The following is the full text of a report, prepared for the purpose of incorporation in this document, received from the reporting accountants of our Company, Ernst & Young, Certified Public Accountants, Hong Kong.

ERNST & YOUNG

18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

[●] 2009

The Directors
CPMC Holdings Limited

China International Capital Corporation Hong Kong Securities Limited
BOCI Asia Limited

Dear Sirs,

We set out below our report on the financial information of CPMC Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), prepared on the basis set out in Note 2 of Section II below, for each of the three years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 (the "Relevant Periods") (the "Financial Information"), and the six months ended 30 June 2008 (the "30 June 2008 Financial Information"), for inclusion in this document.

The Company was incorporated in Hong Kong on 25 October 2007 with limited liability under the Hong Kong Companies Ordinance. Pursuant to a group reorganisation as described in section headed "History and Reorganisation" in this document, which was completed on 14 November 2008, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct or indirect interests in the subsidiaries as set out in Note 1 of Section II below. All of these companies are private companies (or, if incorporated/registered outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong).

All companies comprising the Group during the Relevant Periods have adopted 31 December as their financial year end date.

The Company has not involved in any significant business transactions since its date of incorporation other than the Reorganisation. The financial statements of the companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their places of incorporation. The details of the statutory auditors of these companies are set out in Note 1 of Section II below.

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "HKFRS Financial Statements"), which were audited by us in accordance with Hong Kong Standards on Auditing.

Procedures performed in respect of the Financial Information

The Financial Information has been prepared from the HKFRS Financial Statements and in accordance with the basis set out in Note 2 of Section II. For the purpose of this report, we have carried out an independent audit on the Financial Information in accordance with Hong Kong Standards on Auditing issued by the HKICPA, and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. No adjustments were considered necessary to adjust the HKFRS Financial Statements to conform to the accounting policies referred to in Note 3 of Section II below for the Relevant Periods.

The directors of the Company are responsible for the preparation and the true and fair presentation of the HKFRS Financial Statements and the Financial Information in accordance with HKFRSs. The directors of the respective companies of the Group are responsible for the preparation and the true and fair presentation of the respective financial statements and, where appropriate, management accounts in accordance with the relevant accounting principles and financial regulations applicable to these companies. In preparing the Financial Information, it is fundamental that appropriate accounting policies are selected and applied consistently, and that judgements and estimates made are prudent and reasonable. It is our responsibility to form an independent opinion based on our audit of the Financial Information and to report our opinion thereon.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Procedures performed in respect of the 30 June 2008 Financial Information

For the purpose of this report, we have also performed a review of the 30 June 2008 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 30 June 2008 Financial Information.

The Financial Information and the 30 June 2008 Financial Information are the responsibilities of the directors of the Company who approved their issuance. The directors of the Company are responsible for the Financial Information and the 30 June 2008 Financial Information which give, for the purpose of this report, a true and fair view and the contents of this document in which this report is included. In preparing the Financial Information and the 30 June 2008 Financial

Information, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates made are prudent and reasonable. It is our responsibility to form, based on our examination, an independent opinion on the Financial Information and to report our opinion solely to you.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of preparation set out in Note 2 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Group as at 31 December 2006, 2007 and 2008 and 30 June 2009, and that of the Company as at 31 December 2008 and 30 June 2009, and of the Group's consolidated results and cash flows for each of the Relevant Periods in accordance with HKFRSs.

Review conclusion in respect of the 30 June 2008 Financial Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the 30 June 2008 Financial Information does not give a true and fair view of the consolidated results and cash flows of the Group for the six months ended 30 June 2008.

I. CONSOLIDATED FINANCIAL INFORMATION

The following is the consolidated financial information of the Group for the Relevant Periods and the six months ended 30 June 2008 prepared on the basis set out in Note 2 of Section II below:

(a) Consolidated statements of financial position

	Section II Note	As at 31 December 2006	As at 31 December 2007	As at 31 December 2008	As at 30 June 2009
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Land use rights	7	50,413	80,196	76,022	96,318
Property, plant and equipment	8	514,580	976,841	1,048,888	1,155,075
Intangible assets	9	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	10	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	11	405,433	544,263	561,110	387,542
Trade and bills receivables	12	283,059	456,489	569,125	687,765
Prepayments, deposits and other receivables	13	116,824	154,934	163,486	190,874
Pledged bank deposits	14	53,633	119,684	49,449	59,114
Cash and cash equivalents	15	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	16	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	19	286,842	492,270	64,422	—
Deferred income tax liabilities	10	1,416	3,977	3,934	4,612
Deferred government grants	20	—	9,736	9,736	9,736
Long-term liabilities	21	9,968	9,332	—	—
		298,226	515,315	78,092	14,348
Current liabilities					
Trade and bills payables	17	378,171	661,556	577,617	607,363
Accruals and other payables	18	98,588	176,746	157,911	132,748
Borrowings	19	259,772	465,562	710,646	830,836
Long-term liabilities — current portion	21	3,566	4,638	—	—
Current income tax liabilities		8,039	8,921	10,457	10,808
Dividend payable	28	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

(b) Consolidated income statements

	Section II	Year ended 31 December			Six months ended 30 June	
	Note	2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	6	2,077,530	2,739,518	3,349,494	1,740,384	1,660,219
Cost of sales	23	(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	22	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	25	(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	26	(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	28	—	—	—	—	95,000
Earnings per share	27	7,830	14,665	15,410	13,377	15,277

"Profit for the year/period" represents the "total comprehensive income" for the Relevant Periods and for the six months ended 30 June 2008 presented, accordingly, no consolidated statement of comprehensive income is presented.

(c) Consolidated statements of changes in equity

	Section II Note	Attributable to equity holders of the Company					Minority interests	Total equity
		Capital reserves	Statutory reserves	Retained earnings	Proposed interim dividend	Total		
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Balance at 1 January 2006		278,457	—	40,701	—	319,158	129,903	449,061
Fair value adjustment for interest-free shareholder’s loans	19	108,386	—	—	—	108,386	—	108,386
Profit for the year		—	—	46,977	—	46,977	21,743	68,720
Balance at 31 December 2006		386,843	—	87,678	—	474,521	151,646	626,167
Fair value adjustment for interest-free shareholder’s loans	19	55,687	—	—	—	55,687	—	55,687
Minority interest addition from subsidiary acquisitions	30(a)(b)	—	—	—	—	—	20,900	20,900
Acquisition of minority interests	16(a)	(10,834)	—	—	—	(10,834)	(99,166)	(110,000)
Profit for the year		—	—	87,988	—	87,988	15,960	103,948
Balance at 31 December 2007		431,696	—	175,666	—	607,362	89,340	696,702
Acquisition of minority interests	16(b)	(10,653)	—	—	—	(10,653)	(20,574)	(31,227)
Reorganisation and capitalisation of shareholder’s loans	16(c)(d)(f)	495,514	—	—	—	495,514	—	495,514
Acquisition of minority interests from COFCO	16(e)	(30,586)	—	—	—	(30,586)	—	(30,586)
Deemed distribution to equity holders from acquisition of the Steel Barrels Business	16(h)	(46,856)	—	—	—	(46,856)	(7,474)	(54,330)
Contribution from equity holders upon waiver of loans	16(g)	3,010	—	—	—	3,010	—	3,010
Dividend paid to minority interests		—	—	—	—	—	(1,437)	(1,437)
Profit for the year		—	—	92,462	—	92,462	5,688	98,150
Appropriation to statutory reserves		—	6,037	(6,037)	—	—	—	—
Balance at 31 December 2008		842,125	6,037	262,091	—	1,110,253	65,543	1,175,796
Profit for the period		—	—	91,364	—	91,364	2,887	94,251
Proposed interim dividend		—	—	(95,000)	95,000	—	—	—
Balance at 30 June 2009		842,125	6,037	258,455	95,000	1,201,617	68,430	1,270,047
For the six months ended 30 June 2008 (Unaudited)								
Balance at 1 January 2008		431,696	—	175,666	—	607,362	89,340	696,702
Acquisition of minority interests	16(b)	(10,653)	—	—	—	(10,653)	(20,574)	(31,227)
Reorganisation and capitalisation of shareholder’s loans	16(c)	52,340	—	—	—	52,340	—	52,340
Acquisition of minority interests from COFCO	16(e)	(30,586)	—	—	—	(30,586)	—	(30,586)
Deemed distribution to equity holders from acquisition of the Steel Barrels Business	16(h)	(52,990)	—	—	—	(52,990)	(7,474)	(60,464)
Dividend paid to minority interests		—	—	—	—	—	(1,437)	(1,437)
Profit for the period		—	—	80,261	—	80,261	6,896	87,157
Appropriation to statutory reserves		—	6,037	(6,037)	—	—	—	—
Balance at 30 June 2008		389,807	6,037	249,890	—	645,734	66,751	712,485

(d) Consolidated cash flow statements

	Section II	Year ended 31 December			Six months ended 30 June	
	Note	2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cash flows from operating activities:						
Cash generated from/(used in) operations	29(a)	44,473	141,968	72,095	(188,773)	191,090
Interest paid		(17,698)	(24,085)	(51,619)	(21,798)	(22,182)
Income tax paid		(8,990)	(17,273)	(25,786)	(12,476)	(11,779)
Net cash generated from/(used in) operating activities		17,785	100,610	(5,310)	(223,047)	157,129
Cash flows from investing activities:						
Acquisition of subsidiaries	30	—	(15,987)	(12,294)	—	—
Purchase of property, plant and equipment		(193,169)	(454,992)	(207,110)	(57,473)	(192,535)
Payment of long-term deferred expenses		(3)	(342)	(753)	—	—
Purchase of intangible assets	9	(3,991)	(1,927)	(117)	—	(17)
Purchase of land use rights		(23,882)	(13,538)	(6,657)	—	(21,499)
Proceeds from disposal of property, plant and equipment	29(b)	5,238	2,259	35,962	2,064	1,942
Interest income received	25	1,619	2,858	3,036	1,439	1,438
Proceeds from disposal of land use rights		—	—	2,060	—	—
Acquisition of minority interests	16(a)(b)	—	(110,000)	(31,227)	(22,752)	—
Net cash used in investing activities		(214,188)	(591,669)	(217,100)	(76,722)	(210,671)
Cash flows from financing activities:						
Proceeds from/(repayments of) bank borrowings		(11,439)	173,701	478,326	590,128	(253,361)
Proceeds from/(repayments of) borrowings from COFCO Finance Corporation Limited ("COFCO Finance")		4,000	29,000	(219,000)	(219,000)	140,000
Proceeds from/(repayments of) borrowings from third parties		(8,658)	123	(123)	(123)	—
Proceeds from borrowings from COFCO (HK)	19	357,963	241,079	30,266	—	169,129
Repayment of long-term liabilities		—	—	(9,922)	—	—
Distribution to equity holders		—	—	(26,134)	—	—
Dividend paid to minority shareholders		—	—	(5,879)	(5,739)	—
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 beginning of the year/period	15	77,482	222,627	173,037	173,037	202,403
Exchange gains/(losses)		(318)	(2,434)	4,242	564	(792)
Cash and cash equivalents at end of the year/period	15	222,627	173,037	202,403	239,098	203,837

II. NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1 Group structure, Reorganisation and principal activities

The Company (previously known as Witty Link Limited) was incorporated in Hong Kong on 25 October 2007 with limited liability under the Hong Kong Companies Ordinance in preparation for the [●] of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "[●]"). The address of the Company's registered office is 33/F, Top Glory Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing of metal packaging products including three-piece beverage cans, food cans, aerosol cans, metal caps, printed and coated tinplates, and steel barrels (the "[●] Business") in the People's Republic of China (the "PRC").

