You should read this section in conjunction with our audited consolidated financial statements, including notes thereto contained in the Accountants' Report, as set forth in Appendix I to this document. The financial statements have been prepared in accordance with HKFRS.

The following discussion and analysis contain certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. Please refer to the section headed "Risk Factors" in this document.

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 to manufacturing, we provide comprehensive packaging solutions, including high-tech packaging design, printing, shipment and overall customer services. Our growth rate in recent years has significantly outpaced the average growth rate of the PRC packaging industry in terms of sales revenue.

Our products mainly include three-piece beverage cans, food cans, aerosol cans, metal caps, printed and coated tinplates, steel barrels and others. We enjoy leading market shares with respect to many of our key products, including three-piece beverage cans, milk powder cans, aerosol cans and twist caps. Our customer base is comprised of domestically and internationally recognized high-end manufacturers of consumer 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. Meanwhile, our net profit attributable to equity holders of our Company increased from RMB47.0 million in 2006 to RMB88.0 million in 2007, and further increased to RMB92.5 million in 2008, representing a CAGR of 40.3% for the three-year period ended December 31, 2008. 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.

The following summarizes the revenue contribution of our product groups:

- **Three-piece Beverage Cans.** Our three-piece beverage cans are mainly used for packaging tea drinks, protein drinks, energy drinks, congees, fruit and vegetable juices and coffee drinks. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, sales of three-piece beverage cans contributed 41.5%, 48.0%, 52.7% and 54.9%, respectively, to our total revenue, making it our largest product group in terms of revenue during the Track Record Period.

- **Food Cans.** Our food cans include milk powder cans and general food cans. Our milk powder cans are mainly used for packaging milk powder, nutrition powder and seasonings, while our general food cans are mainly used for packaging processed food, such as fruit, vegetables, meat and seafood. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, sales of food cans contributed 4.2%, 6.3%, 6.6% and 5.8%, respectively, to our total revenue.

- **Aerosol Cans.** Our aerosol cans are mainly used 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. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, sales of aerosol cans contributed 13.0%, 10.8%, 9.1% and 10.1%, respectively, to our total revenue.

- **Metal Caps.** Our metal caps include twist caps mainly used for glass jars for packaging vegetables, fruit and seasonings; crown caps for bottles of beer, carbonated drinks and other drinks; and easy-open ends used for the production of three-piece beverage cans and two-piece beverage cans. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, sales of metal caps contributed 20.1%, 21.5%, 20.2% and 15.6%, respectively, to our total revenue.

- **Printed and Coated Tinplates.** Our printed and coated tinplates are designed for consumption by other manufacturers to produce metal containers, batteries, other electrical items and electrical appliances, such as rice cookers. In addition to printed and coated tinplates, we provide pre-production services, including high-quality design, design preview and revisions, high-fidelity printing and digital printing. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, sales of printed and coated tinplate product group contributed 6.1%, 5.2%, 5.0% and 5.0%, respectively, to our total revenue.

- **Steel Barrels.** Our steel barrels include 200-liter or larger steel barrels and are mainly for the storage of bulk edible oil, fruit juice, jam, fragrance and flavoring substances for industrial use and lubricating oil. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, sales of steel barrels contributed 7.0%, 4.9%, 3.6% and 4.2%, respectively, to our total revenue.

- **Others.** Our other products include plastic containers, rectangular cans and miscellaneous cans for small-pack edible oil, alcohol, tea, solid food, such as cookies, confectionery and chocolate, stationery and toys. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, sales of our other products contributed 8.1%, 3.3%, 2.8% and 4.4%, respectively, to our total revenue.

REORGANIZATION AND BASIS OF PRESENTATION

Our Company was incorporated in Hong Kong on October 25, 2007. As a result of the Reorganization, our Company became an indirect wholly-owned subsidiary of COFCO on February 15, 2008, and nine companies within COFCO Group engaging in the packaging business became our subsidiaries. We also established two wholly-owned subsidiaries to engage in the packaging business. For further details on the Reorganization, please refer to the section entitled "History and Reorganization" in this document.

The consolidated financial statements of our Group have been prepared on a basis in accordance with the principles of the auditing guideline issued by HKICPA. As a result:

- The consolidated income statements, consolidated cash flow statements and consolidated statements of changes in equity of our Group for the Track Record Period and the six months ended June 30, 2008 have been prepared using the financial information of the companies engaged in our business under the common control of COFCO and now comprising our Group, as if the current group structure had been in existence throughout the Track Record Period and the six months period ended June 30, 2008 or since the date when the companies first came under the control of COFCO, if it is a shorter period.
- The consolidated statements of financial position of our Group as at December 31, 2006, 2007 and 2008 and June 30, 2009 have been prepared to present the assets and liabilities of the companies now comprising our Group at these dates, as if the current group structure had been in existence as at these dates.
- The net assets and results of our Group were consolidated using the existing book values from COFCO's perspective.

In June 2008, our Group completed the Steel Barrel Business Acquisition, as a result of which our Group acquired the production facilities and the inventories relating to the steel barrel and rectangular can businesses from two subsidiaries and an associate of COFCO. As a result:

- The consolidated financial statements of our Group include the assets, liabilities and results of operations relating to the acquired business of the two subsidiaries of COFCO. The results of the acquired business of the subsidiaries have been reflected in the financial information during the Track Record Period and the six months ended June 30, 2008 up to the date to the acquisition as the acquired business of the subsidiaries and our business are under the common control and management of COFCO. Except for the assets acquired by our Group, the remaining assets and liabilities retained by the subsidiaries have been reflected as a distribution to the ultimate holding company in the consolidated statement of changes in equity.
- The acquired business of the associate of COFCO has been accounted for from the date of acquisition using the purchase method of accounting.

For more details regarding the basis of presentation, please refer to Note 2 of the Accountants' Report set forth in Appendix I to this document.

SELECTED FINANCIAL INFORMATION

The table below presents our consolidated income statements for the periods presented, as derived from the Accountants’ Report set forth in Appendix I to this document:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Revenues	2,077,530	2,739,518	3,349,494	1,740,384	1,660,219
Cost of sales	(1,823,005)	(2,402,226)	(2,950,436)	(1,513,385)	(1,423,419)
Gross profit	254,525	337,292	399,058	226,999	236,800
Other gains/(losses) – net	1,318	12,799	(6,710)	1,286	11,029
Selling and marketing expenses	(91,999)	(111,670)	(101,218)	(50,981)	(56,493)
Administrative expenses	(61,636)	(88,960)	(123,952)	(55,001)	(59,297)
Operating profit	102,208	149,461	167,178	122,303	132,039
Finance income	1,619	2,858	3,036	1,439	1,438
Finance costs	(19,843)	(23,721)	(45,624)	(10,644)	(25,155)
Finance costs — net	(18,224)	(20,863)	(42,588)	(9,205)	(23,717)
Profit before income tax	83,984	128,598	124,590	113,098	108,322
Income tax expense	(15,264)	(24,650)	(26,440)	(25,941)	(14,071)
Profit for the year/period	68,720	103,948	98,150	87,157	94,251
Attributable to:					
Equity holders of the Company	46,977	87,988	92,462	80,261	91,364
Minority interests	21,743	15,960	5,688	6,896	2,887
	68,720	103,948	98,150	87,157	94,251
Dividend	—	—	—	—	95,000
Earnings per share	7,830	14,665	15,410	13,377	15,277

The table below presents our consolidated statements of financial position as at the dates presented, as derived from the Accountants' Report set forth in Appendix I to this document:

	As at December 31,			As at June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Land use rights	50,413	80,196	76,022	96,318
Property, plant and equipment	514,580	976,841	1,048,888	1,155,075
Intangible assets	6,374	9,228	9,683	9,163
Deposit for purchases of items of property, plant and equipment	—	—	6,500	54,054
Deferred income tax assets	23,933	19,010	23,059	21,796
Long-term deferred expenses	95	200	794	612
	595,395	1,085,475	1,164,946	1,337,018
Current assets				
Inventories	405,433	544,263	561,110	387,542
Trade and bills receivables	283,059	456,489	569,125	687,765
Prepayments, deposits and other receivables	116,824	154,934	163,486	190,874
Pledged bank deposits	53,633	119,684	49,449	59,114
Cash and cash equivalents	222,627	173,037	202,403	203,837
	1,081,576	1,448,407	1,545,573	1,529,132
Total assets	1,676,971	2,533,882	2,710,519	2,866,150
EQUITY				
Capital and reserves attributable to the equity holder of the Company	474,521	607,362	1,110,253	1,106,617
Proposed interim dividend	—	—	—	95,000
	474,521	607,362	1,110,253	1,201,617
Minority Interests	151,646	89,340	65,543	68,430
Total equity	626,167	696,702	1,175,796	1,270,047
LIABILITIES				
Non-current liabilities				
Borrowings	286,842	492,270	64,422	—
Deferred income tax liabilities	1,416	3,977	3,934	4,612
Deferred government grants	—	9,736	9,736	9,736
Long-term liabilities	9,968	9,332	—	—
	298,226	515,315	78,092	14,348
Current liabilities				
Trade and bills payables	378,171	661,556	577,617	607,363
Accruals and other payables	98,588	176,746	157,911	132,748
Borrowings	259,772	465,562	710,646	830,836
Long-term liabilities — current portion	3,566	4,638	—	—
Current income tax liabilities	8,039	8,921	10,457	10,808
Dividend payable	4,442	4,442	—	—
	752,578	1,321,865	1,456,631	1,581,755
Total liabilities	1,050,804	1,837,180	1,534,723	1,596,103
Total equity and liabilities	1,676,971	2,533,882	2,710,519	2,866,150
Net current assets/(liabilities)	328,998	126,542	88,942	(52,623)
Total assets less current liabilities	924,393	1,212,017	1,253,888	1,284,395

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including but not limited to those set out below:

Business environment and impact of the global economic crisis

Demand for our products is generally influenced by the general economic conditions in China, including, among others, consumer spending and related industry output. During the Track Record Period, demand for our products in China was strong and was mainly driven by the growing urban consumption of packaged beverages, food and other consumer products as a result of the rapid growth of GDP in China. In view of the high demand and growth potential of the PRC metal packaging market, our competitors are implementing their expansion strategies in China. In order to maintain or further increase our market share and to improve our results of operations in the face of increasing competition, we will seek to differentiate ourselves by further expanding our production capacity, improving our product quality and customer service, and diversifying and optimizing our product portfolio.

Our business is not completely insulated from the recent 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, some of our three-piece beverage can customers postponed their purchases in the last quarter of 2008; selling prices of our steel barrels fetched a lower price than expected; 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 have 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 the global financial crisis has had limited impact on us 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 the 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 the profit margins of some of our products. Third, in light of increasingly stringent regulatory requirement 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.

Production capacity

In anticipation of the growing demand and geographic diversity of our customers, we have expanded, and will continue to expand, the scale of our operations by building new production facilities and purchasing additional manufacturing equipment and through mergers and acquisitions acquiring other companies. Our increased production capacity will strengthen our ability to meet the anticipated growth in customer demand, therefore improving our competitiveness. Our production facilities are located in Chengdu, Chongqing, Guangzhou, Hangzhou, Jingzhou, Linyi, Sanming, Shenzhen, Tianjin, Wuhan, Wuxi, Zhangjiagang and Zhenjiang. We plan to further expand our production capacity for selected products in 2009 and beyond.

