 5,850.0 | 4,098.2 | 70.1% | 12,527.0 |
| Printed and coated tinplates (tons) | 103,800.0 | 96,239.0 | 92.7% | 136,000.0 | 125,486.0 | 92.3% | 178,900.0 | 155,919.0 | 87.2% | 94,300.0 | 79,460.0 | 84.3% | 188,800.0 |
| Steel barrels (million units) | 1.4 | 1.1 | 80.7% | 1.4 | 1.1 | 80.0% | 1.9 | 1.3 | 70.0% | 1.0 | 0.5 | 56.8% | 1.9 |

(1) Production capacity refers to the expected total output volume of all the production lines for the relevant product group for a fixed period of time, with adjustments based on a number of factors, including apportionment of the original design capacity of a production line based on the timing of actual commercial production of the relevant production line during the year or period, the condition of a production line, energy supplies and combination of purchase orders. Sales volume has exceeded our production capacity during certain periods due to our outsourcing of a substantial portion of our production and/or the sale of our inventory accumulated from the prior period to satisfy demand for our products. Such shortage in production capacity, especially in 2006, resulted mainly from the growth in demand for certain of our products outpacing our expansion in production capacity.

(2) The estimated production capacity for the year ending December 31, 2009 is presented based on the best estimation of our Company as at the Latest Practicable Date and the production capacity for the year may not be exactly the same.

(3) The decline in utilization rate from 2007 to 2008 was mainly attributable to the slight increase in our production capacity in 2008 and the decline from 2008 to the six months ended June 30, 2009 was mainly attributable to the decrease in the purchase orders for food cans from our customers whose export business was adversely affected by the recent financial crisis.

We strategically select locations for our production facilities according to their proximity to some of our major customers, which greatly facilitates product delivery and sales. Our proximity to some of our major customers also helps us accurately and timely understand our customers’ needs and identify market trends so that we can effectively decide the direction of new product development.

The principal production technologies and equipment used in our production lines are imported from Switzerland, England, Italy, Germany, Japan and the United States, which have helped us maintain high product quality, production efficiency, cost-effectiveness and our leading position in terms of manufacturing capacity in the industry. In order to ensure that our products meet our customers’ specifications and to maintain product quality, we generally conduct maintenance work on our production lines annually.

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 needs, mainly with respect to the production of 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.

## SALES AND MARKETING AND CUSTOMER SERVICE

We are dedicated to customer service and strive to help our customers succeed. We have established several product business departments in Hangzhou mainly responsible for market analysis, sales and marketing as well as customer maintenance and development. Each of our subsidiaries has its own sales and marketing team in charge of the respective local markets. As at June 30, 2009, we had 205 employees in our sales and marketing departments, and we believe we have built a sales and marketing network covering all of China.

Our proximity to some of our major customers allows us to effectively identify market trends and understand their particular needs so that we are able to manage our production process, starting from product design and printing to producing the finished products, in a cost and time-efficient manner. In addition, we regularly visit our major customers and conduct customer surveys in order to understand their evolving needs and resolve their issues or concerns proactively. These regular visits also help our Group gain an insight into the latest market trends and capture potential business opportunities.

We also provide value-added services, including comprehensive packaging solutions ranging from pre-production design and printing, manufacturing and shipment to post-production technical support. Additionally, we manage our customer services through a TSS operation and sales model, which involves multi-leveled close cooperation between us and our customers. This model of operations and sales allows us to form close relationships with customers because our staff at multiple levels, ranging from sales, technical, quality control and production staff to senior management, actively participates throughout the sales, production and delivery stages.

We consider the following factors in determining our product prices:

- cost of major raw materials;
- cost of services;
- competitive position of our products;
- sales region;
- the development stage of our products; and
- type of customers.

Our customers include domestically and internationally recognized beverage and household chemical companies that manufacture and sell brand name products in China. During the period from January 1, 2008 to June 30, 2009, we served over 1,800 customers. We have established long-term business relationships with a number of high-end customers. As of the Latest Practicable Date, we had long-term supply agreements with three of our high-end customers: JDB, Mead Johnson and Shanghai Johnson. We normally enter into short-term supply agreements with our other customers, which, to our best knowledge, is in line with the industry practice.