The ultimate holding company is COFCO Corporation ("COFCO") and the immediate holding company is COFCO (Hong Kong) Limited ("COFCO (HK)"). Prior to the incorporation of the Company, COFCO operated the [●] Business and other businesses including agricultural trading and processing, food and beverages, real estate development, hotel management, logistics, native products and animal by-products and financial services (collectively the "Other Businesses") in the PRC through various subsidiaries. The Other Businesses have been managed separately from the [●] Business. For the purpose of this report, the financial information of the Other Businesses was excluded throughout the Relevant Periods and the six months ended 30 June 2008.

During the Relevant Periods, the Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the section headed "History and Reorganisation" in this document. Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Company name	Country/Place and date of incorporation	Issued and paid-up capital/ registered capital	Equity interest attributable to the Company	Principal activities	Note
Directly Owned					
COFCO No.33	British Virgin Islands 30 August 2000	US$1	100%	Investment	(i)
COFCO No.86	British Virgin Islands 30 August 2000	US$1	100%	Investment	(i)
COFCO No.34	British Virgin Islands 30 August 2000	US$1	100%	Investment	(i)
COFCO No.39	British Virgin Islands 30 August 2000	US$1	100%	Investment	(i)
Indirectly Owned					
CPMC (HK)	Hong Kong 11 December 2007	HK$1	100%	Investment	(v)
COFCO-MC (HK)	Hong Kong 25 October 2007	HK$1	100%	Investment	(v)
Powerful Chance	Hong Kong 2 October 2008	HK$1	100%	Investment	(i)
Hangzhou COFCO-MC	Hangzhou, Zhejiang, The PRC 21 October 1992	US$30,050,000	100%	Metal packaging manufacture	(ii)
Panyu MCP	Guangzhou, Guangdong, The PRC 22 September 1994	US$20,280,000	100%	Metal packaging manufacture	(ii)
Wuxi Huapeng	Wuxi, Jiangsu, The PRC 21 October 1991	US$25,000,000	61.48%	Metal packaging manufacture	(ii)
Hangzhou CPMC	Hangzhou, Zhejiang, The PRC 28 November 2005	US$32,500,000	100%	Metal packaging manufacture	(iv)
CPMC (Tianjin)	Tianjin, The PRC 30 March 2006	US$20,000,000	100%	Metal packaging manufacture	(iv)

Company name	Country/Place and date of incorporation	Issued and paid-up capital/ registered capital	Equity interest attributable to the Company	Principal activities	Note
CPMC (Chengdu)	Chengdu Sichuan, The PRC 13 January 2006	US$10,000,000	100%	Metal packaging manufacture	(iv)
CPMC (Zhenjiang)	Zhenjiang Jiangsu, The PRC 3 August 2005	US$ 10,250,000	100%	Metal packaging manufacture	(iii),(iv)
Zhangjiagang CPMC	Zhangjiagang, Jiangsu, The PRC 19 January 2004	RMB 17,000,000	100%	Metal packaging manufacture	(iii),(iv)
CPMC (Wuhan)	Wuhan, Hubei, The PRC 8 September 2008	US$ 10,000,000	100%	Metal packaging manufacture	(vi)
Shenzhen CPMC	Shenzhen, Guangdong, The PRC 17 November 2008	RMB 50,000,000	100%	Metal packaging manufacture	(vi)
Hangzhou CPMC Canmaking . .	Hangzhou, Zhejiang, The PRC 23 December 2008	US$ 22,000,000	100%	Metal packaging manufacture	(i)

Notes:

(i) No audited financial statements were issued for these companies as they are either newly incorporated or not required to issue audited accounts under the statutory requirements of their place of incorporation.

(ii) The statutory financial statements for the years ended 31 December 2006 and 2007 were audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company. The statutory financial statements for the year ended 31 December 2008 were audited by Tianzhi International Certified Public Accountants Company Limited.

(iii) These companies were acquired during the year ended 31 December 2007 (Note 30).

(iv) The statutory financial statements for the year ended 31 December 2006 were audited by the following certified public accountants in the PRC:

Name of company	For the year ended	Name of auditors
Hangzhou CPMC	31 December 2006	天職國際會計師事務所 Tianzhi International Certified Public Accountants Company Limited
CPMC (Tianjin)	31 December 2006	天職國際會計師事務所 Tianzhi International Certified Public Accountants Company Limited
CPMC (Chengdu)	31 December 2006	天職國際會計師事務所 Tianzhi International Certified Public Accountants Company Limited
CPMC (Zhenjiang).	31 December 2006	浙江東方中匯會計師事務所有限公司 Zhejiang Dongfang Zhonghui Certified Public Accountants Company Limited
Zhangjiagang CPMC	31 December 2006	張家港華景會計師事務所 Zhangjiagang Huajing Certified Public Accountants Company Limited

The statutory financial statements of the above subsidiaries for the years ended 31 December 2007 and 2008 were audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company and Tianzhi International Certified Public Accountants Company Limited, respectively.

(v) The statutory financial statements of the Company and the above subsidiaries for the year ended 31 December 2008 were audited by W. M. Sum & Co..

(vi) The statutory financial statements for the period ended 31 December 2008 were audited by Tianzhi International Certified Public Accountants Company Limited.

The English names of certain subsidiaries and auditors represent the best effort by management of the Company in translating their Chinese names as they do not have official English names.

2 Basis of presentation

For the purpose of this report, the consolidated financial statements of the Group have been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340 ''Prospectuses and the Reporting Accountant'' issued by HKICPA.

During the Reorganisation, the acquisition of the companies engaged in the [●] Business by the Group from COFCO are regarded as common control combinations and are accounted for using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA. The financial results, assets and liabilities of those companies are included in the Financial Information since the beginning of the earliest period presented.

Pursuant to various agreements signed in June 2008, the Group acquired the respective steel barrels businesses (the "Steel Barrels Business") from subsidiaries and an associate of COFCO outside the Group (the "Steel Barrels Business Acquisition"). Under the terms of the agreements, the Group acquired the production facilities and the inventories relating to the Steel Barrels Business with the remaining assets and liabilities retained by these subsidiaries and associate.

The Financial Information includes the assets, liabilities and results of operations relating to the Steel Barrels Business of the subsidiaries of COFCO outside the Group. The results of the Steel Barrels Business of the subsidiaries of COFCO have been reflected in the Financial Information during the Relevant Periods and the six months ended 30 June 2008 up to the date of the Steel Barrels Business Acquisition as the Steel Barrels Business of the subsidiaries of COFCO and the [●] Business are under the common control and management of COFCO. Except for the assets acquired by the Group, the remaining assets and liabilities retained by subsidiaries of COFCO have been reflected as a distribution to the ultimate holding company in the consolidated statement of changes in equity.

The acquisition of the Steel Barrels Business from the associate of COFCO and other acquisitions of subsidiaries not under common control have been accounted for from the date of acquisition using the purchase method of accounting.

3 Summary of significant accounting policies

The Financial Information has been prepared in accordance with HKFRSs and under the historical cost convention.

The Group had net current liabilities of RMB52,623,000 at 30 June 2009. The directors of the Company consider that it is appropriate to prepare the Financial Information on a going concern basis because (i) the Group has sufficient unutilised credit facilities available; and (ii) the directors of the Company do not anticipate that any of the existing credit facility providers would tighten nor withdraw the credit facilities granted to the Group in the foreseeable future.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 5 below.

As at the date of this report, the following new and revised HKFRSs, that have been issued but are not yet effective, have not yet been adopted by the Group.

HKFRS 1 (Revised)	*First-time Adoption of HKFRSs* [1]
HKFRS 2 Amendments	Amendments to HKFRS2 *Share-based Payment — Group Cash-settled share base payment Transactions* [2]
HKFRS 3 (Revised)	*Business Combinations* [1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [1]
HKAS 39 Amendments	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Embedded Derivatives* [2]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners* [1]
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* [3]

Apart from the above, the HKICPA has also *issued Improvements to HKFRSs* in May 2009 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Improvements to HKFRSs issued in May 2009 contains amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, Appendix to HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16. Except for the amendments to

HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 which are effective for annual periods beginning on or after 1 July 2009 and no transitional provisions for the amendment to Appendix to HKAS 18 has been specified, the amendments are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 July 2009

[2] Effective for annual periods ending on or after 30 June 2009

[3] Effective for transfers of assets from customers received on or after 1 July 2009

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, the other new and revised HKFRSs are unlikely to have a significant impact on the Group’s results of operations and financial position.

3.1 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are combined using the existing book values from the controlling party’s perspective. No amount is recognised in respect of goodwill or the excess of the acquirers’ interest in the net fair value of acquirees’ identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination. The consolidated income statements include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The purchase method of accounting involves allocating the cost of a business combination to the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of acquisition is measured at the aggregate fair value of the assets given and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the differences between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

3.2 Segment reporting

An operating segment is a business unit with discrete financial information available to the chief operating decision maker for the purpose of allocating resources to the segment and assessing its performance.

3.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "Functional Currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the Functional Currency using the applicable exchange rates quoted by the People's Bank of China ("PBOC") prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) Group companies

The results and financial positions of all the entities (none of which has the currency of a hyperinflationary economy) that have a Functional Currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) All resulting exchange differences are recognised as a separate component of equity.

3.4 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.

Construction-in-progress ("CIP") represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition and capitalised borrowing costs. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated below.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

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 the date of the statement of financial position.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within other gains/(losses) — net, in the income statement.

3.5 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (3 to 8 years).

(c) Customer relationship

Customer relationship represents the fair value attributable to the customer base or existing contractual bids with customers acquired as a result of a business combination. The amount is amortised over the estimated useful life of 5 years.

3.6 Long-term deferred expenses

The long-term deferred expenses mainly represent utilities use right and other prepayments that are amortised over their estimated useful lives (2 to 5 years).

3.7 Impairment of non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for a possible reversal of the impairment at each reporting date.

3.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods comprises raw materials, labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.9 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

3.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

3.11 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.12 Borrowings and long-term liabilities

Borrowings and long-term liabilities are recognised initially at fair value, net of transaction costs incurred. Borrowings and long-term liabilities are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings and long-term liabilities using the effective interest method.

Borrowings and long-term liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the statement of financial position.

3.13 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

3.14 Current and deferred income tax

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 the 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. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

3.15 Employee benefits — pension obligations (defined contribution plan)

A defined contribution plan is a pension plan under which the Group pays contributions into a separate fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to the employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due.

The Group has participated in defined contribution plans administered by the relevant authorities in the PRC for its employees. The Group is required to pay monthly contributions to these plans at a certain percentage of the payroll of these employees to fund the benefits. The relevant authorities undertake to assume the retirement benefit obligations payable to the existing and future retired employees of the Group under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made.

3.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

3.17 Revenue recognition

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

The Group recognises 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 the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sales have been resolved. The 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 recognised as follows:

(a) Sale of goods

Revenue from the sale of goods is recognised 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 recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the 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.

3.18 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the cost that they are intended to compensate.

Government grants relating to leasehold land are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

3.19 Operating leases (as a lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for land use rights are charged to the income statement on a straight-line basis over the period of the lease.

All land in Mainland China is state-owned and no individual land ownership right exists. The Group made upfront payments to obtain operating leases of land use rights. The upfront payments of the land use rights are recorded as assets and amortised over the lease periods of 50 years on a straight-line basis.

3.20 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the Group's consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the Group's financial statements when an inflow of economic benefits is probable. When inflows is virtually certain, an asset is recognised.

3.21 Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's equity holders or directors, where appropriate.