In order to cope with customer demands, we have outsourced the production of some of our products, including three-piece beverage cans, to third parties due to capacity constraints. Accordingly, sales volume of these products generally increase when we increase our production capacity for these products. Outsourced products carry substantially lower gross margins as compared to products from our own production lines. In addition, we incur higher freight and transportation costs for outsourced products because third party outsourcing facilities are generally located further away from our customers. We will seek to reduce our reliance on third party outsourced production to improve our results of operations.

Our planned investment in new production facilities requires significant capital expenditures and will result in additional depreciation expenses. As such increased production capacity may have varying impact on our financial condition and results of operations, depending on factors such as utilization rates, market demand and selling prices of our products.

Pricing

Our profitability is affected by the prevailing market price and price volatility of our products. Pricing of packaging products is generally affected by market position, production capacity, product quality, quality of sales, customer service and customer relationships, among others.

As of the Latest Practicable Date, we did not have any long-term supply agreements with any of our major customers other than JDB, Mead Johnson and Shanghai Johnson, and we generally price our products based on the prevailing market prices at the time when we enter into short-term or one-off supply agreements with our customers or receive purchase orders from them, taking into consideration, among others, the history of our relationship with the customers, size of the contracts and utilization of our production capacity. We believe we have generally good bargaining power in pricing our key products, such as three-piece beverage cans, milk powder cans and twist caps because we possess the technical know-how, intellectual property and/or advanced equipment to produce high-quality products in large quantities.

Product mix

We offer an extensive range of packaging products. Changes in the mix of products we sell will impact our sales and profitability. Profit margin of a product varies according to its nature and technical specifications as well as the competitive landscape of its market segment, which changes from time to time. Our food cans and metal caps tend to have higher gross margins than our other product groups because their markets have high entry barriers due to the more stringent technical requirements for producing milk powder cans and twist caps.

We seek to improve our profitability by adjusting our product mix from time to time to cope with changing market demand. We offer a broad range of packaging products, including various types of metal cans for packaging food, beverages and other consumer goods and household chemical products; metal caps and steel barrels; and plastic packaging containers for petrochemical products, seasonings and other household items. Our diversified product portfolio enables us to benefit from changes in market trends and consumer preferences in the PRC.

Cost of raw materials

Cost of raw materials is the most important component in our cost of sales. Our ability to obtain a stable supply of raw materials at favorable prices will affect our profitability and our overall operating performance.

We renew contracts with our major raw material suppliers annually. Prices are renegotiated approximately every three to six months. We maintain long-term relationships with our major suppliers and have received preferential pricing terms from them, although we have not entered into any long-term purchase agreements with most of them.

Our most important raw material is tinplate. During the Track Record Period, we experienced price fluctuations in relation to tinplates from time to time. In the past, when the cost of tinplates increased, we tended to pass on most of the increases to our customers. For the portion of such increased costs that we were unable to pass on to our customers, we strived to absorb the additional production costs by implementing cost control and other production measures. In the future, if we cannot pass on any increase in raw material costs to our customers or offset such increase through various cost control measures, our sales and profit would be negatively impacted. We believe our centralized procurement system and established relationships with key suppliers will enhance our bargaining power and enable us to enjoy discounts on volume procurements.

In line with the industry practice, we do not engage in any hedging transactions to protect ourselves against fluctuations in raw material prices. In order to maintain an uninterrupted production cycle, we have a policy of maintaining a specified level of tinplate inventory. The level of our tinplate inventory depends on our orders on hand, the market price of tinplates and the perceived future trend in the price of tinplates. In selecting suppliers, we usually take into consideration the price and quality of tinplates. As there are various sources of tinplates and we have not experienced any difficulty in securing a steady source of supply for high-quality tinplates, we have not entered into any long-term purchase agreements, which we believe is in line with the industry practice in China.

Seasonality

We experience seasonal fluctuations in demand for certain products. For example, because aerosol cans for packaging insecticides usually experience the highest demand between March and June, sales of our aerosol cans during this period generally account for approximately 50% of their annual sales. Given the significant percentage of our revenue attributable to the sales of aerosol cans, our overall revenue is typically higher in the second quarter of each year. Our diversified and complementary product portfolio enables us to minimize the seasonality impact on our production and sales. However, the utilization rates of our production facilities generally fluctuate during the year, as the production lines for certain products may not be used for the production of other products. See "Risk Factors — Risks Relating to the Industry in which We Operate — A portion of our products are affected by seasonal factors and our quarterly results may fluctuate". The seasonal nature of some of our products also affects comparability of our profit margins at different times of the year.

Foreign exchange rates

Our Group's functional currency is RMB, since the majority of our revenue is derived from operations in the PRC. Foreign exchange risk or benefit arises from future commercial transactions of limited purchases from overseas and recognized assets and liabilities, such as bank deposits and bank borrowings denominated in USD or HKD. We have not hedged our foreign exchange rate risk because we consider our exposure insignificant.

Taxation

We have not made any provision for Hong Kong profits tax as we did not carry out any business in Hong Kong during the Track Record Period. Our subsidiaries operating in the PRC are subject to enterprise income tax on their taxable income as reported in their respective statutory financial statements adjusted in accordance with the relevant PRC tax laws and regulations.

During the Track Record Period, some of our subsidiaries enjoy preferential enterprise income tax rates because they operated in designated areas with preferential enterprise income tax policies in the PRC. These rates were lower than the standard rate. Additionally, during the same period, certain subsidiaries met the requirements to receive the preferential tax treatment exemption from the enterprise income tax for the first two years and a 50% reduction in the enterprise income tax for the following three years, commencing from the first profitable year after offsetting all unexpired tax losses carried forward from the previous years in accordance with the relevant tax rules and regulations applicable to foreign investment enterprises in the PRC. Primarily as a result of these tax deductions, our effective income tax rate for 2006, 2007 and 2008 and the six months ended June 30, 2009 was 18%, 19%, 21% and 13%, respectively.

According to the New Tax Law to which we are subject, the standard enterprise income tax rate applicable to all PRC resident enterprises is 25% effective from January 1, 2008 as opposed to 33% prior to such date. However, some of our subsidiaries continue to enjoy lower enterprise income tax rate for a transitional period, or preferential treatment of reductions or exemptions according to the relevant PRC tax laws and regulations. Any expiration or termination of such preferential tax treatment currently applicable to our subsidiaries may materially and adversely impact our financial condition and results of operations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The financial information set out in the Accountants' Report set forth in Appendix I to this document has been prepared in accordance with HKFRS and under the historical cost convention. Our principal accounting policies are set out in Note 3 "Summary of significant accounting policies" of the Accountants' Report. Critical accounting policies are those that have significant impact on the preparation of our financial statements and are crucial for understanding of our financial conditions and results of operation as set forth in detail in Note 3 of the Accountants' Report.

Further, the preparation of our financial information requires our management to make estimates and judgments that affect the reported amounts of assets and liabilities, income and expenses, and related disclosures of contingent assets and liabilities. Our significant accounting estimates and judgments, which are important for an understanding of our financial condition and results of operations, are set forth in Note 5 of the Accountants' Report. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including management's view on trends in our industry and expectations of future events that are believed to be reasonable under the circumstances. Our Company has not experienced material discrepancies between accounting estimates and factual figures in the past. Such estimates have not been changed significantly and will only be adjusted reasonably to account for market developments or changes.

The following sections discuss the principal accounting policies and estimates applied in preparing our financial statements that our management believes are critical because they are important to the portrayal of our financial condition and results of operations.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of our Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within our Group.

Our Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of our Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the relevant sales have been resolved. Our Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognized as follows:

(a) Sales of goods

Revenue from the sales of goods is recognized when the risks and rewards of the goods have been transferred to the customer, which is usually at the date when a group entity has delivered products to the customer, the customer has accepted the products and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

(b) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, our Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Income taxes

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position in the countries where our Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Our management determines when and to what extent liabilities for anticipated tax audit issues are recognized based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

As at December 31, 2006, 2007 and 2008 and June 30, 2009, our Group had deferred income tax assets of approximately RMB23,933,000, RMB19,010,000, RMB23,059,000 and RMB21,796,000, respectively; and deferred income tax liabilities of approximately RMB1,416,000, RMB3,977,000, RMB3,934,000, and RMB4,612,000, respectively. To the extent it is probable that taxable profit will be available against which the deductible temporary differences will be utilized, deferred income tax assets are recognized for temporary differences arising from impairment provision of inventories and receivables, temporary differences arising from depreciation, certain accrual items and unused tax losses.

Estimated impairment of property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate the cost less impairment loss of each asset to its residual value over its estimated useful life, as follows:

Buildings	20-30 years
Machineries and equipment	12-20 years
Vehicles	5 years
Electronic equipment, office equipment, and fixtures	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at date of the statement of financial position.

Our management tests annually whether property, plant and equipment have been impaired in accordance with the accounting policy stated in Note 3.4 of the Accountants' Report. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by our management covering each asset's remaining life. Cash flows applying to each asset's remaining life are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the packaging businesses in which the cash-generating units operate.

Set out below are the key assumptions we used for value-in-use calculations:

- ➢ Gross margins 13.1% ~ 17.6%
- ➢ Growth rates 0% ~ 5%
- ➢ Discount rates after tax 10.8% ~ 12.6%

Our management determined budgeted gross margin based on our past performance and our expectations for market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rate used is pre-tax and reflects specific risks relating to the relevant segments.

DESCRIPTION OF SELECTED INCOME STATEMENT LINE ITEMS

Revenue

Our revenue comprises the fair value of the consideration received or receivable for the sales of goods in the ordinary course of our activities, net of value-added tax, returns, rebates and discounts and after eliminating sales within our Group. The largest portion of our revenue is generated from the sales of three-piece beverage cans, which contributed 41.5%, 48.0%, 52.7% and 54.9%, respectively, to our total revenue for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009.

The following table sets forth the sales volume of our major product groups during the periods presented:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
Three-piece beverage cans (million units)	1,100.3	1,640.8	2,094.2	1,026.7	1,132.3
Food cans (million units)	61.2	138.2	141.7	83.0	39.9
Aerosol cans (million units)	207.3	221.2	253.1	155.4	124.7
Metal caps (million units)	8,018.4	9,459.0	10,104.1	5,456.9	3,577.3
Printed and coated tinplates (million sheets)	11.5	12.7	18.4	6.6	10.8
Steel barrels (million units)	1.1	1.1	1.0	0.5	0.6

The following summarizes the reasons behind the changes:

- **Three-piece Beverage Cans**. The increase in the sales volume of three-piece beverage cans during the Track Record Period was mainly due to the rapid growth in the beverage market and increased production capacity resulting from the expansion of our production facilities in Hangzhou, Guangzhou, Chengdu and Tianjin.

- **Food Cans**. The increase in the sales volume of food cans from 2006 to 2008 was mainly due to the expansion of our production facilities for milk powder cans in Hangzhou and Tianjin as well as the expansion of our production facilities for general food cans in Chengdu. The sales volume of food cans decreased in the six months ended June 30, 2009 compared with the same period in 2008, reflecting mainly the decrease in the sales volume of general food cans due to the global financial crisis.