For each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, sales to our largest customer, JDB, were RMB784.0 million, RMB1,209.9 million, RMB1,603.7 million and RMB821.8 million, respectively, and accounted for 37.7%, 44.2%, 47.9% and 49.5% of our revenue, respectively. For the same period, sales to our five largest customers accounted for 46.0%, 51.5%, 56.2% and 56.6% of our revenue, respectively. None of our existing shareholders (which to the knowledge of our Director owns more than 5% of our Company's issued share capital), our Directors, or their associates held any interest in our five largest customers.

On October 26, 2006, we entered into a 10-year strategic cooperative agreement with JDB Investment Limited to supply it with metal packaging products. Best known for its popular herbal tea Wang Laoji (王老吉), JDB has production facilities in Guangdong, Zhejiang, Hubei, Fujian and Beijing. We have also enjoyed a stable relationship of over five years on average with such major customers as Red Bull, Shanghai Johnson, Shenzhen Rainbow, Shanghai Panasonic, Coca-Cola China and Budweiser.

We generally offer a credit period of 30 to 60 days to our customers, but require some customers to prepay or pay cash on delivery, and extend the credit period to 90 days for a few major customers with whom we have long-term and strategic relationships. The percentage of our sales generated from the major customers to whom we have extended the credit period to 90 days accounted for 4.8%, 4.4%, 3.9% and 5.3% of our total sales for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively.

Our sales are denominated in RMB and are settled primarily through telegraphic transfers and bills endorsed by banks.

On May 12, 2008, Sichuan Province and its neighboring areas were hit by an 8.0 magnitude earthquake and have been hit by several aftershocks thereafter. The normal operations of CPMC (Chengdu) were slightly 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 the neighboring 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. We confirm that, as at the Latest Practicable Date, we had not received any claim, and we were not aware of any potential claim from our customers, suppliers or employees arising from the earthquake and its aftershocks.

## COMPETITION

The PRC metal packaging industry is competitive. We face competition from both domestic and international companies with respect to quality, price, brand recognition, manufacturing capacity, marketing and customer service. A number of large-scale domestic packaging companies have been consistently upgrading their technology and improving their products. As the PRC metal packaging industry is open to foreign investment, 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 advanced management structures than our Group. Nevertheless, in 2008, our Group was the largest manufacturer in the PRC metal packaging industry in terms of revenue and possessed leading market shares with respect to our key products, including three-piece beverage cans, milk powder cans, aerosol cans and twist caps. We believe we can compete effectively by virtue of (i) our long-term relationships with major customers; (ii) our large-scale, flexible manufacturing capabilities; (iii) our reputation for quality and customer service; and (iv) our proximity to some of our major customers.

In addition to competition within the metal packaging industry, we also face competition from alternative products such as aluminum, paper and plastic packaging products, which are rapidly gaining market share. Following market trends, we are in the process of installing a production line in Hangzhou for producing two-piece beverage cans. We also plan to expand our plastic packaging business and to enter into paper packaging business at the appropriate time. Nonetheless, we believe that tinplate products will continue to be popular forms of packaging products primarily due to: (i) their good sealing quality and ability to maintain freshness and the quality of foods and drinks; (ii) their flexibility for design and shaping; (iii) their environmental friendliness; and (iv) their ability to hold highly volatile and solvent-based liquids.

## RESEARCH AND DEVELOPMENT

We highly value our strong research and development team, which as of June 30, 2009 was comprised of 551 engineers and technicians. These engineers and technicians, apart from performing production and other operational functions, engage in research and development projects organized and decided by our research and development center. With our research and development team, we strive to enhance our manufacturing techniques and improve product designs in order to reduce production costs, self-develop production lines to control capital expenditures and develop new packaging materials to reinforce our competitive advantage in the market. Our managing director, Mr. Zhang Xin, has been recognized for his accomplishments in the packaging field and has been 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.

We have established a research and development center in Hangzhou. Our research and development center enables us to work closely with our customers to jointly develop new packaging products. Our research and development center takes responsibility for conducting research on manufacturing techniques and setting standards for products, equipment and quality control. Meanwhile, each of our subsidiaries has its own department responsible for the management of production technology, equipment and quality control. Our research and development center and experienced technicians from our operating subsidiaries work closely on most research and development projects. We have developed the sealing compound for twist caps, which fully complies with well-recognized international standards on product quality, safety and health, is certified by the Swiss Quality Testing Services and Société Générale de Surveillance SA and meets the relevant Overall Migration requirements of the U.S. Food and Drug Administration and European Commission Directive 2007/19/EC.