3.22 Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is a member of the key management personnel of the Group or any of its holding companies;

(c) the party is a close member of the family of any individual referred to in (a) or (b);

(d) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (b) or (c); or

(e) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

4 Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk, and cash flow and fair value interest rate risks), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign currency risk

The Company and most of its subsidiaries' functional currency is RMB since the majority of the revenues of the companies are derived from operations in Mainland China. Foreign exchange risk arises from future commercial transactions of limited purchases from overseas and recognised assets or liabilities, such as cash and cash equivalents (Note 15) and bank borrowings and shareholder's loans (Note 19), which are denominated in USD and HKD. The Group has not hedged its foreign exchange rate since the exposure is not significant.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, the post-tax profit for each of the Relevant Periods would have changed mainly as a result of foreign exchange gains/losses on translation of USD and HKD denominated cash and cash equivalents and borrowings. Details of changes are as follows:

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Post-tax profit increase/(decrease)				
— Strengthened 5%	14,002	22,634	2,513	10,920
— Weakened 5%	(14,002)	(22,634)	(2,513)	(10,920)

(ii) Price risk

Tinplate is the major raw material to the Group. The price for the tinplate may be affected by market demand and supply, domestic government policy and other economic conditions. In order to maintain a continued production cycle, the Group has a policy of maintaining certain level of tinplate inventory. The level of the Group's tinplate inventory will depend on orders on hand, the price of tinplate in market and the perceived future trend in tinplate price. In selecting suppliers, the Group usually takes into consideration the price and quality of the tinplate. The Directors believe it is not necessary for the Group to enter into any long-term supply contracts with its suppliers to ensure stable material price as there are various sources of tinplate and the Group has not experienced any difficulties in securing a steady source of high quality tinplate.

(iii) Cash flow and fair value interest rate risks

Except for bank deposits with stable interest rates, the Group has no other significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk mainly arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest-rate risk. The Group has not hedged its cash flow and fair value interest rate risks. The interest rates and terms of repayments of borrowings are disclosed in Note 19.

Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rate, because the interest rates of bank deposits are not expected to change significantly.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, if interest rates on bank borrowings had been 10 basis points higher/lower with all other variable held constant, the post-tax profit for each of the Relevant Periods would have changed mainly as a result of higher/lower interest expenses on floating rate borrowings. Details of the changes are as follows:

	Year ended 31 December			**Six months ended 30 June**
	2006	**2007**	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Post-tax profit increase/(decrease)				
— 10 basis points higher	(286)	(659)	(1,869)	(593)
— 10 basis points lower	286	659	1,869	593

(b) Credit risk

Except for the sales to the largest customer of the Group as detailed in Note 6, the Group has no other significant concentrations of credit risk. The carrying amounts of pledged bank deposits, cash and cash equivalents, trade and bills receivables and other receivables included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets.

(i) Deposits with banks

As at 31 December 2006, 2007 and 2008 and 30 June 2009, all pledged bank deposits and cash and cash equivalents were deposited in the high quality financial institutions without significant credit risk. Management does not expect any losses from non-performance of these counterparties.

(ii) Trade and bills receivables

Management assesses the credit risk of customers by taking into account their financial position and past experience. The Group has put in place policies to ensure that sales of products are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers.

For those key customers with long-term relationship, on some occasions the Group offered credit terms up to 90 days. The granting or extension of any credit period must be approved by senior officials of the Group.

An allowance has been made for estimated irrecoverable amounts from the sales of goods which has been determined by reference to past default experience and objective evidence of impairment such as an analysis of the particular customers and their financial condition and the ages of the trade receivables.

The carrying amount of trade and other receivables included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets. The directors are of the opinion that adequate provision for uncollectible trade and other receivables has been made in the financial statements.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents, the availability of fund through adequate amounts of committed credit facilities and the ability to close out market positions.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groups based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Longer than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2006				
Borrowings	263,339	—	398,139	—
Trade and bills payables (Note 17)	378,171	—	—	—
Accruals and other payables (Note 18)	98,588	—	—	—
Dividend payable	—	4,442	—	—
Long-term liabilities	3,566	1,073	3,219	15,117
As at 31 December 2007				
Borrowings	467,763	126,854	496,741	—
Trade and bills payables (Note 17)	661,556	—	—	—
Accruals and other payables (Note 18)	176,746	—	—	—
Dividend payable	4,442	—	—	—
Long-term liabilities	4,638	1,073	3,219	13,667
As at 31 December 2008				
Borrowings	731,745	56,647	10,083	—
Trade and bills payables (Note 17)	577,617	—	—	—
Accruals and other payables (Note 18)	157,911	—	—	—
As at 30 June 2009				
Borrowings	837,649	—	—	—
Trade and bills payables (Note 17)	607,363	—	—	—
Accruals and other payables (Note 18)	132,748	—	—	—

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital represents equity, as shown in the consolidated statement of financial position, plus net debt.

The Group's strategy is to maintain a gearing ratio within 30% to 70%. The gearing ratios at 31 December 2006, 2007 and 2008 and 30 June 2009 were as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Total borrowings (Note 19)	546,614	957,832	775,068	830,836
Less: Cash and cash equivalents (Note 15)	(222,627)	(173,037)	(202,403)	(203,837)
Net debt	323,987	784,795	572,665	626,999
Total equity	626,167	696,702	1,175,796	1,270,047
Total capital	950,154	1,481,497	1,748,461	1,897,046
Gearing ratio	34.10%	52.97%	32.75%	33.05%

4.3 Fair value estimation

The carrying value less the impairment provision of trade receivables and payables is a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

5 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

The Group is mainly subject to income taxes in the PRC. Significant judgement 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. The Group recognises liabilities for anticipated tax audit issues 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 31 December 2006, 2007 and 2008 and 30 June 2009, the Group has deferred income tax assets in the amount 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 utilised, deferred income tax assets are recognised for temporary differences arising from impairment provision of inventories and receivables, temporary differences arising from depreciation, certain accrual items and unused tax losses.

(b) Estimated impairment of property, plant and equipment

The Group tests annually whether property, plant and equipment have been impaired in accordance with the accounting policy stated in Note 3.4 to the financial statements. 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 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 rates for the packaging businesses in which the cash-generating units operate.

Key assumptions used for value-in-use calculations

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

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

6 Sales and segment information

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

For management purposes, the Group is organised into business units based on their products and has seven reportable operating segments as follows:

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

Management monitors the revenue of its business units separately for the purpose of making decision about resource allocation and performance assessment. Segment performance is evaluated based on revenue which in certain respects, as explained in the table below.

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
Revenue	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
				(unaudited)	
Three-piece beverage cans	862,035	1,314,430	1,764,033	841,495	912,492
Food cans	88,092	173,043	222,454	102,622	95,716
Aerosol cans	270,304	296,535	303,453	217,359	166,925
Metal caps	418,020	589,941	675,547	366,987	259,203
Printed and coated tinplates	126,449	142,466	168,485	78,548	82,638
Steel barrels	144,895	133,639	121,498	77,117	69,316
Others	167,735	89,464	94,024	56,256	73,929
Total	**2,077,530**	**2,739,518**	**3,349,494**	**1,740,384**	**1,660,219**

Revenue from one customer of the Group attributed approximately RMB784,027,000, RMB1,209,928,000, RMB1,603,706,000, RMB760,065,000, and RMB821,781,000 of the revenue of the Group for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009, respectively.

7 Land use rights

The Group's interests in land use rights represent upfront payments for land and their net book amounts are analysed as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Opening net book amount	27,326	50,413	80,196	76,022
Additions	23,882	13,538	157	21,499
Acquisition of subsidiaries (Note 30 (a) and (b))	—	18,093	—	—
Amortisation	(795)	(1,848)	(2,271)	(1,203)
Disposal	—	—	(2,060)	—
Closing net book amount	50,413	80,196	76,022	96,318
Cost	55,232	86,863	82,972	104,471
Accumulated amortisation	(4,819)	(6,667)	(6,950)	(8,153)
Net book amount	50,413	80,196	76,022	96,318

All of the Group's land use rights is located in Mainland China and is held on leases of 50 years.

Amortisation of the Group's land use rights has been charged to cost of sales and administrative expenses in the consolidated income statements.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, land use rights with net book values of RMB7,780,000 , RMB18,899,000 and RMB32,695,000 and RMB32,238,000, had been pledged as security for short-term bank borrowings of RMB5,000,000, RMB72,315,000 and RMB201,000,000 and RMB114,000,000, respectively (Note 19(a)).

As at 31 December 2006, 2007 and 2008 and 30 June 2009, land use right with a net book value of nil, RMB15,875,000 and nil and nil had been pledged as security for bank acceptance bills of nil, RMB33,454,000 and nil and nil, respectively (Note 17).

8 Property, plant and equipment

	Buildings	Machineries and equipment	Vehicles	Electronic equipment, office equipment and fixtures	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2006						
Cost	125,268	420,918	10,439	15,187	30,503	602,315
Accumulated depreciation	(28,957)	(162,299)	(4,861)	(6,344)	—	(202,461)
Impairment provision	(270)	(32,364)	—	—	—	(32,634)
Net book amount	96,041	226,255	5,578	8,843	30,503	367,220
Year ended 31 December 2006						
Opening net book amount	96,041	226,255	5,578	8,843	30,503	367,220
Additions	1,331	29,080	3,944	3,505	152,469	190,329
Transfer upon completion	1,537	69,831	277	—	(71,645)	—
Disposals	—	(5,304)	(271)	(174)	—	(5,749)
Depreciation charges	(5,002)	(27,831)	(1,888)	(2,499)	—	(37,220)
Closing net book amount	93,907	292,031	7,640	9,675	111,327	514,580
At 31 December 2006						
Cost	128,136	508,397	14,016	17,114	111,327	778,990
Accumulated depreciation	(33,959)	(184,538)	(6,376)	(7,439)	—	(232,312)
Impairment provision	(270)	(31,828)	—	—	—	(32,098)
Net book amount	93,907	292,031	7,640	9,675	111,327	514,580
Year ended 31 December 2007						
Opening net book amount	93,907	292,031	7,640	9,675	111,327	514,580
Additions	877	35,065	3,742	5,707	447,414	492,805
Acquisition of subsidiaries (Note 30 (a) and (b))	12,387	14,733	344	314	243	28,021
Transfer upon completion	215,054	234,785	1,663	3,649	(455,151)	—
Disposals	(896)	(1,178)	(594)	(702)	—	(3,370)
Depreciation charges	(6,517)	(46,627)	(2,526)	(3,466)	—	(59,136)
Reversal of impairment provision (Note 22)	—	3,941	—	—	—	3,941
Closing net book amount	314,812	532,750	10,269	15,177	103,833	976,841
At 31 December 2007						
Cost	355,012	742,357	18,203	24,896	103,833	1,244,301
Accumulated depreciation	(40,200)	(192,348)	(7,934)	(9,719)	—	(250,201)
Impairment provision	—	(17,259)	—	—	—	(17,259)
Net book amount	314,812	532,750	10,269	15,177	103,833	976,841
Year ended 31 December 2008						
Opening net book amount	314,812	532,750	10,269	15,177	103,833	976,841
Additions	8,748	60,189	3,993	12,542	96,277	181,749
Acquisition of the Steel Barrels Business (Note 30 (c))	—	2,823	22	114	—	2,959
Transfer upon completion	5,936	75,496	—	4	(81,436)	—
Disposals	(20,168)	(7,266)	—	(3,593)	(5,809)	(36,836)
Deemed distribution to equity holders (Note 29(c))	(8,258)	—	—	—	—	(8,258)
Depreciation charges	(10,224)	(49,617)	(3,121)	(4,605)	—	(67,567)
Closing net book amount	290,846	614,375	11,163	19,639	112,865	1,048,888