- **Aerosol Cans**. The increase in the sales volume of aerosol cans from 2006 to 2008 was mainly due to increased production capacity. The decrease in the sales volume of aerosol cans in the six months ended June 30, 2009 compared with the same period in 2008 was mainly due to reduced demand from customers engaging in the export business, as the consumption of their products overseas decreased due to the global financial crisis.

- **Metal Caps**. The increase in the sales volume of metal caps from 2006 to 2008 was mainly due to increased production capacity and increased sales of twist caps and crown caps. The latter reflected mainly increased market demand for such products and our continuous effort in expanding our customer base in these segments. Additionally, in 2007, we consolidated the financial results of CPMC (Zhenjiang) whose sales of easy-open ends also contributed to the increase in sales volume. The decrease in the sales volume of metal caps in the six months ended June 30, 2009 compared with the same period in 2008 was mainly due to the global financial crisis and our strategy to reduce sales to customers with longer credit payment terms.

- **Printed and Coated Tinplates**. The increase in the sales volume of printed and coated tinplates during the Track Record Period was mainly due to our increased production capacity, which enabled us to fulfill more external orders.
- **Steel Barrels**. The sales volume of steel barrels remained generally stable during the Track Record Period.

Cost of sales and gross profit

The following table sets forth a breakdown of our Group's cost of sales by major expense items, as well as the percentage of our total cost of sales for each item represented, during the periods presented:

	Year ended December 31,						Six months ended June 30,			
	2006		2007		2008		2008		2009	
	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)			
Raw materials and consumables used	1,623,260	78.1	2,119,638	77.4	2,595,181	77.5	1,328,606	76.3	1,218,148	73.4
Employee benefit expenses	71,320	3.4	97,743	3.6	123,333	3.7	59,993	3.5	51,617	3.1
Utility expenses	50,373	2.4	74,234	2.7	83,515	2.5	52,645	3.0	40,846	2.5
Depreciation of property, plant and equipment	32,903	1.6	54,062	2.0	54,987	1.6	31,426	1.8	32,085	1.9
Others	45,149	2.2	56,549	2.0	93,420	2.8	40,715	2.4	80,723	4.8
Total	1,823,005	87.7	2,402,226	87.7	2,950,436	88.1	1,513,385	87.0	1,423,419	85.7

Changes in our cost of sales were in line with changes in our revenue during the Track Record Period. The following describes the major items in our cost of sales:

- **Raw Materials and Consumables Used**. Cost of raw materials and consumables is the biggest component of our revenue. Tinplate is our most important raw material. Our cost of raw materials and consumables as a percentage of revenue remained relatively stable between 2006 and 2008 and decreased in the six months ended June 30, 2009 compared with the same period in 2008. The decrease was mainly due to decreased cost of tinplates for some of our products.
- **Employee Benefit Expenses**. Employee benefit expenses mainly consist of wages and benefits of our employees directly engaged in production activities.
- **Utility Expenses**. Utility expenses mainly consist of water and electricity costs.
- **Depreciation of Property, Plant and Equipment**. Depreciation of property, plant and equipment mainly consists of depreciation of equipment used in the production process.

The following table sets forth our Group's revenue, cost of sales and gross profit, as well as the percentage of our total revenue each represented, for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2006		2007		2008		2008		2009	
	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)			
Revenue	2,077,530	100.0	2,739,518	100.0	3,349,494	100.0	1,740,384	100.0	1,660,219	100.0
Cost of sales	(1,823,005)	87.7	(2,402,226)	87.7	(2,950,436)	88.1	(1,513,385)	87.0	(1,423,419)	85.7
Gross profit	254,525	12.3	337,292	12.3	399,058	11.9	226,999	13.0	236,800	14.3

During the three years ended December 31, 2008, our overall gross margin remained relatively steady. For the six months ended June 30, 2009, our overall gross margin increased to 14.3% mainly due to increased contribution from the sales of three-piece beverage cans, which carry a higher gross margin.

Other gains – net

Our other gains mainly consist of excess of fair value of identifiable net assets over the cost of acquisition, subsidy income, gains/(losses) on disposal of property, plant and equipment, and compensation income.

Selling and marketing expenses

Our selling and marketing expenses mainly consist of transportation expenses for delivery of our products to our customers, salaries and benefits of our sales and marketing staff, related business travel and entertainment expenses, advertisement and promotion costs, and warehousing storage costs.

Administrative expenses

Our administrative expenses mainly consist of salary and benefits paid to our administrative staff, depreciation charges and maintenance and repair costs relating to properties used for administrative purposes, amortization charges, research and development expenses, travel and entertainment expenses, office-related expenses, legal and professional fees, and certain taxes and government levies, such as waste discharge fees.

Finance income

Our finance income mainly consists of interest income on cash and cash equivalents.

Finance costs

Our finance costs mainly consist of interest expenses on borrowings, amortization cost of long term loans, and net foreign exchange gains on financing activities.

Income tax expenses

Our income tax expenses are the sum of current income tax and deferred income tax.

Minority interests

Our minority interests represent the portion of the profit or loss not owned by our Company, directly or indirectly, through our subsidiaries.

REVIEW OF HISTORICAL OPERATING RESULTS

Six Months Ended June 30, 2009 Compared with Six Months Ended June 30, 2008

Revenue

The table below sets out our total revenue and percentage of our total revenue attributable to each of our product groups for the six months ended June 30, 2008 and 2009:

	Six months ended June 30,			
	2008		2009	
	RMB'000	% of total revenue	RMB'000	% of total revenue
	(unaudited)			
Revenue				
Three-piece beverage cans	841,495	48.4	912,492	54.9
Food cans	102,622	5.9	95,716	5.8
Aerosol cans	217,359	12.5	166,925	10.1
Metal caps	366,987	21.1	259,203	15.6
Printed and coated tinplates	78,548	4.5	82,638	5.0
Steel barrels	77,117	4.4	69,316	4.2
Others	56,256	3.2	73,929	4.4
Total	**1,740,384**	**100.0**	**1,660,219**	**100.0**

Our revenue decreased by RMB80.2 million, or 4.6%, from RMB1,740.4 million for the six months ended June 30, 2008 to RMB1,660.2 million for the same period in 2009. The decrease was mainly due to decreased sales revenue of food cans, aerosol cans, metal caps and steel barrels, the effects of which were partially offset by increased sales revenue of three-piece beverage cans and printed and coated tinplates.

The following summarizes the revenue contribution of our product groups:

- **Three-piece Beverage Cans.** We derived the largest portion of our revenue from the sales of three-piece beverage cans, which contributed 48.4% and 54.9% to our total revenue for the six months ended June 30, 2008 and 2009, respectively. Sales revenue of three-piece beverage cans increased by RMB71.0 million, or 8.4%, from RMB841.5 million for the six months ended June 30, 2008 to RMB912.5 million for the same period in 2009. The increase was mainly due to increased sales volume resulting from increased demand from existing customers and from increased production capacity. During the second half of 2008, we increased the production capacity of three-piece beverage cans by adding a new production line in Chengdu.
- **Food Cans**. Sales revenue of food cans decreased by RMB6.9 million, or 6.7%, from RMB102.6 million for the six months ended June 30, 2008 to RMB95.7 million for the same period in 2009. The decrease was mainly due to decreased sales volume, the effects of which were partially offset by higher average selling prices resulting from increased revenue contribution from high-quality milk powder cans. The decreased sales volume was mainly due to a reduction in purchase orders for general food cans from our customers engaging in the export business as consumption of their products overseas declined during the global financial crisis. Revenue contribution from high-quality milk

powder cans increased mainly due to an increase in its average selling price. Following the discovery of melamine contamination in milk powder products in 2008, market demand for high quality milk powder has generally increased, leading to increased demand for our high-quality milk powder cans.

- **Aerosol Cans**. Sales revenue of aerosol cans decreased by RMB50.5 million, or 23.2%, from RMB217.4 million for the six months ended June 30, 2008 to RMB166.9 million for the same period in 2009. This decrease was mainly due to a decrease in their sales volume. Our customers engaging in the export business reduced their order of aerosol cans from us because consumption of their products overseas declined during the global financial crisis.

- **Metal Caps**. Sales revenue of metal caps decreased by RMB107.8 million, or 29.4%, from RMB367.0 million for the six months ended June 30, 2008 to RMB259.2 million for the same period in 2009. This decrease was mainly due to decreased sales revenue of twist caps and easy-open ends resulting from the global financial crisis and decreased sales revenue of crown caps resulting from our strategy of reducing sales to customers with longer credit payment terms.

- **Printed and Coated Tinplates**. Sales revenue of printed and coated tinplates increased by RMB4.1 million, or 5.2%, from RMB78.5 million for the six months ended June 30, 2008 to RMB82.6 million for the same period in 2009, mainly due to increased sales volume. As we increased the portion of production capacity allocated for external sales, we were able to accept more customer orders for these products.

- **Steel Barrels**. Sales revenue of steel barrels decreased by RMB7.8 million, or 10.1%, from RMB77.1 million for the six months ended June 30, 2008 to RMB69.3 million for the same period in 2009. The decrease was mainly due to their lower average selling prices resulting from lower steel prices, the effects of which were partially offset by increased sales volume.

- **Others**. Sales revenue of other products increased by RMB17.6 million, or 31.3%, from RMB56.3 million for the six months ended June 30, 2008 to RMB73.9 million for the same period in 2009. The increase was mainly due to increased sales revenue of plastic containers and rectangular cans, reflecting our increased marketing efforts for the two products.

Cost of sales and gross profit

The tables below set out (i) our cost of sales and the percentage of our total cost of sales attributable to each of our product groups; and (ii) our gross profit and the gross margin of each of our product groups for the six months ended June 30, 2008 and 2009:

	Six months ended June 30,			
	2008		2009	
	RMB’000	% of total cost of sales	RMB’000	% of total cost of sales
	(unaudited)			
Cost of Sales				
Three-piece beverage cans	730,109	48.2	747,996	52.5
Food cans	86,392	5.7	79,691	5.6
Aerosol cans	188,836	12.5	154,177	10.8
Metal caps	320,260	21.2	241,205	17.0
Printed and coated tinplates	69,047	4.6	71,421	5.0
Steel barrels	67,021	4.4	61,009	4.3
Others	51,720	3.4	67,920	4.8
Total	**1,513,385**	**100.0**	**1,423,419**	**100.0**

	Six months ended June 30,			
	2008		2009	
	RMB’000	Margin (%)	RMB’000	Margin (%)
	(unaudited)			
Gross Profit				
Three-piece beverage cans	111,386	13.2	164,496	18.0
Food cans	16,230	15.8	16,025	16.7
Aerosol cans	28,523	13.1	12,748	7.6
Metal caps	46,727	12.7	17,998	6.9
Printed and coated tinplates	9,501	12.1	11,217	13.6
Steel barrels	10,096	13.1	8,307	12.0
Others	4,536	8.1	6,009	8.2
Total	**226,999**	**13.0**	**236,800**	**14.3**

Our cost of sales decreased by RMB90.0 million, or 5.9%, from RMB1,513.4 million for the six months ended June 30, 2008 to RMB1,423.4 million for the same period in 2009. The decrease reflected decreased sales volume and lower raw material prices generally. Our cost of sales as a percentage of our total revenue was 87.0% and 85.7% for the six months ended June 30, 2008 and 2009, respectively.