Since July 2006, Hangzhou CPMC has been cooperating with ZUST in certain research and development projects, and ZUST regularly sends tutors and students to Hangzhou CPMC to work with our technical staff on our projects. During the course of our cooperation, Hangzhou CPMC and ZUST have jointly developed certain designs for packaging containers. We have filed joint applications in the PRC for registration of patents covering these designs and obtained such patent rights jointly. Details of these joint patent rights are set out in the paragraph headed "Further Information about the Business — Intellectual property rights of our Group" in Appendix VI to this document. There is no written agreement between Hangzhou CPMC and ZUST governing the cooperation or joint patent applications. Other than the cooperation in respect of research and development between Hangzhou CPMC and ZUST described above, none of our Group, Directors, controlling shareholders, senior management or their respective associates has any other relationship with ZUST.

We have developed and are in the process of designing and assembling new production lines or key equipment, such as medium-frequency induction furnaces and automatic packaging machines for metal caps. From these developments and other similar innovations, we expect to achieve cost savings, product quality improvement and production efficiency.

We completed our research and development of the medium-frequency induction furnaces in 2005, for which we had budgeted RMB240,000, and we expect to complete our research and development of the automatic packaging machines for metal caps by the end of 2010 with a budget of RMB200,000.

Most of the research and development expenses of the Group are salaries of the employees of our research and development team. Our Directors believe that, unlike heavy manufacturing industries, the metal packaging industry does not require intensive capital investment for research and development. Our research and development expenses are immaterial relative to our other expenses, such as administrative and marketing expenses.

We have been granted numerous awards for technological innovation in the field of metal packaging. We hold 21 registered patents in China. Our high-fidelity (hi-fi) printing technology has been recognized as a new key national product by the Ministry of Science and Technology of the PRC. We have also achieved other major technological breakthroughs, including computer-aided deep-punching pre-deformation plating, UV printing technologies, anti-counterfeiting printing technology and a medium-frequency induction curing technology.

Our strong research and development capability has been recognized in the metal packaging industry. We were the only industry representative to help the National Light Industry Packaging Standardization Center (全國輕工業包裝標準化中心) formulate the industry standard for tinplate prints for packaging and decoration. We have also led or participated in the formulation of the industry standards for three-piece cans with aluminum easy-open ends, tinplate cans and claw-shaped twist caps, as well as coated tinplates and tinplate aerosol cans, at the invitation of the relevant government authorities. Among these six industry standards, the industry standards for tinplate prints for packaging and decoration, coated tinplates, three-piece cans with easy-open ends, claw-shaped twist caps and tinplate aerosol cans have been promulgated and implemented and the industry standard for tinplate cans is expected to be promulgated and implemented in the near future. Other than the industry standard for tinplate aerosol cans which is a mandatory criterion, the remainder of the foregoing industry standards are recommended as best practices for manufacturers in the packaging industry in the PRC. In formulating these industry standards, relevant standards in the international packaging industry were taken into consideration. Meanwhile, Hangzhou COFCO-MC has been designated by CPF as the "Development and Production Base for Printed Tinplate Packaging Containers in the PRC", one of the national level production bases in the packaging industry since 2001 and is currently the only national development and production base in the PRC metal packaging industry.

## QUALITY CONTROL

All of our facilities have adopted a standardized quality management system, from raw material selection to delivery of finished products. Currently, all of our operating subsidiaries in the PRC, except the newly established CPMC (Wuhan) and Hangzhou CPMC Canmaking have achieved the ISO 9001 certifications for their respective quality management systems. Details regarding the ISO 9001 certifications for quality management system that we have achieved are set out below:

| Subsidiaries | ISO Standard | Coverage | Granting date | Expiration date |
|---|---|---|---|---|
| Wuxi Huapeng . . . . . . | ISO 9001:2008 | Design and production of metal caps | September 11, 2009 | September 10, 2012 |
| Panyu MCP. . . . . . . . | ISO 9001:2000 | Design and development, manufacture and process of metal decorating, metal and plastic packaging products | July 31, 2006 | September 14, 2012 |
| CPMC (Zhenjiang). . . . | ISO 9001:2000 | Production and service of easy-open ends | December 28, 2007 | December 27, 2010 |
| Hangzhou CPMC . . . . | ISO 9001:2008 | Design, development and production of metal decorating, metal packaging and metal plating products | August 27, 2009 | July 2, 2011 |
| Zhangjiagang CPMC . . | ISO 9001:2000 | Production of tinplate packaging containers | January 29, 2007 | January 28, 2010 |
| Hangzhou COFCO-MC . | ISO 9001:2008 | Design, development and production of metal decorating, metal packaging and metal plating products | August 27, 2009 | July 2, 2011 |
| CPMC (Chengdu) . . . . | ISO 9001:2000 | Design and production of metal cans and metal caps | November 1, 2007 | October 31, 2010 |
| CPMC (Tianjin). . . . . . | ISO 9001:2000 | Production of metal food packaging, aerosol cans and metal coated printing | October 14, 2008 | October 13, 2011 |
| Shenzhen CPMC . . . . | ISO 9001:2000 | Production of industrial cylindrical and rectangular cans and miscellaneous cans | January 13, 2009 | January 12, 2012 |