	Buildings	Machineries and equipment	Vehicles	Electronic equipment, office equipment and fixtures	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2008						
Cost	313,153	838,565	21,312	26,359	112,865	1,312,254
Accumulated depreciation	(22,307)	(206,931)	(10,149)	(6,720)	—	(246,107)
Impairment provision	—	(17,259)	—	—	—	(17,259)
Net book amount	290,846	614,375	11,163	19,639	112,865	1,048,888
Six months ended 30 June 2009						
Opening net book amount	290,846	614,375	11,163	19,639	112,865	1,048,888
Additions	191	6,004	804	293	136,230	143,522
Transfer upon completion	4,457	45,908	211	409	(50,985)	—
Disposals	(61)	(750)	(48)	(18)	(592)	(1,469)
Depreciation charges	(5,414)	(27,443)	(1,547)	(1,462)	—	(35,866)
Closing net book amount	290,019	638,094	10,583	18,861	197,518	1,155,075
At 30 June 2009						
Cost	317,634	887,814	22,079	27,040	197,518	1,452,085
Accumulated depreciation	(27,615)	(232,465)	(11,496)	(8,179)	—	(279,755)
Impairment provision	—	(17,255)	—	—	—	(17,255)
Net book amount	290,019	638,094	10,583	18,861	197,518	1,155,075

Notes:

(a) Depreciation expenses have been charged to the income statements as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Cost of sales	32,903	54,062	54,987	31,426	31,559
Selling and marketing expenses	361	371	6	196	4
Administrative expenses	3,956	4,703	12,574	3,482	4,303
	37,220	59,136	67,567	35,104	35,866

(b) As at 31 December 2006, 2007 and 2008 and 30 June 2009, buildings, machineries and equipment with net book values of RMB12,050,000, RMB23,024,000 and RMB69,210,000 and RMB67,788,000, had been pledged as security for short-term bank borrowings of RMB5,000,000, RMB45,315,000 and RMB201,000,000 and RMB114,000,000, respectively (Note 19(a)).

The long-term borrowings as at 31 December 2007 was secured by certain construction in progress with a net book value of RMB80,000,000. The long-term borrowings as at 31 December 2008 was secured by certain properties with a net book value of RMB126,151,000 (Note 19(c)).

As at 31 December 2006, 2007 and 2008 and 30 June 2009, buildings, machineries and equipment with net book values of nil, RMB16,302,000 and nil and nil were pledged as security for bank acceptance bills of nil, RMB23,418,000 and nil and nil, respectively (Note 17).

(c) The Group's buildings are located in Mainland China.

9 Intangible assets

	Goodwill	Customer Relationship	Computer Software	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2006				
Cost	—	—	2,808	2,808
Accumulated amortisation	—	—	(78)	(78)
Net book amount	—	—	2,730	2,730
Year ended 31 December 2006				
Opening net book amount	—	—	2,730	2,730
Additions	—	—	3,991	3,991
Amortisation	—	—	(347)	(347)
Closing net book amount	—	—	6,374	6,374
At 31 December 2006				
Cost	—	—	6,799	6,799
Accumulated amortisation	—	—	(425)	(425)
Net book amount	—	—	6,374	6,374
Year ended 31 December 2007				
Opening net book amount	—	—	6,374	6,374
Acquisition of subsidiaries (Note 30 (b))	1,809	—	—	1,809
Additions	—	—	1,927	1,927
Amortisation	—	—	(882)	(882)
Closing net book amount	1,809	—	7,419	9,228
At 31 December 2007				
Cost	1,809	—	8,726	10,535
Accumulated amortisation	—	—	(1,307)	(1,307)
Net book amount	1,809	—	7,419	9,228
Year ended 31 December 2008				
Opening net book amount	1,809	—	7,419	9,228
Acquisition of the Steel Barrels Business (Note 30 (c))	—	1,540	—	1,540
Additions	—	—	117	117
Amortisation	—	—	(1,202)	(1,202)
Closing net book amount	1,809	1,540	6,334	9,683
At 31 December 2008				
Cost	1,809	1,540	8,843	12,192
Accumulated amortisation	—	—	(2,509)	(2,509)
Net book amount	1,809	1,540	6,334	9,683
Six months ended 30 June 2009				
Opening net book amount	1,809	1,540	6,334	9,683
Additions	—	—	17	17
Amortisation	—	—	(537)	(537)
Closing net book amount	1,809	1,540	5,814	9,163
At 30 June 2009				
Cost	1,809	1,540	8,860	12,209
Accumulated amortisation	—	—	(3,046)	(3,046)
Net book amount	1,809	1,540	5,814	9,163

The amortisation of computer software has been charged to administrative expenses.

The Group tests annually whether goodwill has been impaired in accordance with the accounting policy stated in Note 3.7 to the financial statements. 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 management covering each asset's remaining life. Cash flows applying to each asset's remaining life are extrapolated using the estimated growth rates. The growth rate does not exceed the long-term average growth rate for the packaging businesses in which the cash-generating units operate.

Key assumptions used for value-in-use calculations

- Growth rates 0%~5%
- Discount rates after tax 10.8%~12.6%

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

10 Deferred income tax

The movements in deferred income tax assets and liabilities during the Relevant Periods are as follows:

Deferred income tax assets

	Provision for impairment of trade receivables	Provision for impairment of other receivables	Provision for write-down of inventories	Provision for impairment of property, plant and equipment	Decelerated tax depreciation of property, plant and equipment	Decelerated tax amortisation on the pre-operating expenses	Utilisation of previous tax losses	Accrued expenses	Others	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
At 1 January 2006	859	582	1,042	17,279	3,823	—	—	—	—	23,585
Recognised in the consolidated income statements (Note 26)	614	(335)	242	(62)	(609)	498	—	—	—	348
At 31 December 2006	1,473	247	1,284	17,217	3,214	498	—	—	—	23,933
Acquisition of subsidiaries (Note 30 (a))	—	—	—	—	—	—	1,064	—	—	1,064
Recognised in the consolidated income statements (Note 26)	(622)	93	(249)	(2,488)	(2,384)	246	(1,064)	481	—	(5,987)
At 31 December 2007	851	340	1,035	14,729	830	744	—	481	—	19,010
Acquisition of the Steel Barrels Business (Note 30 (c))	—	—	—	—	112	—	—	—	—	112
Recognised in the consolidated income statements (Note 26)	(255)	36	(270)	—	(382)	(553)	—	5,182	1,420	5,178
At 31 December 2008	596	376	765	14,729	560	191	—	5,663	1,420	24,300
Recognised in the consolidated income statements (Note 26)	53	(62)	—	—	(45)	—	—	180	(1,263)	(1,137)
At 30 June 2009	649	314	765	14,729	515	191	—	5,843	157	23,163

Deferred income tax liabilities

	Fair value gains on long-term liabilities	Accelerated tax amortisation of land use rights	Accelerated tax depreciation of property, plant and equipment	Withholding taxation of the unremitted earnings of certain subsidiaries	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2005	1,541	—	—	—	1,541
Recognised in the consolidated income statement (Note 26)	(125)	—	—	—	(125)
At 31 December 2006	1,416	—	—	—	1,416
Acquisition of subsidiaries (Note 30 (a))	—	1,419	634	—	2,053
Recognised in the consolidated income statement (Note 26)	617	—	(109)	—	508
At 31 December 2007	2,033	1,419	525	—	3,977
Debited to equity	1,038	—	—	—	1,038
Recognised in the consolidated income statement (Note 26)	(3,071)	(225)	(139)	3,595	160
At 31 December 2008	—	1,194	386	3,595	5,175
Recognised in the consolidated income statement (Note 26)	—	(37)	(43)	884	804
At 30 June 2009	—	1,157	343	4,479	5,979

For the purpose of the financial position presentation, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	23,933	19,010	23,059	21,796
Net deferred tax liabilities recognised in the consolidated statement of financial position	(1,416)	(3,977)	(3,934)	(4,612)
Total	22,517	15,033	19,125	17,184

Pursuant to the new corporate income tax law in the PRC, a 10% withholding tax is levied on dividends declared to foreign investors by foreign investment enterprises established in mainland China (the "FIEs"). The requirement became effective on 1 January 2008 and applies to earnings generated by the FIEs from 1 January 2008 onwards (the "FIE Earnings since 2008"). A lower withholding tax rate of 5% is applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors.

The aggregate amount of temporary differences associated with certain portion of the FIE Earnings since 2008 for which deferred tax liabilities have not been recognised amounted to approximately nil at 31 December 2008 and RMB50,531,000 at 30 June 2009 as, in the opinion of the directors, it is not probable that such subsidiaries will distribute that portion of FIE Earnings since 2008 in the foreseeable future.

11 Inventories

	As at 31 December			As at 30 June
	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

12 Trade and bills receivables

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables from independent third parties	215,744	280,477	303,940	610,964
Less: Provision for impairment	(8,006)	(4,374)	(2,517)	(1,550)
Trade receivables from independent third parties, net	207,738	276,103	301,423	609,414
Trade receivables from subsidiaries and an associate of COFCO (Note 32 (b))	1,322	1,759	6,659	3,568
Trade receivables, net	209,060	277,862	308,082	612,982
Bills receivable	73,999	178,627	261,043	74,783
Trade and bills receivables, net	283,059	456,489	569,125	687,765

The credit terms granted to customers by the Group were usually 30 to 90 days during the Relevant Periods.

The aging analysis of trade receivables as at 31 December 2006, 2007 and 2008 and 30 June 2009 was as follows:

	As at 31 December			As at 30 June
	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

The trade receivables are all denominated in RMB and their carrying amounts approximate to their fair values.

The aging of receivables overdue but not impaired was as follows:

	As at 31 December			As at 30 June
	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

The impairment was firstly assessed individually for significant or long aging balances, and the remaining balances were grouped for collective assessment according to their aging and historical default rates as these customers were of similar credit risk characteristics. The Group recognised provision for impairment of trade and bills receivables in the general and administrative expenses in the consolidated income statements. The movements in provision for impairment were as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
At beginning of the year/period	6,999	8,006	4,374	4,374	2,517
Provision for/(reversal of) receivable impairment	1,215	(1,891)	763	(658)	—
Receivable written off as uncollectible	(208)	(1,741)	(2,620)	(697)	(967)
At end of the year/period	8,006	4,374	2,517	3,019	1,550

The maximum exposure of the Group to credit risk at the date of the statement of financial position was the fair value of trade and bills receivables as mentioned above. The Group did not hold any collateral as security.

13 Prepayments, deposits and other receivables

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments to third party suppliers	91,468	128,496	112,654	140,157
Deposits	5,032	4,338	4,635	3,004
Loans and advances to employees	4,306	3,933	3,700	3,223
Input VAT recoverable	5,608	9,970	32,214	16,246
Prepaid expenses	1,988	563	1,419	12,281
Other receivables from third parties	8,335	7,547	5,007	15,288
Amounts due from an associate and subsidiaries of COFCO (Note 32(b))	87	87	3,857	675
	116,824	154,934	163,486	190,874

The prepayment, deposits and other receivables are denominated in RMB and their carrying amounts approximate to their fair values as at the date of the statement of financial position.

The Group recognised provision for impairment of other receivables in the general and administrative expenses in the consolidated income statements. The movements in the provision for impairment were as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
At beginning of the year/period	2,384	1,157	1,707	1,707	1,646
Provision for/(reversal of) receivable impairment	(1,227)	550	298	(712)	(478)
Receivables write off as uncollectible	—	—	(359)	—	—
At end of the year/period	1,157	1,707	1,646	995	1,168

14 Pledged bank deposits

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Pledged for letters of credit	11,813	18,308	13,696	13,474
Pledged for bills payable to suppliers	41,820	80,977	35,753	40,215
Pledged for short-term bank borrowings	—	20,399	—	5,425
	53,633	119,684	49,449	59,114

At 31 December 2006, 2007 and 2008 and 30 June 2009, the pledged bank deposits balances of the Group denominated in Renminbi ("RMB") amounted to RMB53,633,000, RMB119,684,000 and RMB47,170,000 and RMB54,160,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, pledged bank deposits of RMB41,820,000, RMB80,977,000 and RMB35,753,000 and RMB40,215,000 has been pledged as security for bank acceptance bills of RMB183,597,000, RMB303,457,000 and RMB217,390,000 and RMB246,623,000, respectively (Note 17).