As a result of the foregoing, our gross profit increased by RMB9.8 million, or 4.3%, from RMB227.0 million for the six months ended June 30, 2008 to RMB236.8 million for the same period in 2009. The increase was mainly due to an increase in the gross profit of three-piece beverage cans, the effects of which were partially offset by decreases in the gross profit of most of our other products.

Our overall gross margin increased from 13.0% for the six months ended June 30, 2008 to 14.3% for the same period in 2009. The increase was mainly due to the increases in the gross margins of three-piece beverage cans, food cans, and printed and coated tinplates, the effects of which were partially offset by the decreases in the gross margins of some other products. The decreases in the gross margins of these other products were mainly due to increased cost of raw materials. As a result of the higher tinplate prices in the second half of 2008, the cost of tinplates charged against the cost of sales of some of our products produced in the six months ended June 30, 2009 increased compared with the same period in 2008 because our weighted cost of raw material inventory for these products was higher.

The following summarizes the gross profit contribution of our product groups:

- **Three-piece Beverage Cans**. Gross profit of three-piece beverage cans increased by RMB53.1 million, or 47.7%, from RMB111.4 million for the six months ended June 30, 2008 to RMB164.5 million for the same period in 2009, while their gross margin increased from 13.2% for the six months ended June 30, 2008 to 18.0% for the same period in 2009, The increase in gross margin was mainly due to increased revenue contribution from high-margin products.

- **Food Cans**. Gross profit of food cans decreased slightly by RMB0.2 million, or 1.2%, from RMB16.2 million for the six months ended June 30, 2008 to RMB16.0 million for the same period in 2009, while their gross margin increased from 15.8% for the six months ended June 30, 2008 to 16.7% for the same period in 2009. The increase in gross margin was mainly due to increased revenue contribution from higher-margin milk powder cans.

- **Aerosol Cans**. Gross profit of aerosol cans decreased by RMB15.7 million, or 55.1%, from RMB28.5 million for the six months ended June 30, 2008 to RMB12.8 million for the same period in 2009, while their gross margin decreased from 13.1% for the six months ended June 30, 2008 to 7.6% for the same period in 2009. The decrease in gross margin was mainly due to increased cost of tinplates and, to a lesser extent, lower selling prices.

- **Metal Caps**. Gross profit of metal caps decreased by RMB28.7 million, or 61.5%, from RMB46.7 million for the six months ended June 30, 2008 to RMB18.0 million for the same period in 2009, while their gross margin decreased from 12.7% for the six months ended June 30, 2008 to 6.9% for the same period in 2009. The decrease in gross margin was mainly due to increased unit cost of goods sold as some of our overhead costs were allocated among a smaller volume of products sold and decreased gross margin of crown caps resulting from increased cost of tinplates.

- **Printed and Coated Tinplates**. Gross profit of printed and coated tinplates increased by RMB1.7 million, or 17.9%, from RMB9.5 million for the six months ended June 30, 2008 to RMB11.2 million for the same period in 2009, while their gross margin increased from 12.1% for the six months ended June 30, 2008 to 13.6% for the same period in 2009. The increase in gross margin was mainly due to increased sales of printed and coated tinplates with higher gross margins resulting from changes in customer mix.

- **Steel Barrels**. Gross profit of steel barrels decreased by RMB1.8 million, or 17.8%, from RMB10.1 million for the six months ended June 30, 2008 to RMB8.3 million for the same period in 2009, while their gross margin decreased from 13.1% for the six months ended June 30, 2008 to 12.0% for the same period in 2009. The decrease in gross margin was mainly due to lower average selling prices.

- **Others**. Gross profit of other products increased by RMB1.5 million, or 33.3%, from RMB4.5 million for the six months ended June 30, 2008 to RMB6.0 million for the same period in 2009, while their gross margin remained relatively steady, improving slightly from 8.1% for the six months ended June 30, 2008 to 8.2% for the same period in 2009.

Other gains – net

Our other gains increased from RMB1.3 million for the six months ended June 30, 2008 to RMB11.0 million for the same period in 2009, mainly due to subsidies and technology grants from governmental authorities to support local companies in Hangzhou.

Selling and marketing expenses

Our selling and marketing expenses, of which transportation expenses accounted for a large portion, increased by RMB5.5 million, or 10.8%, from RMB51.0 million for the six months ended June 30, 2008 to RMB56.5 million for the same period in 2009, even though our revenue decreased by 4.6% over the same period. The increase in selling and marketing expenses was mainly due to increased transportation expenses as well as increased costs attributable to our new production facilities in Tianjin and Shenzhen.

Administrative expenses

Our administrative expenses increased by RMB4.3 million, or 7.8%, from RMB55.0 million for the six months ended June 30, 2008 to RMB59.3 million for the same period in 2009. The increase was mainly due to increased headcount for our administration staff resulting from our business expansion in Tianjin and Shenzhen and increased expenses attributable to our establishment of two wholly-owned subsidiaries, CPMC (Wuhan) and Hangzhou CPMC Canmaking.

Finance costs — net

Our net finance costs increased by RMB14.5 million, or 157.6%, from RMB9.2 million for the six months ended June 30, 2008 to RMB23.7 million for the same period in 2009. We recorded foreign exchange gains in the six months ended June 30, 2008 from our loans denominated in U.S. dollars, while no similar gains were recorded for the same period in 2009.

Profit before income tax

As a result of the foregoing discussion, our profit before income tax decreased by RMB4.8 million, or 4.2%, from RMB113.1 million for the six months ended June 30, 2008 to RMB108.3 million for the same period in 2009.

Income tax expense

Our income tax expense decreased by RMB11.8 million, or 45.6%, from RMB25.9 million for the six months ended June 30, 2008 to RMB14.1 million for the same period in 2009. This decrease was mainly due to a decrease in the effective tax rate to 13% for the six months ended June 30, 2009 from 22% for the same period in 2008, reflecting mainly the tax holidays enjoyed by Hangzhou CPMC starting from May 2008.

Profit for the period

As a result of the foregoing discussion, our profit increased by RMB7.1 million, or 8.1%, from RMB87.2 million for the six months ended June 30, 2008 to RMB94.3 million for the same period in 2009. Our net profit margin increased from 5.0% to 5.7% for the same period.

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Revenue

The table below sets out our revenue and percentage of our total revenue attributable to each of our product groups for the years ended December 31, 2007 and 2008:

	Year ended December 31,			
	2007		2008	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Revenue				
Three-piece beverage cans	1,314,430	48.0	1,764,033	52.7
Food cans	173,043	6.3	222,454	6.6
Aerosol cans	296,535	10.8	303,453	9.1
Metal caps	589,941	21.5	675,547	20.2
Printed and coated tinplates	142,466	5.2	168,485	5.0
Steel barrels	133,639	4.9	121,498	3.6
Others	89,464	3.3	94,024	2.8
Total	**2,739,518**	**100.0**	**3,349,494**	**100.0**

Our revenue increased by RMB610.0 million, or 22.3%, from RMB2,739.5 million in 2007 to RMB3,349.5 million in 2008. The increase was due to the increased sales revenue of most products, which was mainly attributable to increases in their sales volume.

The following summarizes the revenue contribution of our product groups:

- **Three-piece Beverage Cans**. We derived the largest portion of our revenue from the sales of three-piece beverage cans, which comprised 48.0% and 52.7% of our total revenue in 2007 and 2008, respectively. Sales revenue of three-piece beverage cans increased by RMB449.6 million, or 34.2%, from RMB1,314.4 million in 2007 to RMB1,764.0 million in 2008. The increase was mainly due to increased sales volume, which reflected increased demand from selected customers such as JDB and Red Bull and an increase in the annual production capacity of three-piece beverage cans to approximately 1,650.0 million units in 2008.

- **Remaining Products**. Revenue growth for most of our remaining products in 2008 was mainly due to increased sales volume resulting from increased production capacity and from increased demand. Sales revenue of food cans increased by RMB49.5 million, or 28.6%, from RMB173.0 million in 2007 to RMB222.5 million in 2008. Sales revenue of aerosol cans increased by RMB7.0 million, or 2.4%, from RMB296.5 million in 2007 to RMB303.5 million in 2008. Sales revenue of metal caps increased by RMB85.6 million, or 14.5%, from RMB589.9 million in 2007 to RMB675.5 million in 2008. Sales revenue of printed and coated tinplates increased by RMB26.0 million, or 18.3%, from RMB142.5 million in 2007 to RMB168.5 million in 2008. Sales revenue of other products increased by RMB4.5 million, or 5.0%, from RMB89.5 million in 2007 to RMB94.0 million in 2008. The effects of the foregoing, however, were partially offset by the decrease in sales revenue of steel barrels, which decreased by RMB12.1 million or 9.1%, from RMB133.6 million in 2007 to RMB121.5 million in 2008. During 2008, we completed the Steel Barrel Business Acquisition, which had some temporary impact on the day-to-day operation of our steel barrels production and sales activities.

Cost of sales and gross profit

The tables below set out (i) our cost of sales and the percentage of our total cost of sales attributable to each of our product groups; and (ii) our gross profit and gross margin of each of our product groups for the years ended December 31, 2007 and 2008:

	Year ended December 31,			
	2007		2008	
	RMB’000	% of total cost of sales	RMB’000	% of total cost of sales
Cost of Sales				
Three-piece beverage cans	1,173,763	48.9	1,543,520	52.3
Food cans	144,336	6.0	187,444	6.4
Aerosol cans	254,520	10.6	266,361	9.0
Metal caps	503,770	21.0	605,687	20.6
Printed and coated tinplates	125,904	5.2	150,782	5.1
Steel barrels	116,056	4.8	110,366	3.7
Others	83,877	3.5	86,276	2.9
Total	**2,402,226**	**100.0**	**2,950,436**	**100.0**

	Year ended December 31,			
	2007		2008	
	RMB’000	Margin (%)	RMB’000	Margin (%)
Gross Profit				
Three-piece beverage cans	140,667	10.7	220,513	12.5
Food cans	28,707	16.6	35,010	15.7
Aerosol cans	42,015	14.2	37,092	12.2
Metal caps	86,171	14.6	69,860	10.3
Printed and coated tinplates	16,562	11.6	17,703	10.5
Steel barrels	17,583	13.2	11,132	9.2
Others	5,587	6.2	7,748	8.2
Total	**337,292**	**12.3**	**399,058**	**11.9**

Our cost of sales increased by RMB548.20 million, or 22.8%, from RMB2,402.2 million in 2007 to RMB2,950.4 million in 2008, mainly due to increased sales volume and higher raw material prices generally. Our cost of sales as a percentage of our total revenue was 87.7% and 88.1% in 2007 and 2008, respectively.

As a result of the foregoing, our gross profit increased by RMB61.8 million, or 18.3%, from RMB337.3 million in 2007 to RMB399.1 million in 2008. However, our overall gross margin decreased from 12.3% in 2007 to 11.9% in 2008. The decrease was mainly due to decreased gross margins of most of our products (other than three-piece beverage cans and others), reflecting the impact of the global financial crisis on our business in the second half of 2008.