The ISO certification process involves reviewing and observing the manufacturing processes and quality management systems. We have established a specialized team to oversee compliance issues for the ISO standards. This specialized team consists of management, engineers, technicians and staff members from various departments, including quality control, supply, production, sales and marketing, logistics and research and development. Most members of our specialized team have received training relating to the relevant ISO standards. In addition to providing training to our specialized team, we also conduct internal reviews of our operations periodically or when our management considers necessary to ensure ongoing compliance with the requirements of ISO standards certifications. We have passed all annual reviews during the Track Record Period and believe that there is no impediment to the renewal of all of these certifications upon expiration.

Additionally, in March 2005, Wuxi Huapeng achieved the HACCP certification for quality control and inspection associated with the production process for metal caps, which was renewed in March 2008 for an additional three years. In July 2008, Hangzhou CPMC and Hangzhou

COFCO-MC achieved the ISO 22000:2005 certification as well as the HACCP certification for food safety management in connection with the design, development and production of food cylindrical cans with a valid term of three years.

We have also implemented a series of systems to ensure thorough and strict quality and safety control during various stages of operation, including raw material procurement, production processes, storage and transportation. Strictly following PDCA (Plan-Do-Check-Act) circulation for quality management, we have established a three-fold inspection system (i.e., production staff self-inspection, mutual inspection and sample inspection by a quality controller) to ensure our product quality. We have built an inspection system on the metal cap and aerosol can production lines, and have been able to achieve real-time quality testing and control during the production process, thus increasing the number of finished products passing our quality control standards.

We strive to develop and adhere to higher product standards than those commonly used in our industry with respect to each of our products. The standards that we currently adopt for several products are higher than the applicable industry standards, in particular with respect to our printed and coated tinplates. Additionally, we also regularly provide training to our employees regarding our own standards.

Furthermore, as the Food Safety Law and the Implementing Regulations impose more stringent requirements, we plan to improve our manufacturing facilities, strengthen the inspection of the production process and provide training to our employees. We also plan to expand our existing laboratories by purchasing new inspection equipment and recruit more professional and technical staff so as to ensure quality of raw materials and safety of finished products. Samples of raw materials and finished products will be submitted to local and international laboratories for inspection on a regular basis. In addition, we expect to build a food safety management system consistent with the requirements under ISO 22000 and HACCP at each of our operating subsidiaries. We have budgeted RMB10 million to achieve the aforementioned goals.

## INTELLECTUAL PROPERTY

We own and use a number of trademarks, patents and domain names in connection with our business. We have registered certain trademarks, and have applied for registration of certain other trademarks, in China and Hong Kong. We intend to maintain the trademark registrations so long as they remain valuable to our business. We hold patents in China, and intend to maintain the patents during their respective terms. Details of our Group's intellectual property rights are set out in the paragraph headed "Further Information about the Business — Intellectual property rights of our Group" in Appendix VI to this document.

Other than those described in the paragraph headed "Further Information about the Business — Intellectual property rights of our Group" in Appendix VI to this document, we have not adopted any particular policy for the prevention of infringement of intellectual property rights. Our Directors are currently not aware of exposure to any infringement claims.

## INSURANCE

Based on the level of our operating risks, we maintain insurance policies covering properties, fixed assets, vehicles and other assets that we own or operate as well as commercial liability, labor, equipment damage and shipment. Our Directors are of the view that we have sufficient insurance coverage for our current operations based on their knowledge of the industry practice in the PRC and their experience gained in running our business.

## PROPERTY

### Owned Properties

As at August 31, 2009, we owned 15 parcels of land (with an aggregate area of approximately 482,876.7 square meters) and 85 buildings or units (with an aggregate gross floor area of approximately 209,493.3 square meters) in China. The Independent Valuer had valued the properties owned by us as at August 31, 2009. The text of the letter and the valuation certificates issued by the Independent Valuer are set out in Appendix IV to this document under the section headed "Property Valuation".