As at 31 December 2006, 2007 and 2008 and 30 June 2009, pledged bank deposits of nil, RMB20,399,000 and nil and RMB5,425,000 had been pledged as security for short-term bank borrowings of nil, RMB20,442,000 (denominated in original currency of US$ 2,723,000) and nil and RMB5,425,000, respectively (Note 19(a)).

15 Cash and cash equivalents

As at 31 December 2006, 2007 and 2008 and 30 June 2009, cash and cash equivalents were denominated in the following currencies:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and on hand				
RMB	97,266	78,323	134,164	149,888
USD	87,686	15,526	67,608	44,052
Others	2,608	2,113	631	2,727
Cash deposits in COFCO Finance (Note 32(b))	35,067	77,075	—	7,170
	222,627	173,037	202,403	203,837

At 31 December 2006, 2007 and 2008 and 30 June 2009, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB97,266,000, RMB78,323,000 and RMB134,164,000 and RMB149,888,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

16 Owner's equity

(a) During the year ended 31 December 2007, the Group acquired a 25% equity interest in Hangzhou COFCO-MC and COFCO acquired a 25% equity interest in Panyu MCP respectively from the minority shareholders at a cash consideration of RMB65,670,000 and RMB44,330,000, respectively. Accordingly, the excess of cost of acquisition over the fair value of minority interest share of identifiable net assets of approximately RMB10,834,000 was debited to capital reserve. Following these acquisitions, both companies became wholly-owned subsidiaries of the Group.

(b) During the year ended 31 December 2008, Hangzhou CPMC acquired a 40% equity interest in CPMC (Zhenjiang) and a 8.8% equity interest in Zhangjiagang CPMC, respectively from the minority shareholders at a cash consideration of RMB28,250,000 and RMB2,977,000, respectively. Accordingly, the excess of cost of acquisition over minority interest share of identifiable net assets of approximately RMB10,653,000 was debited to capital reserve. Following these acquisitions, both companies became wholly-owned subsidiaries of the Group.

(c) In April 2008, the Company acquired from COFCO (HK) the entire issued share capital of COFCO No. 86 and shareholder's loan with a total carrying amount of RMB52,340,000 pursuant to the Reorganisation. In return, the purchase consideration is settled by the Company by crediting one new share of HK$1.00 each of the Company as fully paid.

(d) On 31 August 2008, COFCO No. 33 Limited issued to COFCO (HK) one share of US$1.00, credited as fully paid, in full settlement of the shareholder's loans with a total carrying amount of RMB412,704,000. The excess of the carrying value of the shareholder's loans over the consideration of US$1.00 of approximately RMB412,704,000 was credited to capital reserve.

(e) In May 2008, COFCO-MC (HK) acquired a 18.4% equity interest in Wuxi Huapeng from a subsidiary of COFCO at a consideration of HK$34,190,000 (approximately RMB30,586,000), which was debited to capital reserve.

(f) On 17 October 2008, the Company acquired from COFCO (HK) the receivable of HK$34,190,000 (approximately RMB30,470,000) due by COFCO-MC (HK) by issuing one share of HK$1.00, credited as fully paid. The excess of the carrying value of the shareholder's loans as at the acquisition date over the consideration of HK$1.00 of approximately RMB30,470,000 was credited to capital reserve.

(g) In September 2008, Wuxi Huapeng entered into settlement agreements with its equity holders by which Wuxi Huapeng repaid an aggregate amount of RMB9,246,000 to settle an aggregate fair value of amounts due to its equity holders of RMB13,294,000 as at the date of settlement and the fair value of the remaining amounts due to its equity holders of RMB4,048,000 was waived by its equity holders. Such gain, after offsetting with the related PRC corporate income tax of RMB1,038,000, totalling of RMB3,010,000 was credited to the capital reserve as a contribution from equity holders.

(h) In June 2008, Zhangjiagang CPMC entered into various agreements to acquire the Steel Barrels Business which were previously owned by Eastbay and East Ocean, subsidiaries of COFCO outside the Group, at a total cash consideration of RMB32,268,000. The assets and liabilities amounting to RMB28,196,000 at the acquisition date were retained by Eastbay and East Ocean and were accounted for as deemed distribution to the equity holders of RMB60,464,000 for the six months ended 30 June 2008. The cash consideration was subsequently adjusted to RMB26,134,000 in August 2008, giving rise to the total deemed distribution for the year ended 31 December 2008 of approximately RMB54,330,000.

(i) Subsidiaries of the Company established in the PRC are required to make appropriations to certain statutory reserves, namely the reserve funds from their statutory profit for the year after offsetting accumulated losses as determined under the PRC accounting regulations from prior years and before profit distribution to equity holders. The percentage to be appropriated to such statutory reserve funds is determined according to the relevant regulations in the PRC at 10% or at the discretion of the boards of directors of the respective companies.

17 Trade and bills payables

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
— to independent third parties	192,574	302,176	326,417	338,305
— to subsidiaries and an associate of COFCO (Note 32(b))	—	—	28,694	13,577
	192,574	302,176	355,111	351,882
Bills payable	185,597	359,380	222,506	255,481
	378,171	661,556	577,617	607,363

The credit terms granted by suppliers to the Group were usually 30 to 90 days during the Relevant Periods.

The aging analysis of trade payables as at 31 December 2006, 2007 and 2008 and 30 June 2009 was as follows:

	As at 31 December			As at 30 June
	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
	192,574	302,176	355,111	351,882

The trade and bills payables were denominated in RMB. Their carrying amounts approximate to their fair values.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, land use right with a net book value of nil, RMB15,875,000 and nil and nil had been pledged as security for bank acceptance bills of nil, RMB33,454,000 and nil and nil, respectively (Note 7).

As at 31 December 2006, 2007 and 2008 and 30 June 2009, buildings, machinery and equipments with net book values of nil, RMB16,302,000 and nil and nil were pledged as security for bank acceptance bills of nil, RMB23,418,000 and nil and nil, respectively (Note 8).

As at 31 December 2006, 2007 and 2008 and 30 June 2009, pledged bank deposits of RMB41,820,000, RMB80,977,000 and RMB35,753,000 and RMB40,215,000 had been pledged as security for bank acceptance bills of RMB183,597,000, RMB303,457,000 and RMB217,390,000 and RMB246,623,000, respectively (Note 14).

18 Accruals and other payables

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Advance from customers	32,969	43,819	51,326	22,490
Salary and welfare payables	22,748	34,925	33,326	29,006
Accrual expenses	6,397	12,062	16,860	21,529
Guarantee deposits from suppliers	4,513	10,769	12,378	9,527
Payables for purchase of equipment	14,234	45,064	19,703	18,244
Amount due to subsidiaries and an associate of COFCO (Note 32(b))	16,287	10,809	4,453	742
Tax payables other than current income tax liabilities	256	9,692	10,760	20,823
Others	1,184	9,606	9,105	10,387
Total	98,588	176,746	157,911	132,748

The accruals and other payables are denominated in RMB and their carrying amounts approximate to their fair values.

19 Borrowings

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Short-term bank borrowings, secured, (a)	26,378	124,134	201,000	119,425
Short-term bank borrowings, unsecured	43,394	122,305	479,380	372,016
Short-term borrowings from COFCO Finance, unsecured (b) (Note 32(b))	190,000	219,000	—	140,000
Short-term borrowings from COFCO (HK), unsecured (d) (Note 32(b))	—	—	30,266	199,395
Short-term borrowings from third parties, unsecured	—	123	—	—
	259,772	465,562	710,646	830,836
Non-current				
Long-term bank borrowings, secured (c)	—	20,037	52,120	—
Long-term bank borrowings, unsecured	—	—	12,302	—
Loans from COFCO (HK), unsecured (d) (Note 32(b))	286,842	472,233	—	—
	286,842	492,270	64,422	—
Total borrowings	546,614	957,832	775,068	830,836

The borrowings are denominated in the following currencies:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Current				
Bank borrowings				
— RMB	38,000	208,978	591,000	393,000
— USD	31,772	37,461	89,380	98,441
Borrowings from COFCO Finance				
— RMB	190,000	219,000	—	140,000
Borrowings from COFCO (HK)				
— USD	—	—	30,266	199,395
Borrowings from third parties				
— USD	—	123	—	—
	259,772	465,562	710,646	830,836
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

(a) As at 31 December 2006, 2007 and 2008 and 30 June 2009, land use right with a net book value of RMB7,780,000, RMB18,899,000 and RMB32,695,000 and RMB32,238,000 had been pledged as security for short-term bank borrowings of RMB5,000,000, RMB72,315,000 and RMB201,000,000 and RMB114,000,000, respectively (Note 7).

As at 31 December 2006, 2007 and 2008 and 30 June 2009, buildings, machinery and equipment with a net book value of RMB12,050,000, RMB23,024,000 and RMB69,210,000 and RMB67,788,000 had been pledged as security for short-term bank borrowings of RMB5,000,000, RMB45,315,000 and RMB201,000,000 and RMB114,000,000, respectively (Note 8).

As at 31 December 2006, 2007 and 2008 and 30 June 2009, pledged bank deposits of nil, RMB20,399,000 and nil and RMB5,425,000 had been pledged as security for short-term bank borrowings of nil, RMB20,442,000 (denominated in original currency of US$2,723,000) and nil and RMB5,425,000, respectively (Note 14).

(b) As 31 December 2006, 2007, 2008 and 30 June 2009, borrowings from COFCO Finance were guaranteed by COFCO, the ultimate holding company, which was fully repaid in August 2009 (Note 32).

(c) The long-term borrowings as at 31 December 2007 was secured by certain construction in progress with a net book value of RMB80,000,000. The long-term borrowings as at 31 December 2008 was secured by certain properties with a net book value of RMB126,151,000 (Note 8).

(d) Loans from COFCO (HK) during the Relevant Periods and the six months ended 30 June 2009 are interest-free and repayable in part or in full subject to the borrowers' cash flows being able to support such loan repayments and the directors of the Company approving such loan repayments. The balances have been fully repaid on 20 October 2009. The movements of these loans are as below:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
At beginning of the year/period	36,629	286,842	472,233	472,233	30,266
New borrowings	357,963	241,079	30,266	—	169,129
Fair value adjustment for interest-free shareholder's loans at initial recognition	(108,386)	(55,687)	—	—	—
Amortisation cost	6,483	28,351	23,250	17,500	—
Issue of a share for the capitalisation of the shareholder's loan (Note 16(c) and (d))	—	—	(465,044)	(52,340)	—
Exchange gains	(5,847)	(28,352)	(30,439)	(28,491)	—
At end of the year/period	286,842	472,233	30,266	408,902	199,395

The effective weighted average interest rates are as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
Current				
Bank borrowings, secured				
— RMB	5.4213%	6.1089%	6.4035%	4.6175%
— USD	6.2800%	5.9078%	5.6754%	3.8979%
Bank borrowings, unsecured				
— RMB	5.6950%	5.9832%	6.3705%	5.0350%
— USD	6.1900%	6.4800%	5.8267%	2.5726%
Short-term borrowings from COFCO Finance, secured				
— RMB	5.2421%	5.9410%	3.8991%	4.0290%
Non-current				
Bank borrowings, secured				
— RMB	—	6.0750%	7.5600%	7.5600%
Bank borrowings, unsecured				
— USD	—	—	9.0652%	8.8000%

Both the bank borrowings and short-term borrowings from COFCO Finance were at fixed rates.