The following summarizes the gross profit contribution of our product groups:

- **Three-piece Beverage Cans**. Gross profit of three-piece beverage cans increased by RMB79.8 million, or 56.7%, from RMB140.7 million in 2007 to RMB220.5 million in 2008, mainly due to increased sales to selected customers such as JDB and Red Bull, which experienced stronger demand for their products, while their gross margin increased from 10.7% in 2007 to 12.5% in 2008. The increase in gross margin was mainly due to decreased revenue contribution from outsourced products, which carry lower gross margins, resulting from increased production capacity.

- **Food Cans**. Gross profit of food cans increased by RMB6.3 million, or 21.9%, from RMB28.7 million in 2007 to RMB35.0 million in 2008, while their gross margin decreased from 16.6% in 2007 to 15.7% in 2008. The decrease in gross margin was mainly due to changes in customer mix.
- **Aerosol Cans**. Gross profit of aerosol cans decreased by RMB4.9 million, or 11.7%, from RMB42.0 million in 2007 to RMB37.1 million in 2008, while their gross margin decreased from 14.2% in 2007 to 12.2% in 2008. The decrease in gross margin was mainly due to increased sales of competitively-priced products to medium-sized customers.
- **Metal Caps**. Gross profit of metal caps decreased by RMB16.3 million, or 18.9%, from RMB86.2 million in 2007 to RMB69.9 million in 2008, while their gross margin decreased from 14.6% in 2007 to 10.3% in 2008. The decrease in gross margin was mainly due to changes in customer mix. Due to the global financial crisis, revenue contribution from the sales of selected types of twisted caps with higher gross margins decreased as their consumption in major overseas markets decreased.
- **Printed and Coated Tinplates**. Gross profit of printed and coated tinplates increased slightly by RMB1.1 million, or 6.6%, from RMB16.6 million in 2007 to RMB17.7 million in 2008, while their gross margin decreased from 11.6% in 2007 to 10.5% in 2008. The decrease in gross margin was mainly due to changes in customer mix.
- **Steel Barrels**. Gross profit of steel barrels decreased by RMB6.5 million, or 36.9%, from RMB17.6 million in 2007 to RMB11.1 million in 2008, while their gross margin decreased from 13.2% in 2007 to 9.2% in 2008. The decrease in gross margin was mainly due to increased cost of raw materials.
- **Others**. Gross profit of other products increased by RMB2.2 million, or 39.3%, from RMB5.6 million in 2007 to RMB7.7 million in 2008, while their gross margin increased from 6.2% in 2007 to 8.2% in 2008.

Other gains — net

We had other gains of RMB12.8 million in 2007, compared to other losses of RMB6.7 million in 2008. During 2008, we recorded a write-off of RMB10.0 million for expenditures incurred in our proposed initial public offering. Further, acquisition gains decreased from RMB6.2 million in 2007 to RMB0.2 million in 2008. Finally, we recorded reversal of impairment charges and receipt of subsidy income from the local PRC government in 2007, while no similar gain was recognized in 2008.

Selling and marketing expenses

Our selling and marketing expenses decreased by RMB10.5 million, or 9.4%, from RMB111.7 million in 2007 to RMB101.2 million in 2008. Selling and marketing expenses as a percentage of revenue decreased from 4.1% in 2007 to 3.0% in 2008, mainly due to decreased transportation expenses resulting from the decrease in the volume of outsourced products.

Administrative expenses

Our administrative expenses increased by RMB35.0 million, or 39.3%, from RMB89.0 million in 2007 to RMB124.0 million in 2008. The increase was mainly due to increased headcount of our administrative staff and increased property tax and other taxes resulting from our new office buildings.

Finance costs — net

Our net finance costs increased by RMB21.7 million, or 103.8%, from RMB20.9 million in 2007 to RMB42.6 million in 2008. The increase was mainly due to increased interest expenses resulting from higher interest rates.

Profit before income tax

As a result of the foregoing discussion, our profit before income tax decreased by RMB4.0 million, or 3.1%, from RMB128.6 million in 2007 to RMB124.6 million in 2008.

Income tax expense

Our income tax expense increased by RMB1.7 million, or 6.9%, from RMB24.7 million in 2007 to RMB26.4 million in 2008. This increase was mainly due to the accrual of the withholding tax of the unremitted earnings of certain subsidiaries starting from 2008.

Profit for the year

As a result of the foregoing discussion, our profit for 2008 decreased by RMB5.7 million, or 5.5%, from RMB103.9 million in 2007 to RMB98.2 million in 2008. Our net profit margin was 3.8% in 2007, compared to 2.9% in 2008.

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Revenue

The table below sets out our revenue and percentage of our total revenue attributable to each of our product groups for the years ended December 31, 2006 and 2007:

	Year ended December 31,			
	2006		2007	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Revenue				
Three-piece beverage cans	862,035	41.5	1,314,430	48.0
Food cans	88,092	4.2	173,043	6.3
Aerosol cans	270,304	13.0	296,535	10.8
Metal caps	418,020	20.1	589,941	21.5
Printed and coated tinplates	126,449	6.1	142,466	5.2
Steel barrels	144,895	7.0	133,639	4.9
Others	167,735	8.1	89,464	3.3
Total	**2,077,530**	**100.0**	**2,739,518**	**100.0**

Our revenue increased by RMB662.0 million, or 31.9%, from RMB2,077.5 million in 2006 to RMB2,739.5 million in 2007. The increase was due to increased sales revenue of most products, especially three-piece beverage cans, food cans and metal caps, which was mainly attributable to increases in their sales volume resulting from increased production capacity.

The following summarizes the revenue contribution of our product groups:

- **Three-piece Beverage Cans**. We derived the largest portion of our revenue from the sales of three-piece beverage cans, which contributed 41.5% and 48.0% to our total revenue in 2006 and 2007, respectively. Sales revenue of three-piece beverage cans was RMB1,314.4 million in 2007, representing an increase of RMB452.4 million, or 52.5%, from RMB862.0 million in 2006. This increase was mainly due to (i) increased sales volume, which was mainly attributable to increased demand from selected long-term customers such as JDB; and (ii) increased annual production capacity for three-piece beverage cans in Hangzhou and Guangzhou to approximately 1,172.0 million units.

- **Food Cans**. Sales revenue of food cans increased by RMB84.9 million, or 96.4%, from RMB88.1 million in 2006 to RMB173.0 million in 2007. This increase was mainly due to increased production capacity for general food cans in Chengdu to approximately 142.0 million units. Further, the sales volume of milk powder cans also increased mainly due to increased demand.

- **Aerosol Cans**. Sales revenue of aerosol cans increased by RMB26.2 million, or 9.7% from RMB270.3 million in 2006 to RMB296.5 million in 2007, mainly due to an increase in their sales volume resulting from increased production capacity for aerosol cans in Hangzhou.

- **Metal Caps**. Sales revenue of metal caps increased by RMB171.9 million, or 41.1%, from RMB418.0 million in 2006 to RMB589.9 million in 2007, mainly due to (i) increased annual production capacity for twist caps and crown caps to approximately 1,570.0 million units and 8,520.0 million units, respectively; (ii) the increase in the sales revenue of twist caps and crown caps; and (iii) the revenue contributed by CPMC (Zhenjiang) after our consolidation of its financial results in 2007.

- **Printed and Coated Tinplates**. Sales revenue of printed and coated tinplates also increased by RMB16.1 million, or 12.7%, from RMB126.4 million in 2006 to RMB142.5 million in 2007. The increase was mainly due to an increase in their sales volume resulting from increased annual production capacity for printed and coated tinplates and their higher average selling prices.

- **Steel Barrels**. Sales revenue of steel barrels decreased by RMB11.3 million, or 7.8%, from RMB144.9 million in 2006 to RMB133.6 million in 2007. During this period, our steel barrel business was managed by China Agri as an ancillary business.

- **Others**. Sales revenue of other products decreased by RMB78.2 million, or 46.6%, from RMB167.7 million in 2006 to RMB89.5 million in 2007. The decrease was primarily due to the elimination of a portion of our sales to Zhangjiagang CPMC as we began consolidating the financial results of Zhangjiagang CPMC in 2007 after we acquired a 91.2% equity interest in the entity.

Cost of sales and gross profit

The tables below set out (i) our cost of sales and the percentage of our total cost of sales attributable to each of our product groups; and (ii) our gross profit and the gross margin of each of our product groups for the years ended December 31, 2006 and 2007:

	Year ended December 31,			
	2006		2007	
	RMB'000	% of total cost of sales	RMB'000	% of total cost of sales
Cost of Sales				
Three-piece beverage cans	781,773	42.9	1,173,763	48.9
Food cans	72,781	4.0	144,336	6.0
Aerosol cans	229,925	12.6	254,520	10.6
Metal caps	351,319	19.3	503,770	21.0
Printed and coated tinplates	108,970	6.0	125,904	5.2
Steel barrels	120,851	6.6	116,056	4.8
Others	157,386	8.6	83,877	3.5
Total	**1,823,005**	**100.0**	**2,402,226**	**100.0**

	Year ended December 31,			
	2006		2007	
	RMB'000	Margin (%)	RMB'000	Margin (%)
Gross Profit				
Three-piece beverage cans	80,262	9.3	140,667	10.7
Food cans	15,311	17.4	28,707	16.6
Aerosol cans	40,379	14.9	42,015	14.2
Metal caps	66,701	16.0	86,171	14.6
Printed and coated tinplates	17,479	13.8	16,562	11.6
Steel barrels	24,044	16.6	17,583	13.2
Others	10,349	6.2	5,587	6.2
Total	**254,525**	**12.3**	**337,292**	**12.3**

Our cost of sales increased by RMB579.2 million, or 31.8%, from RMB1,823.0 million in 2006 to RMB2,402.2 million in 2007, primarily due to increased sales volume of selected products, such as three-piece beverage cans, food cans and metal caps. Our cost of sales as a percentage of our total revenue remained at 87.7% in 2006 and 2007.

As a result of the foregoing, our gross profit increased by RMB82.8 million, or 32.5%, from RMB254.5 million in 2006 to RMB337.3 million in 2007. Our overall gross margin was 12.3% in both 2006 and 2007. We were able to maintain our gross margin by adjusting our product mix in 2007. In particular, the increase in sales revenue of three-piece beverage cans and the increase in their gross margin helped maintain our overall gross margin by offsetting the effect of decreased gross margins for some other products.

The following summarizes the gross profit contribution of our product groups:

- **Three-piece Beverage Cans**. Gross profit of three-piece beverage cans increased by RMB60.4 million, or 75.2%, from RMB80.3 million in 2006 to RMB140.7 million in 2007, resulting from the increases in their sales revenue and their gross margin. Their gross margin increased from 9.3% in 2006 to 10.7% in 2007, mainly due to decreased revenue contribution from outsourced products, which carry lower gross margins.

- **Food Cans**. Gross profit of food cans had the largest increase in percentage terms, increasing by RMB13.4 million, or 87.6%, from RMB15.3 million in 2006 to RMB28.7 million in 2007. The increase was the direct result of increased sales of both general food cans and milk powder cans. Their gross margin, however, decreased slightly from 17.4% in 2006 to 16.6% in 2007, mainly due to increased revenue contribution from general food cans, which carry lower gross margin than milk powder cans.
- **Aerosol Cans**. Gross profit of aerosol cans increased by RMB1.6 million, or 4.0%, from RMB40.4 million in 2006 to RMB42.0 million in 2007. Their gross margin, however, decreased to 14.2% in 2007 from 14.9% in 2006 due to changes in customer mix.
- **Metal Caps**. Gross profit of metal caps increased by RMB19.5 million, or 29.2%, from RMB66.7 million in 2006 to RMB86.2 million in 2007, as a result of increased sales. Their gross margin decreased from 16.0% in 2006 to 14.6% in 2007, mainly due to the intensifying competition in the crown cap market. Nevertheless, gross margin of twist caps remained high due to the price premium associated with the higher entry barrier in the production of certain twist caps, which requires advanced equipment in order to meet the more rigorous sanitary standards expected by customers.
- **Printed and Coated Tinplates**. Gross profit of printed and coated tinplates decreased by RMB0.9 million, or 5.2%, from RMB17.5 million in 2006 to RMB16.6 million in 2007. Their gross margin decreased from 13.8% in 2006 to 11.6% in 2007, primarily because of the changes in customer mix.
- **Steel Barrels**. Gross profit of steel barrels decreased by RMB6.4 million, or 26.7%, from RMB24.0 million in 2006 to RMB17.6 million in 2007. Their gross margin decreased from 16.6% in 2006 to 13.2% in 2007, mainly due to a changing product mix as well as higher steel prices in 2006.
- **Others**. Gross profit of other products decreased by RMB4.7 million, or 45.6%, from RMB10.3 million in 2006 to RMB5.6 million in 2007, while their gross margin remained the same.

Other gains — net

Our other gains increased from RMB1.3 million in 2006 to RMB12.8 million in 2007. The increase was due primarily to (i) the acquisition gain of RMB6.2 million recorded as a result of the excess of fair value of identifiable net assets over the cost of the acquisition of Zhangjiagang CPMC in January 2007; (ii) the reversal of a property, plant and equipment impairment provision of RMB3.9 million due to improved property market conditions in 2007; and (iii) the subsidy income of RMB3.3 million granted by the local authority to CPMC (Chengdu).

Selling and marketing expenses

Our selling and marketing expenses, of which transportation expenses accounted for a large portion, increased by RMB19.7 million, or 21.4%, from RMB92.0 million in 2006 to RMB111.7 million in 2007. The increase was in line with the increase in revenue over the same period. Selling and marketing expenses as a percentage of revenue decreased from 4.4% in 2006 to 4.1% in 2007, mainly attributable to our increased scale of operations.

Administrative expenses

Our administrative expenses, primarily consisting of administrative and management staff costs, increased by RMB27.4 million, or 44.5%, from RMB61.6 million in 2006 to RMB89.0 million in 2007. This increase was mainly due to increased staffing and the associated benefit expenses resulting from our increased production capacity and sales growth. Additionally, the expenses associated with our new facilities in Hangzhou, Tianjin and Chengdu, together with the consolidation of the financial results of Zhangjiagang CPMC and CPMC (Zhenjiang) into our financial statements, contributed to the increase in our administrative expenses in 2007.

Finance costs — net

Our net finance costs increased by RMB2.7 million, or 14.8%, from RMB18.2 million in 2006 to RMB20.9 million in 2007. This increase was mainly due to an increase in interest expenses related to bank borrowings and amortization cost of loans from COFCO (HK), the effects of which were partly offset by the increase in net foreign exchange gains. The additional borrowings were primarily used for working capital and building new production facilities at Hangzhou, Tianjin and Chengdu as well as acquisition of minority interests in CPMC (Zhenjiang).

Profit before income tax

Our profit before income tax increased by RMB44.6 million, or 53.1%, from RMB84.0 million in 2006 to RMB128.6 million in 2007. The increase was mainly due to our Group's significant growth in profitability in 2007.

Income tax expense

Our income tax expense increased by RMB9.4 million, or 61.4%, from RMB15.3 million in 2006 to RMB24.7 million in 2007. The increase was mainly due to an increase in profit before income tax, as well as a higher effective tax rate of 19% in 2007, compared to 18% in 2006. The higher effective tax rate in 2007 was mainly attributable to a higher portion of our profit derived from Hangzhou COFCO-MC and the consolidation of Zhangjiagang CPMC into our financial statements. Each of Hangzhou COFCO-MC and Zhangjiagang CPMC had a relatively higher statutory tax rate in 2007 than our other subsidiaries.

Profit for the year

As a result of the foregoing discussion, our profit in 2007 increased by RMB35.2 million, or 51.2%, from RMB68.7 million in 2006 to RMB103.9 million in 2007. Our net profit margin in 2007 was 3.8%, compared to 3.3% in 2006.

LIQUIDITY AND CAPITAL RESOURCES

We have historically met our working capital and other capital requirements principally from cash provided by sales of our products. We have met the remainder of our requirements primarily through equity contributions from our shareholders and bank borrowings. Our short-term liquidity requirements include repayment of our debt and funding of our working capital requirements. Sources of short-term liquidity include cash balances and cash generated from our operations. Our long-term liquidity requirements include the funding of various investments in connection with our business expansion and repayment of long-term debt under our credit facilities. Following the [●], we expect to fund our foreseeable expenditures and development plans with cash generated from our operations and the net proceeds from the [●] and borrowings from banks, if necessary.

We currently do not anticipate difficulties in obtaining debt financing on commercially acceptable terms for our expansion plans, especially at a time when bank lending rates are low. However, our future capital expenditures and other cash requirements could be higher than we currently expect as a result of various factors, including changes in our expansion plans. Failure to obtain capital on commercially acceptable terms would increase our financing costs and may delay our capital expenditure plans. For instance, if the PRC government tightens credit or disruptions in the global credit market widens credit spreads, our financing costs could increase and affect our capital expenditures and expansion plans.

We continuously assess our liquidity and capital structure to ensure that our financial resources are in line with and able to support our needs and strategic goals. As at June 30, 2009, we had cash and cash equivalents of RMB203.8 million. Taking into consideration the net proceeds from the [●] and cash to be generated from internal resources, we expect the balance of our bank borrowings to remain generally at the same level through December 31, 2009.

Cash flow data

Set forth below is a table of selected cash flow statement data of our Group for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Net cash generated from/(used in) operating activities	17,785	100,610	(5,310)	(223,047)	157,129
Net cash used in investing activities	(214,188)	(591,669)	(217,100)	(76,722)	(210,671)
Net cash generated from financing activities	341,866	443,903	247,534	365,266	55,768
Increase/(decrease) in cash and cash equivalents	145,463	(47,156)	25,124	65,497	2,226
Cash and cash equivalents at end of the year/period	222,627	173,037	202,403	239,098	203,837

Cash generated from or used in operating activities

Net cash generated from operating activities for the six months ended June 30, 2009 was RMB157.1 million, reflecting our profit before income tax of RMB108.3 million, an increase of RMB58.6 million in cash resulting from adjustments for non-cash items, an increase of RMB24.2 million in cash resulting from changes in working capital, interest paid of RMB22.2 million, and income tax paid of RMB11.8 million. During this period:

- Non-cash adjustments mainly consisted of (i) depreciation of property, plant and equipment of RMB35.9 million; and (ii) interest expenses on borrowings from bank of RMB20.4 million, reflecting mainly an increase in the level of our borrowings.
- Changes in working capital mainly consisted of a decrease in inventories of RMB173.4 million, reflecting mainly our strategy of reducing our stock of tinplates as we anticipated price decreases in the near future, the effects of which were partially offset by an increase in trade and bills receivables, prepayments, deposits and other receivables of RMB145.6 million. As a result of our policy of requiring customers to settle their bills before our fiscal year end, our bills receivable are generally higher as at June 30 compared with December 31.

Net cash used in operating activities in 2008 was RMB5.3 million, reflecting our profit before income tax of RMB124.6 million, an increase of RMB113.4 million in cash resulting from adjustments for non-cash items, a decrease of RMB165.9 million in cash resulting from changes in working capital, interest paid of RMB51.6 million, and income tax paid of RMB25.8 million. During this year:

- Non-cash adjustments mainly consisted of (i) depreciation of property, plant and equipment of RMB67.6 million; (ii) interest expenses on borrowings from bank of RMB46.5 million and (iii) amortization cost of loans from COFCO (HK) of RMB23.3 million. The effects of the foregoing were partially offset by exchange gain of US dollar-denominated shareholder's loans of RMB30.4 million from COFCO (HK).
- Changes in working capital mainly consisted of (i) an increase in trade and bills receivables, prepayments, deposits and other receivables of RMB154.2 million, reflecting mainly our expanded scale of operations; (ii) a decrease in trade and other payables of RMB70.1 million, reflecting mainly our ability to negotiate longer payment terms with our suppliers. The effects of the foregoing were partially offset by a decrease in pledged bank deposits of RMB70.2 million.

Net cash generated from the operating activities in 2007 was RMB100.6 million, reflecting our profit before income tax of RMB128.6 million, an increase of RMB73.1 million in cash resulting from adjustments for non-cash items, a decrease of RMB59.7 million in cash resulting from changes in working capital, interest paid of RMB24.1 million, and income tax paid of RMB17.3 million. During this year:

- Non-cash adjustments mainly consisted of (i) depreciation of property, plant and equipment of RMB59.1 million; and (ii) amortization cost of loans from COFCO (HK) of RMB28.4 million. The effects of the foregoing were partially offset by exchange gain of shareholder's loans of RMB28.4 million.
- Changes in working capital consisted of (i) an increase in trade and other payables of RMB242.9 million, reflecting mainly our expanded scale of operations, (ii) an increase in pledged bank deposits of RMB66.1 million, reflecting mainly the requirements imposed by bills payable to our suppliers; and (iii) an increase in inventories of RMB78.0 million, reflecting mainly our strategy of increasing our stock of tinplates as we anticipated price

increases. The effects of the foregoing were partially offset by an increase in trade and bills receivables, prepayments, deposits and other receivables of RMB158.6 million, reflecting our expanded scale of operations.

Net cash generated from the operating activities in 2006 was RMB17.8 million, reflecting our profit before income tax of RMB84.0 million, an increase of RMB57.0 million in cash resulting from adjustments for non-cash items, a decrease of RMB96.5 million in cash resulting from changes in working capital, interest paid of RMB17.7 million, and income tax paid of RMB9.0 million. During this year:

- Non-cash adjustments mainly consisted of (i) depreciation of property, plant and equipment of RMB37.2 million; and (ii) interest expenses on borrowings from COFCO Finance of RMB10.6 million.
- Changes in working capital mainly consisted of an increase in trade and bills receivables, prepayments, deposits and other receivables of RMB142.7 million, reflecting mainly our increased sales to our high-end customers, which enjoyed longer credit payment terms. The effects of the foregoing were partially offset by an increase in trade and other payables of RMB135.6 million, reflecting mainly our expanded scale of operations.

Cash used in investing activities

Net cash used in investing activities for the six months ended June 30, 2009 was RMB210.7 million. This was mainly due to (i) our purchase of equipment of RMB192.5 million in connection with the expansion of our production facilities in Hangzhou; and (ii) our acquisition of land use rights in the amount of RMB21.5 million in the first half of 2009 in connection with our construction of production facilities in Wuhan.

Net cash used in investing activities in 2008 was RMB217.1 million. This was mainly due to (i) our purchase of property, plant and equipment of RMB207.1 million in connection with capacity expansions, including the equipment purchases for our production facilities in Hangzhou and Zhangjiagang; and (ii) our acquisition of minority interests of RMB31.2 million, reflecting our acquisition of a 40% equity interest in CPMC (Zhenjiang) and a 8.8% equity interest in Zhangjiagang CPMC from the minority shareholders for a cash consideration of RMB28.3 million and RMB3.0 million, respectively. The effects of the foregoing were partially offset by proceeds from our disposal of property, plant and equipment of RMB36.0 million.

Net cash used in investing activities in 2007 was RMB591.7 million. This was mainly due to (i) our purchase of property, plant and equipment of RMB455.0 million in connection with capacity expansions, including the expansion of our production facilities in Hangzhou and Tianjin and certain equipment purchases; and (ii) our acquisition of minority interests in the amount of RMB110.0 million in 2007, reflecting our acquisition of a 25% equity interest in Hangzhou COFCO-MC and a 25% equity interest in Panyu MCP from the minority shareholders for a cash consideration of RMB65.7 million and RMB44.3 million, respectively.

Net cash used in investing activities in 2006 was RMB214.2 million. This was mainly due to our purchase of property, plant and equipment of RMB193.2 million as we expanded our production capacity, including the expansion of our manufacturing facilities in Hangzhou, Chengdu and Tianjin and certain equipment purchases.

Cash generated from financing activities

Net cash generated from financing activities for the six months ended June 30, 2009 was RMB55.8 million, primarily reflecting proceeds from our borrowings from COFCO Finance and COFCO (HK) in the aggregate amount of RMB309.1 million. The cash inflow was partially offset by repayment of bank borrowings in the amount of RMB253.3 million.

Net cash generated from financing activities in 2008 was RMB247.5 million, primarily reflecting proceeds from bank borrowings in the amount of RMB478.3 million to supplement our working capital. The cash inflow was partially offset by repayment of borrowings from COFCO Finance in the amount of RMB219.0 million .

Net cash generated from financing activities in 2007 was RMB443.9 million, primarily reflecting (i) proceeds from bank borrowings in the amount of RMB173.7 million; (ii) proceeds from borrowings from COFCO (HK) of RMB241.1 million; and (iii) proceeds from borrowings from COFCO Finance in the amount of RMB29.0 million.

Net cash generated from financing activities in 2006 was RMB341.9 million, primarily reflecting (i) proceeds from borrowings from COFCO (HK) of RMB358.0 million; and (ii) proceeds from borrowings from COFCO Finance in the amount of RMB4.0 million. These cash inflows were partially offset by repayment of borrowings in the amount of RMB11.4 million and repayment of borrowings from third parties in the amount of RMB8.7 million.

Capital expenditures

During the Track Record Period, we incurred capital expenditures on land use rights, property, plant and equipment, and intangible assets, and they were generally in line with expansion of our business operations. Capital expenditures were primarily used to purchase property, plant and equipment for our Hangzhou, Guangzhou, Chengdu and Tianjin production facilities. For each of the years ended December 31, 2006, 2007 and 2008 as well as the six months ended June 30, 2009, our capital expenditures amounted to RMB218.2 million, RMB508.3 million, RMB182.0 million and RMB165.0 million, respectively.

We have budgeted RMB330.8 million and RMB298.3 million for capital expenditures for the years ending December 31, 2009 and 2010, respectively. We expect to fund our capital expenditures in these periods with cash flows generated from our internal resources, including cash generated from operations and the net proceeds of the [●], and borrowings from banks, if necessary. We may adjust the timing and amounts of our capital expenditures based on various factors, including our cash flows, results of operations and market conditions generally.

Capital commitments

The following table sets forth our capital commitments as at the dates indicated:

	As at December 31,			As at June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure contracted, but not provided for, in the consolidated financial statements in respect of acquisition of property, plant and equipment . .	57,482	68,032	162,198	188,017

Working capital

Taking into account our operating cash flow, the net proceeds from the [●] and the present banking facilities available to us, our Directors are of the opinion that we have sufficient working capital for our present requirements and for the next 12 months from the date of this document.

Inventory analysis

The following table sets out a summary of our inventory balances as at the dates of the consolidated statements of financial position indicated:

	As at December 31,			As at June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	177,703	243,734	224,781	150,054
Working in progress	114,940	154,648	150,402	118,340
Finished goods	107,755	128,868	173,524	101,270
Consumables	5,035	17,013	12,403	17,878
Total	**405,433**	**544,263**	**561,110**	**387,542**

The following table sets forth a summary of our turnover days of inventory for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,
	2006	2007	2008	2009
Turnover days of inventory[1]	73.9	72.1	68.4	60.6

Note:

(1) Turnover days of inventory are derived by dividing cost of sales by the arithmetic mean of the opening and closing balances of inventory for the relevant period and multiplying by 365 days (or 182 days for the six-month period in 2009).

Our inventory consists of raw materials, products under processing, finished goods and consumables. We have developed an inventory management plan to ensure that we maintain systematic control over our level of inventory. Tinplate is our most important raw material. In order to avoid interruption in our production activities resulting from supply shortfall, we seek to maintain a specified level of tinplate inventory. The level of our tinplate inventory depends on our orders on hand, the market price of tinplates and the perceived future trend in the price of tinplates. Our strategy is to constantly adjust our tinplate inventory balances in response to changing market prices. As such we may also increase our stock of raw materials, such as tinplates, at times when we anticipate that the price of our raw materials will increase in the near future, and vice versa.

The balance of raw materials increased from RMB177.7 million as at December 31, 2006 to RMB243.7 million as at December 31, 2007, mainly due to our strategy to increase our stock of tinplates as we anticipated price increases for tinplates in the near future. The balance of raw materials decreased from RMB243.7 million as at December 31, 2007 to RMB224.8 million as at December 31, 2008 and to RMB150.1 million as at June 30, 2009. The decrease was mainly due to our strategy to reduce our inventory of tinplates as we anticipated price decreases for tinplates in the near future.

The turnover days of inventory were 73.9, 72.1, 68.4 and 60.6, respectively, for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009. Such decreases were mainly attributable to our continuously improved inventory management in 2006 and beyond.

Approximately 77.5% of our raw materials inventory as of June 30, 2009 had been utilized as of August 31, 2009.

Trade receivables and trade payables

Our trade and bills receivables represent receivables from the sales of our products. Our trade and bills payables represent the purchase of raw materials from various suppliers. The following table sets out the turnover days of our trade and bills receivables and payables for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,
	2006	2007	2008	2009
Turnover days of trade and bills receivables(1)	41.2	49.3	55.9	68.9
Turnover days of trade and bills payables(2)	60.2	79.0	76.6	75.8

Notes:

(1) Turnover days of trade and bills receivables are derived by dividing revenue by the arithmetic mean of the opening and closing balances of trade and bills receivables for the relevant period and multiplying by 365 days (or 182 days for the six-month period in 2009).

(2) Turnover days of trade and bills payables are derived by dividing cost of sales by the arithmetic mean of the opening and closing balances of trade and bills payables for the relevant period and multiply by 365 days (or 182 days for the six-month period in 2009).

The increase in the turnover days of trade and bills receivables from 2006 to 2008 was mainly due to the increase in sales to our high-end customers, to whom we normally provide a longer credit period. We generally offer a credit period of 30-60 days to our customers. However, some of our customers are required to prepay or pay cash on delivery, while a few major customers with whom we have long term relationships enjoy a credit period of up to 90 days. We typically receive payments from customers in the second half of the year. Hence, the turnover days of trade and bills receivables for the six months ended June 30, 2009 was higher as compared to the annual turnover days of trade and bills receivables for each of the years ended December 31, 2006, 2007 and 2008.

The increase in the turnover days of trade and bills payables from 2006 to 2008 was due to our ability to negotiate longer payment terms of up to 90 days from our major suppliers as a result of the increase in our purchase volume and our long-term working relationship with them. The turnover days of trade and bills payables for the six months ended June 30, 2009 was relatively constant as compared to the annual turnover days of trade and bills payables for each of the years ended December 31, 2007 and 2008.

The table below sets out an aging analysis of the trade receivables as at the dates of the consolidated statements of financial position indicated:

	As at December 31,			As at June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables, gross				
0 – 90 days	183,871	247,582	291,601	599,753
91 – 365 days	24,421	28,648	16,992	11,490
1 – 2 years	985	3,539	1,609	2,929
2 – 3 years	3,766	825	338	288
3 – 5 years	2,080	771	4	27
Over 5 years	1,943	871	55	45
Total	**217,066**	**282,236**	**310,599**	**614,532**

As at December 31, 2006, 2007 and 2008 and June 30, 2009, trade receivables of RMB25.2 million, RMB30.3 million, RMB16.7 million and RMB13.0 million, respectively, exceeded our normal credit term of 90 days and the amount of provision for impairment was RMB8.0 million, RMB4.4 million, RMB2.5 million and RMB1.6 million, respectively. The aging of these receivables that exceeded the 90-day credit terms but were not impaired was as follows:

	As at December 31,			As at June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables, gross				
91 days – 365 days	23,819	27,361	16,167	10,320
1 – 2 years	789	2,788	466	2,479
2 – 3 years	308	129	87	193
3 – 5 years	273	2	—	27
Total	**25,189**	**30,280**	**16,720**	**13,019**

Trade receivables that exceeded our normal credit terms but were not impaired represented 11.6%, 10.7%, 5.4% and 2.1% of the total trade receivables as at December 31, 2006, 2007 and 2008 and June 30, 2009, respectively. These overdue amounts as at each balance date within the Track Record Period were under the acceptable level as per our past experience. As a result of our increased efforts in pursuing payment of overdue balances from our customers, the amount of receivables that exceeded our normal credit terms but were not impaired has decreased as a percentage of our total trade receivables since 2006.

Provision for receivables impairment was RMB1.2 million and a reversal of RMB1.9 million for the years ended December 31, 2006 and 2007, respectively. Provision for receivables impairment amounting to RMB0.8 million was made for the year ended December 31, 2008, and no provisions were made for the six months ended June 30, 2009. Provision for receivables impairment as a percentage of revenue decreased substantially during the Track Record Period, mainly due to better credit risk management and closer monitoring of customer settlement to ensure that outstanding balances are timely followed up.

As at August 31, 2009, RMB510.5 million, or 83.1%, of our trade receivables as at June 30, 2009 were settled and RMB20.0 million, or 89.1% of our advances from customers as at June 30, 2009 were subsequently recognized as revenue from sales of goods.

The following table sets out an aging analysis of the trade payables as at the dates of the consolidated statements of financial position indicated:

	As at December 31,			As at June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
— 0 – 90 days	184,557	269,757	322,697	287,553
— 91 – 180 days	2,506	25,077	29,132	60,023
— 181 – 365 days	2,369	4,896	—	445
— 1 – 2 years	1,164	757	3,096	2,536
— over 2 years	1,978	1,689	186	1,325
Total	**192,574**	**302,176**	**355,111**	**351,882**

The increase in our trade payables during the Track Record Period was mainly attributable to our improved ability to negotiate longer payment terms of up to 90 days from our major suppliers as a result of our increasing purchase volume and long-term business relationships with them.

As at August 31, 2009, RMB320.7 million, or 91.1%, of our trade payables as at June 30, 2009, were settled, and RMB130.8 million, or 93.3%, of our advances to third-party suppliers as at June 30, 2009 were subsequently utilized as purchases of raw materials.

Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables mainly represent prepayments to tinplate suppliers. As at December 31, 2006, 2007 and 2008 and June 30, 2009, prepayments, deposits and other receivables were RMB116.8 million, RMB154.9 million, RMB163.5 million and RMB190.9 million, respectively.

The increase in prepayments, deposits and other receivables from December 31, 2006 to December 31, 2007 was mainly attributable to our expanded scale of operations, which resulted in increased purchases from suppliers. The increase in prepayments, deposits and other receivables from December 31, 2007 to December 31, 2008 was more limited due to our strategy of reducing tinplate purchases in the second half of 2008 with the expectation that tinplate prices would decrease in the first half of 2009. The increase in prepayments, deposits and other receivables from December 31, 2008 to June 30, 2009 was mainly attributable to our prepayment of RMB11.0 million for some of our [●] expenses and our strategy of increasing tinplate purchases with the expectation that the price of tinplates would increase in the second half of 2009. Upon [●], receivables of RMB11.0 million will be net off against the share premium account of our Company.

Net current assets/liabilities

We had net current assets of RMB329.0 million, RMB126.5 million, RMB88.9 million and as at December 31, 2006, 2007 and 2008 and net current liabilities of RMB52.6 million as at June 30, 2009, respectively. The following table sets out the composition of our unaudited current assets and current liabilities as at August 31, 2009:

	As at August 31, 2009
	RMB'000 (unaudited)
Current assets	
Inventories	385,330
Trade and bills receivables	672,079
Prepayments, deposits and other receivables	264,354
Pledged bank deposits	78,710
Cash and cash equivalents	194,385
Total current assets	**1,594,858**
Current liabilities	
Trade and bills payables	604,228
Accruals and other payables	169,010
Borrowings	861,922
Long term liabilities — current portion	—
Current income tax liabilities	817
Dividend payables	—
Total current liabilities	1,635,977
Net current liabilities	**(41,119)**

The net current liabilities of RMB52.6 million as at June 30, 2009 and RMB41.1 million as at August 31, 2009 mainly reflected our incurrence of additional short-term borrowings to finance increases in our production capacity. We expect to be able to settle our current liabilities in the foreseeable future when they become due primarily by using cash generated from our operations and drawing down on our existing credit lines. The second largest item of our current liabilities as at August 31, 2009 consisted of trade and bills payable, of which we enjoy some flexibility in their repayment. As the PRC economy continues to improve, we expect our operating cash flow to increase, which would help reduce our net current liabilities. Further, credit lines in the aggregate amount of RMB1,252.5 million under our banking facilities were unutilized as at August 31, 2009, and we believe that we will be able to extend or renew these banking facilities when they expire.

INDEBTEDNESS

Bank and other borrowings

The following table sets forth our borrowings as at the dates indicated:

	As at December 31,			As at June 30,	As at August 31,
	2006	2007	2008	2009	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)
Current					
Short-term bank borrowings, secured	26,378	124,134	201,000	119,425	259,328
Short-term bank borrowings, unsecured	43,394	122,305	479,380	372,016	403,199
Short-term borrowings from COFCO Finance, unsecured	190,000	219,000	—	140,000	—
Short-term borrowings from COFCO (HK), unsecured	—	—	30,266	199,395	199,395
Short term borrowings from third parties, unsecured	—	123	—	—	—
	259,772	465,562	710,646	830,836	861,922
Non-current					
Long-term bank borrowings, secured	—	20,037	52,120	—	—
Long-term bank borrowings, unsecured	—	—	12,302	—	—
Loans from COFCO (HK), unsecured	286,842	472,233	—	—	—
	286,842	492,270	64,422	—	—
Total borrowings	546,614	957,832	775,068	830,836	861,922

The increase in our total bank borrowings during the Track Record Period was mainly due to the increase in short-term bank borrowings, reflecting our expanded scale of operations.

Although interests for most of our existing bank borrowings are charged at fixed rates, any additional borrowings or our roll-over of these borrowings are subject to fluctuations in interest rates. Our bank borrowings during the Track Record Period bore interest at rates ranging from 2.5726% to 9.0652% per annum.

Some of our bank borrowings are secured by certain assets of our Group, including land use rights, buildings, machinery and equipment, and bank deposits. As at December 31, 2006, 2007 and 2008 and June 30 and August 31, 2009, our secured borrowings amounted to RMB26.4 million, RMB144.1 million, RMB253.1 million, RMB119.4 million and RMB259.3 million, respectively.

As at August 31, 2009, the latest practicable date for determining our indebtedness, we had banking facilities in the total amount of RMB2,186.9 million, of which RMB1,252.5 million were not utilized. As at August 31, 2009, we had (i) land use rights with a net book value of RMB32.1 million; (ii) buildings, machinery and equipment with a net book value of RMB189.2 million; and (iii) bank deposits of RMB32.5 million pledged as security for some of our short-term bank borrowings.

Our borrowings are primarily denominated in RMB and, to a lesser extent, U.S. dollars. The following table sets forth our bank loans denominated as at the dates indicated:

	As at December 31,			As at June 30,	As at August 31,
	2006	2007	2008	2009	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)
Current					
Bank Borrowings					
– RMB	38,000	208,978	591,000	393,000	539,000
– USD	31,772	37,461	89,380	98,441	123,527
Borrowings from COFCO Finance					
– RMB	190,000	219,000	—	140,000	—
Borrowings from COFCO (HK)					
– USD	—	—	30,266	199,395	199,395
Borrowings from third parties					
– USD	—	123	—	—	—
	259,772	465,562	710,646	830,836	861,922
Non-current					
Long term bank borrowings					
– RMB	—	20,037	52,120	—	—
– USD	—	—	12,302	—	—
Borrowings from COFCO (HK)					
– USD	286,842	472,233	—	—	—
	286,842	492,270	64,422	—	—
Total borrowings	**546,614**	**957,832**	**775,068**	**830,836**	**861,922**

Renminbi is our functional and reporting currency. Since the current exchange rate reforms in July 2005, the Renminbi has steadily increased in value against the U.S. dollar. Fluctuations in the exchange rate between the Renminbi and the U.S. dollar will affect the value of our U.S. dollar-denominated loans, resulting in exchange gains or losses, which are reflected in our finance costs.

As at December 31, 2006, 2007 and 2008, June 30, 2009 and August 31, 2009, our borrowings were repayable as follows:

	As at December 31,			As at June 30,	As at August 31,
	2006	2007	2008	2009	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)
RMB					
Within 1 year	228,000	427,978	591,000	533,000	539,000
Between 1 and 2 years	—	—	52,120	—	—
Between 2 and 5 years	—	20,037	—	—	—
Total	**228,000**	**448,015**	**643,120**	**533,000**	**539,000**

	As at December 31,			As at June 30,	As at August 31,
	2006	2007	2008	2009	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)
USD					
Within 1 year	31,772	37,584	119,646	297,836	322,922
Between 1 and 2 years	—	111,630	—	—	—
Between 2 and 5 years	286,842	360,603	12,302	—	—
Total	**318,614**	**509,817**	**131,948**	**297,836**	**322,922**

Some of our loan agreements contain restrictive covenants. For instance:

- Under the loan agreements with several branches of Bank of China, we are restricted in our ability to provide any guarantees for third parties in an amount exceeding a fixed percentage of our net assets.
- Under a loan agreement with the Zhejiang Branch of the Industrial and Commercial Bank of China, the bank has the right to accelerate, in part or in whole, the repayment of any outstanding amounts in the event of (i) any significant change in our trade receivables, results of operations or financial condition that would have a material negative impact on our ability to repay the debt, as measured by our credit rating, profitability, debt-to-capital ratio or cash flow generated from our operating activities or (ii) any significant change in our ownership structure or our business that would have a material negative impact on our ability to repay the debt.

As at the Latest Practicable Date, we were not aware of any material breach with respect to the restrictive covenants in any of our loan agreements in force.

Contingent Liabilities

As of August 31, 2009, we were not aware of any material contingent liability for our Group.

Off-balance sheet transactions

As at August 31, 2009, we had not entered into any material off-balance sheet transactions.

Disclaimers

Except as described above, as at August 31, 2009, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

No material adverse changes

Our Directors have confirmed that there has been no material adverse change in our indebtedness and contingent liabilities position from August 31, 2009 to the Latest Practicable Date.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that they are not aware of any circumstances which, had we been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under these particular Listing Rules.

PROFIT FORECAST

Our Directors estimate that, on the bases set out in Appendix III to this document and in the absence of unforeseeable circumstances, our consolidated profit attributable to equity holders of our Company for the year ending December 31, 2009 will amount to not less than RMB[●] million (HK$[●] million).

PROPERTY

Details concerning our property interests are set out in Appendix IV to this document. The Independent Valuer has valued our property interests as of August 31, 2009. A summary of values and valuation certificates issued by the Independent Valuer are included in Appendix IV headed "Property Valuation" to this document.

The table below sets out (i) the reconciliation of the property interests of our Group from its audited consolidated financial statements as at June 30, 2009 to the unaudited net book value of our Group's property interests as at August 31, 2009; and (ii) the reconciliation of the unaudited net book value of our Group's property interests and the valuation of such property interests as of August 31, 2009:

	RMB millions
Net book value of property interests of our Group as at June 30, 2009	399.4
Additions	2.6
Depreciation	(4.9)
Disposals	(0.1)
Net book value as at August 31, 2009	397.0
Revaluation surplus	137.9
Valuation of property interests of our Group as at August 31, 2009	534.9

DIVIDEND POLICY

On September 18, 2009, our Board declared an interim dividend of RMB95,000,000 for the year ending December 31, 2009. Such interim dividend was paid to COFCO (HK), the then sole shareholder of our Company, prior to [●]. Our historical dividend payment should not be taken as an indication of our future ability to pay dividends and there can be no assurance that we will declare dividends in the future.

After completion of the [●], our shareholders will be entitled to receive dividends declared by us. Dividend payments are discretionary and will be subject to the recommendation of our Board and approval of our shareholders in general meetings in accordance with our Articles of Association. Our dividend payment amounts, if any, for a given year will be dependent upon our future results of operations, financial condition, capital requirements, legal and contractual restrictions and other factors that our Board may deem relevant. In addition, our controlling shareholders, subject to our Articles of Association, may influence our dividend policy.

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

We are a holding company incorporated in Hong Kong and conduct our core business operations through our operating subsidiaries in China. Therefore, our profits available for dividend distributions are dependent on the profits available for distribution from our PRC subsidiaries. The PRC laws permit payment of dividends only out of net income as determined in accordance with PRC accounting standards and regulations. Our PRC subsidiaries are required to set aside a portion of their net income each year to fund designated statutory reserve funds in connection with certain mandatory social welfare programs. These reserves are not distributable as cash dividends. As a result, our primary source of funds for dividend payments is subject to these and other legal restrictions and uncertainties.

DISTRIBUTABLE RESERVES

Our Company was incorporated on October 25, 2007 and has not carried out any business since the date of its incorporation except for transactions relating to the Reorganization. As at June 30, 2009, our Company did not have any reserve available for distribution to our shareholders.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that there has been no material adverse change in our financial or trading position since June 30, 2009, the date at and as of which the latest audited financial statements of our Group were made up, up to the Latest Practicable Date.