*Land use rights*

We have obtained the appropriate land use rights certificates for all 15 parcels of land that we own.

*Buildings*

Among the 85 buildings that we own and occupy, we do not have building ownership certificates for seven buildings with an aggregate gross floor area of approximately 3,021.4 square meters located in Wuxi, Tianjin, Panyu and Chengdu mainly due to our failure to obtain all or some of the necessary construction permits, i.e., construction land planning permits, building planning permits and building construction permits, as well as inspection and acceptance certificates that are necessary for obtaining the building ownership certificates.

We and our PRC Legal Advisor are not aware of any dispute, legal actions or court proceedings in connection with or arising from the ownership of the foregoing seven buildings. Additionally, under the relevant PRC law, if an owner of a building has failed to either obtain a construction land planning permit or to comply with the requirements under the construction land planning permit, the relevant local government above county level has the authority to rectify any non-compliance by ordering the building owner to (i) suspend construction or (ii) rectify within a specified period of time, and, at the same time, may impose a fine of 5% to 10% of the total construction cost of the building. Where such non-compliance cannot be rectified, the local government may (i) order the dismantling of the building within a specified period of time or (ii) confiscate the building or illegal income from the building, and, at the same time, may impose a fine of up to 10% of the total construction cost of the building in case of any failure to dismantle the building as required. Buildings without appropriate inspection or failing to pass inspection may not be put into use.

Nevertheless, these seven buildings with defective titles are used by us for storage and ancillary purposes. The total construction cost of the seven buildings was approximately RMB3,203,000. We will cease to use and will dismantle the seven buildings as and when required by the competent authorities. Based on the above, our Directors are of the view that our lack of building ownership certificates for the seven buildings will not have any material adverse effect on the normal operations of our business.

Other than the aforesaid seven buildings, there are 18 buildings, with a total gross floor area of approximately 12,205.2 square meters, occupied by Wuxi Huapeng, for which, we do not have building ownership certificates. Nevertheless approximately 74.0% of these buildings, with a total gross floor area of approximately 9,032.0 square meters, were leased out to third parties by Wuxi Huapeng in its own name and/or the name of Wuxi Caps, instead of being used for business operations of Wuxi Huapeng. The remaining buildings with a total gross floor area of approximately 3,173.2 square meters are currently vacant. Furthermore, under the urban planning of Wuxi Municipality, among these 18 buildings, 16 buildings with a total gross floor area of approximately

11,142.3 square meters, fall into the scope of the government's demolition. As a result, our Directors believe that such title defects will not materially and adversely affect our business operations or financial position. In respect of the lease agreements entered into between Wuxi Huapeng and the relevant third parties, as Wuxi Caps, the property owner as evidenced by the building ownership certificates, has given consent to such leases, under PRC law, these lease agreements are legally binding on Wuxi Huapeng and the relevant third parties. In addition, these lease agreements provide that if the agreements are terminated due to the government's demolition, the relevant landlords will not be liable for breach of contract. As mentioned above, 16 out of the 18 buildings fall within the scope of the government's demolition. Therefore, our PRC Legal Advisor believes that Wuxi Huapeng will not be exposed to material legal liabilities for leasing such defective title buildings.

**Leased properties**

As at August 31, 2009, we leased 15 buildings or units with an aggregate gross floor area of approximately 87,652.0 square meters from various third parties, and four parcels of land with an aggregate area of approximately 27,095.3 square meters. One of the four parcels of leased land was allocated land for industrial purposes with an area of approximately 11,031.0 square meters, and has been leased by Wuxi Huapeng from Wuxi Caps with a 10-year term since January 2004. The 18 buildings with defective titles, occupied by Wuxi Huapeng, are located on this parcel of land. Please refer to the subsection headed "Owned Properties" above for detailed information of these 18 buildings. According to relevant PRC laws and regulations, only an authorized government entity has the right to lease allocated land. Thus, our lessor, Wuxi Caps, does not have the rights to lease this parcel of land to us. Nevertheless under the urban planning of Wuxi Municipality, 16 out of these 18 buildings fall into the scope of the government's demolition, thus we expect to terminate this lease agreement with Wuxi Caps as soon as these buildings are demolished.