Short-term secured borrowings from COFCO Finance and third parties were payable on demand.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, the Group's borrowings were repayable as follows:

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

	As at 31 December			As at 30 June
	2006	2007	2008	2009
USD	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Within 1 year	31,772	37,584	119,646	297,836
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

The carrying amounts and fair values of the non-current borrowings are as follows:

	Carrying amount			
	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Long-term bank borrowings	—	20,037	64,422	—
Borrowings from COFCO (HK)	286,842	472,233	—	—
	286,842	492,270	64,422	—

	Fair value			
	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Long-term bank borrowings	—	19,209	64,422	—
Borrowings from COFCO (HK)	286,842	472,233	—	—
	286,842	491,442	64,422	—

The fair values of current borrowings approximate to their carrying amounts, as the impact of discounting is not significant. The fair values of secured long-term bank borrowings, unsecured long-term bank borrowings and shareholder's loans are based on cash flows discounted using a rate based on the effective interest rates of 7.56%, 7.74% and 8.2%, respectively.

20 Deferred government grants

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
At end of year/period				
Cost	—	9,736	9,736	9,736
Amortisation	—	—	—	—
Net book amount	—	9,736	9,736	9,736

The analysis of government grants received by the Group was as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
For acquisition of property, plant and equipment	—	9,736	9,736	9,736

During the year ended 31 December 2007, CPMC (Tianjin) obtained a government grant amounting to RMB9,736,000 for its infrastructure construction. This grant is subject to the meeting of certain criteria as required by the government and yearly amortisation over 50 years once these criteria are met. As of 30 June 2009, these criteria had not been met.

The following three conditions are attached to the government grant:

- The turnover of CPMC (Tianjin) equals or exceeds RMB0.2 billion;
- The operating profit of CPMC (Tianjin) equals or exceeds RMB10 million; and
- The earning/net asset ratio of CPMC (Tianjin) equals or exceeds 5%.

21 Long-term liabilities

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Subsidiary of COFCO (Note 32(b))	1,829	2,194	—	—
Independent third parties	1,737	2,444	—	—
	3,566	4,638	—	—
Non-current				
Subsidiary of COFCO (Note 32(b))	3,386	3,299	—	—
Independent third parties	6,582	6,033	—	—
	9,968	9,332	—	—
	13,534	13,970	—	—

The long-term payable amounts are unsecured, interest-free, and repayable by annual instalment. The carrying amounts of the amounts approximated to their fair values. The fair values of the amounts were based on cash flow discounted using a rate based on the prevailing market interest of 8.2% per annum. Please refer to Note 16(g) for settlement in 2008.

The movements in the long-term liabilities during the Relevant Periods are as below:

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Subsidiary of COFCO				
At beginning of the year/period	4,930	5,215	5,493	—
Amortisation cost	285	278	132	—
Loan restructuring gains	—	—	(792)	—
Payment	—	—	(4,833)	—
At end of the year/period	5,215	5,493	—	—
Independent third parties				
At beginning of the year/period	8,016	8,319	8,477	—
Amortisation cost	550	537	257	—
Loan restructuring gains	—	—	(3,256)	—
Payment	(247)	(379)	(5,478)	—
At end of the year/period	8,319	8,477	—	—

22 Other gains/(losses) — net

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Excess of fair value of identifiable net assets acquired over the cost of acquisition (Note 30(a) and (c))	—	6,222	220	220	—
Subsidy income from local authority*	1,458	3,322	—	—	12,997
Gains/(losses) on disposal of property, plant and equipment, net	(511)	(1,111)	(874)	1,498	473
Reversal of property, plant and equipment impairment provision (Note 8)	—	3,941	—	—	—
Write-off of expenditures in relation to the proposed [●]	—	—	(10,000)	—	—
Other gains/(losses)	371	425	3,944	(432)	(2,441)
	1,318	12,799	(6,710)	1,286	11,029

* The subsidy income is granted by the local authority to support local companies and is not subject to any conditions.

23 Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of inventories sold	1,821,982	2,404,524	2,947,623	1,513,612	1,423,204
Provision against inventories	1,023	(2,298)	2,813	(227)	215
Cost of sales	1,823,005	2,402,226	2,950,436	1,513,385	1,423,419
Depreciation of property, plant and equipment (Note 8)	37,220	59,136	67,567	35,104	35,866
Amortisation of land use rights (Note 7)	795	1,848	2,271	1,084	1,203
Amortisation of intangible assets (Note 9)	347	882	1,202	489	537
Operating lease in respect of buildings and warehouses	1,222	1,631	4,533	1,696	860
Provision for/(reversal of) impairment of trade receivables and other receivables (Note 12 and 13)	(12)	(1,341)	1,061	(1,370)	(478)
Auditors' remunerations	909	1,261	2,301	910	—

24 Employee benefit expenses

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages and salaries	87,701	116,429	160,268	71,576	78,131
Social securities	20,387	27,609	13,452	17,517	11,591
Other benefits	3,431	6,718	15,211	4,778	1,774
	111,519	150,756	188,931	93,871	91,496

(a) The employees of the subsidiaries of the Group in the PRC participate in defined contribution retirement benefit plans organised by the relevant provincial government. For the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009, the Group is required to make monthly defined contributions to these plans at rates ranging from 20.5% to 44.7% of their total salary subject to a certain ceiling.

(b) The Group has no other obligations for the payment of retirement and other post-retirement benefits of employees or retirees other than the defined contribution payments as disclosed above.

(c) Directors' emoluments

For the years ended 31 December 2006, 2007 and 2008 and six months ended 30 June 2008 and 2009, the remuneration of directors of the Company was as follows:

	For the year ended December 2006			
Name of Director	**Wages and salaries**	**Bonus**	**Social securities**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Chairman/Executive Director				
Mr. Xue Guoping	—	—	—	—
Executive Directors				
Mr. Wang Jinchang	—	—	—	—
Mr. Zhang Xin	214	491	29	734
Non-Executive Directors				
Mr. Ning Gaoning	—	—	—	—
Mr. Zhou Zheng	123	775	45	943
Mr. Hu Yonglei	—	—	—	—
Independent Non-Executive Directors				
Mr. Shi Wanpeng	—	—	—	—
Mr. Cheng Yuk Wo	—	—	—	—
Mr. Fu Tingmei	—	—	—	—
	337	1,266	74	1,677

	For the year ended December 2007			
Name of Director	**Wages and salaries**	**Bonus**	**Social securities**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Chairman/Executive Director				
Mr. Xue Guoping	—	—	—	—
Executive Directors				
Mr. Wang Jinchang	—	—	—	—
Mr. Zhang Xin	216	603	35	854
Non-Executive Directors				
Mr. Ning Gaoning	—	—	—	—
Mr. Zhou Zheng	125	979	51	1,155
Mr. Hu Yonglei	—	—	—	—
Independent Non-Executive Directors				
Mr. Shi Wanpeng	—	—	—	—
Mr. Cheng Yuk Wo	—	—	—	—
Mr. Fu Tingmei	—	—	—	—
	341	1,582	86	2,009

	For the year ended December 2008			
Name of Director	**Wages and salaries**	**Bonus**	**Social securities**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Chairman/Executive Director				
Mr. Xue Guoping	—	—	—	—
Executive Directors				
Mr. Wang Jinchang	—	—	—	—
Mr. Zhang Xin	189	360	7	556
Non-Executive Directors				
Mr. Ning Gaoning	—	—	—	—
Mr. Zhou Zheng	326	470	57	853
Mr. Hu Yonglei	—	—	—	—
Independent Non-Executive Directors				
Mr. Shi Wanpeng	—	—	—	—
Mr. Cheng Yuk Wo	—	—	—	—
Mr. Fu Tingmei	—	—	—	—
	515	830	64	1,409

	For the six months ended 30 June 2008 (Unaudited)			
Name of Director	**Wages and salaries**	**Bonus**	**Social securities**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Chairman/Executive Director				
Mr. Xue Guoping	—	—	—	—
Executive Director				
Mr. Wang Jinchang	—	—	—	—
Mr. Zhang Xin	18	10	3	31
Non-Executive Directors				
Mr. Ning Gaoning	—	—	—	—
Mr. Zhou Zheng	85	191	26	302
Mr. Hu Yonglei	—	—	—	—
Independent Non-Executive Directors				
Mr. Shi Wanpeng	—	—	—	—
Mr. Cheng Yuk Wo	—	—	—	—
Mr. Fu Tingmei	—	—	—	—
	103	201	29	333

	For the six months ended 30 June 2009			
Name of Director	**Wages and salaries**	**Bonus**	**Social securities**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Chairman/Executive Director				
Mr. Xue Guoping	—	—	—	—
Executive Directors				
Mr. Wang Jinchang	—	—	—	—
Mr. Zhang Xin	324	231	26	581
Non-Executive Directors				
Mr. Ning Gaoning	—	—	—	—
Mr. Zhou Zheng	—	—	29	29
Mr. Hu Yonglei	—	—	—	—
Independent Non-Executive Directors				
Mr. Shi Wanpeng	—	—	—	—
Mr. Cheng Yuk Wo	—	—	—	—
Mr. Fu Tingmei	—	—	—	—
	324	231	55	610

(d) Five highest paid individuals

For the three years ended 31 December 2006, 2007 and 2008, the five individuals whose emoluments were the highest in the Group included two directors, Mr. Zhou Zheng and Mr. Zhang Xin. For the six months ended 30 June 2008 and 2009, the five individuals whose emoluments were the highest in the Group included director Mr. Zhou Zheng and director Mr. Zhang Xin respectively. The emoluments payable to the highest paid five individuals during the Relevant Periods and the six months ended 30 June 2008 were as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages and salaries	639	708	1,395	349	972
Bonus	2,295	2,975	1,535	539	885
Social securities	182	199	206	110	121
	3,116	3,882	3,136	998	1,978

For the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009, the emoluments of each of the above five highest paid individuals paid by the Group were below RMB1,000,000 individually.

During the Relevant Periods and the six months ended 30 June 2008, none of the directors of the Company or the five highest paid individuals (i) received any emolument from the Group as an inducement to join or upon joining the Group; or (ii) received any compensation for loss of office as a director or management of any member of the Group; or (iii) waived or has agreed to waive any emoluments.

25 Finance costs — net

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest expenses on borrowings					
— Borrowings from banks	4,875	10,961	48,588	15,759	21,389
— Borrowings from COFCO Finance (Note 32 (a))	10,646	11,319	5,088	5,505	1,746
— Borrowings from subsidiaries of COFCO (Note 32 (a))	2,177	2,173	535	996	—
Amortisation cost of loans from COFCO (HK) (Note 19)	6,483	28,351	23,250	17,500	—
Amortisation cost of long-term liabilities (Note 21)	835	815	389	389	—
Bank charges	987	825	3,862	1,109	2,033
Net foreign exchange gains	(6,160)	(30,355)	(34,031)	(30,152)	940
Total finance costs	19,843	24,089	47,681	11,106	26,108
Less: Interest capitalised	—	(368)	(2,057)	(462)	(953)
	19,843	23,721	45,624	10,644	25,155
Finance income — Interest income on cash and cash equivalents	(1,619)	(2,858)	(3,036)	(1,439)	(1,438)
Finance costs — net	18,224	20,863	42,588	9,205	23,717

26 Income tax expense

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Current income tax					
— Mainland China enterprise income tax ("EIT")	15,737	18,155	31,458	22,532	12,130
Deferred income tax (Note 10)	(473)	6,495	(5,018)	3,409	1,941
	15,264	24,650	26,440	25,941	14,071

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate of 25% or 33% for the respective years as follows:

	Year ended 31 December						Six months ended 30 June			
	2006		2007		2008		2008		2009	
	RMB'000		RMB'000		RMB'000		RMB'000		RMB'000	
							(Unaudited)			
Profit before income tax	83,984		128,598		124,590		113,098		108,322	
Tax calculated at the statutory tax rate for PRC subsidiaries and HK / BVI subsidiaries	27,714	33%	42,437	33%	26,998	22%	28,275	25%	27,366	25%
Effect on change in EIT rate due to the new CIT law	—		(5,444)	(4%)	—		—		—	
Preferential tax rates on the income of certain subsidiaries	(12,809)	(15%)	(13,045)	(10%)	(9,087)	(7%)	(2,884)	(3%)	(16,623)	(15%)
Profit not subject to tax	—		—		3,273	2%	—		553	0%
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	—		—		3,595	3%	—		884	1%
Expenses not deductible for tax purpose	359	0%	702	0%	1,661	1%	550	0%	1,891	2%
Income tax expense	15,264	18%	24,650	19%	26,440	21%	25,941	22%	14,071	13%

Before 1 January 2008, enterprises incorporated in the PRC were normally subject to EIT at a rate of 33%. Certain subsidiaries of the Group enjoyed the preferential EIT rates lower than 33% during the Relevant Periods and the six months ended 30 June 2009 and 2008 as approved by the relevant tax authorities or operated in designated areas with preferential EIT policies in the PRC. Besides, certain subsidiaries, being incorporated as foreign investment enterprises in the PRC, have obtained approvals from the relevant tax authorities in the PRC for their entitlement to exemption from EIT for the first two years and 50% reduction in EIT for the next 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.

Effective from 1 January 2008, enterprises incorporated in the PRC shall determine and pay the corporate income tax in accordance with the Corporate Income Tax Law of the People's Republic of China (hereinafter "the new CIT Law") as approved by the National People's Congress on 16 March 2007. Under the new CIT Law, the corporate income tax rate applicable to the Group's PRC subsidiaries is 25% from 2008.

On 30 April 2009, the Ministry of Finance and the State Administration of Taxation issued the Circular on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business. Cai Shui [2009] No. 59, which is effective from 1 January 2008. During the year ended 31 December 2008, the Group undertook certain intra-group restructuring (the "Restructuring"). Under the Circular, the transfer of equity interests in certain PRC subsidiaries held by BVI subsidiaries of our Group to other HK subsidiaries of our Group is subject to an income tax of 10% on capital gains which may be determined as the difference between the fair value of the equity interests transferred and the cost of investment. As the Circular has only recently taken effect, the Directors consider that it is uncertain as to how it will be implemented, especially how the fair value will be determined, by the relevant PRC tax authorities, and the respective tax base and the tax exposure cannot be determined reliably at this stage. Consequently, no provision thereon has been made in the Financial Information.

In addition to the above contingent tax liabilities, the Directors consider that sufficient income tax provision has been made during the Relevant Periods and the six months ended 30 June 2008.

The particulars of the preferential tax policies that were available by the major PRC subsidiaries during the Relevant Periods and the six months ended 30 June 2009 were analysed as follows:

Company name	Preferential tax rate before and after 1 January 2008 and preferential tax treatment	Preferential tax treatment for the year starting
Hangzhou COFCO-MC	Preferential tax rate of 26.4% and tax exemption for two years followed by a 50% deduction of tax rate in the next three years.	First profit-making year starting from 1997 (expired in 2003)
Panyu MCP.	Preferential tax rate of 24% and tax exemption for the first two profit-making years, followed by a 50% deduction of tax rate in the next three years. Applicable tax rate for year 2008 is 12.5%, a 50% deduction of the statutory tax rate. Panyu MCP is subject to a tax rate of 25% from year 2009 onwards.	First profit-making year starting from 2004 (expired in 2008)
Hangzhou CPMC	Statutory tax rate is 25% and Hangzhou CPMC enjoys two years' tax exemption since its first profit-making year, followed by a 50% deduction of tax rate in the next three years. Year 2008 is the first profit making year.	First profit-making year starting from 2008 (expiring in 2012)
Wuxi Huapeng	Preferential tax rate of 15% before year 2008. Applicable tax rate is 25% from year 2008 onwards.	From 2005 (expired in 2007)
CPMC (Tianjin)	Statutory tax rate is 25% since year 2008. 2008 is the first profit-making year and the CPMC (Tianjin) enjoys tax exemption from the first two profit-making years, followed by a 50% deduction of tax rate in the subsequent three years.	First profit-making year starting from 2008 (expiring in 2012)
CPMC (Chengdu)	2007 and 2008 enjoy tax exemptions and are followed by a 50% deduction of tax rate in the next three years. Statutory tax rate is 25% since year 2008.	First profit-making year starting from 2007 (expiring in 2011)
CPMC (Zhenjiang).	2006 and 2007 enjoy tax exemption and are followed by a 50% deduction of tax rate in the next three years. Statutory tax rate is 25% since year 2008.	First profit-making year starting from 2006 (expiring in 2010)

27 Earnings per share

The calculation of basic earnings per share for the Relevant Periods and the six months ended 30 June 2008 is based on the profit attributable to equity holders of the Company for the Relevant Periods and the six months ended 30 June 2008 and on the assumption that the 6 ordinary shares of the Company issued, pursuant to the reorganisation as described in the section headed "History and Reorganisation" of this document, has been in issue throughout the Relevant Periods and the six months ended 30 June 2008.

There were no potential dilutive ordinary shares in existence during the Relevant Periods and the six months ended 30 June 2008 and therefore, no diluted earnings per share amounts have been presented.

28 Dividends

The directors declared an interim dividend of RMB15,833,333 per ordinary share on 18 September 2009.

Dividend payable of RMB4,442,000 brought forward before 1 January 2006 have been paid to COFCO on 14 April 2008.

29 Notes to consolidated cash flow statements

(a) Reconciliation of profit for the year/period to net cash generated from/(used in) operations

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Profit before income tax for the year/ period	83,984	128,598	124,590	113,098	108,322
Adjustments for:					
— Depreciation of property, plant and equipment (Note 8)	37,220	59,136	67,567	35,104	35,866
— Amortisation of intangible assets (Note 9)	347	882	1,202	489	537
— Amortisation of long-term deferred assets	90	237	159	200	182
— Amortisation of land use rights (Note 7)	795	1,848	2,271	1,084	1,203
— Excess of fair value of identifiable net assets acquired over the cost of acquisition (Note 22)	—	(6,222)	(220)	(220)	—
— Loss/(gain) on disposal of property, plant and equipment (Note 22)	511	1,111	874	(1,498)	(473)
— Provision for/(reversal of) impairment of trade receivables and other receivables (Note 23)	(12)	(1,341)	1,061	(1,370)	(478)
— Reversal of property, plant and equipment impairment provision (Note 8 and 22)	—	(3,941)	—	—	—
— Provision against inventories (Note 23)	1,023	(2,298)	2,813	(227)	215
— Interest income on cash and cash equivalents (Note 25)	(1,619)	(2,858)	(3,036)	(1,439)	(1,438)
— Interest expenses on borrowings from banks (Note 25)	4,875	10,593	46,531	15,297	20,436
— Interest expenses on borrowings from COFCO Finance (Note 25)	10,646	11,319	5,088	5,505	1,746
— Interest expenses on borrowings from subsidiaries of COFCO (Note 25)	2,177	2,173	535	996	—
— Amortisation cost of loans from COFCO (HK) (Note 25)	6,483	28,351	23,250	17,500	—
— Exchange gain of shareholder's loans (Note 19)	(5,847)	(28,352)	(30,439)	(28,491)	—
— Exchange losses/(gains) on cash and bank overdrafts	318	2,434	(4,242)	(569)	792
	140,991	201,670	238,004	155,459	166,910
Changes in working capital:					
— Increase in trade and bills receivables, prepayments, deposits and other receivables	(142,706)	(158,555)	(154,242)	(335,378)	(145,550)
— Decrease/(increase) in pledged bank deposits	(15,475)	(66,051)	70,235	8,026	(9,665)
— Decrease/(increase) in inventories	(73,895)	(78,040)	(11,757)	(90,694)	173,353
— Increase/(decrease) in trade and other payables	135,558	242,944	(70,145)	73,814	6,042
Cash generated from/(used in) operations	44,473	141,968	72,095	(188,773)	191,090

(b) In the consolidated cash flow statements, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net book amount (Note 8)	5,749	3,370	36,836	566	1,469
Gain/(loss) on disposal of property, plant and equipment (Note 22)	(511)	(1,111)	(874)	1,498	473
Proceeds from disposal of property, plant and equipment	5,238	2,259	35,962	2,064	1,942

(c) Deemed distribution to the equity holders

As disclosed in note 16(h), the assets and liabilities of the Steel Barrels Business at the acquisition date amounting to RMB28,196,000 were retained by Eastbay and East Ocean and were accounted for as deemed distribution to the equity holders. The assets and liabilities distributed are as follows:

	Year ended 31 December 2008
	RMB'000
Property, plant and equipment (Note 8)	8,258
Trade and bills receivables	22,335
Prepayments, deposits and other receivables	9,662
Trade payables	(1,429)
Accruals and other payables	(6,494)
Current income tax liabilities	(4,136)
	28,196

30 Business combinations

(a) On 1 January 2007, the Group acquired 91.2% of the equity interests of Zhangjiagang CPMC from COFCO Tunhe Kuitun, a then associate of COFCO. The acquired business contributed revenue of RMB94,258,000 and net profit of RMB2,840,000 to the Group for the period from 1 January 2007 to 31 December 2007.

The assets and liabilities as at 1 January 2007 arising from the acquisition are as follows:

	Acquiree's carrying amount	Fair value
	RMB'000	RMB'000
Property, plant and equipment (Note 8)	11,802	13,550
Land use rights (Note 7)	4,811	10,310
Inventories	13,337	14,498
Trade and bills receivables	2,916	2,916
Prepayments, deposits and other receivables	3,492	3,492
Cash and cash equivalents	10,058	10,058
Trade and bills payables	(29,873)	(29,873)
Accruals and other payables	(956)	(956)
Long-term payables	(2,979)	(2,979)
Deferred income tax liabilities (Note 10)	—	(989)
Net assets	12,608	20,027
Minority interests		(1,766)
Net assets acquired		18,261
Excess of fair value of identifiable net assets acquired over the cost of acquisition (Note 22)		(6,222)
Purchase consideration — Cash paid		12,039
Purchase consideration settled in cash		12,039
Cash and cash equivalents acquired		(10,058)
Cash outflow on acquisition		1,981

(b) On 1 May 2007, the Group acquired 60% of the equity interests of CPMC (Zhenjiang) from Zhenjiang Huading Packaging Industries Development Co., Ltd., an independent third party. The acquired business contributed revenue of RMB90,856,000 and net profit of RMB3,495,000 to the Group for the period from 1 May 2007 to 31 December 2007. If the acquisition had occurred on 1 January 2007, the Group's revenue and net profit for the year ended 31 December 2007 would have been RMB2,780,711,000 and RMB105,012,000, respectively.