On April 5, 2007, we entered into a three-year lease starting on May 1, 2007 with a third-party lessor, pursuant to which we leased two buildings located on collectively-owned agricultural land in Guangzhou. Subsequently, on April 1, 2009, we entered into a one-year supplementary agreement with the same third party for the same buildings that became effective immediately. Of these two buildings, we use one building with an aggregate gross floor area of approximately 2,871.0 square meters as a warehouse for storage purposes. We use the other building with an aggregate gross floor area of approximately 5,387.4 square meters as a workshop for production purposes. As advised by our PRC Legal Advisor, this parcel of collectively-owned agricultural land has not been legally approved by the competent authorities to be leased for non-agricultural purposes and, therefore, our rights as the lessee are not protected under PRC laws. We plan to relocate our warehouse and workshop to new premises at Panyu MCP no later than April 2012. We do not expect to incur any material relocation expenses.

In addition, we have not been able to ascertain the validity of a lease on a building that is currently occupied by Wuxi Huapeng, mainly because the lessor in Linyi has not provided us with the relevant property title certificate. This building leased by Wuxi Huapeng is used for production purposes and has an aggregate gross floor area of approximately 2,300.0 square meters. As advised by our PRC legal advisor, the legality and validity of the lease agreement for this building are uncertain and our rights under such lease agreement may not be protected by PRC laws and regulations. We have been urging and will continue to urge the lessor to provide us with the relevant property title certificate. In case the lessor is unable to provide us with such certificate, we will not renew this lease agreement upon its expiration in July 2010 and we will seek an alternative site. To limit the time taken and costs incurred should relocation becomes necessary, we plan to relocate our equipment during the period scheduled for our annual inspection and maintenance. Therefore, other than an estimated amount of relocation costs of less than RMB50,000, we do not expect to incur any loss of income or other potential losses.

Also, we have not been able to ascertain the validity of an office lease agreement entered into between Hangzhou CPMC and COFCO on August 13, 2009, mainly because the lessor is unable to provide us with the relevant property title certificate. The office we used has an aggregate gross floor area of approximately 296.0 square meters. We have been informed by the lessor that the property title certificate would be issued by the end of 2009.

As at the Latest Practicable Date, we were not aware of any challenges in respect of our right to occupy any of these aforementioned leased properties. Our PRC Legal Advisor has confirmed that our other lease agreements with lessors are legal and valid.

It should be noted, however, that the lease agreements for seven leases with an aggregate gross floor area of approximately 64,430.5 square meters have not been registered with the appropriate government authorities by the relevant landlords. Nevertheless, as advised by our PRC Legal Advisor, according to the regulations of the cities where the leased buildings are located, we will not be subject to a penalty for non-registration of our lease agreements and, as further advised by our PRC Legal Advisor, such non-registration will not affect the validity of the lease agreement.

*Indemnity from third-party lessors*

For our leased buildings, the lessor of the properties leased by Panyu MCP has agreed to indemnify us up to specified amounts for damages or losses that our Group may suffer due to the absence of the relevant building ownership and/or land use rights certificates. The gross floor area of these buildings with title defects is approximately 8,258.4 square meters, representing 76.1% of all of our leased buildings with title defects.

**Properties with defective titles**

Having considered the following factors, our Directors are of the view that the properties we currently own or lease with defective titles are not crucial to our business operations:

- the total gross floor area in respect of the buildings we currently own or lease with defective titles represents approximately 8.8% of the total gross floor area of the buildings we currently own and lease. Excluding 16 buildings with title defects that have been occupied by Wuxi Huapeng and fall into the scope of government's demolition, the total gross floor area of the buildings we currently own or lease with title defects represents approximately 5.0% of the total gross floor area of the buildings we currently occupy. The aggregate gross floor area of buildings with defective titles that are currently not used for our Group's core business operations is approximately 18,393.6 square meters;
- the total gross floor area of the buildings without building ownership certificates that we occupy for production purposes is approximately 7,687.4 square meters, which represents approximately 3.4% of the total gross floor area of buildings that we currently use for production; and
- buildings with defective titles currently not being used by us for production purposes will not soon be used for our core business operations. We have been urging and will continue to urge the lessor in Linyi to provide us with the relevant property title certificate. In case the lessor is unable to provide us with such certificate, we will not renew this lease agreement upon its expiration in July 2010 and we will seek an alternative site.

As the 25 buildings without building ownership certificates that we own and occupy are not used for production purposes, our Directors believe that our lack of building ownership certificates for these 25 buildings will not have any material adverse effect on the normal operations of our business. Our PRC Legal Advisor is of the view that for the leased buildings with defective titles, our Group will not be subject to any penalty due to the lessors' failure to obtain proper title certificates. For the leased buildings with defective titles, COFCO and COFCO (HK) have provided, on a joint and several basis, an indemnity in our favor in respect of any claims, damages, losses, liabilities, costs (including any cost of relocation), expenses, actions or proceedings incurred or suffered, or which may be incurred or suffered, by our Group in respect of the use or occupation of properties with defective titles or invalid leases.

## ENVIRONMENT AND SAFETY

For effective environmental protection and safety control, we have adopted two sets of internal measures, one governing environmental management and the other governing production safety management. Our environmental measures regulate different aspects of our operations, from each stage of our production process where waste is produced to the construction of a new project or expansion of existing projects. Our safety measures, on the other hand, set forth procedures and requirements to prevent the occurrence of safety related accidents. Since our Group only manufactures aerosol cans but does not fill contents into aerosol cans, we do not use propellant in our production. In early 2009, Hangzhou CPMC and Hangzhou COFCO-MC achieved the OHSMS 18000 and ISO 140000 certifications for their respective environmental protection and employee safety management systems. We expect the remaining subsidiaries will gradually achieve such certifications.

For the purposes of these measures, we have formed a safety and environmental protection department responsible for the implementation of our safety and environmental measures and supervision of our safety and environmental compliance work. This department has developed an safety and environmental emergency reaction plan, under which our Company has formed an on-site emergency reaction team, adopted a set of emergency reporting procedures and formulated procedures in relation to specific types of emergency. Pursuant to the reporting procedures, an employee who initially discovers an emergency event is required to take remedial measures where possible to minimize any potential damage and report the emergency event in a timely manner. We have also established a production safety management committee at our Company level to be responsible for implementing and monitoring the compliance with our safety measures. A subcommittee has been set up at each of our operating subsidiaries.

One of our Company's deputy general managers takes charge of safety and environmental protection management. The deputy general manager has over five years of experience in production safety management. He is assisted by the chief engineer of Hangzhou CPMC who has 15 years of experience in production safety management, and was trained and granted a qualification certificate for product safety management in October 2007 by a Hangzhou government authority in charge of product safety supervision.

In our operations, we produce waste such as vapor, water and solid materials as well as noise. We have installed various environmental treatment equipment and devices to reduce such emissions and discharges in full compliance with the relevant national and local environmental requirements and standards. For instance, we have installed devices to collect and burn waste vapor before we discharge it into the air and we have constructed waste water treatment stations to collect and treat all waste water before we discharge it out of our operating facilities. We have engaged professional waste management companies to collect, treat and dispose of our solid waste materials at each of our operating facilities. Typically, our annual maintenance cost for environmental compliance ranges between RMB1,500,000 and RMB2,000,000.

On June 4, 2007, a fine of RMB150,000 was imposed on Hangzhou COFCO-MC for its sale of solid waste materials without having filed a prior application with the competent environmental authority and without having completed appropriate transfer sheets relating to the solid waste materials. The fine has been fully and duly paid. This non-compliance incident resulted from the relevant employees’ failure to follow our environmental management measures and inadequate knowledge of the relevant environmental protection laws and regulations. In order to reinforce our internal control measures, we have provided further training to our employees in respect of our environmental management measures and the relevant laws and regulations. In addition, since June 25, 2007, Hangzhou COFCO-MC has engaged a waste management company with a valid license of disposal of dangerous waste materials issued by the Ministry of Environmental Protection of the PRC to help dispose of dangerous waste materials to prevent the recurrence of such non-compliance incident in the future. Other than the foregoing and to the best knowledge of our Directors, there had been no material environmental pollution incident involving our Group during the Track Record Period.

Our PRC Legal Advisor has advised us that, to the best of its knowledge and other than as noted above, we have in all material respects complied with the relevant environmental protection laws and regulations during the Track Record and up to the Latest Practicable Date.

## REGULATORY COMPLIANCE

Our operations are subject to various national and local laws and regulations governing environmental protection, workplace safety and product quality, among others. Please refer to the section headed “Regulatory Overview” in this document for further details. Our PRC Legal Advisor has advised that, save as disclosed in the section headed “Regulatory Review” in this document, there are no major laws and regulations in the PRC specifically governing the manufacturing of aerosol cans.

We are equally prudent in our compliance measures to meet regulatory and industrial standards of various central and local government authorities and our industry associations. Except as otherwise disclosed in this document, our PRC Legal Advisor advised that we are in compliance with all applicable laws and regulations of the PRC in all material respects, and have obtained all necessary permits and licenses required for our operation.

It should be noted, however, that approval from the local office of NDRC was not obtained in connection with the establishment of CPMC (Zhenjiang) by its initial investors, who were independent third parties. Nevertheless, the local office of the Ministry of Commerce has approved the establishment of CPMC (Zhenjiang) and CPMC (Zhenjiang) currently holds a valid certificate of approval of foreign investment enterprise and a valid business license. Moreover, CPMC (Zhenjiang) has completed registration in respect of tax, foreign exchange and other matters. For these reasons, our PRC Legal Advisor is of the opinion that the failure to obtain the NDRC establishment approval will not affect the validity of CPMC (Zhenjiang)’s establishment and continued existence. In addition, in May 2008, when CPMC (Zhenjiang) applied to the local office of NDRC for approval of an increase in its registered capital, it verbally reported to the local office of NDRC the failure to obtain the required approval at the time of its establishment. Despite the failure to obtain the required NDRC establishment approval, the local office of NDRC subsequently granted approval for the increase in CPMC (Zhenjiang)’s registered capital. Our Directors believe the local office of NDRC has a good understanding of CPMC (Zhenjiang)’s previous non-compliance. On this basis, our Directors believe and our PRC Legal Advisor understands that the risk of CPMC (Zhenjiang) suffering any material adverse effect due to its previous non-compliance is relatively low.

Additionally, CPMC (Wuhan) has not yet completed its social security and housing fund registration in accordance with the applicable PRC regulations. CPMC (Wuhan) was established upon the issuance of its business license on September 8, 2008 and has yet to start operation. Thus, it has not yet completed its social security and housing fund registration. According to the applicable PRC regulations, all enterprises are required to complete the relevant social security and housing fund registrations within 30 days after the issuance of their business licenses. Otherwise, the relevant authorities may require the enterprises to rectify such violation within certain time limits. If the Company fails to rectify the violation within such time limit or commits any serious breach, then the authorities may impose a maximum penalty of RMB50,000 and RMB10,000 on each responsible person. As of date of this document, we have not received any notice from the relevant authorities to rectify such violation. Since the relevant authorities have imposed no time limits on us for rectification of such violation, our Directors believe and our PRC Legal Advisor understands that it is unlikely that any penalty will be imposed on us.

## LEGAL PROCEEDINGS

As at the Latest Practicable Date, we were not a party to, and none of our properties was subject to, any pending legal proceedings which could have a material adverse effect on our business or financial condition.

## EMPLOYEES

As at June 30, 2009, we had 4,726 full-time employees, approximately 910 of whom were engineers and technicians or other employees with higher educational backgrounds. The following table sets forth the number of our employees by function as of June 30, 2009:

| Function | Number of employees | % of total |
|---|---|---|
| Management and Administration | 766 | 16.2 |
| Sales and Marketing | 205 | 4.3 |
| Research and Development and Technical and Engineering | 551 | 11.7 |
| Manufacturing and Quality Control | 3,204 | 67.8 |
| **Total** | **4,726** | **100** |

During the Track Record Period, our staff costs consisted of salaries, social insurance contributions, including pension fund, medical insurance, unemployment insurance, maternity insurance and job-related injury insurance, housing fund contributions and certain payroll-related expenses. For each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our aggregate staff costs totaled approximately RMB111.5 million, RMB150.8 million, RMB188.9 million and RMB91.5 million, respectively, and represented approximately 5.4%, 5.5%, 5.6% and 5.5%, respectively, of our total revenue. For further details, please refer to Note 24 of the Accountants' Report in Appendix I to this document.

In addition to statutory contributions, we also make voluntary contributions to an annuity plan, which we implemented with effect from January 1, 2009, for the benefit of our employees when they reach certain seniority. The annuity plan is administered by China Life Pension Company Limited, an independent third party. The annuity plan is adopted by COFCO to be applicable to qualified employees within COFCO Group and our Group. It is estimated that for the year ending December 31, 2009, we will contribute a total amount of approximately RMB1,953,100 to the plan for the benefit of 246 qualified employees.

We enter into individual employment contracts with terms ranging from one year to five years covering matters such as wages, employee benefits, health and safety conditions at the workplace, confidentiality for commercial information and grounds for termination. Other than employment contracts with middle and senior management, these employment contracts generally include a probation period of between one to three months.

We have not experienced any strikes, work interruptions or labor disputes that have materially affected our operations in the past. Our Directors believe that we have good relationships with our employees.