The assets and liabilities as at 1 May 2007 arising from the acquisition are as follows:

	Acquiree's carrying amount	Fair value
	RMB'000	RMB'000
Property, plant and equipment (Note 8)	15,843	14,471
Land use rights (Note 7)	6,587	7,783
Inventories	41,890	43,994
Trade and bills receivables	24,986	24,986
Prepayments, deposits and other receivables	15,642	15,642
Cash and cash equivalents	15,833	15,833
Trade and bills payables	(44,285)	(44,285)
Borrowings	(23,003)	(23,003)
Accruals and other payables	(8,004)	(8,004)
Dividend payable	(253)	(253)
Net assets	45,236	47,164
Minority interests		(19,134)
Net assets acquired		28,030
Goodwill (Note 9)		1,809
Purchase consideration — Cash paid		29,839
Purchase consideration settled in cash		29,839
Cash and cash equivalents acquired		(15,833)
Cash outflow on acquisition		14,006

(c) On 28 June 2008, Zhangjiagang CPMC acquired the Steel Barrels Business from Northsea, an associate of COFCO. The acquired business contributed revenue of RMB13,813,000 or net profit of RMB771,000 to the Group for the period from 28 June 2008 to 31 December 2008. If the acquisition had occurred on 1 January 2008, the Group's revenue and net profit for the year ended 31 December 2008 would have been RMB3,388,577,000 and RMB102,901,000, respectively.

The assets and liabilities as at 28 June 2008 arising from the acquisition are as follows:

	Acquiree's carrying amount	Fair value
	RMB'000	RMB'000
Property, plant and equipment (Note 8)	4,948	2,959
Inventories	7,903	7,903
Intangible assets — customer relationship (Note 9)	—	1,540
Deferred income tax assets (Note 10)	—	112
Net assets acquired	12,851	12,514
Excess of fair value of identifiable net assets acquired over the cost of acquisition (Note 22)		(220)
Purchase consideration — Cash paid		12,294

31 Commitments

(a) Operating lease commitments

The Group leases certain of its office premises, plant and equipment under non-cancellable operating lease agreements. The leases have various terms and renewal rights.

The Group's future aggregate minimum lease payments under non-cancellable operating leases were as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Not later than 1 year	327	948	6,939	6,894
Later than 1 year and not later than 5 years	—	612	14,871	13,693
Over than 5 years	—	—	21,344	19,819
	327	1,560	43,154	40,406

(b) Capital commitments

Capital expenditure in respect of property, plant and equipment were as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Authorised, but not contracted	—	—	418,544	234,049
Contracted, but not provided for	57,482	68,032	162,198	188,017
	57,482	68,032	580,742	422,066

32 Related party transactions

(a) Apart from the transactions and balances disclosed elsewhere in this report, the Group had the following transactions with related parties during the Relevant Periods and the six months ended 30 June 2008:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Continuing transactions					
Sales of goods:					
Subsidiaries and associates of COFCO	22,881	25,769	19,319	7,436	9,249
Purchase of goods:					
Subsidiaries and associates of COFCO	—	—	15,012	—	14,758
Rental income:					
Subsidiaries and associates of COFCO	—	—	917	—	183
Rental expenses:					
Subsidiaries of COFCO	—	147	122	74	285
Discontinued transactions					
Sales of goods:					
Subsidiaries of COFCO	2,925	2,438	—	—	—
Interest expense on loans from related parties:					
COFCO Finance	10,646	11,319	5,088	5,505	1,746
Subsidiaries of COFCO	2,177	2,173	535	996	—
	12,823	13,492	5,623	6,501	1,746

(b) Outstanding balances with related parties:

The Group had the following significant balances with its related parties:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Balances due from related parties:				
Cash deposits (Note 15)				
COFCO Finance	35,067	77,075	—	7,170
Trade and bills receivables (Note 12)				
Trade receivables from subsidiaries and an associate of COFCO	1,322	1,759	6,659	3,568
Prepayments, deposits and other receivables (Note 13) from subsidiaries and an associate of COFCO	87	87	3,857	675
Deposit for purchase of items of property, plant and equipment from a subsidiary of COFCO	—	—	—	38,470
Balances due to related parties:				
Trade and bills payables (Note 17)				
Subsidiaries and an associate of COFCO	—	—	28,694	13,577
Accruals and other payables (Note 18)				
Amounts due to subsidiaries and an associate of COFCO	16,287	10,809	4,453	742
Loans from related parties (Note 19)				
COFCO Finance	190,000	219,000	—	140,000
COFCO (HK)	286,842	472,233	30,266	199,395
	476,842	691,233	30,266	339,395
Other long-term liability (Note 21)				
Subsidiary of COFCO	5,215	5,493	—	—

(c) Compensation of key management personnel of the Group

	Year ended 31 December			Six months period ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, allowances and benefits in kind	2,934	3,683	2,930	888	1,857
Social securities	182	199	206	110	121
	3,116	3,882	3,136	998	1,978

Further details of directors' emoluments are included in Note 24(c) to the Financial Information.

(d) Transactions with other state-owned enterprises

The Group operates in an economic regime currently predominated by state-controlled entities. During the Relevant Periods, the Group also conducted the majority of its transactions with state-controlled enterprises. The directors of the Company consider that these transactions are conducted in the ordinary course of the Group's businesses on terms similar to those that would be entered into with non-state-controlled entities. The Group has also established pricing policies for products and services, and such pricing policies do not depend on whether or not the customers are state-controlled entities. Having due regard to the substance of the relationships, the directors of the Company are of the opinion that none of these transactions are material related party transactions that require separate disclosures.

33 Financial instruments by category

The carrying amounts of each of the categories of financial instruments are as follows:

Financial assets

	Loans and receivables			
	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables	283,059	456,489	569,125	687,765
Financial assets included in prepayments, deposits and other receivables	23,368	25,875	49,413	38,436
Pledged bank deposits	53,633	119,684	49,449	59,114
Cash and cash equivalents	222,627	173,037	202,403	203,837
	582,687	775,085	870,390	989,152

Financial liabilities

	Financial liabilities at amortised cost			
	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	378,171	661,556	577,617	607,363
Financial liabilities included in other payables and accruals	65,619	132,927	106,585	110,258
Dividend payable	4,442	4,442	—	—
Bank and other borrowings	546,614	957,832	775,068	830,836
Long-term liabilities	13,534	13,970	—	—
	1,008,380	1,770,727	1,459,270	1,548,457

III. FINANCIAL INFORMATION OF THE COMPANY

Statement of financial position

	Notes	31 December 2008	30 June 2009
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries	2	700,853	865,102
Property, plant and equipment		588	567
		701,441	865,669
Current assets			
Cash and cash equivalents		5,608	982
Prepayment and other receivable		6,489	18,855
		12,097	19,837
Total assets		713,538	885,506
EQUITY			
Capital and reserves attributable to the equity holder of the Company			
Share capital	3	—	—
Share premium	4	596,975	596,975
Accumulated losses		(11,993)	(14,380)
Total equity		584,982	582,595
Current liabilities			
Bank borrowings	5	82,545	82,508
Shareholder's loans	6	30,329	199,457
Due to a subsidiary	7	14,774	20,835
Accruals and other payables		908	111
		128,556	302,911
Total equity and liabilities		713,538	885,506
Net current liabilities		(116,459)	(283,074)
Total assets less current liabilities		584,982	582,595

Notes to financial information of the Company

1. General

The Company was incorporated in Hong Kong on 25 October 2007 with limited liability. Other than the transactions stated below, the Company did not have any significant business transactions since its incorporation.

2. Interests in subsidiaries

	Notes	As at 31 December 2008	As at 30 June 2009
		RMB'000	RMB'000
Unlisted shares, at cost	*(a)(b) (c)(d)*	514,165	514,165
Due from subsidiaries	*(f)*	186,688	350,937
		700,853	865,102

(a) On 29 April 2008, the Company issued one share of HK$1.00 to COFCO (HK) to acquire the entire issued share capital of COFCO No. 86 and the shareholder's loans with a carrying amount of RMB52,340,000. The deemed cost of investment in COFCO No. 86 is based on the net asset value of COFCO No. 86 and its subsidiaries on the acquisition date. The excess of the deemed cost of investment of RMB6,440,000 and the shareholder's loans of RMB52,340,000 over the par value of share issued for the acquisition were credited to the share premium of the Company.

(b) On 14 November 2008, the Company issued one share of HK$1.00 to COFCO (HK) to acquire the entire issued share capital of COFCO No. 33. The deemed cost of investment in COFCO No. 33 is based on the net asset value of COFCO No. 33 and its subsidiaries on the acquisition date. The excess of the deemed cost of investment of RMB507,725,000 over the par value of share issued for the acquisition were credited to the share premium of the Company.

(c) On 14 November 2008, the Company issued one share of HK$1.00 to COFCO (HK) to acquire the entire issued share capital of COFCO No. 34. No share premium was resulted.

(d) On 14 November 2008, the Company issued one share of HK$1.00 to COFCO (HK) to acquire the entire issued share capital of COFCO No. 39. No share premium was resulted.

(e) On 17 October 2008, the Company issued one share of HK$1.00 to COFCO (HK) to acquire a receivable of HK$34,190,000 (approximately RMB30,470,000) due by COFCO-MC (HK).

(f) The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

3. Share capital

	Authorised number of shares	HK$'000
Upon incorporation of the Company on 25 October 2007	10,000	10

Issued and fully paid up

	Number of Shares	RMB'000
At the date of incorporation (Note(a))	1	—
Issue of shares for acquisition of COFCO No.86 and the shareholder's loans (Note 2(a))	1	—
Issue of shares for acquisition of COFCO No.33 (Note 2(b))	1	—
Issue of shares for acquisition of COFCO No.34 (Note 2(c))	1	—
Issue of shares for acquisition of COFCO No.39 (Note 2(d))	1	
Issue of shares for a receivable (Note 2(e))	1	—
	6	—

(a) As at the date of incorporation of the Company, the authorised share capital was HK$10,000, divided into 10,000 shares of HK$1.00 each, of which one share of HK$1.00 was allotted, issued and credited as fully paid to True Friendship Limited, a wholly-owned subsidiary of COFCO. On 15 February 2008, the initial subscriber transferred one share of HK$1.00 in issue in the Company to COFCO (HK) at par. On 23 October 2009, the board of directors passed the follow special resolutions:

(i) The authorised share capital of the Company be increased from HK$10,000 to HK$150,000,000 by the creation of an additional 149,990,000 shares of HK$1.00 each, each ranking pari passu with the shares in issue;

(ii) Each of the issued and unissued shares of HK$1.00 each be subdivided into 10 shares of HK$0.10 each; and

(iii) Conditional on the share premium account of the Company being credited as a result of the issue of the new shares by the Company pursuant to a [●], the directors of the Company be and are authorised to capitalise and apply an amount of HK$59,999,994 from the amount standing to the credit of the account of the Company and to appropriate such amount as capital to pay up in full at par 599,999,940 shares for allotment and issue to the sole shareholder.

4. Share premium

	RMB'000
Issue of a share for the acquisition of COFCO No. 86 and the shareholder's loans (note 2(a))	58,780
Issue of a share for the acquisition of COFCO No.33 (note 2 (b))	507,725
Issue of a share for a receivable (note 2(e))	30,470
	596,975

5. Bank borrowings

The bank borrowings are unsecured, repayable within one year and interest-bearing at a rate of 4.99% per annum. The carrying amount approximates to its fair value.

6. Shareholder's loans

The amounts due to COFCO(HK) are unsecured, interest-free and are repayable within one year. The carrying value of the borrowings from COFCO (HK) approximate to their fair value. The amounts have been fully repaid on 20 October 2009.

7. Due to a subsidiary

The amount due to a subsidiary is unsecured, interest-free and are repayable within one year. The carrying amount approximates to its fair value.

IV. SUBSEQUENT EVENTS

In September 2009, the Company recognised total dividend income of RMB114,500,000 from its subsidiaries. On 18 September 2009, the directors of the Company declared an interim dividend of RMB95,000,000 to COFCO (HK). The balance has been settled on 20 October 2009.

V. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2009.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong