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**Web Proof Information Pack of**

# CPMC HOLDINGS LIMITED

*(a company incorporated in Hong Kong with limited liability)*
(the "**Company**")

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**YOU SHOULD READ THE SECTION HEADED "WARNING" ON THE COVER OF THIS WEB PROOF INFORMATION PACK.**

# SUMMARY

## OVERVIEW

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

Our products consist of the following:

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

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

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

Our customers include domestically and internationally recognized beverage and household chemical companies that manufacture and sell brand name products in China. During the period from January 1, 2008 to June 30, 2009, we served over 1,800 customers. Sales to our five largest customers accounted for 46.0%, 51.5%, 56.2% and 56.6% of our revenue for 2006, 2007, 2008 and the six months ended June 30, 2009, respectively. We purchase most of our raw materials from domestic suppliers, with tinplates as our principal raw material. Purchases from our five largest suppliers accounted for 48.4%, 50.6%, 60.0% and 57.2% of our total purchases for 2006, 2007, 2008 and the six months ended June 30, 2009, respectively.

We rely heavily on our major customers, who accounted for a considerable percentage of our revenue during the Track Record Period, and any significant reduction in sales to or the loss of any of our major customers, especially our largest customer, JDB, could materially and adversely affect our profitability and results of operations. For 2006, 2007, 2008 and the six months ended June 30, 2009, sales to JDB were RMB784.0 million, RMB1,209.9 million, RMB1,603.7 million and RMB821.8 million, respectively, and accounted for 37.7%, 44.2%, 47.9% and 49.5% of our revenue, respectively. While this business model poses potential risks for us, it has been an integral part of our competitive strategy to leverage our leading market positions, strong customer services and economies of scale to cultivate high-end customers so as to grow our earnings cost-effectively.

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

**Impact of the Global Economic Crisis**

Our business is not completely insulated from the global economic crisis because some of our customers are engaged in the export business and a small portion of our products are exported. Further, the domestic economy is intricately linked to the global economy to some extent. As a result, some aspects of our business were affected by the global economic crisis. For instance, in the last quarter of 2008, some of our three-piece beverage can customers postponed their purchases; selling prices of our steel barrels fetched a lower price than expected; and sales of aerosol cans and twist caps to customers engaging in the export business significantly decreased. At the same time, the cost of tinplates remained relatively high in the last quarter of 2008, which created pressure on our gross margins. For the foregoing reasons, our revenue and gross profit in 2008 grew at slower rates compared with 2007. The economic slowdown continued in the first quarter of 2009 and affected the operating results of some of our product groups. For instance, sales revenue of our metal caps, food cans and aerosol cans decreased from RMB367.0 million, RMB102.6 million and RMB217.4 million for the six months ended June 30, 2008 to RMB259.2 million, RMB95.7 million and RMB166.9 million for the same period in 2009, respectively.

However, the impact of such economic slowdown on our overall business and financial condition has been limited as compared with domestic manufacturers focusing on exports. In addition, we have adopted a number of proactive measures to minimize the impact of the economic

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

## OUR COMPETITIVE STRENGTHS

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

- The Largest Manufacturer of Metal Packaging Products Mainly Serving Fast-moving Consumer Products, with Leading Market Positions across Various Product Sectors;
- Comprehensive Customer Services and Solid Base of High-end Customers;
- Diversified and Complementary Product Portfolio and Strategically Located Production Facilities;
- Unique Relationship with COFCO Group;
- Strong Research and Development Capabilities with Active Participation in Setting Industry Standards;
- Experienced Management Team with a Proven Record of Successful Acquisitions and Integrations; and
- Effective Cost Control System.

## OUR BUSINESS STRATEGIES

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

- Continue Our Mergers and Acquisitions Strategy and Expand into New Businesses;
- Continue to Develop New Regional Markets, Strengthen Relationship with Our Existing Customers and Acquire New Customers;
- Increase Investment in Research and Development to Improve Product Quality and Develop New Products;
- Enhance Internal Management, Reduce Costs and Improve Profitability; and
- Attract and Retain Qualified Personnel and Develop Human Resources.

# SUMMARY

## THE REORGANIZATION

Our Company was incorporated in Hong Kong on October 25, 2007 and became an indirect wholly-owned subsidiary of COFCO on February 15, 2008. Our Company will be the overseas listed flagship of COFCO for its packaging business.

In preparation for the [●], COFCO and its subsidiaries underwent the Reorganization pursuant to which the nine operating companies within COFCO Group engaging in the packaging business, namely CPMC (Tianjin), Hangzhou CPMC, CPMC (Zhenjiang), Panyu MCP, Zhangjiagang CPMC, CPMC (Chengdu), Hangzhou COFCO-MC, Wuxi Huapeng and CPMC (Wuhan), became our subsidiaries, and the steel barrel and rectangular can businesses of two subsidiaries and an associate of China Agri, namely Eastbay, East Ocean and Northsea, respectively, were acquired by Zhangjiagang CPMC. We also established two wholly-owned operating subsidiaries to engage in the packaging business, namely Shenzhen CPMC and Hangzhou CPMC Canmaking.

## SUMMARY HISTORICAL FINANCIAL INFORMATION

The following table presents a summary of our consolidated income statements as a group for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, respectively. The summary of our consolidated income statements are derived from, and should be read in conjunction with, our audited financial statements included in the Accountants' Report set forth in Appendix I to this document. Our financial statements have been prepared in accordance with HKFRS.

### Consolidated Income Statements

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

## SUMMARY HISTORICAL OPERATING DATA

The following table presents our total revenue for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, respectively.

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2008 | 2009 |
| Revenue | RMB'000 | 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** |

## PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2009

### For the year ending December 31, 2009

Forecast consolidated profit attributable to equity holders of our Company [(1)] . . . . . Not less than RMB[●] million (HK$[●] million)

(1) The bases on which the above profit forecast has been prepared are summarized in Appendix III to this document. The forecast consolidated profit attributable to equity holders of our Company for the year ending December 31, 2009 has been prepared based on the audited consolidated results for the six months ended June 30, 2009, the unaudited consolidated results based on management accounts of our Group for the two months ended August 31, 2009 and a forecast of the consolidated results of our Group for the remaining four months ending December 31, 2009. The forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by our Group as set out in Note 3 of Section II of the Accountants' Report, the text of which is set out in Appendix I to this document. The above profit forecast has also been prepared based on forecast revenue to be derived from sales of milk powder cans with the expected effect, if any, on our Group arising from the discovery of melamine contamination in milk powder products in China in September 2008 taken into account.

## DIVIDEND POLICY

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

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

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

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

# SUMMARY

*You should carefully read all of the information in this document including the risks and uncertainties described below. The business, financial condition or results of operations of our Group could be materially adversely affected by any of these risks.*

## RISK FACTORS

There are numerous risks involved in our operations. These risks can be categorized into (i) risks relating to our business; (ii) risks relating to the industry in which we operate; (iii) risks relating to conducting business in China; and (iv) risks relating to the [●] and our shares. A detailed discussion of the risk factors are set forth in the section headed "Risk Factors" in this document. The following is a list of the risk factors:

### Risks relating to our business

- Our failure to implement our future expansion plans in time, within budget, or at all, or our failure to obtain the anticipated benefits from our expansion would have a material adverse effect on our financial condition and results of operations, as well as the growth of our sales and earnings.
- Any shortage of raw material supplies or fluctuation in the prices of our raw materials may adversely impact our profit margins and results of operations.
- The global financial markets have experienced significant deterioration and volatility recently, which has negatively impacted the global economy and may adversely affect our financial condition and results of operations.
- We rely heavily on our major customers and, in particular, our largest customer. Any significant reduction in sales to or the loss of any of our major customers could materially and adversely affect our profitability and results of operations.
- Insufficiency in production capacity for some of our products could result in a loss of sales or decline in profit, as well as damage to our reputation.
- Our inability to adequately protect our intellectual property, or any disputes arising from a third-party claim for the infringement of its intellectual property, could adversely affect our business operations and profitability.
- Our failure to accurately anticipate the demand of our existing and potential customers as well as changes in packaging trends and to adjust our production capacity accordingly could adversely affect our financial condition and results of operations.
- Our insurance may not be sufficient to cover the risks connected with our operations and potential losses.
- We require a considerable amount of working capital and may be unable to adequately finance such capital needs through cash generated from our operations and short-term bank borrowings.
- Our failure to retain key management and personnel could adversely affect our ability to implement our business strategy.
- Our controlling shareholders have the ability to exercise substantial control over us, which allows them to influence our business in ways which may not be in the best interests of our other shareholders.
- Any disruption to or shortage of utilities may harm our business operations and financial results.

- Any past failure to obtain certain approvals required to establish our operating subsidiaries, or any loss of or failure to obtain or renew any or all of the licenses and permits to operate our business or certifications relating to quality control could materially and adversely affect our business, financial condition and results of operations.
- Certain defects in title to the properties owned or leased by us in the PRC may adversely affect our right to use such properties.
- We rely on dividend payments from our subsidiaries located in the PRC for funding our dividend payments, servicing our indebtedness and meeting our working capital and other capital needs.
- Our current dividend policy and our historical dividend payment should not be taken as an indication of our future ability to pay dividends and we may not be able to pay any dividends in the future.

**Risks relating to the industry in which we operate**

- Our business and reputation may be adversely affected by potential product liabilities, product defects, consumer complaints or claims or negative publicity in relation to our products, as well as boycotts against products made in China involving our customers' products.
- Our failure to compete with our domestic and international competitors could lead to a loss of sales or decline in our profitability.
- Alternative packaging products or changes in consumption patterns could undermine the competitiveness of our main products, which could result in reduced sales or profit.
- A portion of our products are affected by seasonal factors and our quarterly results may fluctuate.

**Risks relating to conducting business in China**

- Changes in China's economic, political and social conditions and government policies may have an adverse effect on us.
- Any significant change in, or promulgation of, laws and regulations may increase our costs of production, and our failure to comply with any of these developments could result in legal liabilities for us.
- The PRC legal system embodies uncertainties that could adversely affect our business and results of operations.
- The implementation of the newly enacted PRC tax law and its implementation regulations may significantly increase our income tax expenses.
- It may be difficult to effect service of process or to enforce foreign judgments in the PRC.
- Changes in foreign exchange regulations and fluctuations in the value of the Renminbi could have an adverse effect on our financial results and our ability to distribute dividends.
- We face risks related to natural disasters, acts of war, political unrest, health epidemics and other outbreaks.
- We cannot guarantee the accuracy of facts and statistics with respect to China contained in this document, the reliability of which cannot be assumed or assured.

## SUMMARY

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

# DEFINITIONS

In this document, unless the context otherwise requires, the following expressions shall have the following meanings. Certain other terms are explained in the section headed "Glossary" in this document.

| | |
|---|---|
| **"Affiliate"** | in relation to a body corporate, any subsidiary undertaking or parent undertaking of such body corporate, and any subsidiary undertaking of any such parent undertaking for the time being |
| **"AQSIQ"** | General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局) |
| **"Articles" or "Articles of Association"** | the articles of association of our Company adopted on October 23, 2009, and as amended from time to time |
| **"Baosteel"** | Baoshan Iron & Steel Co., Ltd. (寶山鋼鐵股份有限公司), a company incorporated in the PRC with limited liability, and an independent third party, and/or its subsidiaries |
| **"Bapton"** | Bapton Company Limited, a company incorporated in Hong Kong with limited liability on August 22, 1986, and an indirect wholly-owned subsidiary of COFCO |
| **"Beijing Gloria"** | Beijing Gloria Properties Management Ltd. (北京凱萊物業管理有限公司), a company incorporated in the PRC with limited liability on February 24, 2000, and an indirect non-wholly-owned subsidiary of COFCO |
| **"Beijing Property Leasing Contract"** | a property leasing contract entered into between Hangzhou CPMC and COFCO on August 13, 2009 |
| **"Beijing Property Management Contract"** | a property management contract entered into between Hangzhou CPMC and Beijing Gloria on August 10, 2009 |
| **"Board"** | the Board of Directors of our Company |
| **"Business Day"** | a day which is not a Saturday, a Sunday or a public holiday in Hong Kong and on which banks in Hong Kong are generally open for business |
| **"BVI"** | the British Virgin Islands |
| **"CAGR"** | compound annual growth rate |
| **"Caoxian COFCO"** | Caoxian COFCO Dabao Food Industry Co. Ltd. (曹縣中糧大寶食品工業有限公司), a company incorporated in the PRC with limited liability on May 25, 2001, and a 45.45% held associate of COFCO |
| **"Caoxian Supply Agreement"** | a supply agreement entered into between our Company and Caoxian COFCO on October 23, 2009 |

| | |
|---|---|
| **"Capitalization Issue"** | the issue of 599,999,940 shares upon capitalization of an amount of HK$59,999,994 standing to the credit of the share premium account of our Company referred to in the section headed "Further Information about Our Company — The Reorganization" in Appendix VI to this document |
| **"China" or "PRC"** | the People's Republic of China excluding, for the purpose of this document, Hong Kong, Macau and Taiwan |
| **"China Agri"** | China Agri-Industries Holdings Limited (中國糧油控股有限公司), a company incorporated in Hong Kong with limited liability on November 18, 2006, the shares of which are listed on the Main Board of the Stock Exchange, and an indirect subsidiary of COFCO |
| **"China Agri Supply Agreement"** | a supply agreement entered into between CPMC (HK) and China Agri on June 27, 2008 |
| **"China Foods"** | China Foods Limited (中國食品有限公司), a company incorporated in Bermuda with limited liability on May 14, 1990, the shares of which are listed on the Main Board of the Stock Exchange, and an indirect subsidiary of COFCO |
| **"China Foods Supply Agreement"** | a supply agreement entered into between our Company and China Foods on November 28, 2008 |
| **"COFCO"** | COFCO Corporation (中糧集團有限公司), a wholly state-owned company incorporated in the PRC in September 1952 currently under the purview of the SASAC and the ultimate controlling shareholder of our Company |
| **"COFCO Development"** | COFCO Development Company Limited (中糧發展有限公司), a company incorporated in the PRC with limited liability on May 31, 2001, and an indirect wholly-owned subsidiary of COFCO |
| **"COFCO Finance"** | COFCO Finance Corporation Limited (中糧財務有限責任公司), a non-bank financial institution incorporated with limited liability in the PRC on September 24, 2002, and a wholly-owned subsidiary of COFCO |
| **"COFCO Group"** | COFCO and its subsidiaries other than our Group |
| **"COFCO (HK)"** | COFCO (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability on August 14, 1981, and a direct wholly-owned subsidiary of COFCO and our controlling shareholder |
| **"COFCO Le Conte"** | COFCO Le Conte Food (Shenzhen) Co., Ltd. (中糧金帝食品(深圳)有限公司), a company incorporated in the PRC with limited liability on June 6, 1990, and a wholly-owned subsidiary of China Foods |

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| **"COFCO-MC (HK)"** | COFCO-MC (Hong Kong) Limited (中糧包裝美特(香港)有限公司), formerly known as Teamer Hong Kong Limited, a company incorporated in Hong Kong with limited liability on October 25, 2007, and an indirect wholly-owned subsidiary of our Company |
| **"COFCO No. 33"** | COFCO (BVI) No. 33 Limited, a company incorporated in the BVI with limited liability on August 30, 2000, and a direct wholly-owned subsidiary of our Company |
| **"COFCO No. 34"** | COFCO (BVI) No. 34 Limited, a company incorporated in the BVI with limited liability on August 30, 2000, and a direct wholly-owned subsidiary of our Company |
| **"COFCO No. 39"** | COFCO (BVI) No. 39 Limited, a company incorporated in the BVI with limited liability on August 30, 2000, and a direct wholly-owned subsidiary of our Company |
| **"COFCO No. 86"** | COFCO (BVI) No. 86 Limited, a company incorporated in the BVI with limited liability on August 30, 2000, and a direct wholly-owned subsidiary of our Company |
| **"COFCO Plaza Co."** | Beijing COFCO Plaza Development Co., Ltd. (北京中糧廣場發展有限公司), a company incorporated in the PRC with limited liability on September 14, 1987, and an indirect wholly-owned subsidiary of COFCO |
| **"COFCO Tunhe"** | COFCO Tunhe Co., Ltd. (中糧屯河股份有限公司), a company incorporated in the PRC with limited liability on September 18, 1993 in which COFCO has a 59.60% equity interest, and the shares of which are listed on the Shanghai Stock Exchange |
| **"COFCO Tunhe Group"** | COFCO Tunhe and its subsidiaries |
| **"COFCO Tunhe Kuitun"** | COFCO Tunhe Kuitun Tomato Products Co., Ltd. (中糧屯河奎屯番茄製品有限公司), a company incorporated in the PRC with limited liability on August 8, 2000 in which COFCO Tunhe has a 98.85% equity interest |
| **"Companies Ordinance"** | the Companies Ordinance, Chapter 32 of the Laws of Hong Kong, as amended and supplemented from time to time |
| **"Company" or "our Company"** | CPMC Holdings Limited (中糧包裝控股有限公司), formerly known as Witty Link Limited (樺凌有限公司), a company incorporated in Hong Kong with limited liability on October 25, 2007, which became a wholly-owned subsidiary of COFCO and COFCO (HK) on February 15, 2008 |
| **"controlling shareholder(s)"** | has the meaning ascribed thereto under the Listing Rules and, unless the context requires otherwise, refers to COFCO, COFCO (HK) and Wide Smart |

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| **"CPF"** | China Packaging Federation (中國包裝聯合會), formerly known as China Packaging Technology Association (中國包裝技術協會), a national packaging organization under the direct supervision of SASAC, established in 1980 with the approval of the State Council of the PRC, which implements the PRC governmental policies relating to the packaging industry |
| **"CPF Report"** | the report of CPF dated June 2009 and entitled "2007-2008 Professional Research Report of the PRC Metal Packaging Industry (Professional Edition) (2007-2008年度中國金屬包裝行業專業分析研究報告), a non-government publication, which is not commissioned by our Group or any of our connected persons and/or the [●] but contains information and data contributed by the Group |
| **"CPMC (Chengdu)"** | CPMC (Chengdu) Co., Ltd. (中糧包裝(成都)有限公司), a company incorporated in the PRC with limited liability on January 13, 2006, and an indirect wholly-owned subsidiary of our Company |
| **"CPMC (HK)"** | CPMC (Hong Kong) Limited (中糧包裝(香港)有限公司), a company incorporated in Hong Kong with limited liability on December 11, 2007, and an indirect wholly-owned subsidiary of our Company |
| **"CPMC (Tianjin)"** | COFCO Packaging Tianjin Company Limited (中糧包裝(天津)有限公司), a company incorporated in the PRC with limited liability on March 30, 2006, and an indirect wholly-owned subsidiary of our Company |
| **"CPMC (Wuhan)"** | CPMC (Wuhan) Co., Ltd. (中糧包裝(武漢)有限公司), a company incorporated in the PRC with limited liability on September 8, 2008, and an indirect wholly-owned subsidiary of our Company |
| **"CPMC (Zhenjiang)"** | CPMC (Zhenjiang) Can End Co., Ltd. (中糧包裝(鎮江)製蓋有限公司), formerly known as Zhenjiang Huading Cibo Dni Can End Co., Ltd. (鎮江華鼎斯迪製蓋有限公司), a company incorporated in the PRC with limited liability on August 3, 2005, and an indirect wholly-owned subsidiary of our Company |
| **"CSRC"** | the China Securities Regulatory Commission (中國證券監督管理委員會) |
| **"Director(s)"** | director(s) of our Company or any of them |
| **"East Ocean"** | East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd. (東海糧油工業(張家港)有限公司), a company incorporated in the PRC with limited liability on June 5, 1993, and a non-wholly-owned subsidiary of China Agri |

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| **"Eastbay"** | COFCO Eastbay Oils & Grains Industries (Guangzhou) Co., Ltd. (中糧東洲糧油工業(廣州)有限公司), a company incorporated in the PRC with limited liability on March 16, 1995, and a non-wholly-owned subsidiary of China Agri |
| **"GDP"** | gross domestic product |
| **"Group", "our Group", "we" or "us"** | our Company and its subsidiaries at the relevant time or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company or the businesses operated by its present subsidiaries or (as the case may be) its predecessor |
| **"Guangzhou Property Leasing Agreement"** | a property leasing agreement entered into between Zhangjiagang CPMC and Eastbay on June 27, 2008 |
| **"HACCP"** | Hazard Analysis and Critical Control Point, a systematic preventive approach to food safety and pharmaceutical safety that addresses physical, chemical, and biological hazards as a means of prevention rather than finished product inspection |
| **"Hangzhou COFCO-MC"** | Hangzhou COFCO-MC Packaging Co., Ltd. (杭州中糧美特容器有限公司), a company incorporated in the PRC with limited liability on October 21, 1992, and an indirect wholly-owned subsidiary of our Company |
| **"Hangzhou CPMC"** | Hangzhou CPMC Co., Ltd. (杭州中糧包裝有限公司), a company incorporated in the PRC with limited liability on November 28, 2005, and an indirect wholly-owned subsidiary of our Company |
| **"Hangzhou CPMC Canmaking"** | Hangzhou CPMC Canmaking Co., Ltd. (杭州中糧制罐有限公司), a company incorporated in the PRC with limited liability on December 23, 2008, and an indirect wholly-owned subsidiary of our Company |
| **"HK Tenancy Agreement"** | a tenancy agreement entered into between our Company and Bapton on August 29, 2008 |
| **"HK Trademark License Agreement"** | a Hong Kong trademark license agreement entered into between our Company and COFCO on October 23, 2009 |
| **"HKD", "HK$" or "HK dollar(s)"** | Hong Kong dollars, the lawful currency of Hong Kong |
| **"HKFRS"** | Hong Kong Financial Reporting Standards |
| **"HKICPA"** | Hong Kong Institute of Certified Public Accountants |
| **"Hong Kong" or "HK"** | the Hong Kong Special Administrative Region of the PRC |
| **"Hong Kong Banking Ordinance"** | the Banking Ordinance, Chapter 155 of the Laws of Hong Kong |

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| **"independent third part(y)(ies)"** | a party or parties that is or are independent and not connected with (within the meaning of the Listing Rules) any Directors, the chief executive, substantial shareholders of our Company, our subsidiaries or any of their respective associates |
| **"Independent Valuer"** | Jones Lang LaSalle Sallmanns Limited, an independent property valuer |
| **"ISO"** | International Organization for Standardization |
| **"JDB"** | collectively, Jiaduobao Holdings Limited, JDB Investment Limited, Beijing Jiaduobao Drink Co., Ltd. (加多寶飲料有限公司), Guangdong Jiaduobao Drink & Food Co., Ltd. (廣東加多寶飲料食品有限公司), Zhejiang Jiaduobao Drink Co., Ltd. (浙江加多寶飲料有限公司), Wuhan Jiaduobao Drink Co., Ltd. (武漢加多寶有限公司) and Fujian Jiaduobao Drink Co., Ltd. (福建加多寶飲料有限公司), all of which are independent third parties |
| **"Latest Practicable Date"** | October 23, 2009, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication |
| **"LIBOR"** | London Interbank Offered Rate |
| **"Listing Committee"** | the listing sub-committee of the board of directors of the Stock Exchange 2009, on which our shares are listed and from which dealings therein are permitted to take place on the Stock Exchange |
| **"Listing Rules"** | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time) |
| **"Macau"** | the Macau Special Administrative Region of the PRC |
| **"Main Board"** | the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange |
| **"Mead Johnson"** | Mead Johnson Nutritionals (China) Ltd. (美贊臣營養品(中國)有限公司), a company incorporated in the PRC with limited liability, an independent third party |
| **"NDRC"** | the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) |
| **"Northsea"** | COFCO Northsea Oils & Grains Industries (Tianjin) Co., Ltd. (中糧北海糧油工業(天津)有限公司), a company incorporated in the PRC with limited liability on April 8, 1992, and an associate of China Agri |

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| **"Northsea Supply Agreement"** | a supply agreement entered into between CPMC (HK) and Northsea on October [●], 2009 |
| **"OHSMS"** | Occupation Health Safety Management System |
| **"Panyu MCP"** | Guangzhou Panyu MCP Industries Ltd. (廣州番禺美特包裝有限公司), a company incorporated in the PRC with limited liability on September 22, 1994, and an indirect wholly-owned subsidiary of our Company |
| **"PBOC"** | the People's Bank of China (中國人民銀行), the central bank of the PRC |
| **"Powerful Chance"** | Powerful Chance Limited (力湛有限公司), a company incorporated in Hong Kong with limited liability on October 2, 2008, and an indirect wholly-owned subsidiary of our Company |
| **"PRC GAAP"** | the generally accepted accounting principles in the PRC |
| **"PRC Legal Advisor"** | Haiwen & Partners, our legal advisor as to PRC law |
| **"PRC Trademark License Agreement"** | a PRC trademark license agreement entered into between our Company and COFCO on October 23, 2009 |
| **"Renminbi" or "RMB"** | Renminbi, the lawful currency of the PRC |
| **"Reorganization"** | the corporate reorganization of our Company effected in preparation for the [●], details of which are set out in the section headed "History and Reorganization" in this document |
| **"Repurchase Mandate"** | the general unconditional mandate to repurchase shares given to the Directors by our sole shareholder on October 23, 2009 particulars of which are set forth in the section headed "Further Information about Our Company — Written resolutions of the sole shareholder of our Company passed on October 23, 2009" in Appendix VI to this document |
| **"SAFE"** | the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局) |
| **"SASAC"** | the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會) |
| **"SFC"** | the Securities and Futures Commission of Hong Kong |
| **"SFO"** | the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended and supplemented from time to time |

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| **"Shanghai Johnson"** | Shanghai Johnson Co., Ltd. (上海莊臣有限公司), a company incorporated in the PRC with limited liability, an independent third party |
| **"Share Option Scheme"** | the share option scheme conditionally approved by the sole shareholder of our Company on October 23, 2009 principal terms of which are summarized in the section headed "Share Option Scheme" in Appendix VI to this document |
| **"share(s)"** | ordinary shares in our Company with a nominal value of HK$0.10 each |
| **"Shenzhen CPMC"** | Shenzhen CPMC Co., Ltd. (深圳中糧包裝有限公司), a company incorporated in the PRC with limited liability on November 17, 2008, and an indirect wholly-owned subsidiary of our Company |
| **"Steel Barrel Business Acquisition(s)"** | the acquisitions by Zhangjiagang CPMC of production facilities and inventories relating to the steel barrel and rectangular can businesses from two subsidiaries and an associate of China Agri, namely Eastbay, East Ocean and Northsea, respectively, on June 28, 2008 |
| **"Stock Exchange"** | The Stock Exchange of Hong Kong Limited |
| **"TG (London)"** | Top Glory (London) Limited, a company incorporated in the United Kingdom with limited liability on November 17, 1986, and a wholly-owned subsidiary of COFCO |
| **"Tianjin Property Leasing Agreement"** | a property leasing agreement entered into between Zhangjiagang CPMC and Northsea on June 27, 2008 |
| **"Track Record Period"** | the periods comprising the three years ended December 31, 2008 and the six months ended June 30, 2009 |
| **"Transhell"** | Foshan Nanhai Transhell Container Packaging Co., Ltd. (佛山市南海柏華容器有限公司), a company incorporated in the PRC with limited liability, and an independent third party |
| **"Tunhe Supply Agreement"** | a supply agreement entered into between our Company and COFCO Tunhe on October [●], 2009 |
| **"U.S." or "United States"** | the United States of America, its territories, its possessions and all areas subject to its jurisdiction |
| **"U.S. Securities Act"** | the United States Securities Act of 1933, as amended |
| **"USD", "US$" or "U.S. dollar(s)"** | United States dollars, the lawful currency of the United States |

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| **"Wide Smart"** | Wide Smart Holdings Limited, a company incorporated in the BVI with limited liability on January 3, 2001, and a direct wholly-owned subsidiary of COFCO (HK) and our controlling shareholder |
| **"Wuxi Caps"** | Wuxi Caps General Factory (無錫瓶蓋總廠), a collective-owned enterprise incorporated in the PRC, and an independent third party other than being a substantial shareholder of Wuxi Huapeng |
| **"Wuxi Huapeng"** | Wuxi Huapeng Closures Co., Ltd. (無錫華鵬瓶蓋有限公司), formerly known as CarnaudMetalbox Huapeng (Wuxi) Closures Co., Ltd. (無錫華鵬嘉多寶瓶蓋有限公司), a company incorporated in the PRC with limited liability on October 21, 1991, and an indirect subsidiary of our Company in which we hold a 61.48% equity interest with the remaining 38.52% equity interest held by third parties |
| **"Yongji COFCO"** | Yongji COFCO Dabao Food Industry Co. Ltd. (永濟中糧大寶食品工業有限公司), a company incorporated in the PRC with limited liability on October 12, 2001, and a 50% held associate of COFCO |
| **"Yongji Supply Agreement"** | a supply agreement entered into between our Company and Yongji COFCO on October 23, 2009 |
| **"Zhangjiagang CPMC"** | Zhangjiagang CPMC Co., Ltd. (張家港中糧包裝有限公司), a company incorporated in the PRC with limited liability on January 19, 2004, and an indirect wholly-owned subsidiary of our Company |
| **"ZUST"** | Zhejiang University of Science and Technology (浙江科技學院), a state university located in Hangzhou, PRC, and an independent third party |

*Unless otherwise expressly stated or the context otherwise requires, all data in this document are as of the Latest Practicable Date.*

*In this document, the terms "associate", "connected person", "connected transaction", "subsidiary" and "substantial shareholder" shall have the meanings ascribed to them under the Listing Rules, unless the context otherwise requires.*

*In this document, unless otherwise stated, certain amounts denominated in RMB and U.S. dollars have been translated into HK dollars at an exchange rate of US$1 = HK$7.7500 and RMB1 = HK$1.1345 for illustration purposes only. Such conversions shall not be construed as representations that amounts in RMB or U.S. dollars were or may have been converted into HK dollars at such rate or any other exchange rates.*

*Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

*In this document, if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail.*

# GLOSSARY

**This glossary contains explanations of certain terms used in this document in connection with our Group and our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.**

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| **"aerosol can"** | a tinplate can for one-time use that comprises a body, a top end and a bottom end, and is used to contain aerosol products like air freshener and insecticides |
| **"crown cap"** | a cap made of tinplate, pressed into the shape of a crown with 21 folds along the edge. Inside the cap is a piece of sealing compound that ensures that the cap is closely pressed against the bottle, thus creating a tight sealing effect |
| **"easy-open end"** | an aluminum end with a pull tab that has gone through stamping and scoring procedures, which is usually the top end of a can that is used to contain products like beer and soft drinks |
| **"Failure Mode and Effect Analysis", or "FMEA"** | an analysis method used to determine the potential failure and causes of failure of a product before bulk production |
| **"general food can"** | a three-piece tinplate can, which comprises a body, a top end and a bottom end mainly for packaging, processed food, such as fruits, vegetables, meat and seafood |
| **"KAAPP"** | an evaluation system for managers designed and developed by COFCO comprising of criteria with regard to knowledge, ability, attitude, personality and performance |
| **"Layered Process Audits", or "LPA"** | a system of audits performed by multiple levels of management. Key process characteristics are audited frequently to verify process conformity |
| **"milk powder can"** | a cylinder tinplate can with a variety of diameters, including 73mm, 99.6mm, 127mm and 154mm, which is mainly used to contain milk powder, nutrition powder and seasonings |
| **"miscellaneous can"** | tinplate cans in various shapes and volumes, which are used to package products like small-pack edible oil, solid food, such as cookies and moon cakes, stationery, toys, petrochemical products and seasonings |
| **"PE"** | Polyethylene or polythene |
| **"PET"** | Polyethylene terephthalate |
| **"PPI"** | Producer Price Index |
| **"printed and coated tinplate"** | tinplate printed with colors and patterns and coated with varnish, and used as the raw material for making various kinds of metal packaging products |

# GLOSSARY

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| **"rectangular can"** | a can in a rectangular shape with various volumes and types and used for packaging edible oil, processed bamboo shoots, fruit jam and chemical products |
| **"Single Minute Exchange of Die", or "SMED"** | a rapid and efficient method in a manufacturing process which can switch the current working procedure to the next working procedure within a short time |
| **"steel barrel"** | a barrel made of cold-rolled sheet steel, with a volume of 200 liters or more, which is used to contain products like bulk-sized edible oil, fruit juice, jam, fragrance and flavoring substances and lubricating oil |
| **"three-piece beverage can"** | a tinplate can made of three pieces of material in conjunction, one piece for the top easy-open end, one for the bottom end and one for the sidewall of the can, and is used to package products like tea drinks, protein drinks, energy drinks, congees, fruit and vegetable juices and coffee drinks |
| **"tinplate"** | a thin sheet of steel coated with tin, used principally for metal cans and caps |
| **"TSS"** | Total Service Solutions, a term we use to describe our model adopted for our internal operation and sales and marketing activities, which involve multi-leveled close cooperation between us and our customers through total participation of our entire staff, total process service and total production and sales process control |
| **"twist cap"** | a cap that is stamped from a sheet of tinplate and used as a closure for glass bottles |
| **"two-piece beverage can"** | a steel or aluminum can made of two pieces of material in conjunction, one piece for the top easy-open end, and the other for the bottom and sidewall of the can, and used to package products like carbonated drinks and beer |

## RISKS RELATING TO OUR BUSINESS

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

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

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

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

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

Our production requires large quantities of raw materials, principally tinplates for can and cap production and aluminum coils for future two-piece beverage can production. As at the Latest Practicable Date, we had six major tinplate suppliers and, other than a purchase agreement with one of our suppliers, Transhell, with a term of three years from 2007 to 2009 for supply of easy-open ends, we did not have any long-term contracts with any of our major suppliers. There is

no assurance that we will always be able to secure an adequate supply of raw materials at commercially viable prices to meet our future production requirements. Moreover, fluctuations in the prices of our raw materials, especially tinplates, which we have previously experienced, may increase our cost of sales and reduce our gross profit and gross margin. Our purchase price of tinplates ranged between approximately RMB7,150 to RMB10,240 per ton during the Track Record Period. Our purchase of tinplates accounted for 62.5%, 62.0%, 70.3% and 70.5% of our total raw materials and consumables purchased during the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively. There is no guarantee that we will not suffer adverse effects from any price increases of raw materials in the future. If we encounter a shortage of raw materials or if we are unable to pass on the price increases of raw materials to our customers in a timely manner, our business and results of operations could be adversely affected.

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

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

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

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

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

implementation, which, in turn, may adversely affect our sales. Any significant reduction in sales to or the loss of any of our major customers, especially our largest customer, could materially and adversely affect our profitability and results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

To successfully manage our working capital, we need to repay or roll over our short-term borrowings in time and be able to obtain new borrowings on terms acceptable to us. Further, we need to repay or renegotiate our trade payables and collect our trade receivables in an efficient manner. There is no assurance that we can continue to adequately finance our working capital needs through cash generated from our operations and short-term bank borrowings, or that we will

be able to finance any shortfall through debt or equity financing on terms acceptable to us, or at all. If we are unable to manage our working capital efficiently, our growth, competitive position and future profitability could be adversely affected.

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

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

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

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

Furthermore, a number of our Directors and senior management concurrently hold positions within COFCO Group. We have in place a corporate governance structure whereby matters considered by our Board that involve transactions between any member of our Group and any of COFCO and/or its associates will be considered and voted on solely by our independent non-executive Directors and other Directors, such as Mr. Zhang Xin, who have no management role in COFCO Group. Such matters will be decided by majority vote. Based on the current composition of our Board, Messrs. Ning Gaoning, Xue Guoping, Wang Jinchang, Zhou Zheng and Hu Yonglei will not be counted in the quorum and will abstain from voting on such matters. In addition, they will excuse themselves from Board meetings when such matters are discussed, unless expressly requested to attend by a majority of our independent non-executive Directors. This corporate governance system will also apply to any other existing or future Director who holds concurrent positions within COFCO Group. We cannot assure you that COFCO will not appoint other members of our Board or senior management to positions within COFCO Group or that our future Directors

will not hold concurrent positions within COFCO Group. If this occurs, we will take appropriate measures to ensure our continued compliance with the Listing Rules with respect to corporate governance requirements; nonetheless, the effectiveness of our corporate governance system could be adversely affected. To the best knowledge of our Directors and as at the Latest Practicable Date, our Directors confirm that there is no new appointment or proposed new appointment of any existing Director or senior management member of our Company as a director or member of senior management of COFCO Group.

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

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

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

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

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

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

For some of the properties that we own, we have not yet obtained title certificates that allow us to freely use, transfer, mortgage or otherwise dispose of the properties. As at August 31, 2009, we did not possess building ownership certificates for 25 buildings with a total gross floor area of approximately 15,226.6 square meters, representing approximately 5.1% of the properties we own

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

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

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

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

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

Our Company may declare dividends in HK dollars to be paid to the shareholders in general meetings but no dividends may be declared in excess of the amount recommended by our Board. Our Company may also make a distribution to its shareholders out of contributed surplus in general meetings. No dividend may be paid, and no distribution may be made, out of contributed surplus, if

to do so would render our Company unable to pay its liabilities as they become due or the realized value of its assets would thereby become less than an aggregate of its liabilities and its issued share capital and share premium account.

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

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

## RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

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

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

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

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

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

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

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

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

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

## RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## RISK FACTORS

Unauthorized Information. The Unauthorized Information was not sourced from or approved by us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the Unauthorized Information. To the extent that any of the Unauthorized Information is inconsistent with, or conflicts with, the information contained in this document, we disclaim it. Accordingly, prospective investors are cautioned to make their investment decisions based solely on the information contained in this document and should not rely on any of the Unauthorized Information.

# FORWARD-LOOKING STATEMENTS

This document contains, and the documents incorporated by reference herein may contain, forward-looking statements representing our goals, and actual results or outcomes may differ materially from those expressed or implied. Such forward-looking statements are subject to certain risks, uncertainties and assumptions that include, but are not limited to, expected earnings and cash flows, future growth and financial performance. Forward-looking statements typically can be identified by the use of words such as "will," "expect," "estimate," "anticipate," "forecast," "plan," "believe", "may", "intend", "ought to", "continue", "project", "should", "seek", "potential" and other similar terms. Although we believe that our expectations are reasonable, we can give no assurance that these expectations will prove to have been correct, and actual results may vary materially. These forward-looking statements include, but are not limited to, statements relating to:

- our business and operating strategies and the various measures we use to implement such strategies;
- our dividend distribution plans;
- our capital commitment plans;
- our operations and business prospects, including development plans for our existing and new businesses;
- the future competitive environment for the industries in which we operate;
- the regulatory environment as well as the general industry outlook for the industries in which we operate;
- future developments in the industries in which we operate; and
- general economic trends in China.

The words "will," "expect," "estimate," "anticipate," "forecast," "plan," "believe", "may", "intend", "ought to", "continue", "project", "should", "seek", "potential" and other similar expressions, as they relate to us (other than in relation to our profits, results of operations and earnings), are intended to identify a number of these forward-looking statements. Such statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this document. Please refer to the sections headed "Risk Factors", "Business" and "Financial Information" in this document for more details.

Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from the goals we have expressed or implied in these forward-looking statements. Except as required by applicable law, including the Listing Rules, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information.

In this document, statements of or references to our intentions or those of our Directors are made as at the date of this document. Any such intentions may change in light of future developments.

# DIRECTORS AND PARTIES INVOLVED

## DIRECTORS

| Name | Address | Nationality |
|---|---|---|
| **Chairman and Executive Director** | | |
| XUE Guoping | No. 1, 10/F, Unit 5, Building No. 1<br>No. 1 Yard<br>East Hou He Yan<br>Chongwen District<br>Beijing<br>PRC | Chinese |
| **Other Executive Directors** | | |
| WANG Jinchang | No. 1401, Unit 6, Building No. 1<br>No. 1 Yard<br>East Hou He Yan<br>Chongwen District<br>Beijing<br>PRC | Chinese |
| ZHANG Xin | No. 2303, Unit 1, Block 7<br>Guanhu International Apartment<br>Chaoyangmen<br>Chaoyang District<br>Beijing<br>PRC | Chinese |
| **Non-executive Directors** | | |
| NING Gaoning | 1-501, North Building<br>Ya Bao Apartment<br>No. 8, Da Ya Bao Hutong<br>Dongcheng District<br>Beijing<br>PRC | Chinese |
| ZHOU Zheng | Room 601, Unit 1, Block 2<br>Shuguang Apartment<br>Hangzhou, Zhejiang Province<br>PRC | Chinese |
| HU Yonglei | No.16 Dong Hua Men Avenue<br>Dongcheng District<br>Beijing<br>PRC | Chinese |
| **Independent Non-executive Directors** | | |
| SHI Wanpeng | Suite 801, Block 8, Cuiweixili<br>Haidian District<br>Beijing<br>PRC | Chinese |
| CHENG Yuk Wo | Flat C, 3/F,<br>59 Nga Tsin Wai Road<br>Kowloon<br>Hong Kong | Chinese<br>(Hong Kong) |
| FU Tingmei | Flat A, 2/F<br>Dragon Peak<br>9 Dragon Terrace, Tin Hau<br>Hong Kong | Chinese<br>(Hong Kong) |

## OTHER PARTIES INVOLVED IN THE [●]

| | |
|---|---|
| **Legal Advisors to our Company** | *as to Hong Kong law:*<br>Jones Day<br>29th Floor, Edinburgh Tower<br>The Landmark<br>15 Queen's Road Central<br>Hong Kong<br><br>*as to PRC law:*<br>Haiwen & Partners<br>21/F, Beijing Silver Tower<br>No. 2 Dong San Huan North Road<br>Chaoyang District, Beijing 100027, China |
| **Auditor and Reporting Accountants** | Ernst & Young<br>18th Floor<br>Two International Finance Centre<br>8 Finance Street<br>Central<br>Hong Kong |
| **Property Valuer** | Jones Lang LaSalle Sallmanns Limited<br>17/F Dorset House Tai Koo Place<br>979 King's Road Quarry Bay<br>Hong Kong |

# CORPORATE INFORMATION

| | |
|---|---|
| **Registered Office:** | 33rd Floor, Top Glory Tower<br>262 Gloucester Road<br>Causeway Bay, Hong Kong |
| **Headquarters:** | No. 160, Weisan Road<br>Hangzhou Economic and Technical Development Zone<br>Hangzhou, Zhejiang Province<br>PRC |
| **Principal Place of Business in Hong Kong:** | Room 2302, Top Glory Tower<br>262 Gloucester Road<br>Causeway Bay, Hong Kong |
| **Website of the Company** | www.cofco-pack.com(1) |
| **Company Secretary:** | CHAN Fan Shing *(FCCA, CPA)* |
| **Authorized Representatives:** | ZHANG Xin<br>No. 2303 Unit 1, Block 7<br>Guanhu International Apartment, Chaoyangmen<br>Chaoyang District<br>Beijing<br>PRC<br><br>CHAN Fan Shing<br>Flat C, 6/F, Chiap Thong Building<br>321 To Kwa Wan Road<br>Kowloon, Hong Kong |
| **Members of Audit Committee:** | CHENG Yuk Wo *(Chairman)*<br>FU Tingmei<br>HU Yonglei |
| **Members of Remuneration Committee:** | FU Tingmei *(Chairman)*<br>CHENG Yuk Wo<br>WANG Jinchang |
| **Members of Nomination Committee:** | NING Gaoning *(Chairman)*<br>CHENG Yuk Wo<br>FU Tingmei |
| **Hong Kong Share Registrar:** | Computershare Hong Kong Investor Services Limited<br>Shops 1712-1716<br>17th Floor, Hopewell Centre<br>183 Queen's Road East<br>Wanchai<br>Hong Kong |

Note:

1. The information contained on the website of our Company does not form part of this document.

# CORPORATE INFORMATION

**Principal Bankers:**

Bank of China Limited, Guangzhou Panyu Sub-branch
338 Qinghe East Road, Shiqiao Town,
Panyu District, Guangzhou City,
Guangdong Province, China

Bank of China Limited, Zhenjiang Dingmoqiao Sub-branch
Jianlibao North Road,
Dingmo Development Zone, Zhenjiang City,
Jiangsu Province, China

Bank of China Limited, Wuxi Hi-tech Industrial Development Zone Sub-branch
140 Wangzhuang Road, Wuxi City,
Jiangsu Province, China

Bank of China Limited, Hangzhou Economic & Technological Development Zone Sub-branch
17 Third Avenue, Hangzhou Economic & Technological Development Zone,
Hangzhou City, Zhejiang Province, China

Bank of China Limited, Chengdu Wenjiang Sub-branch
118 Danan Street, Liucheng Town,
Wenjiang District, Chengdu City,
Sichuan Province, China

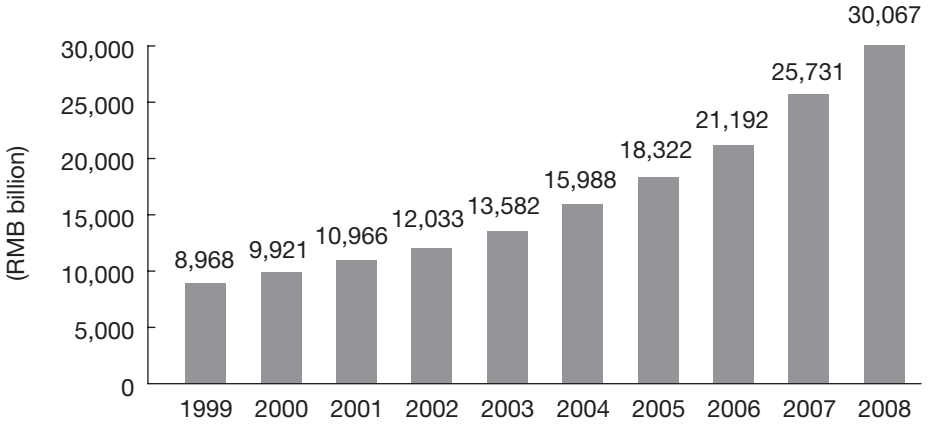
Industrial and Commercial Bank of China Ltd., Zhejiang Province Branch Banking Department
90 Qingchun Road, Hangzhou City,
Zhejiang Province, China

Shenzhen Development Bank Co. Ltd.
Guangzhou Panyu Sub-branch
1-11 Pingkang Road, Shiqiao Town,
Panyu District, Guangzhou City,
Guangdong Province, China

## OVERVIEW OF THE PRC ECONOMY

Over the past 10 years, the PRC economy has experienced significant growth with strong potential for future growth, and it is now one of the fastest growing economies in the world. According to the National Bureau of Statistics of China, the average annual growth rate of China's GDP from 1999 to 2008 is 9.9%. According to reports issued by the World Bank in 2009, China ranked as the third largest economy in the world in terms of GDP in 2008, and the second largest in terms of purchasing power parity in 2005. The following diagram illustrates China's GDP growth from 1999 to 2008:

**GDP Growth of the PRC Economy from 1999 to 2008**

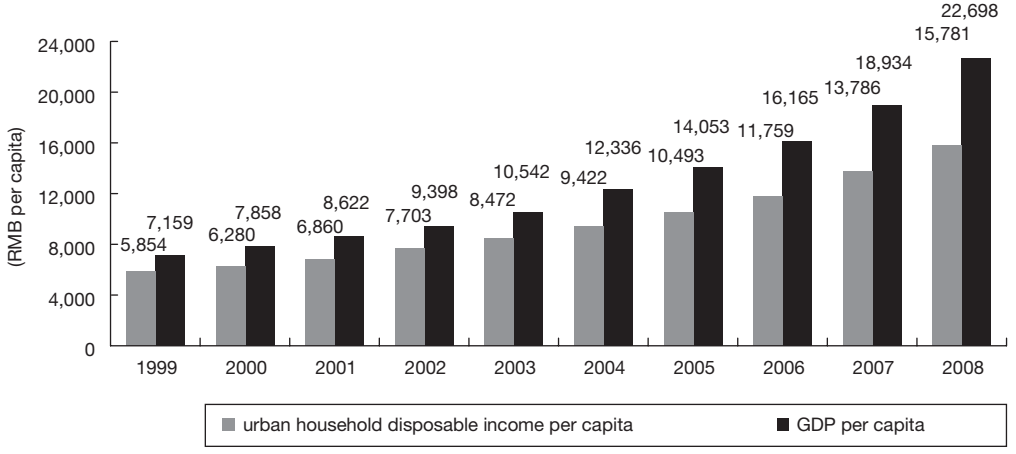



*Source: National Bureau of Statistics of China*

Under the Eleventh Five-Year Plan approved by the Tenth National People's Congress of the PRC in 2006, the GDP of the PRC is expected to grow at an average annual growth rate of 7.5% for the period from 2006 to 2010. The actual annual growth rate, however, has surpassed the expected annual growth rates set in the Tenth and Eleventh Five-year Plans every year since 2001. China's per capita GDP increased from RMB7,159 in 1999 to RMB22,698 in 2008, which represents a CAGR of approximately 13.7%. During the same period, the per capita urban household

disposable income in China increased from RMB5,854 to RMB15,781, which represents a CAGR of approximately 11.7%. The following diagram shows the GDP per capita and the urban household disposable income per capita in China from 1999 to 2008:

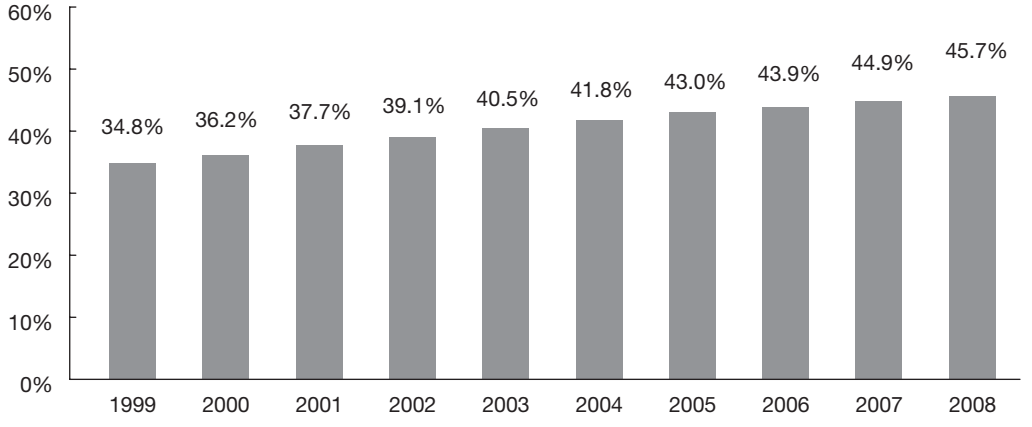
**GDP and Urban Household Disposable Income Per Capita**




*Source: National Bureau of Statistics of China*

China has been undergoing rapid urbanization in large part due to the rapid growth of its economy. In recent years, the percentage of China's urban population rose from approximately 34.8% in 1999 to approximately 45.7% in 2008. This rapid urbanization has increased the purchasing power of the overall population. The following diagram shows the growth of China's urban population as a percentage of the total population for each year from 1999 to 2008:

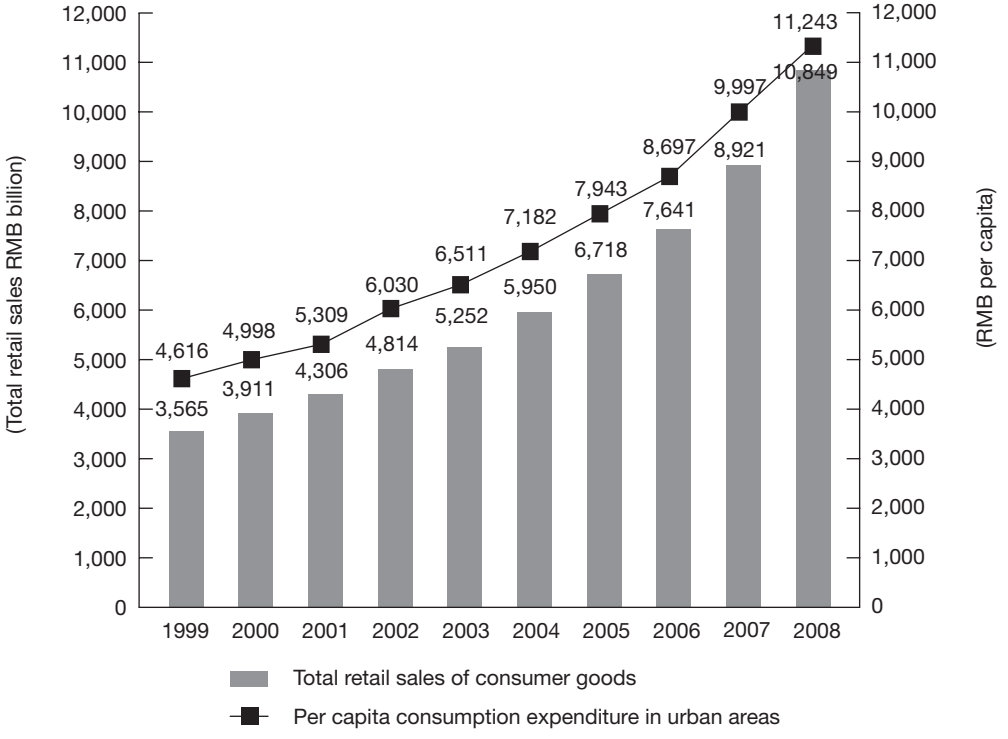
**China's Urban Population as a Percentage of the Total Population in China from 1999 to 2008**




*Source: National Bureau of Statistics of China*

The rapid urbanization and increase of urban household disposable income have contributed to the significant growth of China's consumer market in recent years. Moreover, with the launch of the Eleventh Five-Year Plan, the Chinese government will continue to stimulate domestic demand as a long-term strategic policy to maintain the momentum of economic growth. During the past decade, the annual per capita consumption expenditure in urban areas achieved a CAGR of approximately 10.4% from RMB4,616 in 1999 to RMB11,243 in 2008. Leveraged by the upward trend in consumer purchasing power, the total retail sales of consumer goods in China increased from RMB3,565 billion in 1999 to RMB10,849 billion in 2008, which represents a CAGR of approximately 13.2%. The following diagram shows the total retail sales of consumer goods and the annual per capita consumption expenditure in urban areas in China from 1999 to 2008:

**Total Retail Sales of Consumer Goods and Annual Per Capita Consumption Expenditure in Urban Areas in China from 1999 to 2008**




*Source: National Bureau of Statistics of China*

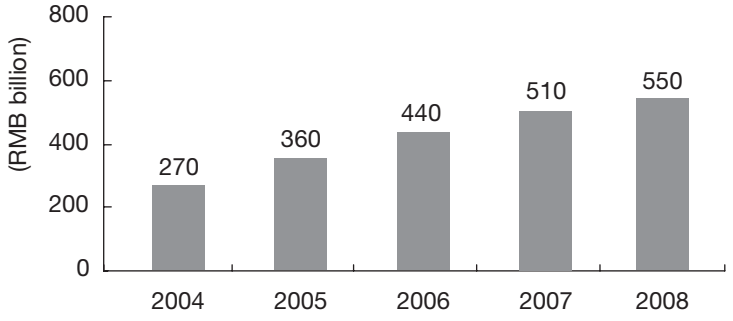
China is expected to become the world's second largest consumer market by 2015. China's economic growth, together with the development of the consumer market, has resulted in increased demand for packaging products, which has in turn led to the growth of the packaging industry and the improvement in the quality of packaging products.

## THE PACKAGING INDUSTRY OF CHINA

According to the CPF Report, China's packaging industry has grown rapidly in recent years, with sales revenue achieving a CAGR of approximately 19.5% from RMB270 billion in 2004 to RMB550 billion in 2008, and sales revenue of the industry is expected to exceed RMB1,000 billion by 2012. According to the World Packaging Organization, China became the world's third largest manufacturer of packaging products in 2007, ranking after the United States and Japan, respectively. It is estimated that the rapid growth of China's packaging industry will continue in the foreseeable future.

The following diagram illustrates the sales revenue of China's packaging industry from 2004 to 2008:

**Sales Revenue of China's Packaging Industry**




*Source: CPF Report*

The packaging industry consists of manufacturers of metal, paper, plastic and glass packaging products, as well as package printing and packaging machinery and others. The table below shows the market share of each of the main product categories included in China's packaging industry during the years 2004 to 2008:

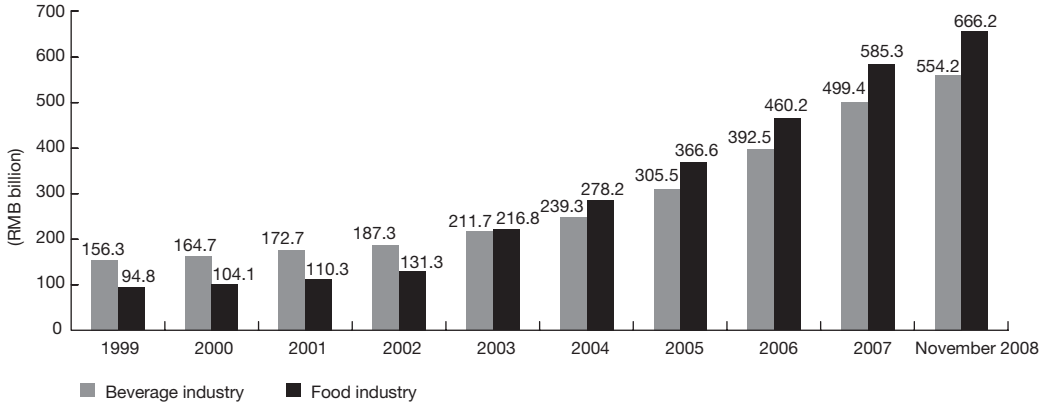
| | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| | (%) | (%) | (%) | (%) | (%) |
| Metal Packaging | 8.7 | 8.9 | 8.9 | 9.1 | 9.4 |
| Paper Packaging | 34.6 | 37.1 | 34.0 | 36.1 | 33.2 |
| Plastic Packaging | 28.3 | 26.9 | 30.8 | 30.3 | 31.3 |
| Glass Packaging | 2.7 | 2.7 | 2.7 | 2.7 | 3.0 |
| Package Printing | 17.5 | 17.4 | 16.6 | 14.8 | 15.2 |
| Manufacturing of Packaging Machinery | 5.2 | 4.8 | 5.0 | 5.1 | 6.4 |
| Others | 3.0 | 2.2 | 2.0 | 1.9 | 1.6 |
| | 100 | 100 | 100 | 100 | 100 |

*Source: CPF Report*

### Metal Packaging Market

According to the CPF Report, metal packaging products have been widely used in China by manufacturers of consumer foods, beverages and household and industrial chemical products, mainly by virtue of their sealing function and strong durability that ensure the preservation of the packaged products, as well as their capability to display vivid artworks. In recent years, the growth of urban consumption has driven the rapid development of China's packaging industry, in particular the metal packaging industry. The food and beverage industry is the largest market for China's metal packaging industry, followed by the chemical product industry. The cosmetic and pharmaceutical industries also account for a significant portion of the market for metal packaging products. According to the National Bureau of Statistics of China, the urban household expenditure on food and beverages accounted for 37.9% of total household expenditure in 2008, representing the largest household expenditure. The sales revenue of China's food industry grew from RMB94.8 billion in 1999 to RMB585.3 billion in 2007 at a CAGR of approximately 25.6%, and the sales revenue of China's beverage industry grew from RMB156.3 billion in 1999 to RMB499.4 billion in 2007 at a CAGR of approximately 15.6%. China became the second largest beverage production country in the world when its total output of beverage production rose to 42.2 million tons in 2006, making it one of the largest markets for beverage cans in Asia. In the fast growing beverage industry, metal cans have been the most commonly used containers for non-carbonated fruit juices and drinks in recent years. Additionally, the continuous growth of the chemical, cosmetic and pharmaceutical industries has also become a driving force behind the growth of the metal packaging industry. The diagram below illustrates growth for both the food and beverage industries in China from 1999 to 2008 in terms of sales revenue:

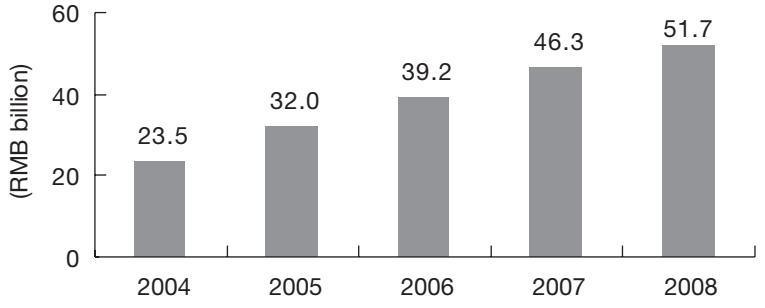
**Sales Revenues of China's Food and Beverage Industries**




*Source: National Bureau of Statistics of China*

According to the CPF Report, the sales revenue of China's metal packaging industry increased from RMB23.5 billion in 2004 to RMB51.7 billion in 2008 at a CAGR of approximately 21.8%. The following diagram illustrates the aggregate revenue of China's metal packaging industry from 2004 to 2008:

**Sales Revenue of China's Metal Packaging Industry**




*Source: CPF Report*

It is estimated that the sales revenue generated by the PRC metal packaging industry will maintain its growth momentum in the foreseeable future, as there is room for expansion when it is compared to developed countries such as the United States and Japan. For instance, in the United States, the combined product shipment value of metal cans and containers as well as crown caps and closures was approximately US$16.2 billion in 2006. Annual per capita consumption of metal packaging in the United States in 2006 was equivalent to RMB420, while annual per capita consumption of metal packaging in the PRC for the same year was RMB30. In addition, annual per capita consumption of canned food in China was 1.5 kilogram in 2006, as compared with the annual per capita consumption of canned foods of 50 kilograms in Europe and 23 kilograms in Japan, respectively.

## Metal Packaging Products

In recent years, the metal packaging industry in China has developed to provide full product coverage, ranging from beverage cans (i.e., three-piece beverage cans, two-piece aluminum beverage cans and two-piece steel beverage cans), food cans (i.e., milk powder cans and general food cans), aerosol cans (i.e., tinplate pharmaceutical cans, insecticides cans, cosmetics cans, industrial and household chemical products cans, among others), metal caps (i.e., twist and crown caps and easy-open ends), printed and coated tinplates, chemical cans, steel barrels and miscellaneous cans, among others.

### *Beverage cans*

Three-piece beverage cans are used mainly for non-carbonated fruit juices and drinks, such as tea drinks, coconut juice, almond juice, and milk, among others. The aggregate number of three-piece beverage cans manufactured in China was 4.5 billion units in 2004 and 11.5 billion units in 2008. This increase was mainly due to the rapid growth of consumption of tea and other health drinks. With sales revenue increasing at a CAGR of approximately 38.7% from 2004 to 2008, the three-piece beverage can has become one of the fastest growing metal packaging products. Two-piece beverage cans, namely two-piece aluminum beverage cans and two-piece steel beverage cans, are often used for packaging carbonated drinks and beers. The aggregate number of two-piece beverage cans manufactured in China rose from 6.5 billion units in 2004 to 14.0 billion units in 2008. The sales revenue of two-piece beverage cans increased at a CAGR of

approximately 25.4% from 2004 to 2008. The market for beverage cans has strong growth potential. In 2006, the average per capita consumption was 17 beverage cans in China, as compared to 380 beverage cans in the United States.

*Food cans*

Food cans include milk powder cans and general food cans. Milk powder cans are used for packaging milk powder, seasonings and nutrition products, among others. General food cans are used for packaging processed agricultural products, such as mushrooms, asparagus, oranges, boiled bamboo shoots, luncheon meat, tuna fish and ketchup. With the increase in export of canned foods and individually packaged instant food products, especially supermarket instant foods, the demand for food cans has grown rapidly. The number of food cans manufactured in China was 3.12 billion units in 2004 and reached approximately 7.33 billion units in 2008. The sales revenue for general food cans increased at a CAGR of approximately 21.0%, while the sales revenue for milk powder cans increased at a CAGR of approximately 16.2%, from 2004 to 2008.

*Aerosol cans*

Aerosol cans are important packaging products for chemical products, including insecticides, cosmetics and pharmaceutical products. The number of aerosol cans manufactured in China reached 0.8 billion units in 2004 and 1.2 billion units in 2008. The sales revenue of aerosol cans, like other metal packaging products, has enjoyed rapid growth. During the period from 2004 to 2008, the sales revenue of aerosol cans increased at a CAGR of approximately 13.5%.

*Metal caps*

Of the various types of metal caps, crown caps are used primarily for packaging beer and carbonated drinks, while twist caps are used mainly for the packaging of foods and seasonings requiring a tight hermetic seal. From 2004 to 2008, the aggregate number of crown caps manufactured in China increased from 40 billion units to 64.8 billion units, with sales revenue increasing at a CAGR of approximately 9.7%, while the aggregate number of twist caps manufactured in China rose from 2.2 billion units to 4.0 billion units, with sales revenue increasing at a CAGR of approximately 16.8%.

Easy-open ends, serving as accessories, are often applied to several metal packaging products, such as three-piece beverage cans, two-piece beverage cans and food cans. Given their lightness, small size and durability, the production of easy-open ends has been increasing around the world. The aggregate number of easy-open ends manufactured in China increased from 13 billion units in 2004 to 27.5 billion units in 2008, with sales revenue increasing at a CAGR of approximately 28.2%.

*Printed and coated tinplates*

Printing and coating on the surface of metal packaging products occurs in the initial stage of production. At present, the types of printed and coated tinplates in China have evolved from black and white to double colors, and now four, five and even six colors. According to the CPF Report, there are now approximately 800 production lines for printed and coated tinplates in China, a majority of which are engaged in manufacturing printed and coated tinplates for external sale. The amount of printed and coated tinplates manufactured for sale in China increased from 450 thousand tons in 2004 to 680 thousand tons in 2008, with sales revenue increasing at a CAGR of approximately 13.2%.

*Chemical cans*

Chemical cans are used mainly for chemical paint, oil paint and lubricating oil, among others. Along with the rapid development of the automobile, construction, real estate and adhesive and thinner industries, the demand for chemical cans has been rising sharply. The number of chemical cans manufactured in China was 6.3 billion units in 2004 and increased to 7.5 billion units in 2008, with sales revenue increasing at a CAGR of approximately 15.0%.

*Steel barrels*

Steel barrels are used to transport foods, including edible oil, fruit juice and jam; chemical raw materials, including fragrance and flavoring substances; and petroleum products, including lubricating oil, in large volume. Driven by the growth of the petroleum and chemical industries, the production of steel barrels experienced a rapid expansion, as the aggregate number of steel barrels manufactured in China increased from 37 million units in 2004 to 62 million units in 2008, with sales revenue increasing at a CAGR of approximately 16.4%.

*Miscellaneous cans*

Miscellaneous cans refer mainly to cans used for packaging solid foods, stationery, desk accessories, toys and gifts. The aggregate number of miscellaneous cans manufactured in China has increased from 4.5 billion units in 2004 to 7.5 billion units in 2008, with sales revenue increasing at a CAGR of approximately 19.6%.

The following diagram illustrates the 2008 aggregate sales revenue and market share of various types of metal packaging products in China:

**Aggregate Sales Revenue and Market Share of Metal Packaging Products Industry in China**

| Products | Aggregate Revenue (RMB billion) | Market Share (%) |
|---|---|---|
| Two-piece beverage cans | 8.4 | 16.3 |
| Three-piece beverage cans | 8.5 | 16.5 |
| Milk powder cans | 0.6 | 1.2 |
| General food cans | 6.0 | 11.6 |
| Aerosol cans | 1.4 | 2.6 |
| Chemical cans | 4.9 | 9.5 |
| Printed and coated tinplates[(1)] | 2.3 | 4.5 |
| Steel barrels | 6.8 | 13.2 |
| Miscellaneous cans | 4.7 | 9.1 |
| Crown caps | 1.9 | 3.6 |
| Twist caps | 0.8 | 1.5 |
| Easy-open ends | 5.4 | 10.5 |
| | 51.7 | 100 |

Note:

1. Only includes external sales of printed and coated tinplates

*Source: CPF Report*

### Geographic Locations of Metal Packaging Markets

According to the CPF Report, there were a total of approximately 1,400 metal packaging companies located in China in 2008. With a favorable business environment and good market conditions as well as convenient sales channels and infrastructure, the metal packaging companies are located mainly in southern China, northern China and the coastal areas of eastern China. Furthermore, a majority of the large-scale metal packaging companies are located in the Bohai Bay, the Yangtze River Delta and the Pearl River Delta regions. The metal packaging manufacturers locate their operating facilities in well-developed consumer markets. At present, southern China and eastern China are the largest markets for metal packaging manufacturers. It is estimated that both demand and supply of the metal packaging market in central and western China will grow significantly as manufacturers currently based in the coastal areas of eastern China gradually expand their markets and operating presence in central and western China. These two areas are believed to have significant potential for metal packaging markets. In particular, the metal packaging industry in Sichuan and Hubei, which rely on traditional industries of agricultural production and food-processing, have enjoyed and will continue to enjoy rapid growth.

### Concentration and Consolidation of Metal Packaging Industry

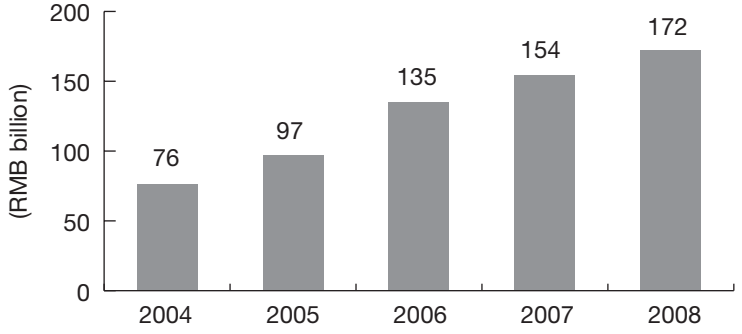
Among the 1,400 metal packaging companies in China in 2008, 763 companies had annual revenues of more than RMB5.0 million, while only 99 companies had annual revenue of RMB100.0 million or more. By 2008, small-sized and medium-sized companies accounted for a majority of the metal packaging companies, resulting in a relatively low industry concentration ratio. In 2008, the combined revenue of the 10 largest metal packaging groups in China reached RMB14.5 billion, representing approximately 28.1% of the total revenue of the metal packaging industry in China. Our Group's combined revenue generated from the sales of metal packaging products reached RMB3.3 billion in 2008, representing approximately 6.4% of the aggregate revenue of China's metal packaging industry, making us the largest metal packaging group in China.

China's metal packaging industry has been experiencing consolidation in recent years through mergers and acquisitions. Such industry consolidation is expected to continue in the foreseeable future. Major metal packaging companies, which have established their own brands and possess intellectual property rights, are expected to grow by acquiring small metal packaging companies.

### Plastic and Paper Packaging Market

The plastic packaging industry is mainly comprised of manufacturers of film, pouches, bottles and buckets. Plastic packaging products are principally used for packaging beverages, foods, household chemical products and medicines. Most plastic packaging products are primarily made of either PE or PET. In addition, application of degradable plastics, especially polylactic acid, is becoming increasingly more popular in the plastic packaging industry. According to the CPF Report, the sales revenue generated by China's plastic packaging industry increased from RMB76 billion in 2004 to RMB172 billion in 2008, representing a CAGR of approximately 22.5%. The following diagram illustrates the aggregate revenue of China's plastic packaging industry from 2004 to 2008:

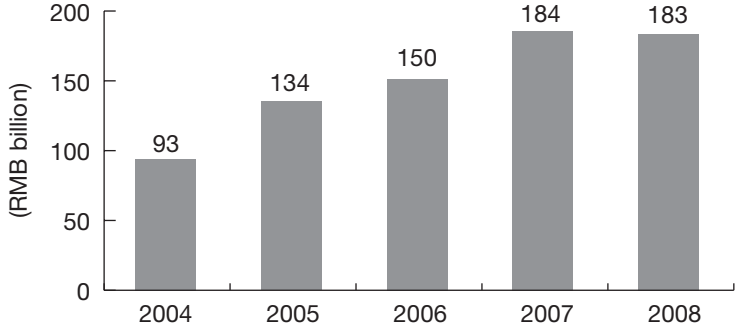
**Sales Revenue of China's Plastic Packaging Industry**




*Source: CPF Report*

The paper packaging industry consists of manufacturers of a broad range of paper packaging products for industries of food, textile, decoration material and electrical equipment. For instance, paper packaging products are used for packaging beverages, dairy products, foodstuffs, fruits, pharmaceutical products and electrical appliances. Composite paper packaging products are widely used in the beverage industry mainly for packaging milk, juice, tea and coffee. The paper packaging industry in China has also experienced an increase in the sales revenue from RMB93 billion in 2004 to RMB183 billion in 2008, representing a CAGR of approximately 18.3%. The following diagram illustrates the sales revenue of China's paper packaging industry from 2004 to 2008:

**Sales Revenue of China's Paper Packaging Industry**




*Source: CPF Report*

**A summary of certain major laws and regulations in relation to our business is set forth below. Information contained in this section should not be construed as a comprehensive summary of laws or regulations applicable to us.**

## LAWS AND REGULATIONS IN RELATION TO FOOD SAFETY

The Food Safety Law of the PRC (《中華人民共和國食品安全法》) ("Food Safety Law") was promulgated on February 28, 2009 by the Standing Committee of the National People's Congress and became effective on June 1, 2009. The Implementation Regulations of the Food Safety Law (《中華人民共和國食品安全法實施條例》) (the "Implementation Regulations") was subsequently promulgated on July 20, 2009 and became effective from the date of promulgation.

The Food Safety Law and the Implementation Regulations apply to the production and operation of food, food additives, food related products that include food containers and packaging materials, as well as other relevant products. Under this law, manufacturers who are engaged in the production of food, food additives and food related products must comply with applicable food safety standards and must satisfy inspection and approval procedures with regard to their products before sending them into the market. In addition, food manufacturers are required to check business permits and product qualification certificates of their suppliers from whom they purchase food materials, additives and related products and to inspect such products to ensure that they conform to applicable food safety standards. Any violation of the Food Safety Law and its Implementation Regulations may result in legal liabilities, such as warnings, fines, damages, or even in criminal liabilities for serious violations.

## LAWS AND REGULATIONS IN RELATION TO QUALITY AND SAFETY OF PRODUCTS

The Product Quality Law of the PRC (《中華人民共和國產品質量法》) ("Product Quality Law") was adopted by the Standing Committee of the National People's Congress on February 22, 1993 and amended on July 8, 2000. Applicable to all production and marketing activities in China, the Product Quality Law was formulated to strengthen the administration of rules pertaining to and improve product quality, as well as to clarify product liability rules, protect consumers and maintain social and economic order.

The State Council established a national administration in charge of nationwide product quality, with local authorities performing this duty at the local level. Products offered for sale must meet relevant quality and safety standards. Enterprises may not produce or market counterfeit products in any fashion, including forging brand labels or giving false information about the manufacturer of a product. Violations of state or industrial standards for health and safety and any other related violations may result in civil liabilities and penalties, such as compensation for damages, fines, suspension or shutdown of businesses, as well as confiscation of products illegally produced and sold and the sales proceeds from such products. Serious violations may subject the responsible individual or enterprise to criminal liabilities. Manufacturers whose products cause personal or property damages due to their latent defects are liable for such damages.

For the implementation of the Product Quality Law, the Regulations of the PRC on the Administration of Production License for Industrial Products (《中華人民共和國工業產品生產許可證管理條例》) ("Production License Regulations") were promulgated on July 9, 2005 by the State Council and became effective on September 1, 2005 to regulate product quality and safety. Subsequently, on September 15, 2005, for the implementation of the Production License Regulations, AQSIQ promulgated the Measures for the Implementation of the Regulations of the PRC on the Administration of Production License for Industrial Products (《中華人民共和國工業產品生產許可證管理條例實施辦法》 ("Production License Measures"), which came

into effect on November 1, 2005. Pursuant to the Production License Regulations and the Production License Measures, relevant authorities at the provincial level and above are responsible for issuing production licenses to enterprises engaged in the production of various industrial products crucial to human health, safety and social security, such as meat, dairy, beverages, rice, flour, edible oil, alcohol, electric blankets, pressure pots, safety helmets, dangerous chemicals and packaging and containers for dangerous chemicals. From time to time, AQSIQ formulates and revises an industrial product catalogue. Enterprises engaged in the production of products listed in the catalogue must apply for and obtain production licenses from competent authorities. Manufacturing such products without a valid production license is strictly prohibited. Any violation will result in warnings, fines, confiscation of products illegally produced and proceeds from their sale, or suspension or even shutdown of the business committing the violation. Criminal liabilities may also be imposed for serious violations. The valid period of the production license ranges from three to five years, and enterprises must follow the re-certification procedures before the expiration of their production licenses in order to continue their production.

## LAWS AND REGULATIONS IN RELATION TO PRODUCTION SAFETY

The Production Safety Law of the PRC (《中華人民共和國安全生產法》) ("Production Safety Law") was promulgated by the Standing Committee of the National People's Congress on June 29, 2002 and became effective on November 1, 2002. This law provides safety standards for any production or business operation in order to protect the safety of employees and the general public. The State Administration of Work Safety (國家安全生產監督管理總局), a central government authority established by the State Council, is primarily responsible for supervision and administration of the Production Safety Law nationwide. Local government authorities at the county level and above are responsible for supervision and administration of production safety within their respective local jurisdictions.

Enterprises must undertake necessary measures to set up and maintain appropriate equipment, monitor the safety of production procedures, assign designated personnel, conduct workplace safety training and undertake all other measures required by the law to ensure the safety of employees and the general public. Any responsible individual or enterprise that fails to perform its duty to meet the safety production standards may be ordered to rectify the violations within a prescribed period and/or pay a fine. Failure to rectify the violations within the prescribed period may result in suspension or shutdown of the business committing the violation. Serious violations that result in any production safety accident may subject the responsible individuals to criminal liabilities.

## LAWS AND REGULATIONS IN RELATION TO PRINTING

The Regulations on the Administration of Printing Industry (《印刷業管理條例》) ("Printing Industry Regulations") were promulgated by the State Council and came into force on August 2, 2001. These regulations regulate the operations of printing publications, as well as the packaging and decoration materials on printed objects, such as paper, metal and plastic. Pursuant to the Printing Industry Regulations, no one is allowed to engage in the printing business without obtaining a printing license. The printing license may not be leased, lent or transferred by any means.

Other rules and regulations for the printing industry that impact the packaging industry include:

- the Administrative Regulations on Fulfilling Printing Orders (《印刷品承印管理規定》) ("Printing Orders Regulations"), which were issued by the General Administration of Press and Publication (新聞出版總署) together with the Ministry of Public Security (公安部) and took effect on September 1, 2003. Under the Printing Orders Regulations, companies engaged in the printing business are required to verify clients' legal documents, such as business licenses and trademark registration certificates, and to file the printing records kept by the companies with competent authorities;

- the Measures on Administration of Bar Code (《商品條碼管理辦法》) issued by AQSIQ on May 30, 2005. In addition, the Implementation Measures on Identification of Printing Qualification of Bar Code (《商品條碼印刷資格認定工作實施辦法》) ("Bar Code Measures") issued by the former State Bureau of Quality and Technical Supervision (國家質量技術監督局) on July 19, 2000. Pursuant to the aforesaid Measures, enterprises engaged in the business of printing bar codes are encouraged to be qualified and have qualification certificates issued by an organization under the State Bureau of Quality and Technical Supervision. The qualification certificates are valid for three years and can be renewed upon application within two months before expiry;
- the Interim Provisions on the Establishment of Foreign-invested Printing Enterprises (《設立外商投資印刷企業暫行規定》) ("Interim Provisions") jointly issued by the General Administration of Press and Publication and the former Ministry of Foreign Trade and Economic Cooperation (對外貿易經濟合作部) on January 29, 2002. Under the Interim Provisions, approvals by the press and publication administration are required for the establishment of foreign-invested enterprises engaging in the printing business. In addition, foreign-invested printing enterprises are not allowed to set up branches; and
- the Interim Measures on the Qualifications of Printing Operators (《印刷業經營者資格條件暫行規定》) issued by the General Administration of Press and Publication on November 9, 2001, which specify the qualifications required for enterprises engaged in printing operations. Printing operators must satisfy such qualification requirements in order to obtain approval for their establishment and printing licenses from the press and publication administration.

## LAWS AND REGULATIONS IN RELATION TO IMPORTS AND EXPORTS

The Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) was promulgated on May 12, 1994 and revised on April 6, 2004 by the Standing Committee of the National People's Congress to develop foreign trade in areas such as the import and export of goods, technology and international service, and to maintain order in foreign trade and promote the advancement of China's economy. The Foreign Trade Law requires enterprises engaged in foreign trade to register with the relevant divisions of foreign economic relations and trade under the State Council and obtain permissions for their foreign trade operations, if necessary. In addition, the Foreign Trade Law addresses such issues as intellectual property infringement, unfair competition, tax evasion and civil and criminal liabilities for violations of the foreign trade orders.

The Law of the PRC on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法》) was promulgated by the Standing Committee of the National People's Congress on February 21, 1989 and revised on April 28, 2002. For the implementation of the Law of the PRC on Import and Export Commodity Inspection, the Regulations for the Implementation of the Law of the Peoples Republic of China on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法實施條例》) were passed by the State Council on August 10, 2005 and came into force on December 1, 2005. The main objectives of this law and its implementing regulations are to strengthen the inspection of, and ensure the quality of, import and export commodities to protect the lawful rights and interests of the parties involved in foreign trade, and to promote the development of China's economic and trade relations with foreign countries. A central government authority oversees inspections, while local authorities perform inspections in areas under their jurisdiction. Such inspections cover quality, specifications, quantity, weight and packaging and requirements for safety, hygiene, health, environmental protection and anti-fraud protection, among others, and are governed by compulsory standards or other inspection standards under the law. Any violation of the relevant provisions of this law, such as evading commodity inspections, may result in fines and other penalties. Serious violations may subject the responsible individual or enterprise to criminal liabilities.

In order to regulate the production of packaging products for export of dangerous goods, the former State Bureau of Import and Export Commodities Inspection (國家進出口商品檢驗局) issued the Administrative Measures for Packaging Quality License for Export Dangerous Goods (《出口危險貨物包裝質量許可證管理辦法》) on November 20, 1997. These measures require that enterprises intending to manufacture packaging products for the export of dangerous goods apply for package quality licenses with local authorities. Enterprises may not manufacture any packaging products for the export of dangerous goods until they have obtained licenses. The licenses are valid for three years and enterprises must complete the re-certification process before the expiration of their licenses in order to continue their production.

## LAWS AND REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTION

The Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) ("Environmental Protection Law"), which was promulgated by the Standing Committee of the National People's Congress and came into effect on December 26, 1989, sets forth the legal framework for environmental protection in China. The Ministry of Environmental Protection (環境保護部) is primarily responsible for overall supervision and administration of nationwide environmental protection, while local environmental protection authorities at the county level and above are responsible for environmental protection within their respective jurisdictions.

According to the Environmental Protection Law, any enterprise involved in a construction project that may generate pollution must prepare, for prior approval by relevant environmental protection authorities, an environmental impact report assessing the pollution and environmental impact of the construction project and setting forth prevention and treatment measures. Mandatory environmental protection facilities must be simultaneously designed, built and put into operation. Construction projects are not permitted to be put into use until the facilities have passed inspections by the environmental protection authorities. Environmental protection facilities may not be dismantled or idled without authorization. Where it is necessary to dismantle or idle such installations, prior approval must be obtained from the local environmental protection authorities.

Enterprises engaged in operations that impact environmental conditions are required to adopt certain measures and systems in their operations to effectively prevent and control environmental pollution caused by waste gas, water and solids as well as noise. Enterprises that discharge contaminants must report to and register with the Ministry of Environmental Protection or their local counterparts. Enterprises discharging contaminants must pay discharge fees in accordance with the applicable regulations.

A person or an enterprise failing to comply with the Environmental Protection Law may be subject to various penalties imposed by environmental protection authorities, depending on the individual circumstances of each case and the extent of contamination. Such penalties may include warnings, fines, imposition of deadlines for remedying the contamination, orders to suspend production or use, orders to re-install contamination prevention and treatment facilities that have been removed without permission or left unused, or orders to close down enterprises. In case of serious violations, the persons or enterprises responsible for the violation may be required to compensate any parties affected by the contamination and may also be subject to criminal liabilities.

The Regulations on the Administration of Environmental Protection for Construction Project (《建設項目環境保護管理條例》) were promulgated by the State Council on November 29, 1998 and came into force on the same date. These regulations are formulated specifically to govern the environmental protection issues that may arise in connection with construction projects that may generate pollution and damage the ecological environment.

The Law of the People's Republic of China on the Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》) promulgated on September 5, 1987, the Law of the People's Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) promulgated on May 11, 1984, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Noise (《中華人民共和國環境噪聲污染防治法》) promulgated on October 29, 1996 and the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》) promulgated on October 30, 1995 set out, respectively, the regulations governing the prevention and control of air, water, noise and waste pollution in order to protect and improve the environment, safeguard public health and promote economic and social development. In particular, these laws stipulate concrete requirements for prevention and control of air, water, noise and solid waste pollution for a variety of activities, including residential, production and operation activities.

Enterprises failing to comply with the provisions of the laws on the prevention and control of air, water, noise or solid waste pollution may be subject to warnings, fines, suspension of operations and closure of business, as determined by the relevant environmental protection authorities. Enterprises that cause air, water, noise or solid waste pollution are obligated to eliminate the pollution and are required to compensate the parties directly affected by the pollution for their losses. Criminal liabilities may also be imposed for serious violations.

## CORPORATE HISTORY

Our Company was incorporated in Hong Kong on October 25, 2007 and became a direct wholly-owned subsidiary of COFCO (HK) on February 15, 2008. COFCO (HK) is an investment holding company incorporated in Hong Kong on August 14, 1981, and a wholly-owned subsidiary of COFCO. Our Company will be the overseas listed flagship of COFCO for its packaging business.

COFCO is a state-owned company in China, which commenced business in 1952. COFCO has been listed in Fortune's Global Top 500 Companies consecutively since 1994, and is one of the 135 enterprises under the direct purview of the SASAC. COFCO is currently engaged in a wide array of businesses, including agricultural commodities trading and agricultural products processing, food and beverages, real estate development, hotel management, logistics, native produce and animal by-products, financial services and, through our Company, packaging products.

We conduct our packaging business through 11 operating subsidiaries in China, namely CPMC (Tianjin), Hangzhou CPMC, Panyu MCP, CPMC (Chengdu), Hangzhou COFCO-MC, Wuxi Huapeng, CPMC (Zhenjiang), Zhangjiagang CPMC, CPMC (Wuhan), Shenzhen CPMC and Hangzhou CPMC Canmaking.

Our packaging business dates back to 1991 when Wuxi Huapeng was established to engage in the production of twist caps and crown caps. In 1992, Hangzhou COFCO-MC was established to engage in the production of metal cans and printed and coated tinplates. Hangzhou COFCO-MC has been designated by CPF as the "Development and Production Base for Printed Tinplate Packaging Containers in the PRC", one of the national level production bases in the packaging industry, since 2001. Currently, it is the only national development and production base in the PRC metal packaging industry.

In 2002, we acquired Panyu MCP to produce metal cans and printed and coated tinplates and to develop the market in southern China. In 2005, Hangzhou CPMC was established to further facilitate our packaging business. In 2006, CPMC (Tianjin) was established as our production base and service center in northern China, which further enhanced our business. In 2006, we acquired Zhangjiagang CPMC, a company engaged in the production of beverage cans, and Zhangjiagang CPMC became another subsidiary of our Company. In the same year, we extended our business coverage to the southwestern regions of China by establishing CPMC (Chengdu) as our production base and service center in southwestern China and, in 2007, CPMC (Zhenjiang) became one of our subsidiaries, thereby extending our Company's business to the manufacturing of easy-open ends. In 2008, we further expanded our business operations to include the production of steel barrels and rectangular cans as a result of the Steel Barrel Business Acquisitions by Zhangjiagang CPMC.

Subsequent to the completion of the Steel Barrel Business Acquisitions on June 28, 2008, Zhangjiagang CPMC entered into temporary arrangements with Eastbay, East Ocean and Northsea. Pursuant to such arrangements, Zhangjiagang CPMC leased to Eastbay, East Ocean and Northsea the equipment and production facilities relating to the steel barrel business for use in production by Eastbay, East Ocean and Northsea at the rent of approximately RMB302,000, RMB374,000 and RMB241,000, respectively, up to August 31, 2008, pending its preparation for commencement of the steel barrel business at its respective branches in Guangzhou, Zhangjiagang and Tianjin, including the application for the requisite license for engaging in the production of steel barrels used for packaging hazardous chemical materials. After the conclusion of such temporary arrangements, Eastbay, East Ocean and Northsea transferred to Zhangjiagang CPMC all the remaining raw materials and inventories obtained or produced by them relating to the steel barrel business during the transition period. Zhangjiagang CPMC commenced the production of steel barrels at its Guangzhou, Zhangjiagang and Tianjin branches on September 1, 2008.

In September 2008, CPMC (Wuhan) was established to produce metal cans, and in November 2008, Shenzhen CPMC was established to mainly engage in the production of milk powder cans and chemical cans. In December 2008, we also established Hangzhou CPMC Canmaking to manufacture two-piece beverage cans. We are in the process of installing one production line for the manufacturing of two-piece beverage cans in Hangzhou CPMC Canmaking and expect to commence commercial production by the end of 2009.

## REORGANIZATION

In preparation for the [●], COFCO and its subsidiaries underwent the Reorganization pursuant to which the nine companies within COFCO Group engaging in the packaging business, namely CPMC (Tianjin), Hangzhou CPMC, CPMC (Zhenjiang), Panyu MCP, Zhangjiagang CPMC, CPMC (Chengdu), Hangzhou COFCO-MC, Wuxi Huapeng and CPMC (Wuhan), became our subsidiaries, and the steel barrel and rectangular can businesses of two subsidiaries and an associate of China Agri, namely Eastbay, East Ocean and Northsea, respectively, were acquired by Zhangjiagang CPMC. We also established two wholly-owned subsidiaries to engage in the packaging business, namely Shenzhen CPMC and Hangzhou CPMC Canmaking.

Set out below are the major steps of the Reorganization:

(a) on December 13, 2007, COFCO No. 33 acquired from True Friendship Limited one share of HK$1.00, representing the entire issued share capital of CPMC (HK), for a consideration of HK$1.00, which has been fully paid in cash;

(b) on December 13, 2007, COFCO No. 86 acquired from True Friendship Limited one share of HK$1.00, representing the entire issued share capital of COFCO-MC (HK), for a consideration of HK$1.00, which has been fully paid in cash;

(c) on the dates noted below, CPMC (HK) acquired the following interests from various indirect wholly-owned subsidiaries of COFCO (HK) for the following consideration:

  (i) on December 27, 2007, 100% equity interest in CPMC (Chengdu) from COFCO No. 39 for a consideration of US$10,000,000 based on the original investment cost to CPMC (Chengdu), which consideration has not been settled by CPMC (HK);

  (ii) on December 28, 2007, 100% equity interest in CPMC (Tianjin) from COFCO No. 33 for a consideration of US$20,000,000, satisfied by the allotment and issue by CPMC (HK) to COFCO No. 33 of one share of HK$1.00, credited as fully paid;

  (iii) on December 29, 2007, 100% equity interest in Hangzhou CPMC from COFCO No. 33 for a consideration of US$30,000,000, satisfied by the allotment and issue by CPMC (HK) to COFCO No. 33 of one share of HK$1.00, credited as fully paid;

  (iv) on December 29, 2007, 100% equity interest in Panyu MCP from COFCO No. 34 for a consideration of US$11,743,861.5 based on the original purchase cost, which consideration has not been settled by CPMC (HK); and

  (v) on December 29, 2007, 25% equity interest in CPMC (Zhenjiang) from COFCO No. 86 for a consideration of US$2,035,684 based on the original purchase cost, which consideration has not been settled by CPMC (HK);

(d) on January 23, 2008, Hangzhou CPMC acquired an 8.8% equity interest in Zhangjiagang CPMC from COFCO Tunhe Kuitun for a consideration of RMB2,977,300 based on the net asset value of Zhangjiagang CPMC, which has been fully paid in cash;

(e) on February 15, 2008, COFCO (HK) acquired from True Friendship Limited one share of HK$1.00, representing the entire issued share capital of our Company, for a consideration of HK$1.00, which has been fully paid in cash;

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(f) on April 29, 2008, our Company acquired from COFCO (HK) one share of US$1.00, representing the entire issued share capital of COFCO No. 86, and shareholder's loans in the respective amounts of US$8,537,990.6 and HK$56,056.8, in consideration of and in exchange for the allotment and issue by our Company to COFCO (HK) of one share of HK$1.00, credited as fully paid;

(g) on April 29, 2008, Hangzhou CPMC acquired a 40% equity interest in CPMC (Zhenjiang) from Zhenjiang Huading Packaging Industries Development Co. Ltd., an independent third party, for a consideration of RMB28,250,000 based on the net asset value of CPMC (Zhenjiang) and on arm's length negotiations, which has been fully paid in cash;

(h) on May 19, 2008, CPMC (HK) subscribed for an additional equity interest in the amount of US$3,500,000 in CPMC (Zhenjiang), thereby increasing its equity interest in CPMC (Zhenjiang) from 25% to 50.61% and diluting the equity interest of Hangzhou CPMC in CPMC (Zhenjiang) from 75% to 49.39%;

(i) on May 20, 2008, COFCO injected its 43.08% equity interest in Wuxi Huapeng to COFCO-MC (HK) for nil consideration as a direct injection by a wholly state-owned enterprise to its wholly-owned subsidiary;

(j) on May 20, 2008, COFCO-MC (HK) acquired an 18.4% equity interest in Wuxi Huapeng from TG (London) for a consideration of HK$34,190,000 based on the net asset value of Wuxi Huapeng, which became payable by COFCO-MC (HK) to our Company upon completion of steps (n) and (p) below;

(k) on May 22, 2008, COFCO injected its 75% equity interest in Hangzhou COFCO-MC to COFCO-MC (HK) for nil consideration as a direct injection by a wholly state-owned enterprise to its wholly-owned subsidiary;

(l) on May 22, 2008, COFCO-MC (HK) acquired a 25% equity interest in Hangzhou COFCO-MC from COFCO No. 86 for a consideration of US$8,537,891.63, satisfied by the allotment and issue by COFCO-MC (HK) to COFCO No. 86 of one share of HK$1.00, credited as fully paid;

(m) on June 28, 2008, Zhangjiagang CPMC acquired the steel barrel and rectangular can businesses from two subsidiaries and an associate of China Agri, namely Eastbay, East Ocean and Northsea, for a consideration of RMB12,458,013.8, RMB19,809,744.6 and RMB12,293,528.8, respectively, based on the asset value of the machinery and equipment and the book value of the inventory and raw materials of each company and on arm's length negotiations, which has been fully paid in cash;

(n) on August 28, 2008, TG (London) assigned to COFCO (HK) all its rights, title, interest and benefit in and to the receivable in the sum of HK$34,190,000 due by COFCO-MC (HK) to TG (London) in step (j) above for a consideration of HK$1.00 based on agreed value, which has been paid in cash;

(o) on August 31, 2008, COFCO No. 33 allotted and issued to COFCO (HK) one share of US$1.00, credited as fully paid, in full settlement of the shareholder's loans in the respective amounts of US$73,784,545.5 and HK$126,332.1;

(p) on September 8, 2008, CPMC (Wuhan) was incorporated in the PRC and was 100% held by CPMC (HK);

(q) on October 17, 2008, our Company acquired from COFCO (HK) all the rights, title, interest and benefit in and to the receivable in the sum of HK$34,190,000 due by COFCO-MC (HK) to COFCO (HK) in step (n) above in consideration of and in exchange for the allotment and issue by our Company to COFCO (HK) of one share of HK$1.00, credited as fully paid;

(r) on November 14, 2008, our Company acquired from COFCO (HK) two shares of US$1.00 each, representing the entire issued share capital of COFCO No. 33, in consideration of and in exchange for the allotment and issue by our Company to COFCO (HK) of one share of HK$1.00, credited as fully paid;

(s) on November 14, 2008, our Company acquired from COFCO (HK) one share of US$1.00, representing the entire issued share capital of COFCO No. 34, in consideration of and in exchange for the allotment and issue by our Company to COFCO (HK) of one share of HK$1.00, credited as fully paid;

(t) on November 14, 2008, our Company acquired from COFCO (HK) one share of US$1.00, representing the entire issued share capital of COFCO No. 39, in consideration of and in exchange for the allotment and issue by our Company to COFCO (HK) of one share of HK$1.00, credited as fully paid;

(u) on November 17, 2008, Shenzhen CPMC was incorporated in the PRC and was held as to 90% and 10% by Hangzhou CPMC and Panyu MCP, respectively;

(v) on December 16, 2008, COFCO No. 39 acquired from True Friendship Limited one share of HK$1.00, representing the entire issued share capital of Powerful Chance for a consideration of HK$1.00, which has been fully paid in cash; and

(w) on December 23, 2008, Hangzhou CPMC Canmaking was incorporated in the PRC and was 100% held by Powerful Chance.

(x) on October 23, 2009, the authorized share capital of our Company was 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 and each of the then issued and unissued shares with a nominal value of HK$1.00 each was subdivided into 10 shares with a nominal value of HK$0.10 each; and

(y) pursuant to the written resolutions of the sole shareholder passed on October 23, 2009, conditional on the share premium account of our Company being credited as a result of the [●], the Directors were authorized to allot and issue an aggregate of 599,999,940 shares by way of capitalization of the amount of HK$59,999,994.00 from the amount standing to the credit of the share premium account of our Company, details of which are set out in the paragraph above headed "Written resolutions of the sole shareholder of our Company passed on October 23, 2009".

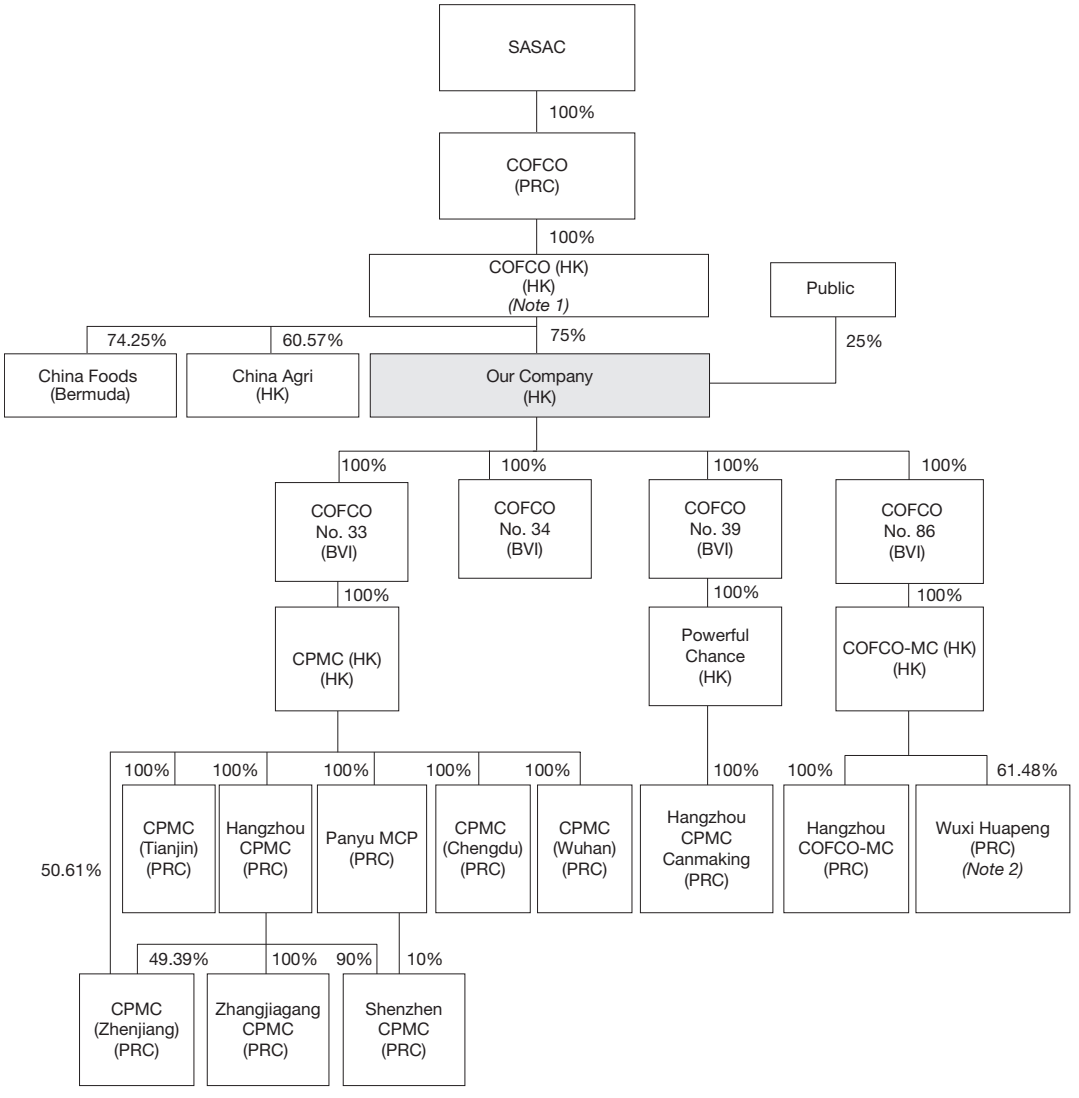
The considerations for the transactions described in steps (c)(ii), (c)(iii), (f), (l), (r), (s) and (t) above were settled by way of issuing new shares, as the transferors in such transactions were, at the time of the transactions, the immediate holding companies of the relevant transferees.

Our PRC Legal Advisor is of the opinion that the Reorganization and the [●] have complied with relevant PRC laws and regulations. As advised by our PRC Legal Advisor, save as disclosed in Note 3 under the subsection headed "Corporate Structure" below, our Company has obtained all necessary approvals, including but not limited to the approval by CSRC in relation to the [●] issued on September 28, 2008, in accordance with relevant PRC laws and regulations, including the Provisions for Foreign Investors to Merge and Acquire Domestic Enterprises, jointly issued by the Ministry of Commerce and five other ministries or commissions on August 8, 2006 and the Notice on Further Strengthening the Administration of Overseas Offering and Listing of Shares (國務院關於進一步加強在境外發行股票和上市管理的通知) promulgated by the State Council on June 20, 1997.

Further details of the Reorganization are set out in the section headed "Further Information about Our Company — The Reorganization" in Appendix VI to this document.

## CORPORATE STRUCTURE

The following chart sets out the shareholding and corporate structure of our Group immediately upon completion of the [●] and the Capitalization Issue (assuming the [●] is not exercised):




Notes:

(1) COFCO (HK) is deemed to be interested in approximately 73.89% of the issued share capital of China Foods and approximately 53.47% of the issued share capital of China Agri in aggregate held by, among others, Wide Smart. COFCO (HK) is also deemed to be interested in approximately 75% of our issued share capital held by Wide Smart as a nominee shareholder upon completion of the [●] and the Capitalization Issue (assuming the [●] is not exercised).

(2) The remaining shareholding interest of Wuxi Huapeng is held as to 15.52% by Wuxi Caps, which is a collective-owned enterprise incorporated in the PRC, and 23% by Crown Asia Pacific Holdings Limited, which is a limited liability company incorporated in Singapore. Other than being substantial shareholders of Wuxi Huapeng, each of Wuxi Caps and Crown Asia Pacific Holdings Limited is an independent third party.

(3) CPMC (Zhangjiagang) Development Co., Ltd., a Sino-foreign joint venture enterprise incorporated in the PRC on September 17, 2008, was held as to 55% and 45% by CPMC (HK) and Zhangjiagang CPMC respectively. However, CPMC (Zhangjiagang) Development Co., Ltd. has not commenced its business since its incorporation due to our Group's adjustment of business plan and is currently in the process of deregistration.

# BUSINESS

## OVERVIEW

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

Our products consist of the following:

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

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

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

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

**Impact of the Global Economic Crisis**

Our business is not completely insulated from the global economic crisis because some of our customers are engaged in the export business and a small portion of our products are exported. Further, the domestic economy is intricately linked to the global economy to some extent. As a result, some aspects of our business were affected by the global economic crisis. For instance, in the last quarter of 2008, some of our three-piece beverage can customers postponed their purchases; selling prices of our steel barrels fetched a lower price than expected; and sales of aerosol cans and twist caps to customers engaging in the export business significantly decreased. At the same time, the cost of tinplates remained relatively high in the last quarter of 2008, which created pressure on our gross margins. For the foregoing reasons, our revenue and gross profit in 2008 grew at slower rates compared with 2007. The economic slowdown continued in the first quarter of 2009 and affected the operating results of some of our product groups. For instance, sales revenue of our metal caps, food cans and aerosol cans decreased from RMB367.0 million, RMB102.6 million and RMB217.4 million for the six months ended June 30, 2008 to RMB259.2 million, RMB95.7 million and RMB166.9 million for the same period in 2009, respectively.

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

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

## OUR COMPETITIVE STRENGTHS

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

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

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

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

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

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

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

| High-end Customers | Major Brand Names | Year Relationship Established | Products Supplied |
|---|---|---|---|
| Amway (China) Co., Ltd. (安利(中國)日用品有限公司) ("Amway (China)") | Amway 安利 | 1998 | milk powder cans |
| Shanghai Johnson | Raid | 1997 | aerosol cans |
| Shenzhen Rainbow Fine Chemical Industry Co., Ltd. (深圳市彩虹精細化工股份有限公司) ("Shenzhen Rainbow") | 7cr | 1995 | aerosol cans |
| Panasonic Energy (Shanghai) Co., Ltd. (松下能源(上海)有限公司) ("Shanghai Panasonic") | Panasonic | 1997 | printed and coated tinplates |
| Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd. (佛山市順德區美的電熱電器制造有限公司) ("Midea") | Midea | 1998 | printed and coated tinplates |
| Heinz (China) Sauces & Condiments Co., Ltd. (亨氏(中國)調味食品有限公司) ("Heinz") | Heinz | 2004 | twist caps |
| Guiyang Nanming Laoganma Special Flavour Foodstuffs Co., Ltd. (貴陽南明老乾媽風味食品有限責任公司) ("Laoganma") | | 2007 | twist caps |
| Coca-Cola China Industries Ltd. (可口可樂(中國)有限公司) ("Coca-Cola China") | Coca-Cola | 2004 | easy-open ends crown caps |
| Tsingtao Brewery Co., Ltd. (青島啤酒股份有限公司) ("Tsingtao Brewery") | TSINGTAO | 2000 | crown caps |
| Foshan Hai Tian Flavoring & Food Company Limited (佛山市海天調味食品有限公司) ("Hai Tian") | | 1996 | twist caps |
| Budweiser (Wuhan) International Brewing Co., Ltd. (百威(武漢)國際啤酒有限公司) ("Budweiser") | Budweiser 百威 啤酒 | 1998 | crown caps |
| East Ocean | | 1995 | steel barrels rectangular cans |

Moreover, we have conducted business with the above high-end customers for nearly ten years on average. We have conducted business with our five largest customers in 2008 for almost nine years on average. The aggregate sales revenue attributable to the high-end customers listed in the table above accounted for approximately 60% and 61% of our total revenue in 2008 and the six months ended June 30, 2009, respectively. On October 26, 2006, we entered into a 10-year strategic cooperative agreement with JDB Investment Limited for the supply of metal packaging

products. We have also entered into a supply and purchase cooperation agreement with Shanghai Johnson for the supply of aerosol cans for a term of three years from January 1, 2008. We normally enter into short-term supply agreements with our other customers, which, to our best knowledge, is in line with the industry practice. We do typically correspond with our major customers on a frequent basis to discuss their expected needs for the coming period.

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

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

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

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

**Unique Relationship with COFCO Group**

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

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

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

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

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

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

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

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

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

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

Ltd., a private domestic enterprise currently known as CPMC (Zhenjiang). From 2006 to 2007, we successfully completed the construction of, and commenced operations at, our three new facilities in Hangzhou, Tianjin and Chengdu.

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

### Effective Cost Control System

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

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

## OUR BUSINESS STRATEGIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## PRODUCTS

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

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

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

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

### *Three-piece Beverage Cans*

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

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

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

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

### *Food Cans*

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

*Milk powder cans*

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

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

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

The discovery by AQSIQ of melamine contamination in milk powder products of certain dairy companies, including several of our customers of milk powder cans, in China in September 2008 resulted in the widespread recall of, and prohibition on the sale of, such contaminated milk powder products and food and beverage products containing milk or dairy products in the PRC and overseas markets, as well as international restrictions on the import of Chinese food and beverage products that contain any traces of milk. The Chinese dairy industry has undertaken active remedial measures, but it has yet to fully recover from this incident. The melamine incident undermined people's confidence in milk powder products which has led to a decrease in the demand for milk powder cans from several of our customers as compared to the demand in previous years during the Track Record Period. As a result, we experienced a decrease in our sales orders from these affected customers in the last quarter of 2008. However, this was partially offset by increased sales orders from our other customers whose milk powders were not contaminated with melamine.

*General food cans*

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

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

***Aerosol Cans***

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

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

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

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

***Metal Caps***

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

*Twist Caps*

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

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

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

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

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

*Crown Caps*

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

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

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

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

*Easy-open Ends*

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

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

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

***Printed and Coated Tinplates***

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

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

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

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

***Steel Barrels***

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

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

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

Our major customers for steel barrels include East Ocean.

***Two-piece Beverage Cans***

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

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

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

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

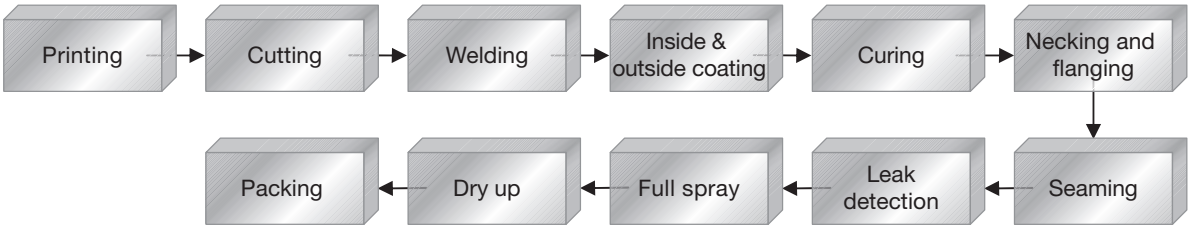
**Others**

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

## PRODUCTION PROCESS

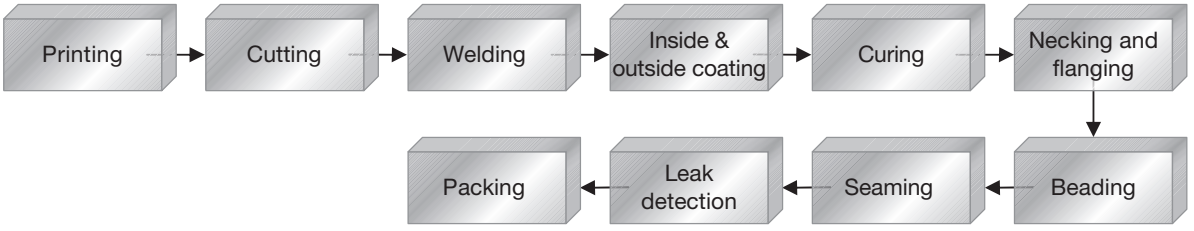
Set forth below are the principal steps of the production process for certain of our products:

### *Three-Piece Beverage Cans*



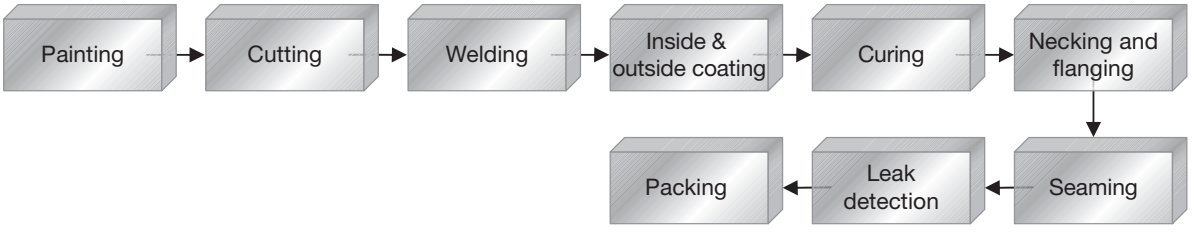

1) The tinplate, after being coated with paint and glaze, is cut into small pieces, each of which is used to make one can body;
2) Each small piece is rolled into a cylinder on the welding machine and the two layers of metal are securely welded at the splice joint to form a can body;
3) Touch-up paint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

***Food Cans***




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

***Aerosol Cans***




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

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

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

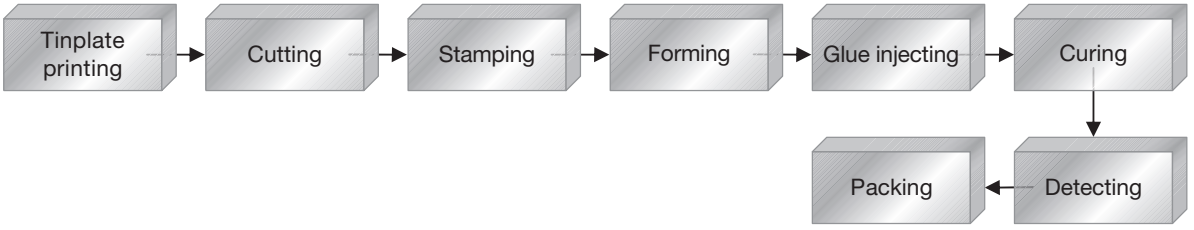
7) The cans are subjected to tests under a pressure detector and those with pinholes or with cracks are automatically rejected; and

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

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

***Metal caps***

*Crown caps and twist caps:*




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

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

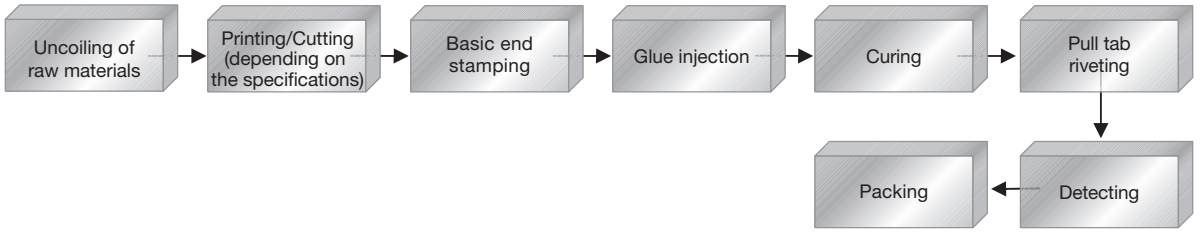
3) The caps are passed through the molding machine to be injected with glue;

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

5) The caps are counted; and

6) The finished caps are packed.

*Easy-open ends:*




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

***Printed and Coated Tinplates***

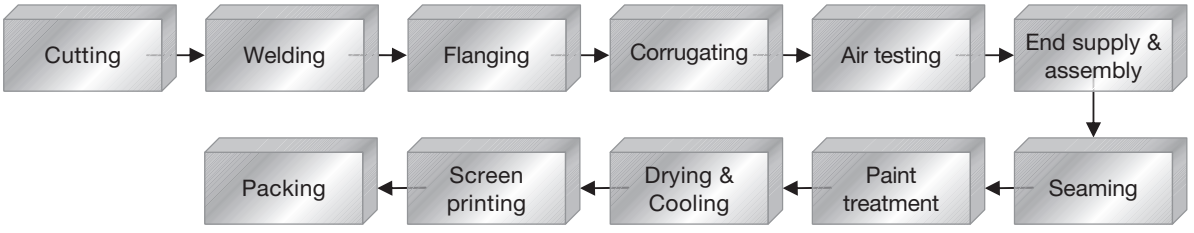
*Coating:*

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

*Printing:*

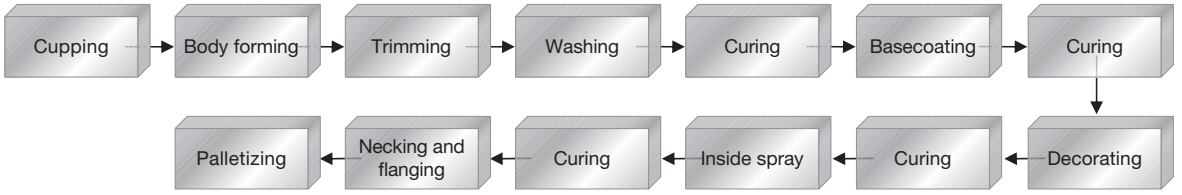
1) The coated tinplate sheets arrive at the printing facility;
2) Ink is applied to the tinplate sheets using the presensitized plate on which the pattern is dried in sunlight;
3) After printing, the tinplate is heated to cure the inks;
4) Coat varnish is applied;
5) The coated tinplate sheets are cured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

***Steel Barrels***




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

***Two-piece Beverage Cans***




1) The aluminum coil is made into cups by a cupper that are ready for body forming;

2) A cup is drawn to form a can body;

3) The top edge of the can is trimmed by a trimmer to eliminate burrs and earnings;

4) The can is washed off lubricant and coolant residue in the washer using chemicals before it is cured;

5) The outside of the can is coated for better printing effect;

6) The outside of the can is printed with designed patterns and subsequently varnished before curing;

7) The inside of the can is sprayed evenly with coatings to avoid contact between liquids and metal;

8) The top of the can is necked to correct diameter and then flanged; and

9) Finished cans are palletized, strapped and wrapped before shipping.

## RAW MATERIALS AND SUPPLY

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

As of the Latest Practicable Date, we had six major tinplate suppliers, the largest of which was Baosteel. Our annual purchase for 2006, 2007 and 2008 and our purchase for the six months ended June 30, 2009 from Baosteel accounted for 19.5%, 18.1%, 24.6% and 28.9% of our total purchases in 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively. As of the end of 2008, we had been purchasing raw materials and consumables from our five largest suppliers for over nine years on average, and we believe that due to our bulk purchase of raw materials from our main suppliers, good reputation and long-standing relationships, we have become one of the preferred customers of our main suppliers. As a result, we enjoy preferable

pricing terms and are able to lower our overall procurement costs. For instance, Baosteel has recognized us as one of its strategic customers of tinplates since the beginning of 2007, and we have received favorable pricing from it accordingly.

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

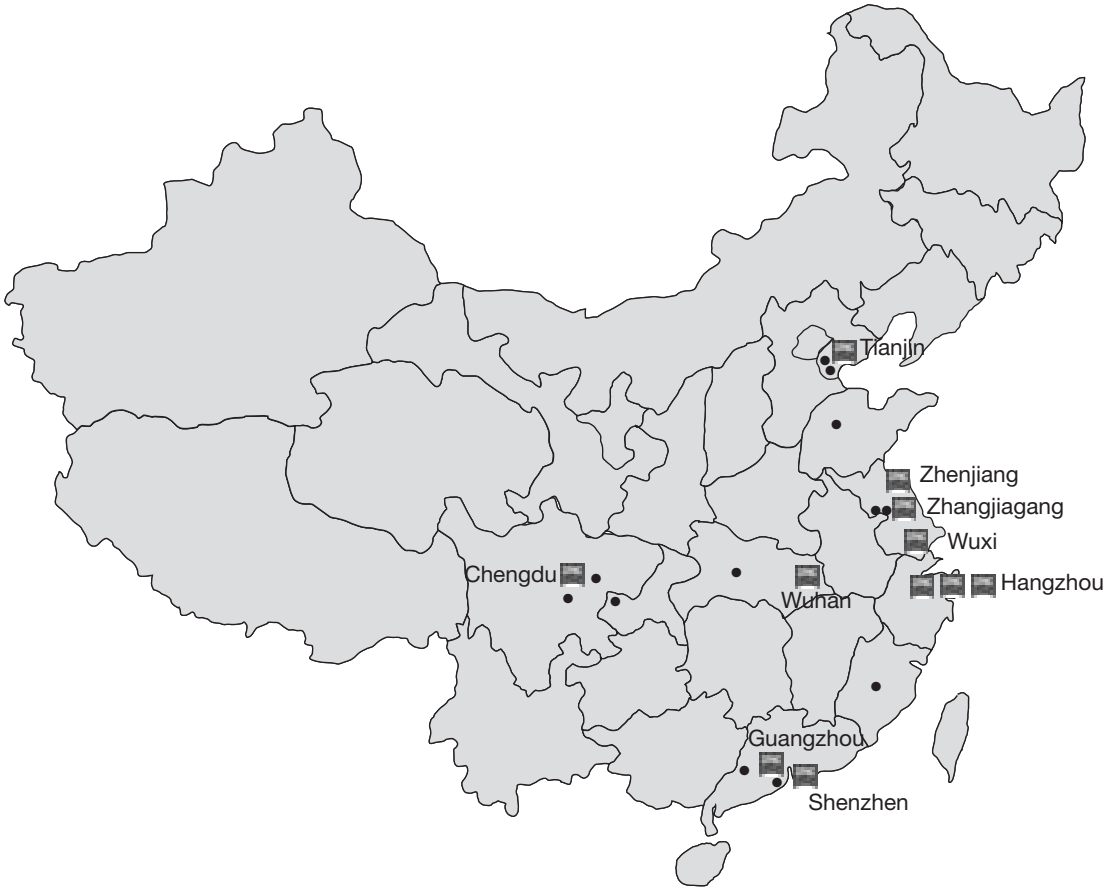
Our purchase agreements with our suppliers usually pre-set quantities and base prices, with quality requirements specified in each subsequent contract. The purchase price for raw materials is reset approximately every three to six months. Save for a purchase agreement with one of our suppliers, Transhell,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

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

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

## PRODUCTION FACILITIES

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



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

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

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

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

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

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

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

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

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

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

We have from time to time, particularly during the summer season, experienced insufficiency in our production capability despite operating at full production capacity. We have, therefore, outsourced a portion of our production needs, mainly with respect to the production of three-piece beverage cans, milk powder cans, and printed and coated tinplates. As a result, we incurred sub-contracting costs of RMB94.3 million, RMB132.4 million, RMB145.7 million and RMB84.8 million for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively. While providing flexibility to our operations, especially during a downturn in our business, such outsourcing also increases our costs and reduces our profits.

## SALES AND MARKETING AND CUSTOMER SERVICE

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

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

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

We consider the following factors in determining our product prices:

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

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

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

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

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

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

On May 12, 2008, Sichuan Province and its neighboring areas were hit by an 8.0 magnitude earthquake and have been hit by several aftershocks thereafter. The normal operations of CPMC (Chengdu) were slightly interrupted by the earthquake. To ensure the safety of its employees, CPMC (Chengdu) suspended its business activities for approximately five days. The earthquake and its aftershocks also resulted in delays in the transportation of our products to certain customers in Sichuan Province and the neighboring areas. Due to the damage to the transportation system, these customers received their orders two to three days later than the originally scheduled delivery dates. We confirm that, as at the Latest Practicable Date, we had not received any claim, and we were not aware of any potential claim from our customers, suppliers or employees arising from the earthquake and its aftershocks.

## COMPETITION

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

In addition to competition within the metal packaging industry, we also face competition from alternative products such as aluminum, paper and plastic packaging products, which are rapidly gaining market share. Following market trends, we are in the process of installing a production line in Hangzhou for producing two-piece beverage cans. We also plan to expand our plastic packaging business and to enter into paper packaging business at the appropriate time. Nonetheless, we believe that tinplate products will continue to be popular forms of packaging products primarily due

to: (i) their good sealing quality and ability to maintain freshness and the quality of foods and drinks; (ii) their flexibility for design and shaping; (iii) their environmental friendliness; and (iv) their ability to hold highly volatile and solvent-based liquids.

## RESEARCH AND DEVELOPMENT

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

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

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

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

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

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

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

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

## QUALITY CONTROL

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

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

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

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

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

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

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

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

## INTELLECTUAL PROPERTY

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

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

## INSURANCE

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

## PROPERTY

### Owned Properties

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

*Land use rights*

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

*Buildings*

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

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

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

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

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

**Leased properties**

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

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

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

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

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

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

*Indemnity from third-party lessors*

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

**Properties with defective titles**

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

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

As the 25 buildings without building ownership certificates that we own and occupy are not used for production purposes, our Directors believe that our lack of building ownership certificates for these 25 buildings will not have any material adverse effect on the normal operations of our business. Our PRC Legal Advisor is of the view that for the leased buildings with defective titles,

our Group will not be subject to any penalty due to the lessors' failure to obtain proper title certificates. For the leased buildings with defective titles, COFCO and COFCO (HK) have provided, on a joint and several basis, an indemnity in our favor in respect of any claims, damages, losses, liabilities, costs (including any cost of relocation), expenses, actions or proceedings incurred or suffered, or which may be incurred or suffered, by our Group in respect of the use or occupation of properties with defective titles or invalid leases.

## ENVIRONMENT AND SAFETY

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

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

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

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

On June 4, 2007, a fine of RMB150,000 was imposed on Hangzhou COFCO-MC for its sale of solid waste materials without having filed a prior application with the competent environmental authority and without having completed appropriate transfer sheets relating to the solid waste

materials. The fine has been fully and duly paid. This non-compliance incident resulted from the relevant employees' failure to follow our environmental management measures and inadequate knowledge of the relevant environmental protection laws and regulations. In order to reinforce our internal control measures, we have provided further training to our employees in respect of our environmental management measures and the relevant laws and regulations. In addition, since June 25, 2007, Hangzhou COFCO-MC has engaged a waste management company with a valid license of disposal of dangerous waste materials issued by the Ministry of Environmental Protection of the PRC to help dispose of dangerous waste materials to prevent the recurrence of such non-compliance incident in the future. Other than the foregoing and to the best knowledge of our Directors, there had been no material environmental pollution incident involving our Group during the Track Record Period.

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

## REGULATORY COMPLIANCE

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

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

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

Additionally, CPMC (Wuhan) has not yet completed its social security and housing fund registration in accordance with the applicable PRC regulations. CPMC (Wuhan) was established upon the issuance of its business license on September 8, 2008 and has yet to start operation. Thus, it has not yet completed its social security and housing fund registration. According to the

applicable PRC regulations, all enterprises are required to complete the relevant social security and housing fund registrations within 30 days after the issuance of their business licenses. Otherwise, the relevant authorities may require the enterprises to rectify such violation within certain time limits. If the Company fails to rectify the violation within such time limit or commits any serious breach, then the authorities may impose a maximum penalty of RMB50,000 and RMB10,000 on each responsible person. As of date of this document, we have not received any notice from the relevant authorities to rectify such violation. Since the relevant authorities have imposed no time limits on us for rectification of such violation, our Directors believe and our PRC Legal Advisor understands that it is unlikely that any penalty will be imposed on us.

## LEGAL PROCEEDINGS

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

## EMPLOYEES

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

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

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

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

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

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

## RELATIONSHIP WITH COFCO GROUP

We were incorporated in Hong Kong on October 25, 2007 and became a wholly-owned subsidiary of COFCO and COFCO (HK) on February 15, 2008. As part of the Reorganization, COFCO and COFCO (HK) transferred to our Group their respective interests in nine companies engaging in the packaging business and two subsidiaries and an associate of China Agri also transferred their respective steel barrel and rectangular can businesses to our Group. As at the [●], COFCO (HK) will directly and indirectly own and control 75% of our issued share capital (assuming that the [●] is not exercised). COFCO (HK) is also the holding company of two other companies listed on the Stock Exchange, namely China Agri and China Foods. COFCO is the ultimate sole shareholder of COFCO (HK) and ultimate controlling shareholder of our Company. Details of COFCO (HK) and COFCO are set out in the paragraph headed "Corporate History" under the section headed "History and Reorganization" in this document.

COFCO is currently engaged in a wide array of businesses, including agricultural commodities trading and agricultural products processing, food and beverages, real estate development, hotel management, logistics, native produce and animal by-products, financial services and, through our Company, packaging products. China Agri is principally engaged in oilseed processing; production and sale of brewing materials; trading and processing of rice; wheat processing; and production and sale of biofuel and biochemical products. China Foods, on the other hand, is principally engaged in production, sale and trading of wine and related products; processing and distribution of beverages; distribution of packaged consumer-pack edible oil; and production and distribution of chocolate and related products.

Upon completion of the Reorganization, COFCO Group ceased to be engaged in the packaging business, save for the production and sale of paper valve bags, plastic woven bags and plastic barrels mainly for packaging agricultural products for further processing which are not undertaken by our Group and different from our business in terms of raw materials, production facilities and technologies, product classifications and customer base. Our Directors believe that the businesses of COFCO Group are not directly or indirectly in competition with our businesses.

From the [●], our Company will operate independently from COFCO Group in all essential respects.

## INDEPENDENCE FROM COFCO GROUP

Having considered the following factors, our Directors believe that we can conduct our business independently of COFCO and its associates from the [●].

### Independence of Business Operations

We hold all of the production and operating facilities and technology relating to our current business operations. Sales, marketing and administrative functions relating to our business are carried out independently by our Group. We have sufficient operational capacity in terms of capital, equipment and employees to operate our businesses independently of COFCO Group.

*Lease of production and office premises from COFCO Group*

We have been leasing production premises in Guangzhou and Tianjin and office premises in Beijing and Hong Kong from COFCO Group and an associate of COFCO, details of which are set out in the section headed "Connected Transactions" in this document. The total area of premises leased from COFCO Group and an associate of COFCO is approximately 21,180 square meters, representing approximately 2.6% of the total area of the premises occupied by our Group.

### Independence of Access to Customers and Sources of Supplies

Our Directors are of the view that our sales and marketing functions and raw materials procurement functions are carried out independently from those of COFCO Group. Our Group has its own procurement department and independent access to customers and sources of supplies.

COFCO Group is engaged in a wide array of businesses while our Group focuses on the packaging business. Notwithstanding that our Group and COFCO Group have certain common customers and suppliers, our Group and COFCO Group essentially target different types of major supplies and raw materials for their respective businesses and offer different products or services to their respective customers. On this basis, our Directors believe that our Group and COFCO Group are unlikely to be in direct or indirect competition for suppliers or customers so long as the two groups do not have competing businesses.

During the Track Record Period, some of our subsidiaries have sold certain types of products to COFCO Group. These transactions have been conducted in the ordinary course of our business and on normal commercial terms and will continue following the [●]. COFCO Group does not guarantee our sales volume or profit margin under these transactions. Our aggregate sales attributable to the supply of goods to COFCO and its associates for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 were approximately RMB11.9 million, RMB14.8 million, RMB19.4 million and RMB9.3 million, respectively, representing 0.6%, 0.5%, 0.6% and 0.6%, respectively, of our total sales during the Track Record Period. For more details regarding these transactions, please refer to the subsection headed "Continuing Connected Transactions Exempt From Independent Shareholders' Approval Requirements — Supply of Products" under the section headed "Connected Transactions" in this document.

### Financial Independence

We have historically engaged COFCO Finance for deposits, loans and other financial services licensed by PBOC. All business arrangements between our Group and COFCO Finance, including deposits of our Group placed with COFCO Finance and loans from COFCO Finance to our Group, were on normal commercial terms. Please refer to Note 32 of the Accountants' Report set forth in Appendix I to this document for more details regarding the deposits placed with, loans from, balances with, and guarantees from or to COFCO Group during the Track Record Period.

All outstanding balances and deposits placed with and guarantees and other securities provided by COFCO Group in respect of our Group's borrowings have been fully settled, eliminated or released prior to the [●].

We have our own financial management and relevant personnel who are independent from COFCO Group. Our Group has independent access to third party financing, including long-term and short-term bank borrowings. Our Group also has its own settlement and treasury functions. No settlement or treasury functions are currently carried out by COFCO Group, including COFCO Finance, for or on behalf of our Group.

### Independence of Management

Our Board, which comprises three executive Directors, three non-executive Directors and three independent non-executive Directors, will function effectively and independently of COFCO Group. Five members of our Board, namely Messrs. Xue Guoping, Wang Jinchang, Ning Gaoning, Zhou Zheng and Hu Yonglei, also hold positions in COFCO Group.

# RELATIONSHIP WITH COFCO GROUP

Set out below is a summary of the positions currently held by the Directors within our Group and COFCO Group and their respective industry experience and contribution to our Group:

| Name | Role within our Group | Role within COFCO Group | Industry experience and contribution to our Group |
|---|---|---|---|
| Mr. Xue Guoping . . . . | • Chairman of our Board and executive Director<br>• Director of CPMC (HK), COFCO-MC (HK) and Powerful Chance | • Director and vice chairman of COFCO, responsible for overseeing the packaging business unit<br>• Director and vice chairman of COFCO (HK)<br>• Director of Wide Smart<br>• Director of two operating subsidiaries within COFCO Group, which are principally engaged in oil processing and property development businesses respectively<br>• Director of several investment holding companies within COFCO Group | • Joined COFCO in 1976 and our Group in 2008<br>• Over 30 years of experience in international trade and management, covering areas such as operations, manufacturing and logistics<br>• Primarily responsible for overall management, major decision making, strategic planning and business development of our Group |
| Mr. Wang Jinchang . . . | • Executive Director<br>• Member of the remuneration committee of our Board<br>• Chairman of the boards and director of CPMC (Tianjin), Hangzhou COFCO-MC, Hangzhou CPMC, Panyu MCP and Wuxi Huapeng<br>• Director of COFCO-MC (HK), CPMC (HK) and Powerful Chance | • Assistant to the chairman of COFCO in charge of the packaging business<br>• Chairman of the board and director and general manager of an operating subsidiary within COFCO Group, which is principally engaged in the import and export business<br>• Director of two operating subsidiaries within COFCO Group, which are principally engaged in the meat business<br>• Director of an investment holding company within COFCO Group | • Joined COFCO in 1990 and our Group in 2000<br>• Eight years of experience in the packaging industry<br>• Primarily responsible for assisting the chairman of our Board in formulating our business strategies and making corporate and operational decisions |

## RELATIONSHIP WITH COFCO GROUP

| Name | Role within our Group | Role within COFCO Group | Industry experience and contribution to our Group |
|---|---|---|---|
| Mr. Ning Gaoning . . . . | • Non-executive Director<br>• Chairman of the nomination committee of our Board | • Chairman of the boards and director of COFCO, COFCO (HK), China Agri and China Foods<br>• Director of Wide Smart<br>• Director of an operating subsidiary within COFCO Group, which is principally engaged in financial services<br>• Director of several investment holding companies within COFCO Group | • Joined COFCO in December 2004 and our Group in 2008<br>• Extensive experience in corporate management, investment and corporate finance, business restructurings and governmental relations resulting from many years of management experience with various companies listed in Hong Kong<br>• Takes a supervisory role on the strategic planning and overall management and direction of our Group |

# RELATIONSHIP WITH COFCO GROUP

| Name | Role within our Group | Role within COFCO Group | Industry experience and contribution to our Group |
|---|---|---|---|
| Mr. Zhou Zheng . . . . . | • Non-executive Director<br>• Chairman of the boards and director of CPMC (Chengdu), CPMC (Zhenjiang) and Zhangjiagang CPMC<br>• Director of CPMC (Tianjin), Hangzhou COFCO-MC, Hangzhou CPMC, Panyu MCP and Wuxi Huapeng | • Director and vice chairman of an operating subsidiary within COFCO Group, which is principally engaged in the real estate business<br>• Director and general manager of an operating subsidiary within COFCO Group, which is principally engaged in the real estate business<br>• General manager of an operating subsidiary within COFCO Group, which is principally engaged in the real estate business<br>• Director of three operating subsidiaries within COFCO Group, which are principally engaged in the real estate business<br>• Director of an operating subsidiary within COFCO Group, which is principally engaged in the import and export business<br>• Director of an investment holding company within COFCO Group | • Joined COFCO Group in 1993 and our Group in 1994<br>• 15 years of experience and expertise in the packaging industry<br>• Primarily responsible for providing constant advice and guidance at the strategic level over the business and operations of the operating subsidiaries of our Group |

| Name | Role within our Group | Role within COFCO Group | Industry experience and contribution to our Group |
|---|---|---|---|
| Mr. Hu Yonglei . . . . . | • Non-executive Director<br>• Member of the audit committee of our Board | • Deputy head of the strategy division and general manager of the investment management division in COFCO, responsible for investment management<br>• Director of an operating subsidiary within COFCO Group, which is principally engaged in agricultural product processing<br>• Deputy general manager of the biofuel and biochemical division in COFCO | • Joined COFCO in 2005 and our Group in 2008<br>• Over 10 years of experience and expertise in investment management<br>• Takes a supervisory role and primarily responsible for reviewing the financial reporting process and internal control system of our Company |

To the best knowledge of our Directors and as at the Latest Practicable Date, no other Director or senior management member of our Company was also a director or member of senior management of COFCO Group.

Upon completion of the Reorganization, COFCO Group transferred all of its packaging business, other than the production and sale of paper valve bags, plastic woven bags and plastic barrels mainly for packaging agricultural products, to our Group. Upon [●], our Company will be the listed flagship of COFCO for its packaging business and COFCO will simply function as our ultimate holding company. Our Board is of the view that the roles of Messrs. Xue, Wang, Ning, Zhou and Hu with COFCO Group are beneficial to our Group and COFCO Group, as their presence with our Group will ensure the continuity and stability of our operations and their individual expertise and experience are valuable to the strategic development of both our Group and COFCO Group. For more details of the relevant experience of our overlapping Directors, please refer to the section headed "Directors and Senior Management" in this document.

Our Board believes that the positions in COFCO Group of Messrs. Xue, Wang, Ning, Zhou and Hu will not materially impact on their abilities to discharge their fiduciary duties and duties of skill, care and diligence to our Company, on the basis that:

(1) Messrs. Xue and Wang, our executive Directors, will not be involved in the daily management of, nor have any specific management role in, the companies in COFCO Group. Having been responsible for our packaging business prior to the Reorganization, Messrs. Xue and Wang will devote approximately 80% of their time to the business operations and management of our Group;

(2) Mr. Ning, as a non-executive Director, takes a supervisory role with us and will not be involved in the daily management of our Group. Mr. Ning will devote approximately 20% of his time to our Group initially. It is expected that after our Company has been operating as a listed company for a period of time, less attention will be required from Mr. Ning in supervising our Company's affairs, and Mr. Ning will devote less of his time to our Group;

(3) Mr. Zhou, as a non-executive Director, will continue to provide advice and guidance at the strategic level over the business and operation of the operating subsidiaries of our Group. Mr. Zhou will not be involved in the daily management of our Group and will devote approximately 30% of his time to our Group; and

(4) Mr. Hu, as a non-executive Director, also takes a supervisory role with us and will not be involved in the daily management of our Group. Mr. Hu will devote approximately 20% of his time to our Group;

(5) The corporate governance measures as detailed in the paragraph headed "Corporate governance measures" in this section will ensure our Board to function independently when matters involving transactions with COFCO Group or other matters involving conflicts of interests are considered.

Our Board also believes that it will function effectively with proper delegation of its responsibilities to senior management personnel of our Group. Our senior management team has extensive experience in the packaging industry and is equipped with technical, procurement, sales and marketing expertise. The team has played direct roles in the business and financial results of our Group to date. For more details regarding the relevant experience of our senior management, please refer to the section headed "Directors and Senior Management" in this document.

During the Track Record Period, Messrs. Xue, Ning and Hu did not receive any director's remuneration paid by our Group or COFCO Group for services rendered to our Group since they did not hold any directorship in our Group prior to the Reorganization. Mr. Wang was entitled to a total remuneration (including salaries, bonuses and social securities) of RMB[490,944], RMB[1,239,157], RMB[1,071,200] and RMB[900,000] for each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively, paid by COFCO Group for services rendered to COFCO Group, including services rendered to the packaging business carried out by our Group. However, no specific allocation of such remuneration amount to the services rendered to our Group had been made by COFCO Group. Mr. Wang did not receive any director's remuneration from our Group. Mr. Zhou received a director's remuneration (including salaries, bonuses and social securities) of RMB943,000, RMB1,155,000, RMB853,000 and RMB29,000, respectively, paid by our Group for services rendered to our Group during the Track Record Period and did not receive any director's remuneration from COFCO Group in this regard.

Messrs. Xue, Wang, Ning, Zhou and Hu will be entitled to a director's fee in the amount of RMB810,000, RMB720,000, HK$19,000 (approximately RMB16,747), HK$52,000 (approximately RMB45,835) and HK$19,000 (approximately RMB16,747), respectively, for the year ending December 31, 2009 to be paid by our Company, and they will continue to be on the payroll of COFCO Group after the [●]. Each of Messrs. Xue, Wang, Ning, Zhou and Hu is eligible for the Share Option Scheme of our Company. Please refer to the section headed "Share Option Scheme" in Appendix VI to this document for the scheme details.

As at the Latest Practicable Date, none of the Directors or their respective associates has interests in any business which competes or is likely to compete, either directly or indirectly, with that of our Group.

## CORPORATE GOVERNANCE MEASURES

Our Board has set up a nomination committee, which consists of Messrs. Ning Gaoning, Cheng Yuk Wo and Fu Tingmei and is responsible for nomination and appointment of Directors. The nomination committee will meet regularly according to its terms of reference, and may make recommendations to our Board as to its composition and, if necessary, the appointment of additional Directors with relevant expertise and skills to ensure that our Board can function effectively.

Pursuant to our Articles of Association, matters which involve transactions between our Company or any of our subsidiaries, on the one part, and COFCO and/or any of its associates (excluding our Group), on the other part, will be decided by majority vote by our independent non-executive Directors and any other Director who does not hold any position in COFCO Group, among such persons are Messrs. Zhang Xin (an executive Director) and Shi Wanpeng (an independent non-executive Director) who are senior engineers having respectively 16 years and six years of experience respectively, in the packaging industry whose views carry weight. Such Directors will appoint among themselves a chairman of the meeting who will have a second or casting vote in case of equality of votes at the meeting. Directors with positions in COFCO Group, namely Messrs. Ning Gaoning, Xue Guoping, Wang Jinchang, Zhou Zheng and Hu Yonglei, will not be counted in the quorum and will abstain from voting on such matters. In addition, the overlapping Directors will excuse themselves from our Board meetings when such matters are discussed unless expressly requested to attend by a majority of our independent non-executive Directors.

In addition, connected transactions between our Group and COFCO Group will be conducted in compliance with the Listing Rules. In particular, our independent non-executive Directors and auditors will review all continuing connected transactions on an annual basis. Our Company will disclose the views of our independent non-executive Directors and information on the relevant connected transactions in our annual report and accounts in accordance with the Listing Rules.

## NON-COMPETITION DEED

COFCO, COFCO (HK), Wide Smart and our Company executed the Non-competition Deed on October 23, 2009, pursuant to which each of COFCO, COFCO (HK) and Wide Smart undertook for itself that for so long as it (individually or collectively with its respective associates) hold not less than 30% of our issued share capital or is otherwise regarded as our controlling shareholder, it will not, and will procure that its subsidiaries (other than any member of our Group) will not, at any time, either on its own or on behalf of or as an agent of any person, directly or indirectly, be employed or otherwise engaged or interested in any capacity (including as shareholders with interests in China Foods or China Agri so long as it holds 10% or more of the issued share capital of China Foods or China Agri, as the case may be) in any business which competes with our business or any part of it in any country in the world in which we carry out our business from time to time, provided that this restriction will not prohibit COFCO, COFCO (HK) or Wide Smart from holding shares up to 5% in the aggregate of the issued share capital of any competing company the shares of which are listed or dealt in on any stock exchange.

The Non-competition Deed will take effect on the [●] and will remain effective until the earlier of (a) in relation to each of COFCO, COFCO (HK) and Wide Smart, the date on which it (whether individually or collectively with any of its respective associates) holds less than 30% of our issued share capital or it otherwise ceases to be regarded as our controlling shareholder and (b) the date on which our shares cease to be listed on the Stock Exchange.

In order to enhance the corporate governance of our Company, the Non-competition Deed further provides that:

(1) our independent non-executive Directors will review on an annual basis the compliance with the Non-competition Deed by COFCO, COFCO (HK) and Wide Smart;

(2) each of COFCO, COFCO (HK) and Wide Smart has undertaken to our Company that it will provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Non-competition Deed;

(3) our Company will disclose the review by our independent non-executive Directors relating to the compliance and enforcement of the Non-competition Deed either in its annual report or by way of announcements to the public; and

(4) each of COFCO, COFCO (HK) and Wide Smart will make an annual confirmation to our Company on compliance with the Non-competition Deed which shall be disclosed in the annual report of our Company or by way of announcements to the public.

Following the [●] and the Capitalization Issue (assuming the [●] is not exercised), COFCO will indirectly hold approximately 75% of our issued share capital. As a result, COFCO and its associates are connected persons of our Company under the Listing Rules.

After the [●], our Group will engage in various transactions in the ordinary course of our business with COFCO and its associates. Each of these transactions will constitute a continuing connected transaction under Rule 14A.13(1)(a) of the Listing Rules following the [●] of our shares.

## CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM THE REPORTING, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

### Trademark License Agreements with COFCO

On October 23, 2009, we entered into the HK Trademark License Agreement and the PRC Trademark License Agreement with COFCO, whereby COFCO granted to our Group the right to use the "COFCO" trademark, the "中粮" trademark and the " " trademark in relation to the business of our Group on a royalty-free basis in HK and in the PRC respectively. The HK Trademark License Agreement and the PRC Trademark License Agreement will continue until terminated by agreement between the parties or will terminate automatically upon COFCO ceasing to be the ultimate controlling shareholder of our Company.

Our Directors (including the independent non-executive Directors) consider the terms of the HK Trademark License Agreement and the PRC Trademark License Agreement to be fair and reasonable and in the interests of our Company and the shareholders taken as a whole.

As the grant to our Group of the right to use the "COFCO" trademark, the "中粮" trademark and the " " trademark will be on a royalty-free basis, the transactions under the HK Trademark License Agreement and the PRC Trademark License Agreement will constitute de minimis transactions for us under Rule 14A.33(3) of the Listing Rules after the [●] and will be exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

### Lease of Premises

#### *Lease of production premises in Guangzhou*

On June 27, 2008, Zhangjiagang CPMC, an indirect wholly-owned subsidiary of our Company, entered into the Guangzhou Property Leasing Agreement with Eastbay, an indirect non-wholly-owned subsidiary of China Agri which is an indirect non-wholly-owned subsidiary of COFCO, pursuant to which Zhangjiagang CPMC leased from Eastbay approximately 9,300 square meters of premises in Zengcheng, Guangzhou for production use for a term of 24 months commencing on June 28, 2008 at a monthly rent of approximately RMB36,000. The rent is payable in advance in four quarterly installments, the first installment being payable on or before June 28, 2008 and each subsequent installment being payable within 15 days of the commencement of the relevant quarter. The Guangzhou Property Leasing Agreement may be renewed by agreement between the parties. Should the Guangzhou Property Leasing Agreement be renewed, we will comply with the requirements of Chapter 14A of the Listing Rules.

*Historical Transaction Values*

The total rent paid by Zhangjiagang CPMC to Eastbay for the year ended December 31, 2008 and the six months ended June 30, 2009 were approximately RMB219,600 and RMB216,000, respectively.

*Annual Caps*

Based on the above-mentioned rent, the aggregate amount of rent payable to Eastbay for the leased premises in Guangzhou for the year ending December 31, 2009 and the six months ending June 30, 2010 will not exceed RMB432,000 and RMB216,000, respectively.

The Independent Valuer has confirmed that the rent under the Guangzhou Property Leasing Agreement is fair and reasonable and reflects the prevailing market rates in the vicinity of the leased premises in Zengcheng, Guangzhou.

Our Directors (including the independent non-executive Directors) consider the rent payable to Eastbay to be fair and reasonable and in the interests of our Company and the shareholders taken as a whole.

***Lease of production premises in Tianjin***

On June 27, 2008, Zhangjiagang CPMC, an indirect wholly-owned subsidiary of our Company, entered into the Tianjin Property Leasing Agreement with Northsea, an associate of China Agri which is an indirect non-wholly-owned subsidiary of COFCO, pursuant to which Zhangjiagang CPMC leased from Northsea approximately 11,400 square meters of premises in Tianjin for production use for a term of 24 months commencing on June 28, 2008 at a monthly rent of approximately RMB33,000. The rent is payable in advance in four quarterly installments, the first installment being payable on or before June 28, 2008 and each subsequent installment being payable within 15 days of the commencement of the relevant quarter. The Tianjin Property Leasing Agreement may be renewed by agreement between the parties. Should the Tianjin Property Leasing Agreement be renewed, we will comply with the requirements of Chapter 14A of the Listing Rules.

*Historical Transaction Values*

The total rent paid by Zhangjiagang CPMC to Northsea for the year ended December 31, 2008 and the six months ended June 30, 2009 were approximately RMB201,300 and RMB198,000, respectively.

*Annual Caps*

Based on the above-mentioned rent, the aggregate amount of rent payable to Northsea for the leased premises in Tianjin for the year ending December 31, 2009 and the six months ending June 30, 2010 will not exceed RMB396,000 and RMB198,000, respectively.

The Independent Valuer has confirmed that the rent under the Tianjin Property Leasing Agreement is fair and reasonable and reflects the prevailing market rates in the vicinity of the leased premises in Tianjin.

Our Directors (including the independent non-executive Directors) consider the rent payable to Northsea to be fair and reasonable and in the interests of our Company and the shareholders taken as a whole.

***Lease of office premises in Beijing***

On August 13, 2009, Hangzhou CPMC, an indirect wholly-owned subsidiary of our Company, entered into the Beijing Property Leasing Contract with COFCO, pursuant to which Hangzhou CPMC leased from COFCO 296 square meters of office premises on the 8th floor of COFCO Fortune Plaza in Beijing and three underground car parking spaces in COFCO Fortune Plaza for a term of one year commencing on July 1, 2009 at an annual rent of RMB701,200. The annual rent is payable by 12 monthly installments, with the first installment being payable in advance within three days of the signing of the Beijing Property Leasing Contract and each subsequent installment being payable on or before the 25th day of the preceding month. Hangzhou CPMC has the first right to renew the Beijing Property Leasing Contract on terms to be agreed between the parties. Should the Beijing Property Leasing Contract be renewed, we will comply with the requirements of Chapter 14A of the Listing Rules.

On August 10, 2009, Hangzhou CPMC entered into the Beijing Property Management Contract with Beijing Gloria, an indirect non-wholly-owned subsidiary of COFCO, pursuant to which Beijing Gloria agreed to provide to Hangzhou CPMC various services for the maintenance and management of the leased premises for a term of one year commencing on July 8, 2009 at an aggregate monthly management fee of RMB13,178. The management fee is payable in four quarterly installments, with the first installment being payable in advance at least 10 working days before the execution of the Beijing Property Management Contract and each subsequent installment being payable at least 10 working days before the end of the preceding quarter. The Beijing Property Management Contract may be renewed by agreement between the parties. Should the Beijing Property Management Contract be renewed, we will comply with the requirements of Chapter 14A of the Listing Rules.

*Historical Transaction Values*

Prior to the entry into the Beijing Property Leasing Contract and the Beijing Property Management Contract, Hangzhou CPMC leased from COFCO Plaza Co., an indirect wholly-owned subsidiary of COFCO, approximately 63.1 square meters of office premises on the 9th floor of COFCO Plaza in Beijing for a term of two years and seven months commencing on January 1, 2007. The total rent and management fee paid by Hangzhou CPMC to COFCO Plaza Co. for the seven months ended July 31, 2009 was approximately RMB86,000.

*Annual Caps*

Based on the above-mentioned rent and management fee, the aggregate amount of rent and management fees payable to COFCO Plaza Co., COFCO and Beijing Gloria for the leased premises in Beijing for the year ending December 31, 2009 and the six months ending June 30, 2010 will not exceed RMB516,000 and RMB430,000, respectively.

The Independent Valuer has confirmed that the rent and management fees under the Beijing Property Leasing Contract and the Beijing Property Management Contract are fair and reasonable and reflect the prevailing market rates in the vicinity of COFCO Fortune Plaza in Beijing.

Our Directors (including the independent non-executive Directors) consider the rent and management fees payable to COFCO and its subsidiaries to be fair and reasonable and in the interests of our Company and the shareholders taken as a whole.

***Lease of office premises in Hong Kong***

On August 29, 2008, we entered into the HK Tenancy Agreement with Bapton, an indirect wholly-owned subsidiary of COFCO, pursuant to which we leased from Bapton approximately 1,982 square feet (approximately 184 square meters) of office premises on the 23rd floor of Top Glory Tower at 262 Gloucester Road, Causeway Bay, Hong Kong for a term commencing on August 1, 2008 and expiring on December 31, 2009 at a monthly rent of HK$59,460 (approximately RMB52,438) (exclusive of government rates and services charges) and monthly service charges of HK$9,810.9 (approximately RMB8,653), payable in advance on the first day of each month. According to the HK Tenancy Agreement, we were entitled to a rent-free period of one month from August 1, 2008 to August 31, 2008 (exclusive of government rates and services charges).

On October 19, 2009, we accepted an offer from Bapton for the renewal of the lease of the above-mentioned office premises for a fixed term of two years commencing on January 1, 2010 at a lower monthly rent of HK$53,514 (approximately RMB47,194) (exclusive of government rates and services charges). A formal tenancy agreement for the renewal term will be entered into before [●]. Apart from the aforesaid, the formal tenancy agreement shall be entered into on the same terms and conditions as the HK Tenancy Agreement.

*Historical Transaction Values*

The total rent and service charges paid by our Company to Bapton for the year ended December 31, 2008 and the six months ended June 30, 2009 were approximately RMB254,000 and RMB367,000, respectively.

*Annual Caps*

Based on the above-mentioned rent and service charges and assuming that the HK Tenancy Agreement will be renewed on the same terms, the aggregate amount of rent and service charges payable to Bapton for the leased premises in Hong Kong for the year ending December 31, 2009 and the six months ending June 30, 2010 will not exceed RMB734,000 and RMB367,000, respectively.

The Independent Valuer has confirmed that the rent and service charges under the HK Tenancy Agreement are fair and reasonable and reflect the prevailing market rates in the vicinity of Top Glory Tower in Hong Kong.

Our Directors (including the independent non-executive Directors) consider the rent and service charges payable to Bapton to be fair and reasonable and in the interests of our Company and the shareholders taken as a whole.

The total area of premises leased from COFCO Group and Northsea under the Guangzhou Property Leasing Agreement, the Tianjin Property Leasing Agreement, the Beijing Property Leasing Contract and the HK Tenancy Agreement is approximately 21,180 square meters, representing approximately 2.6% of the total area of the premises occupied by our Group.

***Aggregate Annual Caps***

Pursuant to Rule 14A.25 of the Listing Rules, the aggregate amount of rent, management fees and service charges payable to COFCO Group and Northsea for the leased premises in Guangzhou, Tianjin, Beijing and Hong Kong for the year ending December 31, 2009 and the six months ending June 30, 2010 will not exceed RMB2,078,000 and RMB1,211,000, respectively.

**Supply of Products**

***Supply of steel barrels***

On June 27, 2008, CPMC (HK), an indirect wholly-owned subsidiary of our Company, entered into the China Agri Supply Agreement with China Agri, an indirect non-wholly-owned subsidiary of COFCO, pursuant to which the subsidiaries of CPMC (HK) will supply, among other things, steel barrels to the subsidiaries of China Agri according to the latter's specifications and at prevailing market prices for a term of three years commencing on June 27, 2008. The China Agri Supply Agreement may be renewed by agreement between the parties.

On October [●], 2009, CPMC (HK) entered into the Northsea Supply Agreement with Northsea, an associate of China Agri, pursuant to which the subsidiaries of CPMC (HK) will supply steel barrels to Northsea according to the latter's specifications and at prevailing market prices for a term of three years commencing on October [●], 2009. The Northsea Supply Agreement may be renewed by agreement between the parties.

Should the China Agri Supply Agreement or the Northsea Supply Agreement be renewed, we will comply with the requirements under Chapter 14A of the Listing Rules.

*Historical Transaction Values*

Before the Steel Barrel Business Acquisitions on June 28, 2008, Eastbay, East Ocean and Northsea produced steel barrels for their own use and supply to independent third parties.

Subsequent to the completion of the Steel Barrel Business Acquisitions on June 28, 2008, temporary arrangements were entered into between Zhangjiagang CPMC and Eastbay, East Ocean and Northsea. Pursuant to such arrangements, Zhangjiagang CPMC, a wholly-owned subsidiary of CPMC (HK), leased to Eastbay, East Ocean and Northsea the equipment and production facilities relating to the steel barrel business for use in the production by Eastbay, East Ocean and Northsea at the rent of approximately RMB302,000, RMB374,000 and RMB241,000, respectively up to August 31, 2008, pending its preparation for commencement of the steel barrel business at its respective branches in Guangzhou, Zhangjiagang and Tianjin, including the application for the requisite license for engaging in the production of steel barrels used for packaging hazardous chemical materials. On September 1, 2008, Zhangjiagang CPMC commenced the production of steel barrels at its Guangzhou, Zhangjiagang and Tianjin branches and started to supply steel barrels to Eastbay, East Ocean and Northsea.

For the two years ended December 31, 2006 and 2007 and the six months ended June 30, 2008, the aggregate values of the steel barrels produced by Eastbay and East Ocean for their own use were approximately RMB6,942,000, RMB7,311,000 and RMB3,786,000, respectively. For the six months (excluding the transition period from July to August 2008 as described above) ended December 31, 2008 and the six months ended June 30, 2009, the aggregate values of the steel barrels supplied by Zhangjiagang CPMC to the subsidiaries of China Agri were approximately RMB2,000,000 and RMB3,820,000, respectively.

For the two years ended December 31, 2006 and 2007 and the six months ended June 30, 2008, the aggregate values of the steel barrels produced by Northsea for its own use were approximately RMB3,473,000, RMB3,438,000 and RMB1,720,000, respectively. For the six months (excluding the transition period from July to August 2008 as described above) ended December 31, 2008 and the six months ended June 30, 2009, the aggregate values of the steel barrels supplied by Zhangjiagang CPMC to Northsea were approximately RMB2,020,000 and RMB1,260,000, respectively.

*Annual Caps*

Based on the expected sales of products of the subsidiaries of China Agri that use our steel barrels and the anticipated costs of raw materials in line with the corresponding PPI in the PRC and market conditions, we anticipate that the aggregate values of the steel barrels to be supplied to the subsidiaries of China Agri will increase by approximately 10% annually in 2010 and in 2011. Accordingly, we expect that the aggregate values of the steel barrels to be supplied to the subsidiaries of China Agri for the years ending December 31, 2009, 2010 and 2011 will not exceed RMB7,660,000, RMB8,426,000 and RMB9,269,000, respectively.

Based on the expected sales of products of Northsea that use our steel barrels and the anticipated costs of raw materials in line with the corresponding PPI in the PRC and market conditions, we anticipate that the aggregate values of the steel barrels to be supplied to Northsea will increase by approximately 10% annually in 2010 and in 2011. Accordingly, we expect that the annual aggregate values of the steel barrels to be supplied to Northsea for the years ending December 31, 2009, 2010 and 2011 will not exceed RMB2,520,000, RMB2,772,000 and RMB3,050,000, respectively.

***Supply of miscellaneous cans***

Prior to the [●], our subsidiaries supplied miscellaneous cans to COFCO Le Conte, a wholly-owned subsidiary of China Foods which is an indirect non-wholly-owned subsidiary of COFCO. These transactions have been conducted in the ordinary course of our business and on normal commercial terms and will continue following the [●].

On November 28, 2008, we entered into the China Foods Supply Agreement with China Foods, whereby, among other things, our subsidiaries will supply miscellaneous cans to the subsidiaries of China Foods according to the latter's specifications and at prevailing market prices for a term of three years commencing on January 1, 2009. The China Foods Supply Agreement may be renewed by agreement between the parties. Should the China Foods Supply Agreement be renewed, we will comply with the requirements under Chapter 14A of the Listing Rules.

*Historical Transaction Values*

We have conducted the above transactions with COFCO Le Conte since July 2006. For the six months ended December 31, 2006, the two years ended December 31, 2007 and 2008 and the six months ended June 30, 2009, the aggregate values of the miscellaneous cans supplied by our subsidiaries to COFCO Le Conte were approximately RMB983,000, RMB3,148,000, RMB2,930,000 and RMB350,000, respectively.

*Annual Caps*

As new packaging designs for the products of the subsidiaries of China Foods will be launched in the fourth quarter of 2009 and the fact that both the Chinese Spring Festival holidays and Valentine's Day of 2010 being in February will likely increase the demand for the products of the subsidiaries of China Foods, it is anticipated that the number of the miscellaneous cans to be supplied to the subsidiaries of China Foods will increase in the fourth quarter of 2009 such that the aggregate value of the miscellaneous cans to be supplied to the subsidiaries of China Foods in 2009 will be approximately RMB3,900,000. Also, as paper packaging for certain major products of the subsidiaries of China Foods is expected to be replaced by miscellaneous cans in 2010, it is anticipated that the demand for the miscellaneous cans by the subsidiaries of China Foods will increase in 2010. Based on the expected demand by the subsidiaries of China Foods for the miscellaneous cans and the anticipated costs of raw materials in line with the corresponding PPI in the PRC and market conditions, we anticipate that the aggregate values of the miscellaneous cans

to be supplied to the subsidiaries of China Foods will increase by approximately 18% in 2010 and 11% in 2011. Accordingly, we expect that the annual aggregate values of the miscellaneous cans to be supplied to the subsidiaries of China Foods for the years ending December 31, 2009, 2010 and 2011 will not exceed RMB3,900,000, RMB4,600,000 and RMB5,100,000, respectively.

***Supply of crown caps***

Prior to the [●], Wuxi Huapeng, an indirect non-wholly-owned subsidiary of our Company, supplied crown caps to various Coca-Cola beverage bottlers of China Foods, an indirect non-wholly-owned subsidiary of COFCO. These transactions have been conducted in the ordinary course of our business and on normal commercial terms and will continue following the [●].

Pursuant to the China Foods Supply Agreement, our subsidiaries will supply, among other things, crown caps to the various Coca-Cola beverage bottlers of China Foods according to the latter's specifications and at prevailing market prices for a term of three years commencing on January 1, 2009. The China Foods Supply Agreement may be renewed by agreement between the parties.

Should the China Foods Supply Agreement be renewed, we will comply with the requirements under Chapter 14A of the Listing Rules.

*Historical Transaction Values*

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the aggregate values of the crown caps supplied by Wuxi Huapeng to the Coca-Cola beverage bottlers of China Foods were approximately RMB2,447,000, RMB3,071,000, RMB1,790,000 and RMB1,366,300, respectively. The aggregate value of the crown caps supplied by Wuxi Huapeng in 2008 decreased by approximately 42% from 2007 as a result of the loss of some contracts with certain Coca-Cola beverage bottlers of China Foods.

*Annual Caps*

Based on the expected sales of the relevant Coca-Cola beverage bottlers of China Foods that use our crown caps and the anticipated costs of raw materials in line with the corresponding PPI in the PRC and market conditions, we anticipate that the aggregate values of the crown caps to be supplied to such bottlers will increase by approximately 23% in 2009, 18% in 2010 and 19% in 2011. Accordingly, we expect that the annual aggregate values of the crown caps to be supplied to the Coca-Cola beverage bottlers of China Foods for the years ending December 31, 2009, 2010 and 2011 will not exceed RMB2,200,000, RMB2,600,000 and RMB3,100,000, respectively.

***Supply of general food cans***

Prior to the [●], our subsidiaries supplied general food cans to COFCO Tunhe, a Shanghai-listed company, and its subsidiaries, being indirect non-wholly-owned subsidiaries of COFCO. These transactions have been conducted in the ordinary course of our business and on normal commercial terms and will continue following the [●].

On October [●], 2009, we entered into the Tunhe Supply Agreement with COFCO Tunhe, pursuant to which our subsidiaries will supply general food cans to COFCO Tunhe Group according to the latter's specifications and at prevailing market prices for a term of three years commencing on October [●], 2009. The Tunhe Supply Agreement may be renewed by agreement between the parties. Should the terms of the Tunhe Supply Agreement be renewed, we will comply with the requirements under Chapter 14A of the Listing Rules.

*Historical Transaction Values*

We have conducted the above transactions with COFCO Tunhe and its subsidiaries since 2006. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the aggregate values of the general food cans supplied by our subsidiaries to COFCO Tunhe and its subsidiaries were approximately RMB2,324,000, RMB3,738,000, RMB5,050,000 and RMB1,440,000, respectively.

*Annual Caps*

As COFCO Tunhe Group was using more of the types of general food cans not produced by us in 2009, we expect the aggregate value of the general food cans to be supplied to COFCO Tunhe Group will decrease by approximately 24% in 2009 as compared to 2008. However, we expect to be able to produce such additional types of general food cans required by COFCO Tunhe Group in 2010 and our aggregate production capacity of both existing types of general food cans and the new types of general food cans is expected to increase in 2011. Based on the expected sales of food products of COFCO Tunhe Group that use our general food cans, the above-mentioned factors and the anticipated costs of raw materials in line with the corresponding PPI in the PRC and market conditions, we expect that the aggregate values of the general food cans to be supplied to COFCO Tunhe Group will increase by approximately 31% in 2010 and 22% in 2011. Accordingly, we expect that the annual aggregate values of the general food cans to be supplied to COFCO Tunhe Group for the years ending December 31, 2009, 2010 and 2011 will not exceed RMB3,840,000, RMB5,040,000 and RMB6,150,000, respectively.

***Supply of twist caps to Caoxian COFCO***

Prior to the [●], Wuxi Huapeng, an indirect non-wholly-owned subsidiary of our Company, supplied twist caps to Caoxian COFCO, a 45.45% held associate of COFCO. These transactions have been conducted in the ordinary course of our business and on normal commercial terms and will continue following the [●].

On October 23, 2009, we entered into the Caoxian Supply Agreement with Caoxian COFCO, pursuant to which our subsidiaries will supply twist caps to Caoxian COFCO according to the latter's specifications and at prevailing market prices for a term of three years commencing on October 23, 2009. The Caoxian Supply Agreement may be renewed by agreement between the parties. Should the terms of the Caoxian Supply Agreement be renewed, we will comply with the requirements under Chapter 14A of the Listing Rules.

*Historical Transaction Values*

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the aggregate values of the twist caps supplied by Wuxi Huapeng to Caoxian COFCO were approximately RMB1,008,000, RMB2,081,000, RMB2,200,000 and RMB590,000, respectively.

*Annual Caps*

We believe that in response to the recent global economic downtown, Caoxian COFCO has reduced the production of its products resulting in its surplus inventory of our twist caps in 2009. As a result, we expect the aggregate value of the twist caps to be supplied to Caoxian COFCO will decrease by approximately 53% in 2009 as compared to 2008. However, the existing inventory of the twist caps in Caoxian COFCO is expected to be exhausted in 2010. Based on the expected sales of food products of Caoxian COFCO that use our twist caps, the above-mentioned factors and the anticipated costs of raw materials in line with the corresponding PPI in the PRC and market conditions, we anticipate that the aggregate values of the twist caps to be supplied to Caoxian

COFCO will increase by approximately 93% in 2010 and 30% in 2011. Accordingly, we expect that the annual aggregate values of the twist caps to be supplied to Caoxian COFCO for the years ending December 31, 2009, 2010 and 2011 will not exceed RMB1,040,000, RMB2,000,000 and RMB2,600,000, respectively.

***Supply of twist caps to Yongji COFCO***

Prior to the [●], Wuxi Huapeng, an indirect non-wholly-owned subsidiary of our Company, supplied twist caps to Yongji COFCO, a 50% held associate of COFCO. These transactions have been conducted in the ordinary course of our business and on normal commercial terms and will continue following the [●].

On October 23, 2009, we entered into the Yongji Supply Agreement with Yongji COFCO, pursuant to which our subsidiaries will supply twist caps to Yongji COFCO according to the latter's specifications and at prevailing market prices for a term of three years commencing on October 23, 2009. The Yongji Supply Agreement may be renewed by agreement between the parties. Should the terms of the Yongji Supply Agreement be renewed, we will comply with the requirements under Chapter 14A of the Listing Rules.

*Historical Transaction Values*

For the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the annual aggregate values of the twist caps supplied by Wuxi Huapeng to Yongji COFCO were approximately RMB2,912,000, RMB2,521,000, RMB2,080,000 and RMB290,000, respectively.

*Annual Caps*

We believe that in response to the recent global economic downtown, Yongji COFCO has reduced the production of its products resulting in its surplus inventory of our twist caps in 2009. As a result, we expect the aggregate value of the twist caps supplied to Yongji COFCO will decrease by approximately 76% in 2009 as compared to 2008. However, the existing inventory of the twist caps in Yongji COFCO is expected to be exhausted in 2010. Based on the expected sales of food products of Yongji COFCO that use our twist caps, the above-mentioned factors and the anticipated costs of raw materials in line with the corresponding PPI in the PRC and market conditions, we anticipate that the aggregate values of the twist caps to be supplied to Yongji COFCO will increase by approximately 60% in 2010 and 25% in 2011. Accordingly, we expect that the annual aggregate values of the twist caps to be supplied to Yongji COFCO for the years ending December 31, 2009, 2010 and 2011 will not exceed RMB500,000, RMB800,000 and RMB1,000,000, respectively.

***Supply of rectangular cans***

Prior to the [●], our subsidiaries occasionally supplied rectangular cans to East Ocean, an indirect non-wholly-owned subsidiary of China Agri which is an indirect non-wholly-owned subsidiary of COFCO. These transactions have been conducted in the ordinary course of our business and on normal commercial terms and may continue following the [●], as the demand by East Ocean for our rectangular cans was and is expected to be on occasional basis, due to the irregular requests of a customer of East Ocean for the products of East Ocean that use our rectangular cans.

Pursuant to the China Agri Supply Agreement, the subsidiaries of CPMC (HK) will supply rectangular cans to East Ocean, according to the latter's specifications and at prevailing market prices for a term of three years commencing on June 27, 2008. The China Agri Supply Agreement

may be renewed by agreement between the parties. Should the terms of the China Agri Supply Agreement be renewed, we will comply with the requirements under Chapter 14A of the Listing Rules.

*Historical Transaction Values*

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the aggregate values of the rectangular cans supplied by our subsidiaries to East Ocean were approximately RMB2,209,000, RMB200,000, RMB1,360,000 and RMB194,000, respectively.

*Annual Caps*

In light of the aggregate value of the rectangular cans supplied to East Ocean in the first six months of 2009, we anticipate that the aggregate value of the rectangular cans to be supplied to East Ocean for the entire year of 2009 will be approximately RMB600,000. Based on the possible demand from East Ocean for our rectangular cans and the anticipated costs of raw materials in line with the corresponding PPI in the PRC and market conditions, we anticipate that the aggregate values of the rectangular cans to be supplied to East Ocean will increase by approximately 60% in 2010 and remain stable in 2011. Accordingly, we expect that the annual aggregate values of the rectangular cans to be supplied to East Ocean for the years ending December 31, 2009, 2010 and 2011 will not exceed RMB600,000, RMB1,000,000 and RMB1,000,000, respectively.

***Aggregate Annual Caps***

Pursuant to Rule 14A.25 of the Listing Rules, we expect that the annual aggregate values of steel barrels, miscellaneous cans, crown caps, general food cans, twist caps and rectangular cans to be supplied to COFCO and its associates under the aforesaid supply agreements for the years ending December 31, 2009, 2010 and 2011 will not exceed RMB22,260,000, RMB27,238,000 and RMB31,269,000, respectively.

## APPLICATION FOR WAIVERS

Our Directors (including the independent non-executive Directors) consider that the continuing connected transactions exempt from the independent shareholders' approval requirements described above have been and will be entered into in the ordinary and usual course of our business, on normal commercial terms and on an arm's length basis, and are fair and reasonable and in the interests of our Company and the shareholders of our Company as a whole.

For the continuing connected transactions described under the paragraph headed "Continuing Connected Transactions Exempt from the Independent Shareholders' Approval Requirements" above, the percentage ratios, including the assets ratio, revenue ratio and consideration ratio, in respect thereof on an annual basis are expected to be more than 0.1% but less than 2.5%. Such transactions would, therefore, be subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements applicable to continuing connected transactions under the Listing Rules.

We have accordingly applied for and the Stock Exchange has granted us waivers from compliance with and announcement requirements related to continuing connected transactions pursuant to Rule 14A.42(3) of the Listing Rules.

We will comply with the relevant requirements under Chapter 14A of the Listing Rules, including the proposed annual caps and annual rental (as the case maybe) set out above, except to the extent that compliance therewith has been waived by the Stock Exchange in writing.

In the view of our Directors (including the independent non-executive Directors) and the [●], the proposed annual caps and annual rental (as the case maybe) referred to above are fair and reasonable.

## CONFIRMATION FROM DIRECTORS

Our Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions described above have been entered into on normal commercial terms and in the ordinary and usual course of business of our Group.

## DIRECTORS

Our Board currently consists of nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. The table below shows certain information in respect of members of our Board:

| Name | Age | Position |
|---|---|---|
| Mr. XUE Guoping | 58 | Chairman and Executive Director |
| Mr. WANG Jinchang | 55 | Executive Director |
| Mr. ZHANG Xin | 46 | Executive Director, Managing Director and General Manager |
| Mr. NING Gaoning | 50 | Non-Executive Director |
| Mr. ZHOU Zheng | 46 | Non-Executive Director |
| Mr. HU Yonglei | 42 | Non-Executive Director |
| Mr. SHI Wanpeng | 72 | Independent Non-Executive Director |
| Mr. CHENG Yuk Wo | 48 | Independent Non-Executive Director |
| Mr. FU Tingmei | 43 | Independent Non-Executive Director |

### Chairman and Executive Director

**XUE Guoping**, aged 58, is an executive Director and the chairman of the Board of our Company. Mr. Xue is primarily responsible for the overall management, major decision making, strategic planning and business development of our Group. He joined COFCO in August 1976 and our Group when he was appointed a Director on June 23, 2008. He has more than 30 years of experience in international trade and management, covering areas such as operations, manufacturing and logistics. He has been a director of Powerful Chance since December 2008, and a director of CPMC (HK) and COFCO-MC (HK) since July 2008. Mr. Xue has been a director and vice chairman of COFCO since April 1997 and has been responsible for overseeing the packaging business unit since 2005 through participation in decision-making process on matters related to its strategic planning and investment projects. He has also been a director of Wide Smart since April 2001, and a director and vice chairman of COFCO (HK) since March 1994. Mr. Xue was a director of COFCO No. 33 from August 2000 to September 2005, COFCO No. 34 from August 2000 to September 2003, and COFCO No. 39 and COFCO No. 86 from August 2000 to December 2003. In addition, from July 1995 to March 2007, Mr. Xue was a director of China Foods. From July 1995 to March 2004, he was a director of Top Glory International Holdings Limited, the shares of which were then listed on the Stock Exchange. From September 1994 to April 1997, he was the deputy general manager of COFCO. From August 1991 to October 1993, he served as the general manager of COFCO (South America) Co., Ltd. Between December 1987 and August 1991, he was the deputy general manager and the general manager of COFCO Beverage & Foodstuffs Imp & Exp Co., Ltd. Between August 1976 and December 1987, Mr. Xue served as a clerk, a deputy head and a head of the beverage and food stuffs department of COFCO in charge of beverage-related investment projects and the import and export of beverages and food. Mr. Xue graduated from the College of International Business and Economics in Beijing (now known as University of International Business and Economics) in 1976, with a major in Spanish.

### Other Executive Directors

**WANG Jinchang**, aged 55, is an executive Director. Mr. Wang is primarily responsible for assisting the chairman of the Board in formulating our business strategies and making corporate and operational decisions. He joined COFCO in 1990 as the deputy director of the general manager's office and joined our Group in December 2000, and has nearly nine years of experience in the packaging industry. Mr. Wang was appointed a Director on June 23, 2008. He has been a director of Powerful Chance since December 2008, a director of CPMC (HK) and COFCO-MC (HK)

since July 2008, and an assistant to the chairman of COFCO since 2007, in charge of the packaging business. He has also been the chairman of the boards of CPMC (Tianjin) since March 2006, Hangzhou CPMC since November 2005, Panyu MCP since February 2005, Hangzhou COFCO-MC since January 2005 and Wuxi Huapeng since December 2000. Mr. Wang was a director of Panyu MCP and Hangzhou COFCO-MC from November 2003 to February 2005, and from November 2003 to January 2005, respectively. Mr. Wang graduated from the University of Hebei in 1978, with a major in Mathematics.

**ZHANG Xin**, aged 46, is an executive Director, the managing Director and the general manager of our Company. Mr. Zhang is primarily responsible for the management of our Group's daily operations. Mr. Zhang joined our Group in January 1995, and was appointed a Director on June 23, 2008. Mr. Zhang has 16 years of experience in the packaging industry. He has also been a director of Hangzhou CPMC Canmaking and Powerful Chance Limited since December 2008, Shenzhen CPMC since November 2008, CPMC (Wuhan) since September 2008, CPMC (Zhenjiang) since March 2007, CPMC (Tianjin) since March 2006, CPMC (Chengdu) since January 2006, Hangzhou CPMC since November 2005, Panyu MCP since February 2005, Hangzhou COFCO-MC since January 2005 and Wuxi Huapeng since December 2000. Mr. Zhang has also been the general manager of Hangzhou COFCO-MC and of Hangzhou CPMC since July 2008. He was the deputy general manager of Hangzhou CPMC from June 2007 to July 2008, the deputy general manager and general manager of Wuxi Huapeng from January 1995 to January 2008 and the deputy general manager of the packaging division of COFCO Group between August 2000 and June 2007. From 1987 to 1993, Mr. Zhang worked at Plant No. 540 under the Ministry of Aviation and Aeronautics. Mr. Zhang received a bachelor's degree in Aeronautical Machinery Processing from Nanchang Institute of Aeronautical Technology (now known as Nanchang Hangkong University) in 1983 and a master's degree in Business Administration from the University of Southeastern China in 2002. In 2005, Mr. Zhang was awarded the Governmental Special Allowance by the State Council of the PRC for his outstanding contributions to the development of engineering technology in the PRC. He is a senior engineer.

**Non-executive Directors**

**NING Gaoning**, aged 50, is a non-executive Director. Mr. Ning takes a supervisory role on the strategic and budget planning of our Group. Mr. Ning joined COFCO in December 2004 and our Group when he was appointed a Director on June 23, 2008. He has over 20 years of experience in corporate management, investment and corporate finance, business restructurings and governmental relations. Mr. Ning has been the chairman of the board of China Agri since January 2007, the chairman of the board of COFCO (HK), China Foods and Top Glory International Holdings Limited and Wide Smart since January 2005, and the chairman of the board of COFCO since December 2004. Prior to joining COFCO, he held various positions at China Resources (Holdings) Company Limited and its subsidiaries, including those of director, general manager and vice chairman of the board of directors. Mr. Ning has been a non-executive director of China Mengniu Dairy Company Limited, a company listed on the Stock Exchange, since August 2009; an independent director of Hua Yuan Property Co., Ltd., a company listed on the Shanghai Stock Exchange, since October 2008; a director of Smithfield Foods, Inc., a company listed on the New York Stock Exchange, since August 2008; and a non-executive director of Lippo China Resources Limited, a company listed on the Stock Exchange, from December 1998 to August 2009. Mr. Ning has also been a director of BOC International Holdings Limited since December 2003. He received a bachelor's degree in Economics from Shandong University in 1983, and a master's degree in Business Administration from the University of Pittsburgh in 1985.

**ZHOU Zheng**, aged 46, is a non-executive Director. Mr. Zhou is primarily responsible for providing constant advice and guidance at the strategic level over the business and operations of the operating subsidiaries of our Group. Mr. Zhou joined our Group in November 1994, and was

appointed a Director on June 23, 2008. He has 15 years of experience in the packaging industry. Mr. Zhou has been the chairman of the boards of CPMC (Zhenjiang) since March 2007, Zhangjiagang CPMC since August 2006 and CPMC (Chengdu) since January 2006. Mr. Zhou has also been a director of CPMC (Tianjin) since March 2006, Hangzhou CPMC since November 2005, Panyu MCP since April 2002, Hangzhou COFCO-MC since April 2001 and Wuxi Huapeng since December 2000. He was the general manager of Hangzhou CPMC from November 2005 to July 2008, and the general manager of Panyu MCP from March 2002 to March 2008. Mr. Zhou was appointed as the general manager of the packaging division of COFCO Group in August 2000 and held various positions including sales controller, deputy general manager and general manager of Hangzhou COFCO-MC from November 1994 to July 2008. He has also been the general manager of COFCO Property (Group) Co., Ltd., a member of COFCO Group listed on the Shenzhen Stock Exchange, since June 2008. Since December 2003, he has been a director of COFCO Development, a member of COFCO Group which is principally engaged in the import and export business. He was the general manager of COFCO Guangdong Southern Packaging Co., Ltd. from June 1993 to October 1994. Between July 1983 and August 1989, and between January 1993 and May 1993, Mr. Zhou worked for Institute No. 609 under the Ministry of Aviation and Aeronautics. He has been the deputy chairman of the Association of Packaging Technologies of Zhejiang Province since 2000 and the China Packaging Federation since 2005. Mr. Zhou received a bachelor's degree in Aeronautical Machinery Processing from Nanchang Institute of Aeronautical Technology (now known as Nanchang Hangkong University) in 1983 and a master's degree in Aeronautical and Aerospace Manufacturing Engineering from Beijing University of Aeronautics & Astronautics in 1992. In 2007, Mr. Zhou was awarded the Governmental Special Allowance by the State Council of the PRC for his outstanding contributions to the development of packaging industry in the PRC. He is a senior engineer.

**HU Yonglei**, aged 42, is a non-executive Director. Mr. Hu is primarily responsible for reviewing the financial reporting process and internal control system of our Company. Mr. Hu joined COFCO in 2005 and our Group when he was appointed a Director on June 23, 2008. Mr. Hu has over 10 years of experience in investment management. Mr. Hu held position as the general manager of strategic division of China Agri from March 2007 to April 2009. He has also held positions as deputy head of the strategy department and general manager of the investment management division of COFCO since April 2006 and deputy general manager of the biofuel and biochemical division of COFCO since December 2005. Mr. Hu has been a director of Dalian COFCO Malt Co., Ltd. since August 2006. Mr. Hu also held positions as director from December 2005 to August 2008 and as deputy general manager from September 2005 to May 2006 of China Resources (Jilin) Bio-chemical Co., Ltd. (now known as Xi'an Aero-engine Plc), a company listed on the Shanghai Stock Exchange, director of China Resources Development & Investment Co., Ltd. (now known as China Resources Investment & Asset Management Co., Ltd.) from March 2002 to September 2005, and director of China Resources Shimei Bay Tourism Development (Hainan) Ltd. from June 2000 to December 2001. Mr. Hu received a bachelor's degree in Engineering from Xi'an Jiaotong University in 1989 and a master's degree in Economics from Renmin University of China in 1992.

### Independent Non-executive Directors

**SHI Wanpeng**, aged 72, is an independent non-executive Director. Mr. Shi was appointed a Director on June 23, 2008. Mr. Shi has over six years of experience in the packaging industry and many years experience in economic management. Mr. Shi has held the position of chairman of the China Packaging Federation since October 2003. He was a standing commissioner of the National Committee of the Chinese People's Political Consultative Conference from March 2003 to March 2008 and an alternate member of the Central Committee of the Chinese Communist Party from September 1997 to November 2002. He has also served in various government departments, including State Economic Commission, State Planning Commission, Production Office and Economic and Trade Office of the State Council, State Economic and Trade Commission and China

Textile General Association from September 1960 to February 2002. Mr. Shi has been an independent non-executive director of China South City Holdings Limited, a company listed on the Stock Exchange, since September 2009, and an independent director of Huabei Expressway Co., Ltd., a company listed on the Shenzhen Stock Exchange, since January 2008. From April 2003 to May 2009, he was also an independent non-executive director of China Petroleum & Chemical Corporation, a company listed on the Stock Exchange, New York Stock Exchange, London Stock Exchange and Shanghai Stock Exchange. From June 2003 to September 2008, Mr. Shi was an independent non-executive director of China Telecom Corporation Limited, a company listed on the Stock Exchange and New York Stock Exchange.

**CHENG Yuk Wo**, aged 48, is an independent non-executive Director. Mr. Cheng was appointed a Director on June 23, 2008. Mr. Cheng is a fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants, and a member of the Institute of Chartered Accountants of Ontario, Canada. Mr. Cheng has over 20 years of experience in auditing, finance and business management. He has been the sole proprietor of Erik Cheng & Co., Certified Public Accountants in Hong Kong since 1999. Between May 2005 and August 2008, Mr. Cheng was an independent non-executive director, and a non-executive director and vice chairman of Henry Group Holdings Limited, a company listed on the Stock Exchange. Between September 2004 and October 2007, he was an independent non-executive director of Jessica Publications Limited (now known as Honbridge Holdings Limited), a company listed on the Stock Exchange. Mr. Cheng is currently an independent non-executive director of each of Capital Strategic Investment Limited, HKC (Holdings) Limited, Chia Tai Enterprises International Limited, Chong Hing Bank Limited, 21 Holdings Limited, South China Land Limited and Goldbond Group Holdings Limited, all being companies listed on the Stock Exchange. Mr. Cheng received a bachelor's degree in Accounting from the University of Kent, England in 1983 and a master's degree in Accounting and Finance from the University of London, England in 1984.

**FU Tingmei**, aged 43, is an independent non-executive Director. Mr. Fu was appointed a Director on June 23, 2008. Mr. Fu has over 15 years of experience in investment, finance, law and business management. Between 1992 and 2003, he conducted many corporate finance transactions and was a director in several investment banking firms based in Hong Kong, including a director of Peregrine Capital Limited, and a deputy managing director and subsequently a managing director of BNP Paribas Peregrine Capital Limited. Mr. Fu is currently an independent non-executive director of Beijing Enterprises Holdings Limited, a company listed on the Stock Exchange. Between 2001 and 2008, he was an independent non-executive director of Fujian Zhangzhou Development Co., Ltd., a company listed on the Shenzhen Stock Exchange. He is also a part-time member of the Central Policy Unit of the Government of Hong Kong, a member of the People's Political Consultative Conference of Jiangxi Province and an advisor to AID Partners Capital Limited, a private equity firm based in Hong Kong. Mr. Fu graduated from the University of London with a master's degree and a doctorate degree in Law in 1989 and 1993, respectively.

**Matters that need to be brought to the attention of our shareholders**

On October 24, 2006, the Stock Exchange issued a public statement criticizing China Foods (then known as COFCO International Limited) for failing to make timely disclosure and/or obtain independent shareholders' approval for certain transactions during the period from October 30, 2002 to March 10, 2005 (the "Relevant Period") in breach of the relevant requirements of the [●] Rules. The criticism applied to China Foods and not to any of its directors. Mr. Xue Guoping was an executive director of China Foods during the Relevant Period. Mr. Ning Gaoning only became a director of China Foods on January 24, 2005.

Save as disclosed, each of the Directors confirms with respect to himself that: (i) he has not held any directorships in the last three years in any public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he does not have any relationship with any other Directors, senior management or substantial or controlling shareholders of the Company; (iii) he does not hold any positions in the Company or other members of the Group; (iv) he does not have any interests in the Shares within the meaning of Part XV of the SFO; (v) there is no other information that should be disclosed for him pursuant to the requirements under Rules 13.51(2)(h) to 13.51(2)(v); and (vi) there are no other matters that need to be brought to the attention of holders of securities of our Company.

## SENIOR MANAGEMENT

| Name | Age | Position |
|---|---|---|
| ZHANG Xin | 46 | Executive Director, Managing Director and General Manager |
| QIAN Wenyang | 50 | Deputy General Manager |
| LIU Yeming | 38 | Deputy General Manager |
| YANG Mu | 42 | Assistant to General Manager |
| LV Qing | 41 | Assistant to General Manager |
| FENG Ping | 43 | Assistant to General Manager |
| ZHANG Ye | 36 | Assistant to General Manager |
| SHI Yu | 40 | Assistant to General Manager |
| CHENG Bincai | 45 | Assistant to General Manager |
| ZHAO Wei | 45 | Assistant to General Manager |
| CHAN Fan Shing | 32 | Company Secretary and Qualified Accountant of our Group |

**ZHANG Xin**, see "Directors and Senior Management — Directors".

**QIAN Wenyang**, aged 50, is a deputy general manager of our Company, assisting the general manager with overall management of the daily operation of our Group. Mr. Qian joined our Group in January 1997. He has nearly 13 years of management experience in the packaging industry. Since June 2007, he has been a deputy general manager of Hangzhou CPMC. Since November 2005, Mr. Qian has been the supervisor of CPMC (Chengdu). He was also a deputy general manager of Hangzhou COFCO-MC between September 2005 and June 2007. From January 2003 to August 2005, Mr. Qian was the executive deputy general manager of Panyu MCP. Mr. Qian held positions including technical chief, production chief, factory director, and deputy general manager of the marketing center of Hangzhou COFCO-MC from January 1997 to December 2002. Prior to joining our Group, Mr. Qian served in the air force of the Chinese People's Liberation Army, which he joined in March 1978. Mr. Qian received a bachelor's degree in Aeronautical Machinery Engineering from Air Force Engineering College in 1985 and a master's degree in Aeronautical and Aerospace Manufacturing Engineering from Northwestern Polytechnical University in 1995. He is a senior engineer.

**LIU Yeming**, aged 38, is a deputy general manager of our Company in charge of the steel barrel business, environmental protection and production safety. Mr. Liu joined our Group in March 2008. He has over seven years of management experience in the steel barrel business. Since March 2008, he has been a deputy general manager of Hangzhou CPMC. Mr. Liu held various positions including deputy general manager of the oils and fats division of COFCO Group from January 2004 to March 2008, deputy general manager of East Ocean from June 2002 to January 2004, deputy general manager of Ceroilfood (New York), Inc. Co., Ltd. from May 2000 to June 2002, and business clerk of COFCO Trading Development Co., Ltd. and business clerk and deputy general manager of Jiali Trading Co., Ltd. from August 1992 to May 2000. Mr. Liu received an associate's degree in International Trade from Beijing University of Technology in 1992.

**YANG Mu**, aged 42, is an assistant to the general manager of our Company in charge of the two-piece beverage can business of our Group. Mr. Yang joined our Group in November 1994. He has 15 years of financial management experience in the packaging industry. Since July 2007, he has been an assistant to the general manager of Hangzhou CPMC and the general manager of the finance department of Hangzhou CPMC. Mr. Yang held various positions including deputy financial director, financial director, deputy general manager and senior financial supervisor of Hangzhou COFCO-MC from November 1994 to August 2007. Between April 2002 and December 2002, he was a deputy general manager of Panyu MCP. Prior to joining our Group, Mr. Yang was the general accountant of Guangdong Nanhai Southern Packaging Co., Ltd. from March 1993 to November 1994. From July 1989 to September 1993, Mr. Yang worked in the financial department of Hunan Zhuzhou Chemical Machinery Factory. Mr. Yang received a degree in Industrial Accounting from Hunan Zhuzhou Metallurgical Industry Institute in 1989 (now known as Hunan Metallurgical Professional Technology College) and completed a graduate program in Economics in the School of Economics of Zhejiang University in 2000. He is a mid-level accountant.

**LV Qing**, aged 41, is an assistant to the general manager of our Company in charge of sales and marketing of our Group. Ms. Lv joined our Group in January 1993. She has nearly 17 years of experience in sales and marketing in the packaging industry. She has been an assistant to the general manager of Hangzhou CPMC and the general manager of the marketing center of Hangzhou CPMC since July 2007. She has also been the general manager of Zhangjiagang CPMC since February 2006. She held various positions including deputy general manager and general manager of the marketing center and assistant to the general manager of Hangzhou COFCO-MC between June 1994 and August 2007. Prior to joining our Group, Ms. Lv worked in Hangzhou Zhongce Rubber Co., Ltd. from December 1985 to May 1994. Ms. Lv obtained an associate's degree in Chemical Engineering from Zhejiang Radio & TV University in 1987 and a bachelor's degree in Business Management in 2002 from Zhejiang University.

**FENG Ping**, aged 43, is an assistant to the general manager of our Company in charge of human resources and administration. Ms. Feng joined our Group in October 1997. She has 12 years of experience in the packaging industry. She has been an assistant to the general manager of Hangzhou CPMC and the general manager of the human resources department of Hangzhou CPMC since July 2007. She has also been the supervisor of Zhangjiagang CPMC since August 2006. Ms. Feng held various positions including manager of the general management department, controller of the human resources department and assistant to the general manager of Hangzhou COFCO-MC between November 1994 and August 2007. Ms. Feng obtained a bachelor's degree in Chemical Engineering from Tsinghua University in 1989, and completed the graduate courses in Management Science and Engineering in Zhejiang University in 2001.

**ZHANG Ye**, aged 36, is an assistant to the general manager of our Company in charge of development and operation of strategic accounts and three-piece beverage can business of our Group. Mr. Zhang joined our Group in July 1995. He has over 14 years of experience in the packaging industry. Since July 2009, he has been an assistant to the general manager of Hangzhou CPMC, and general manager of the strategic accounts department of Hangzhou CPMC. Mr. Zhang has held various positions including salesperson, sales manager, an assistant to the sales director, sales director, executive vice president of Hangzhou COFCO-MC since 1995. Mr. Zhang received a bachelor degree in enterprise management from the School of Adult Continuing Education (currently known as the School of Education) from Fudan University in 1999.

**SHI Yu**, aged 40, is an assistant to the general manager of our Company in charge of the cap business of our Group. Mr. Shi joined our Group in November 1992. He has 17 years of experience in the packaging industry. Since July 2009, he has been an assistant to the general manager of Hangzhou CPMC, and general manger of Wuxi Huapeng Closures Co., Ltd.. Mr. Shi has held various positions including an assistant to the sales director of Hangzhou COFCO-MC, sales

director, an assistant to the general manager, deputy general manager and general manager of Wuxi Huapeng since 1992. Mr. Shi received a bachelor's degree in Scientific English from Tianjin University in 1992.

**CHENG Bincai**, aged 45, is an assistant to the general manager of our Company in charge of production operations. Mr. Cheng joined our Group in June 1993. He has over 23 years of experience in the packaging industry. Since July 2009, he has been as assistant to the general manager of Hangzhou CPMC and general manager of the production operation department of Hangzhou CPMC. Mr. Cheng has held various positions including printing factory director, senior production technology director, deputy general manager of Hangzhou COFCO-MC, and executive deputy general manager and general manager of CPMC (Tianjin) since 1993. Prior to joining our Group, Mr. Cheng held various positions including director of the production planning department, and director of the quality management department of Hangzhou People's Printing Factory from July 1986 to June 1993. Mr. Cheng received a bachelor's degree in Fine Chemistry from East China Chemical College (now known as East China Science and Technology University) in 1986.

**ZHAO Wei**, aged 45, is an assistant to the general manager of our Company in charge of technical support, research and development. Mr. Zhao joined our Group in May 1997. He has over 12 years of experience in the packaging industry. He has held various positions including deputy chief engineer, technology director, production director, and deputy general manger of Wuxi Huapeng since 1997, and executive deputy general manager of CPMC (Chengdu) since March 2008, and general manager of CPMC technology center since December 2008. Prior to joining our Group, Mr. Zhao was a technician in the eighth branch company of Xi'an Aeronautical Engine Company from July 1985 to July 1988, an engineer in Xi'an Exploration Instrument Company from April 1991 to November 1995, and chief engineer in Xi'an Taijing Furniture Co., Ltd. from November 1995 to May 1997. Mr. Zhao received a bachelor's degree and a master's degree in Aeronautical and Aerospace Manufacturing Engineering from Northwestern Polytechnical University in 1985 and 1991, respectively.

**CHAN Fan Shing**, aged 32, is the company secretary of our Company and the qualified accountant of our Group, responsible for the financial management of our Company and the consolidation of financial statements of our Group. Mr. Chan joined our Group in September 2009. He has over nine years of experience in auditing, accounting and financial management. Before joining the Group, Mr. Chan was the company secretary, qualified accountant and financial controller of Hua Han Bio-Pharmaceutical Holdings Limited, a company listed on the Stock Exchange, from December 2007 to June 2009. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan received a bachelor's degree in Business Accounting from the University of Glamorgan, United Kingdom in 1999 and a master's degree in Professional Accounting from The Hong Kong Polytechnic University in 2008.

## BOARD COMMITTEES

### Audit Committee

We have established an audit committee with written terms of reference as suggested under the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules.

Our audit committee has three members, namely Messrs. Cheng Yuk Wo, Hu Yonglei, and Fu Tingmei, of whom Messrs. Cheng Yuk Wo and Fu Tingmei are independent non-executive Directors and Mr. Hu Yonglei is a non-executive Director. The chairman of our audit committee is Mr. Cheng Yuk Wo.

The primary responsibilities of our audit committee include, among others, reviewing and supervising the financial reporting process and internal control system of our Company, nominating and monitoring external auditors and providing advice and comments to our Directors.

### Remuneration Committee

We have established a remuneration committee with written terms of reference as suggested under the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules.

Our remuneration committee has three members, namely Messrs. Fu Tingmei, Cheng Yuk Wo and Wang Jinchang, of whom Messrs. Fu Tingmei and Cheng Yuk Wo are independent non-executive Directors and Mr. Wang Jinchang is an executive Director. The chairman of our remuneration committee is Mr. Fu Tingmei.

The primary responsibilities of our remuneration committee include, among others, evaluating the performance and making recommendations on the remuneration package of our Directors and senior management, and evaluating and making recommendations on our share option scheme and retirement scheme.

### Nomination Committee

We have established a nomination committee with written terms of reference as suggested under the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules.

Our nomination committee has three members, namely Messrs. Ning Gaoning, Cheng Yuk Wo and Fu Tingmei, of whom Messrs. Cheng Yuk Wo and Fu Tingmei are independent non-executive Directors and Mr. Ning Gaoning is a non-executive Director. The chairman of our nomination committee is Mr. Ning Gaoning.

The primary responsibilities of our nomination committee include, among others, making recommendations to our Board regarding candidates to fill vacancies on our Board.

## SHARE OPTION SCHEME

We have conditionally adopted a Share Option Scheme. The principal terms of our Share Option Scheme are summarized in the paragraph headed "Share Option Scheme" set out in Appendix VI to this document.

## COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of remuneration paid by us to our Directors, including salaries, contributions to defined contribution benefit plans (including pensions) and discretionary bonuses, for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 was approximately RMB1,677,000, RMB2,009,000, RMB1,409,000 and RMB610,000, respectively.

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the five individuals whose emoluments were the highest in our Group included two Directors. The aggregate amount of emoluments payable to the five highest paid individuals, including salaries, contributions to defined contribution benefit plans (including pensions) and discretionary bonuses, during each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 was approximately RMB3,116,000, RMB3,882,000, RMB3,136,000 and RMB1,978,000, respectively.

We have not paid any remuneration to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009. None of our Directors has waived or agreed to waive any remuneration during the same period.

Save as disclosed above, no other payments have been made or are payable in respect of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 by us or any of our subsidiaries to our Directors. We estimate that we will pay an aggregate amount of approximately RMB2.91 million to our Directors as remuneration in respect of the year ending December 31, 2009, excluding any discretionary bonuses which may be paid to our Directors.

## WAIVERS GRANTED BY THE STOCK EXCHANGE

### Management Presence in Hong Kong

Rule 8.12 of the Listing Rules provides that an issuer must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Currently, all of the business and operation of our Group, including manufacturing, sale and research and development of packaging products, are located, managed and conducted in the PRC. Our Company does not and, in the foreseeable future, will not have any management presence in Hong Kong.

In light of the above, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver to us from strict compliance with Rule 8.12 of the Listing Rules. We have adopted the following arrangements in order to maintain regular and effective communication with the Stock Exchange:

(a) We appointed Mr. Zhang Xin, an executive Director, and Mr. Chan Fan Shing, the company secretary of our Company and qualified accountant of the Group, as our Company's authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange and ensure that our Company complies with the Listing Rules at all times. Mr. Chan Fan Shing is ordinarily resident in Hong Kong. Each of the authorized representatives will be available to meet with the Stock Exchange in Hong Kong on short notice upon the request of the Stock Exchange and will be readily reachable by telephone, facsimile and electronic means and will be authorized to communicate on behalf of our Company with the Stock Exchange.

(b) Since Mr. Zhang Xin ordinarily resides in the PRC, he has appointed Ms. Tang Wing Shan Winza as his alternate. Ms. Tang is the company secretary assistant of our Company and ordinarily resides in Hong Kong.

(c) Each of the authorized representatives has means to contact all members of our Board (including our independent non-executive Directors) and senior management team promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matter.

(d) Each of the Directors will provide their respective mobile phone numbers, office phone numbers, e-mail addresses and fax numbers to the Stock Exchange.

(e) Furthermore, all executive Directors have confirmed that they possess valid travel documents to visit Hong Kong for business purpose and would be able to come to Hong Kong and meet with the Stock Exchange upon reasonable notice.

# SHARE CAPITAL

The authorized and issued share capital of our Company is as follows:

## Authorized Share Capital

| | | Authorized share capital (HK$) |
|---|---|---|
| 1,500,000,000 | shares | 150,000,000.00 |

## Share Capital upon Completion of the [●]

Assuming the [●] is not exercised, the share capital of our Company immediately following the [●] and the Capitalization Issue will be as follows:

| | | HK$ | Approximate percentage of issued share capital |
|---|---|---|---|
| 60 | shares in issue at the date of this document | 6.00 | 0.0% |
| 599,999,940 | shares to be issued pursuant to the Capitalization Issue (Note) | 59,999,994.00 | 75.0% |
| 200,000,000 | shares to be issued in the [●] | [●] | [●]% |
| **[●]** | **Total** | **[●]** | **[●]%** |

Assuming the [●] is exercised in full, the share capital of our Company immediately following the [●] and the Capitalization Issue will be as follows:

| | | HK$ | Approximate percentage of issued share capital |
|---|---|---|---|
| 60 | shares in issue at the date of this document | 6.00 | 0.0% |
| 599,999,940 | shares to be issued pursuant to the Capitalization Issue (Note) | 59,999,994.00 | 72.3% |
| [●] | shares to be issued in the [●] | [●] | [●]% |
| **[●]** | **Total** | **[●]** | **[●]%** |

Note: Pursuant to the written resolutions of the sole shareholder of our Company passed on October 23, 2009, the Directors were authorized to capitalize the amount of HK$59,999,994 standing to the credit of the share premium account of our Company as a result of the [●] and apply such sum in paying up in full at par 599,999,940 shares for allotment and issue to our shareholders (or its nominee) whose names appear on the register of our Company on October 23, 2009.

## Assumptions

The above tables assume that the [●] and the Capitalization Issue have become unconditional. It takes no account of (a) any shares which may be issued under the general mandate given to our Directors for the allotment and issue of shares (see Appendix VI to this document under the section headed "Further Information about Our Company") (b) any shares which may be repurchased by

our Company pursuant to the Repurchase Mandate (see Appendix VI to this document under the section headed "Further Information about Our Company") or (c) any shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

### Ranking

The [●], including the shares issuable pursuant to the [●], will rank pari passu in all respects with all other shares in issue as mentioned in this document, and in particular, will rank in full for all dividends and other distributions hereafter declared, paid or made on the shares on or after the date on which they are issued save with respect to entitlements under the Capitalization Issue.

## SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the principal terms of which are set out in the section headed "Share Option Scheme" in Appendix VI to this document.

## GENERAL MANDATE TO ISSUE SHARES

Subject to the [●] becomes unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with shares of our Company (otherwise than pursuant to, or in consequence of the [●], a rights issue or pursuant to the exercise of options which may be granted under the Share Option Scheme, any scrip dividend scheme or similar arrangement, or any adjustment of rights to subscribe for shares under options or warrants or a special authority granted by our shareholders), with an aggregate nominal value of not more than the sum of:

- 20% of the aggregate nominal value of our issued share capital immediately following completion of the [●] and the Capitalization Issue (excluding shares which may be issued upon the exercise of the [●] or pursuant to any options which may be granted under the Share Option Scheme); and
- the aggregate nominal value of our issued share capital repurchased by us (if any) pursuant to the Repurchase Mandate.

This general mandate to issue shares will expire:

- at the conclusion of our Company's next annual general meeting;
- upon expiration of the period within which we are required by law or our Articles to hold our next annual general meeting; or
- at the time when such mandate is varied or revoked by an ordinary resolution of our shareholders in a general meeting,

whichever is the earliest.

For further details of this general mandate, see the section headed "Further Information about Our Company — Written resolutions of the sole shareholder of our Company passed on October 23, 2009" in Appendix VI to this document.

## REPURCHASE MANDATE

Subject to the [●] becoming unconditional, our Directors have been granted the Repurchase Mandate, which is a general unconditional mandate to exercise all powers of our Company to repurchase shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of our issued share capital immediately following completion of the [●] and the Capitalization Issue (excluding shares that may be issued upon the exercise of the [●] or pursuant to any options which may be granted under the Share Option Scheme).

This Repurchase Mandate only relates to repurchases made on the Stock Exchange or any other stock exchange on which the shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with all applicable laws and the Listing Rules.

This Repurchase Mandate will expire:

- at the conclusion of our Company's next annual general meeting;
- upon expiration of the period within which we are required by law or our Articles to hold our next annual general meeting; or
- at the time when such mandate is varied or revoked by an ordinary resolution of our shareholders in a general meeting;

whichever is the earliest.

For further details of this Repurchase Mandate, see the section headed "Further Information about Our Company — Repurchase by our Company of its own securities" in Appendix VI to this document.

# SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, the following persons or entities will, immediately following the completion of the [●] and the Capitalization Issue (excluding shares that may be issued and allotted upon the exercise of the [●] or options which may be granted under the Share Option Scheme), have an interest or a short position in the shares or underlying shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or who are directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company and are therefore regarded as substantial shareholders of our Company under the Listing Rules:

| Name of Shareholder | Capacity and Nature of Interest | Number of shares (Note 1) | Approximate percentage of Shareholding |
|---|---|---|---|
| Wide Smart . . . . . | Registered owner *(Note 2)* | [●] (L) | [●]% |
| COFCO (HK) . . . . . | Registered and beneficial owner | [●] (L) | [●]% |
| | Beneficial owner *(Note 2)* | [●] (L) | [●]% |
| COFCO . . . . . | Interest of controlled corporations *(Note 3)* | [●] (L) | [●]% |

Notes:

(1) The letter "L" denotes long position of the shareholder in the shares.

(2) Wide Smart is a wholly-owned subsidiary of COFCO (HK). Wide Smart acts as a nominee shareholder holding [●] shares in trust for COFCO (HK). COFCO (HK) is therefore the beneficial owner of the [●] shares held by Wide Smart.

(3) COFCO (HK) and Wide Smart are wholly-owned subsidiaries of COFCO. COFCO is therefore deemed to be interested in the [●] shares in aggregate held by COFCO (HK) and Wide Smart.

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

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

## OVERVIEW

We are mainly engaged in the manufacturing of packaging products for consumer goods, such as food, beverages and household chemical products, and are the largest manufacturer in the PRC metal packaging industry. In addition to manufacturing, we provide comprehensive packaging solutions, including high-tech packaging design, printing, shipment and overall customer services. Our growth rate in recent years has significantly outpaced the average growth rate of the PRC packaging industry in terms of sales revenue.

Our products mainly include three-piece beverage cans, food cans, aerosol cans, metal caps, printed and coated tinplates, steel barrels and others. We enjoy leading market shares with respect to many of our key products, including three-piece beverage cans, milk powder cans, aerosol cans and twist caps. Our customer base is comprised of domestically and internationally recognized high-end manufacturers of consumer products. Approximately 98.4% of our revenue in 2008 was generated from sales in China. We also export, either directly or indirectly through our distributors, some of our twist caps, food cans and aerosol cans to Oceania and a number of countries in Asia and Europe.

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

The following summarizes the revenue contribution of our product groups:

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

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- **Food Cans.** Our food cans include milk powder cans and general food cans. Our milk powder cans are mainly used for packaging milk powder, nutrition powder and seasonings, while our general food cans are mainly used for packaging processed food, such as fruit, vegetables, meat and seafood. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, sales of food cans contributed 4.2%, 6.3%, 6.6% and 5.8%, respectively, to our total revenue.
- **Aerosol Cans.** Our aerosol cans are mainly used for packaging household chemical products, such as air fresheners, personal care products and insecticides, and other chemical products, such as auto-care products and construction glues. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, sales of aerosol cans contributed 13.0%, 10.8%, 9.1% and 10.1%, respectively, to our total revenue.
- **Metal Caps.** Our metal caps include twist caps mainly used for glass jars for packaging vegetables, fruit and seasonings; crown caps for bottles of beer, carbonated drinks and other drinks; and easy-open ends used for the production of three-piece beverage cans and two-piece beverage cans. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, sales of metal caps contributed 20.1%, 21.5%, 20.2% and 15.6%, respectively, to our total revenue.
- **Printed and Coated Tinplates.** Our printed and coated tinplates are designed for consumption by other manufacturers to produce metal containers, batteries, other electrical items and electrical appliances, such as rice cookers. In addition to printed and coated tinplates, we provide pre-production services, including high-quality design, design preview and revisions, high-fidelity printing and digital printing. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, sales of printed and coated tinplate product group contributed 6.1%, 5.2%, 5.0% and 5.0%, respectively, to our total revenue.
- **Steel Barrels.** Our steel barrels include 200-liter or larger steel barrels and are mainly for the storage of bulk edible oil, fruit juice, jam, fragrance and flavoring substances for industrial use and lubricating oil. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, sales of steel barrels contributed 7.0%, 4.9%, 3.6% and 4.2%, respectively, to our total revenue.
- **Others.** Our other products include plastic containers, rectangular cans and miscellaneous cans for small-pack edible oil, alcohol, tea, solid food, such as cookies, confectionery and chocolate, stationery and toys. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, sales of our other products contributed 8.1%, 3.3%, 2.8% and 4.4%, respectively, to our total revenue.

## REORGANIZATION AND BASIS OF PRESENTATION

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

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

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

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

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

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

## SELECTED FINANCIAL INFORMATION

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

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

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

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

## FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

### Business environment and impact of the global economic crisis

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

Our business is not completely insulated from the recent global economic crisis because some of our customers are engaged in the export business and a small portion of our products are exported. Further, the domestic economy is intricately linked to the global economy to some extent. As a result, some aspects of our business were affected by the global economic crisis. For instance, some of our three-piece beverage can customers postponed their purchases in the last quarter of 2008; selling prices of our steel barrels fetched a lower price than expected; sales of aerosol cans and twist caps to customers engaging in the export business significantly decreased. At the same time, the cost of tinplates remained relatively high in the last quarter of 2008, which created pressure on our gross margins. For the foregoing reasons, our revenue and gross profit in 2008 grew at slower rates compared with 2007. The economic slowdown continued in the first quarter of 2009 and affected the operating results of some of our product groups. For instance, sales revenue of our metal caps, food cans and aerosol cans decreased from RMB367.0 million, RMB102.6 million and RMB217.4 million for the six months ended June 30, 2008 to RMB259.2 million, RMB95.7 million and RMB166.9 million for the same period in 2009, respectively.

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

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

### Production capacity

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

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

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

### Pricing

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

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

### Product mix

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

We seek to improve our profitability by adjusting our product mix from time to time to cope with changing market demand. We offer a broad range of packaging products, including various types of metal cans for packaging food, beverages and other consumer goods and household

chemical products; metal caps and steel barrels; and plastic packaging containers for petrochemical products, seasonings and other household items. Our diversified product portfolio enables us to benefit from changes in market trends and consumer preferences in the PRC.

**Cost of raw materials**

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

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

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

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

**Seasonality**

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

### Foreign exchange rates

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

### Taxation

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

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

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

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

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

**Revenue recognition**

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

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

***(a) Sales of goods***

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

***(b) Interest income***

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

***Income taxes***

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

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

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

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

***Estimated impairment of property, plant and equipment***

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

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

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

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

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

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

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

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

## DESCRIPTION OF SELECTED INCOME STATEMENT LINE ITEMS

### Revenue

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

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

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

The following summarizes the reasons behind the changes:

- **Three-piece Beverage Cans**. The increase in the sales volume of three-piece beverage cans during the Track Record Period was mainly due to the rapid growth in the beverage market and increased production capacity resulting from the expansion of our production facilities in Hangzhou, Guangzhou, Chengdu and Tianjin.
- **Food Cans**. The increase in the sales volume of food cans from 2006 to 2008 was mainly due to the expansion of our production facilities for milk powder cans in Hangzhou and Tianjin as well as the expansion of our production facilities for general food cans in Chengdu. The sales volume of food cans decreased in the six months ended June 30, 2009 compared with the same period in 2008, reflecting mainly the decrease in the sales volume of general food cans due to the global financial crisis.
- **Aerosol Cans**. The increase in the sales volume of aerosol cans from 2006 to 2008 was mainly due to increased production capacity. The decrease in the sales volume of aerosol cans in the six months ended June 30, 2009 compared with the same period in 2008 was mainly due to reduced demand from customers engaging in the export business, as the consumption of their products overseas decreased due to the global financial crisis.
- **Metal Caps**. The increase in the sales volume of metal caps from 2006 to 2008 was mainly due to increased production capacity and increased sales of twist caps and crown caps. The latter reflected mainly increased market demand for such products and our continuous effort in expanding our customer base in these segments. Additionally, in 2007, we consolidated the financial results of CPMC (Zhenjiang) whose sales of easy-open ends also contributed to the increase in sales volume. The decrease in the sales volume of metal caps in the six months ended June 30, 2009 compared with the same period in 2008 was mainly due to the global financial crisis and our strategy to reduce sales to customers with longer credit payment terms.

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

### Cost of sales and gross profit

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

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 | | 2007 | | 2008 | | 2008 | | 2009 | |
| | RMB'000 | % of total revenue | RMB'000 | % of total revenue | RMB'000 | % of total revenue | RMB'000 | % of total revenue | RMB'000 | % of total revenue |
| | | | | | | | (unaudited) | | | |
| Raw materials and consumables used | 1,623,260 | 78.1 | 2,119,638 | 77.4 | 2,595,181 | 77.5 | 1,328,606 | 76.3 | 1,218,148 | 73.4 |
| Employee benefit expenses | 71,320 | 3.4 | 97,743 | 3.6 | 123,333 | 3.7 | 59,993 | 3.5 | 51,617 | 3.1 |
| Utility expenses | 50,373 | 2.4 | 74,234 | 2.7 | 83,515 | 2.5 | 52,645 | 3.0 | 40,846 | 2.5 |
| Depreciation of property, plant and equipment | 32,903 | 1.6 | 54,062 | 2.0 | 54,987 | 1.6 | 31,426 | 1.8 | 32,085 | 1.9 |
| Others | 45,149 | 2.2 | 56,549 | 2.0 | 93,420 | 2.8 | 40,715 | 2.4 | 80,723 | 4.8 |
| Total | 1,823,005 | 87.7 | 2,402,226 | 87.7 | 2,950,436 | 88.1 | 1,513,385 | 87.0 | 1,423,419 | 85.7 |

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

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

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

| | For the year ended December 31, | | | | | | For the six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 | | 2007 | | 2008 | | 2008 | | 2009 | |
| | RMB'000 | % of total revenue | RMB'000 | % of total revenue | RMB'000 | % of total revenue | RMB'000 | % of total revenue | RMB'000 | % of total revenue |
| | | | | | | | (unaudited) | | | |
| Revenue | 2,077,530 | 100.0 | 2,739,518 | 100.0 | 3,349,494 | 100.0 | 1,740,384 | 100.0 | 1,660,219 | 100.0 |
| Cost of sales | (1,823,005) | 87.7 | (2,402,226) | 87.7 | (2,950,436) | 88.1 | (1,513,385) | 87.0 | (1,423,419) | 85.7 |
| Gross profit | 254,525 | 12.3 | 337,292 | 12.3 | 399,058 | 11.9 | 226,999 | 13.0 | 236,800 | 14.3 |

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

### Other gains – net

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

### Selling and marketing expenses

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

### Administrative expenses

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

### Finance income

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

### Finance costs

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

### Income tax expenses

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

### Minority interests

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

## REVIEW OF HISTORICAL OPERATING RESULTS

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

### Revenue

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

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

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

The following summarizes the revenue contribution of our product groups:

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

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

- **Aerosol Cans**. Sales revenue of aerosol cans decreased by RMB50.5 million, or 23.2%, from RMB217.4 million for the six months ended June 30, 2008 to RMB166.9 million for the same period in 2009. This decrease was mainly due to a decrease in their sales volume. Our customers engaging in the export business reduced their order of aerosol cans from us because consumption of their products overseas declined during the global financial crisis.
- **Metal Caps**. Sales revenue of metal caps decreased by RMB107.8 million, or 29.4%, from RMB367.0 million for the six months ended June 30, 2008 to RMB259.2 million for the same period in 2009. This decrease was mainly due to decreased sales revenue of twist caps and easy-open ends resulting from the global financial crisis and decreased sales revenue of crown caps resulting from our strategy of reducing sales to customers with longer credit payment terms.
- **Printed and Coated Tinplates**. Sales revenue of printed and coated tinplates increased by RMB4.1 million, or 5.2%, from RMB78.5 million for the six months ended June 30, 2008 to RMB82.6 million for the same period in 2009, mainly due to increased sales volume. As we increased the portion of production capacity allocated for external sales, we were able to accept more customer orders for these products.
- **Steel Barrels**. Sales revenue of steel barrels decreased by RMB7.8 million, or 10.1%, from RMB77.1 million for the six months ended June 30, 2008 to RMB69.3 million for the same period in 2009. The decrease was mainly due to their lower average selling prices resulting from lower steel prices, the effects of which were partially offset by increased sales volume.
- **Others**. Sales revenue of other products increased by RMB17.6 million, or 31.3%, from RMB56.3 million for the six months ended June 30, 2008 to RMB73.9 million for the same period in 2009. The increase was mainly due to increased sales revenue of plastic containers and rectangular cans, reflecting our increased marketing efforts for the two products.

### Cost of sales and gross profit

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

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

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

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

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

Our overall gross margin increased from 13.0% for the six months ended June 30, 2008 to 14.3% for the same period in 2009. The increase was mainly due to the increases in the gross margins of three-piece beverage cans, food cans, and printed and coated tinplates, the effects of which were partially offset by the decreases in the gross margins of some other products. The decreases in the gross margins of these other products were mainly due to increased cost of raw

materials. As a result of the higher tinplate prices in the second half of 2008, the cost of tinplates charged against the cost of sales of some of our products produced in the six months ended June 30, 2009 increased compared with the same period in 2008 because our weighted cost of raw material inventory for these products was higher.

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

- **Three-piece Beverage Cans**. Gross profit of three-piece beverage cans increased by RMB53.1 million, or 47.7%, from RMB111.4 million for the six months ended June 30, 2008 to RMB164.5 million for the same period in 2009, while their gross margin increased from 13.2% for the six months ended June 30, 2008 to 18.0% for the same period in 2009, The increase in gross margin was mainly due to increased revenue contribution from high-margin products.
- **Food Cans**. Gross profit of food cans decreased slightly by RMB0.2 million, or 1.2%, from RMB16.2 million for the six months ended June 30, 2008 to RMB16.0 million for the same period in 2009, while their gross margin increased from 15.8% for the six months ended June 30, 2008 to 16.7% for the same period in 2009. The increase in gross margin was mainly due to increased revenue contribution from higher-margin milk powder cans.
- **Aerosol Cans**. Gross profit of aerosol cans decreased by RMB15.7 million, or 55.1%, from RMB28.5 million for the six months ended June 30, 2008 to RMB12.8 million for the same period in 2009, while their gross margin decreased from 13.1% for the six months ended June 30, 2008 to 7.6% for the same period in 2009. The decrease in gross margin was mainly due to increased cost of tinplates and, to a lesser extent, lower selling prices.
- **Metal Caps**. Gross profit of metal caps decreased by RMB28.7 million, or 61.5%, from RMB46.7 million for the six months ended June 30, 2008 to RMB18.0 million for the same period in 2009, while their gross margin decreased from 12.7% for the six months ended June 30, 2008 to 6.9% for the same period in 2009. The decrease in gross margin was mainly due to increased unit cost of goods sold as some of our overhead costs were allocated among a smaller volume of products sold and decreased gross margin of crown caps resulting from increased cost of tinplates.
- **Printed and Coated Tinplates**. Gross profit of printed and coated tinplates increased by RMB1.7 million, or 17.9%, from RMB9.5 million for the six months ended June 30, 2008 to RMB11.2 million for the same period in 2009, while their gross margin increased from 12.1% for the six months ended June 30, 2008 to 13.6% for the same period in 2009. The increase in gross margin was mainly due to increased sales of printed and coated tinplates with higher gross margins resulting from changes in customer mix.
- **Steel Barrels**. Gross profit of steel barrels decreased by RMB1.8 million, or 17.8%, from RMB10.1 million for the six months ended June 30, 2008 to RMB8.3 million for the same period in 2009, while their gross margin decreased from 13.1% for the six months ended June 30, 2008 to 12.0% for the same period in 2009. The decrease in gross margin was mainly due to lower average selling prices.
- **Others**. Gross profit of other products increased by RMB1.5 million, or 33.3%, from RMB4.5 million for the six months ended June 30, 2008 to RMB6.0 million for the same period in 2009, while their gross margin remained relatively steady, improving slightly from 8.1% for the six months ended June 30, 2008 to 8.2% for the same period in 2009.

**Other gains – net**

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

**Selling and marketing expenses**

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

**Administrative expenses**

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

**Finance costs — net**

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

**Profit before income tax**

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

**Income tax expense**

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

**Profit for the period**

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

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

#### Revenue

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

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

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

The following summarizes the revenue contribution of our product groups:

- **Three-piece Beverage Cans**. We derived the largest portion of our revenue from the sales of three-piece beverage cans, which comprised 48.0% and 52.7% of our total revenue in 2007 and 2008, respectively. Sales revenue of three-piece beverage cans increased by RMB449.6 million, or 34.2%, from RMB1,314.4 million in 2007 to RMB1,764.0 million in 2008. The increase was mainly due to increased sales volume, which reflected increased demand from selected customers such as JDB and Red Bull and an increase in the annual production capacity of three-piece beverage cans to approximately 1,650.0 million units in 2008.
- **Remaining Products**. Revenue growth for most of our remaining products in 2008 was mainly due to increased sales volume resulting from increased production capacity and from increased demand. Sales revenue of food cans increased by RMB49.5 million, or 28.6%, from RMB173.0 million in 2007 to RMB222.5 million in 2008. Sales revenue of aerosol cans increased by RMB7.0 million, or 2.4%, from RMB296.5 million in 2007 to RMB303.5 million in 2008. Sales revenue of metal caps increased by RMB85.6 million, or 14.5%, from RMB589.9 million in 2007 to RMB675.5 million in 2008. Sales revenue of printed and coated tinplates increased by RMB26.0 million, or 18.3%, from RMB142.5 million in 2007 to RMB168.5 million in 2008. Sales revenue of other products increased by RMB4.5 million, or 5.0%, from RMB89.5 million in 2007 to RMB94.0 million in 2008. The effects of the foregoing, however, were partially offset by the decrease in sales revenue of steel barrels, which decreased by RMB12.1 million or 9.1%, from RMB133.6 million in 2007 to RMB121.5 million in 2008. During 2008, we completed the Steel Barrel Business Acquisition, which had some temporary impact on the day-to-day operation of our steel barrels production and sales activities.

### Cost of sales and gross profit

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

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

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

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

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

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

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

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

### Other gains — net

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

### Selling and marketing expenses

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

### Administrative expenses

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

### Finance costs — net

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

### Profit before income tax

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

### Income tax expense

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

### Profit for the year

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

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

### Revenue

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

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

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

The following summarizes the revenue contribution of our product groups:

- **Three-piece Beverage Cans**. We derived the largest portion of our revenue from the sales of three-piece beverage cans, which contributed 41.5% and 48.0% to our total revenue in 2006 and 2007, respectively. Sales revenue of three-piece beverage cans was RMB1,314.4 million in 2007, representing an increase of RMB452.4 million, or 52.5%, from RMB862.0 million in 2006. This increase was mainly due to (i) increased sales volume, which was mainly attributable to increased demand from selected long-term customers such as JDB; and (ii) increased annual production capacity for three-piece beverage cans in Hangzhou and Guangzhou to approximately 1,172.0 million units.
- **Food Cans**. Sales revenue of food cans increased by RMB84.9 million, or 96.4%, from RMB88.1 million in 2006 to RMB173.0 million in 2007. This increase was mainly due to increased production capacity for general food cans in Chengdu to approximately 142.0 million units. Further, the sales volume of milk powder cans also increased mainly due to increased demand.
- **Aerosol Cans**. Sales revenue of aerosol cans increased by RMB26.2 million, or 9.7% from RMB270.3 million in 2006 to RMB296.5 million in 2007, mainly due to an increase in their sales volume resulting from increased production capacity for aerosol cans in Hangzhou.
- **Metal Caps**. Sales revenue of metal caps increased by RMB171.9 million, or 41.1%, from RMB418.0 million in 2006 to RMB589.9 million in 2007, mainly due to (i) increased annual production capacity for twist caps and crown caps to approximately 1,570.0 million units and 8,520.0 million units, respectively; (ii) the increase in the sales revenue of twist caps and crown caps; and (iii) the revenue contributed by CPMC (Zhenjiang) after our consolidation of its financial results in 2007.
- **Printed and Coated Tinplates**. Sales revenue of printed and coated tinplates also increased by RMB16.1 million, or 12.7%, from RMB126.4 million in 2006 to RMB142.5 million in 2007. The increase was mainly due to an increase in their sales volume resulting from increased annual production capacity for printed and coated tinplates and their higher average selling prices.
- **Steel Barrels**. Sales revenue of steel barrels decreased by RMB11.3 million, or 7.8%, from RMB144.9 million in 2006 to RMB133.6 million in 2007. During this period, our steel barrel business was managed by China Agri as an ancillary business.
- **Others**. Sales revenue of other products decreased by RMB78.2 million, or 46.6%, from RMB167.7 million in 2006 to RMB89.5 million in 2007. The decrease was primarily due to the elimination of a portion of our sales to Zhangjiagang CPMC as we began consolidating the financial results of Zhangjiagang CPMC in 2007 after we acquired a 91.2% equity interest in the entity.

### Cost of sales and gross profit

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

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

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

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

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

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

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

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

### Other gains — net

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

### Selling and marketing expenses

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

### Administrative expenses

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

### Finance costs — net

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

### Profit before income tax

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

### Income tax expense

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

### Profit for the year

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

## LIQUIDITY AND CAPITAL RESOURCES

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

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

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

### Cash flow data

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

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

**Cash generated from or used in operating activities**

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

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

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

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

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

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

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

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

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

**Cash used in investing activities**

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

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

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

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

### Cash generated from financing activities

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

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

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

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

### Capital expenditures

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

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

### Capital commitments

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

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

### Working capital

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

### Inventory analysis

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

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

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

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

Note:

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

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

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

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

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

**Trade receivables and trade payables**

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

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

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Prepayments, deposits and other receivables**

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

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

### Net current assets/liabilities

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

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

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

## INDEBTEDNESS

### Bank and other borrowings

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### Contingent Liabilities

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

### Off-balance sheet transactions

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

### Disclaimers

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

### No material adverse changes

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

## DISCLOSURE REQUIRED UNDER THE LISTING RULES

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

## PROFIT FORECAST

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

## PROPERTY

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

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

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

## DIVIDEND POLICY

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

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

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

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

## DISTRIBUTABLE RESERVES

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

# FINANCIAL INFORMATION

## NO MATERIAL ADVERSE CHANGE

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

# FUTURE PLANS

## FUTURE PLANS

See the paragraph headed “Our Business Strategies” in the section headed “Business” in this document for a detailed description of our future plans.

*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.*

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 | 2007 | 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 Note | 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 |
| **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

| | | Attributable to equity holders of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Section II Note | Capital reserves | Statutory reserves | Retained earnings | Proposed interim dividend | Total | Minority interests | Total equity |
| | | 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 Note | 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 |
| **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 |

| Name of Director | For the year ended December 2008 | | | |
|---|---|---|---|---|
| | 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 |

| Name of Director | For the six months ended 30 June 2008 (Unaudited) | | | |
|---|---|---|---|---|
| | 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 |

| Name of Director | For the six months ended 30 June 2009 | | | |
|---|---|---|---|---|
| | 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 (Unaudited) | RMB'000 |
| 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 (Unaudited) | | RMB'000 | |
| 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

The forecast consolidated profit attributable to the equity holders of the Company for the year ending 31 December 2009 is set out in the section headed "Financial Information — Profit Forecast" in this document.

## I. BASES AND ASSUMPTIONS

The Directors have prepared the forecast consolidated profit attributable to the equity holders of the Company for the year ending 31 December 2009 based on our audited consolidated results for the 6 months ended 30 June 2009, the unaudited consolidated results based on management accounts for the two months ended 31 August 2009 and a forecast of our consolidated results for the remaining four months ending 31 December 2009. The profit forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by the Group as set out in Note 3 of Section II of the Accountants' Report, the text of which is set out in Appendix I to this document, and on the following principal bases and assumptions:

- there will be no material changes in the existing political, legal, fiscal, market or economic conditions in the PRC, Hong Kong or any other countries or territories in which the Group currently operates or which are otherwise material to the business of the Group;
- there will be no changes in legislation, regulations or rules in the PRC, Hong Kong or any other countries or territories in which the Group operates or with which the Group has arrangements or agreements, which may materially adversely affect the Groups' business or operations;
- there will be no material changes in inflation rates, interest rates or foreign exchange rates from those currently prevailing in the context of the Groups' operations;
- there will be no material changes in the bases or applicable rates of taxation, surcharges or other government levies in the countries or territories in which the Group operates, except as otherwise disclosed in this document;
- there will be no wars, military incidents, pandemic diseases or natural disasters that will have a material impact on the Groups' business and operating activities;
- the Groups' operations will not be adversely affected by occurrences such as labor shortages and disputes, or any other factors outside the control of the management of the Group. In addition, the Group will be able to recruit enough employees to meet its operating requirements during the forecast period;
- the PRC Government will continue to adopt a moderate macroeconomic and monetary policies similar to those of 2008, in order to maintain a consistent rate of economic growth; and
- The above profit forecast has also been prepared based on forecast revenue to be derived from sales of milk powder cans with the expected effect, if any, on our Group arising from the discovery of melamine contamination in milk powder products in China in September 2008 taken into account.

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*The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this document received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 31 August 2009 of the property interests of the Group.*

Jones Lang LaSalle Sallmanns Limited
17/F Dorset House Taikoo Place
979 King's Road Quarry Bay Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

[●] 2009

The Board of Directors
CPMC Holdings Limited
33rd Floor, Top Glory Tower
262 Gloucester Road
Causeway Bay
Hong Kong

Dear Sirs,

In accordance with your instructions to value the properties in which CPMC Holdings Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC") and Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 31 August 2009 (the "date of valuation").

Our valuation of the property interests represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

We have valued the property interests of property nos. 1, 4 and 9 in Group I by direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

Where, due to the nature of the buildings and structures of certain properties and the particular location in which they are situated, there are unlikely to be relevant market sales readily available, the relevant property interests in Group I have been valued on the basis of their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

In valuing portions of the property interests in Group I which were under construction as at the date of valuation, we have assumed that they will be developed and completed in accordance with the latest development proposal provided to us by the Group. In arriving at our opinion of value, we have taken into account the construction cost and professional fees relevant to the stage of construction as at the date of valuation and the remainder of the cost and fees to be expended to complete the developments.

In relation to the property interest in Group II, which is held by the Group for future development in the PRC, we have also valued the property interest using the direct comparison approach, assuming sale of the property interest in its existing state with the benefit of vacant possession and by making reference to comparable sales transactions that are available in the relevant market.

We have attributed no commercial value to the property interests in Groups III and IV, which are rented by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Our valuations have been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors; and the HKIS Valuation Standards on Properties (1st Edition) published by the Hong Kong Institute of Surveyors.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates, Real Estate Title Certificates and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing titles to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers — Haiwen & Partners, concerning the validity of the Group's titles of the property interests in the PRC.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
**Jones Lang Lasalle Sallmanns Limited**
**Paul L. Brown**
B.Sc. FRICS FHKIS
*Director*

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*Note: Paul L. Brown is a Chartered Surveyor who has 26 years' experience in the valuation of properties in the PRC and 29 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.*

## SUMMARY OF VALUES

### Group I — Property interests held and occupied by the Group in the PRC

| No. | Property | Capital value in existing state as at 31 August 2009 | Interest attributable to the Group | Capital value attributable to the Group as at 31 August 2009 |
|---|---|---|---|---|
| | | RMB | | RMB |
| 1. | 4 units within Zhijiang Garden located at Beihuan Road Binjiang District Hangzhou City Zhejiang Province The PRC | 6,844,000 | 100% | 6,844,000 |
| 2. | A parcel of land, 11 buildings and various structures together with 2 buildings under construction located at No.160 Weisan Road Hangzhou Economic and Technological Development Zone Hangzhou City Zhejiang Province The PRC | No commercial value | 100% | No commercial value |
| 3. | A parcel of land, 11 buildings and various structures located at No. 6 Huangshan Road Hi-Tech Development Zone Wuxi City Jiangsu Province The PRC | 49,431,000 | 61.48% | 30,390,000 |
| 4. | A unit of Shuxing Apartment located at No. 19 Dongsanduan of Erhuan Road Chenghua District Chengdu City Sichuan Province The PRC | 471,000 | 61.48% | 290,000 |
| 5. | A parcel of land, 6 buildings and various structures located at the northern side of Kaiyuan Road Wuqing Development Zone Tianjin The PRC | 89,402,000 | 100% | 89,402,000 |
| 6. | A parcel of land, 7 buildings and various structures located at No. 466 Liutai Avenue Wenjiang District Chengdu City Sichuan Province The PRC | 32,183,000 | 100% | 32,183,000 |

| No. | Property | Capital value in existing state as at 31 August 2009 | Interest attributable to the Group | Capital value attributable to the Group as at 31 August 2009 |
|---|---|---|---|---|
| | | RMB | | RMB |
| 7. | A parcel of land, 8 buildings and various structures located at the southern side of Dingmaoqiao Road Zhenjiang City Jiangsu Province The PRC | 19,763,000 | 100% | 19,763,000 |
| 8. | A parcel of land, 9 buildings and various structures together with 2 buildings under construction located at Zhongliang Package Zone Caotang Village Hualong Town Panyu District Guangzhou City Guangdong Province The PRC | 101,753,000 | 100% | 101,753,000 |
| 9. | Units A90 and A92 of a residential building located at 12 Street Clifford Estate Zhongcun Town Panyu District Guangzhou City Guangdong Province The PRC | 1,908,000 | 100% | 1,908,000 |
| 10. | A parcel of land, 8 buildings and various structures located at No. 157 Chengbei Road Yangshe Town Zhangjiagang City Jiangsu Province The PRC | 15,467,000 | 100% | 15,467,000 |
| | **Sub-total:** | **317,222,000** | | **298,000,000** |

## Group II — Property interest held for future development by the Group in the PRC

| No. | Property | Capital value in existing state as at 31 August 2009 | Interest attributable to the Group | Capital value in attributable to the Group as at 31 August 2009 |
|---|---|---|---|---|
| | | RMB | | RMB |
| 11. | A parcel of land located at Lot 65MD Wuhan Economic and Technological Development Zone Wuhan City Hubei Province The PRC | 21,473,000 | 100% | 21,473,000 |
| | **Sub-total:** | **21,473,000** | | **21,473,000** |

## Group III — Property interests rented and occupied by the Group in the PRC

| No. | Property | Capital value in existing state as at 31 August 2009 |
|---|---|---|
| | | RMB |
| 12. | 2 parcels of land and 18 buildings located at No. 8 Guangrui Road Chong'an District Wuxi City Jiangsu Province The PRC | No commercial value |
| 13. | 5 buildings located at the west section of Xinhua Road Hi-Tech Development Zone Linyi City Shandong Province The PRC | No commercial value |
| 14. | A building located at Hongfeng Farm Caotang Village Hualong Town Panyu District Guangzhou City Guangdong Province The PRC | No commercial value |
| 15. | A building located at Hongfeng Farm Caotang Village Hualong Town Panyu District Guangzhou City Guangdong Province The PRC | No commercial value |

| No. | Property | Capital value in existing state as at 31 August 2009 RMB |
|---|---|---|
| 16. | 3 buildings<br>located at<br>Lantian Industry Zone<br>Dayi County<br>Chengdu City<br>Sichuan Province<br>The PRC | No commercial value |
| 17. | A building<br>located at No. 288 Rongtai Avenue<br>North Section<br>Wenjiang District<br>Chengdu City<br>Sichuan Province<br>The PRC | No commercial value |
| 18. | A building located at<br>Fujiang Road<br>Hechuan District<br>Chongqing<br>The PRC | No commercial value |
| 19. | A building located at<br>Jinsha Hi-Tech Development Zone<br>Sanming City<br>Fujian Province<br>The PRC | No commercial value |
| 20. | Units 803, 804 and 3 car parking lots of<br>COFCO Fortune Plaza<br>located at<br>the eastern side of Chaoyangmen South Avenue<br>Chaoyang District<br>Beijing<br>The PRC | No commercial value |
| 21. | A portion of a parcel of<br>land and a building located at Dongzhouwan Dock<br>Xintang Town<br>Zengcheng City<br>Guangdong Province<br>The PRC | No commercial value |
| 22. | A portion of a parcel of<br>land and a building<br>located at No. 869 Hubei Road<br>Tanggu District<br>Tianjin<br>The PRC | No commercial value |

| No. | Property | Capital value in existing state as at 31 August 2009 |
|---|---|---|
| | | RMB |
| 23. | A building located at the western side of Binjiang Road and the southern side of Huijiu Road Changjiang Village, Jingang Town Zhangjiagang City Jiangsu Province The PRC | No commercial value |
| 24. | A unit in Huaxia Office Building located at the western side of Binjiang Road and the southern side of Huijiu Road Jingang Town Zhangjiagang City Jiangsu Province The PRC | No commercial value |
| 25. | A parcel of land and a building located at Huashan Road Jinfeng Village Zhangjiagang City Jiangsu Province The PRC | No commercial value |
| 26. | Unit 702, Block B of Changjiang Runfa International Plaza located at No. 30 Changjiang Road Zhangjiagang City Jiangsu Province The PRC | No commercial value |
| 27. | 4 buildings located at Nos. 1 and 2 in Juyou Industry Park Liaokeng Village Shiyan Town Shenzhen City Guangdong Province The PRC | No commercial value |
| 28. | A building and a coal unloading shed located at No. 34 Beijing Dong Road Shashi District Jingzhou City Hubei Province The PRC | No commercial value |
| | **Sub-total:** | **Nil** |

## Group IV — Property interest rented and occupied by the Group in Hong Kong

| No. | Property | Capital value in existing state as at 31 August 2009 |
|---|---|---|
| | | RMB |
| 29. | Room 2302<br>23rd Floor<br>Top Glory Tower<br>No. 262 Gloucester Road<br>Causeway Bay<br>Hong Kong | No commercial value |
| | **Sub-total:** | **Nil** |

| | Capital value in existing state as at 31 August 2009 | Capital value attributable to the Group as at 31 August 2009 |
|---|---|---|
| | RMB | RMB |
| **Grand total:** | 338,695,000 | 319,473,000 |

## VALUATION CERTIFICATE

**Group I — Property interests held and occupied by the Group in the PRC**

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 August 2009 RMB |
|---|---|---|---|---|
| 1. | 4 units within Zhijiang Garden located at Beihuan Road Binjiang District Hangzhou City Zhejiang Province The PRC | The property comprises 4 residential units on Level 3 of three 5-storey residential buildings all completed in about 1999.<br><br>The units have a total gross floor area of approximately 595.28 sq.m.<br><br>The land use rights of the property have been granted for a term of 70 years expiring on 8 December 2062 for residential use. | The property is currently occupied by the Group for staff dormitory purpose. | 6,844,000<br><br>100% interest attributable to the Group: RMB6,844,000 |

Notes:

1. Pursuant to 4 State-owned Land Use Rights Certificates — Hang Bin Chu Guo Yong (2000) Zi Di Nos. 000117, 000171, 000174 and 000176 (杭濱出國用(2000)字第000117, 000171, 000174, 000176號), the land use rights of the property with a total apportioned land area of approximately 542 sq.m. have been granted to Hangzhou COFCO-MC Packaging Co., Ltd. ("Hangzhou COFCO-MC", 杭州中糧美特容器有限公司), a wholly owned subsidiary of the Company, for a term of 70 years expiring on 8 December 2062 for residential use.
2. Pursuant to 4 Building Ownership Certificates — Hang Fang Quan Zheng Xiao Huan Zi Di Nos. 0000075 to 0000077 and 0000079 (杭房權證蕭換字第0000075至0000077及0000079號), 4 units with a total gross floor area of approximately 595.28 sq.m. are owned by Hangzhou COFCO-MC.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. Hangzhou COFCO-MC can legally own the property and is entitled to occupy, use and profit or otherwise dispose of the property; and
   b. The property is not subject to mortgage or any other encumbrances.

## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 August 2009 RMB |
|---|---|---|---|---|
| 2. | A parcel of land, 11 buildings and various structures together with 2 buildings under construction located at No. 160 Weisan Road Hangzhou Economic and Technological Development Zone Hangzhou City Zhejiang Province The PRC | The property comprises a parcel of land with a site area of approximately 107,546 sq.m., 11 buildings and various structures erected thereon which were completed in about 2007.<br><br>The buildings have a total gross floor area of approximately 73,950.13 sq.m.<br><br>The buildings and structures mainly include an office building, industrial buildings, warehouses, a sewage treatment room, a fire-fighting compressor room, guardhouses, walls, a shed, roads and pools.<br><br>The property also includes 2 buildings (the "CIP") which were under construction as at the date of valuation. As advised by the Group, the construction work of the buildings is completed and the equipment installation is in process in late October 2009. The CIP has a total planned gross floor area of approximately 946.5 sq.m.<br><br>The total construction cost of the CIP is estimated to be approximately RMB2,786,000 of which RMB571,000 had been paid up to the date of valuation.<br><br>The land use rights of the property have been granted for a term of 50 years expiring on 27 November 2055 for industrial use. | The property is currently occupied by the Group for office and production purposes except for the CIP. | No commercial value |

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — Hang Jing Kai Tu He Zi (2006) No. 7, the land use rights of a parcel of land with a site area of approximately 107,546 sq.m. have been contracted to be granted to Hangzhou CPMC Co., Ltd. ("Hangzhou CPMC", 杭州中糧包裝有限公司), a wholly owned subsidiary of the Company, for a term of 50 years at a consideration of RMB18,820,550 for industrial use.

2. Pursuant a Supplementary Contract of the State-owned Land Use Rights Grant Contract entered into between Hangzhou City State-owned Land and Resources Bureau, Economic & Technological Development Zone Branch and Hangzhou CPMC, Hangzhou CPMC agreed not to transfer the land use rights within 10 years after obtaining the land use rights. If the land use rights are intended to be transferred, the Development Zone Authority has the rights to repurchase the land as the first purchaser at the original land consideration. The buildings and the structures upon the land will be purchased on the basis of the market value of valuation at that date. In the case of the Development Zone Authority abandons the rights of repurchasing, Hangzhou CPMC could transfer the land use rights to other parties with consent of the Development Zone Authority.

3. Pursuant to a State-owned Land Use Rights Certificate — Hang Jing Guo Yong (2006) Di No. 064 (杭經國用(2006)第064號), the land use rights of a parcel of land with a site area of approximately 107,546 sq.m. have been granted to Hangzhou CPMC for a term of 50 years expiring on 27 November 2055 for industrial use.

4. Pursuant to 11 Building Ownership Certificates — Hang Fang Quan Zheng Jing Zi Di Nos. 08010846 to 08010856 (杭房權證經字第08010846至08010856號), 11 buildings with a total gross floor area of approximately 73,950.13 sq.m. are owned by Hangzhou CPMC.

5. Pursuant to a Construction Work Planning Permit — Jian Zi Di (2009) Nian Zhe Gui Jian Zheng No. 01070030 (建字第(2009)年浙規建證01070030號) in favour of Hangzhou CPMC, the CIP with a total planned gross floor area of approximately 946.5 sq.m. have been approved for construction.

6. Pursuant to a Tenancy Agreement, an industrial building with a gross floor area of approximately 14,400 sq.m. is leased to Hangzhou COFCO-MC Packaging Co., Ltd. (杭州中糧美特容器有限公司), a wholly owned subsidiary of the Company, for a term commencing from 1 May 2009 and expiring on 30 April 2011 at an annual rent of RMB48,000, exclusive of management fees, water and electricity charges.

7. Pursuant to a Tenancy Agreement, a warehouse, an office building and an industrial building with a total gross floor area of approximately 7,504 sq.m. and a portion of a parcel of land with a site of 450 sq.m. are leased to Hangzhou CPMC Canmaking Co., Ltd. (杭州中糧制罐有限公司), a wholly owned subsidiary of the Company, for terms commencing from 1 October 2009, 15 December 2008 and 1 March 2009 for the warehouse, office building and industrial building respectively, at a total annual rent of RMB800,000, exclusive of management fees, water and electricity charges. In addition, the commencing or expiring date for the land lease is not stated.

8. In the valuation of the property, we have not attributed any commercial value to the property as the land use rights of the property are restricted to be transferred. However, for reference purposes, we are of the opinion that the capital value of the property as at the date of valuation would be RMB187,101,000 assuming all relevant title certificates had been obtained and it could be freely transferred.

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Hangzhou CPMC can legally own the property and is entitled to occupy, use and profit the property;

   b. The property can only be transferred by satisfying those restrictions according to the Supplementary Contract as mentioned in note 2;

   c. Hangzhou CPMC has not obtained relevant Construction Work Commencement Permit for the CIP. If the Group started construction without relevant permissions, the relevant government authorities shall have the authority to order to (i) rectify any non-compliance, or (ii) suspend construction and impose a fine of between RMB5,000 and RMB10,000; and

   d. Pursuant to a Mortgage Contract dated 12 August 2008 entered into between Bank of China Limited, Hangzhou Economic and Technological Development Zone Sub-branch (中國銀行股份有限公司杭州經濟技術開發區支行) and Hangzhou CPMC, the land use rights and the buildings of the property mentioned in notes 3 and 4 are subject to a mortgage in favour of Bank of China Limited, Hangzhou Economic and Technological Development Zone Sub-branch as security for borrowing bank loans with a maximum loan amount of RMB89,000,000.

## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 August 2009 RMB |
|---|---|---|---|---|
| 3. | A parcel of land, 11 buildings and various structures located at No. 6 Huangshan Road Hi-Tech Development Zone Wuxi City Jiangsu Province The PRC | The property comprises a parcel of land with a site area of approximately 45,377.3 sq.m., 11 buildings and various structures erected thereon which were completed in various stages between 1995 and 2008.<br><br>The buildings have a total gross floor area of approximately 19,697.39 sq.m.<br><br>The buildings and structures mainly include an office building, industrial buildings, warehouses, a guardhouse, walls, sheds, roads, a pool and a carport.<br><br>The land use rights of the property have been granted for a term of 50 years expiring on 12 July 2042 for industrial use. | The property is currently occupied by the Group for office and production purposes. | 49,431,000<br><br>61.48% interest attributable to the Group: RMB30,390,000 |

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Xi Xin Guo Yong (2008) Zi Di No. 49 (錫新國用(2008)字第49號), the land use rights of a parcel of land with a site area of approximately 45,377.3 sq.m. have been granted to Wuxi Huapeng Closures Co., Ltd. ("Wuxi Huapeng", 無錫華鵬瓶蓋有限公司), a 61.48% interest owned subsidiary of the Company, for a term of 50 years expiring on 12 July 2042 for industrial use.
2. Pursuant to 3 Building Ownership Certificates — Xi Fang Quan Zheng Xin Qu Zi Di Nos. WX1000092427-1, WX1000092427-2 and XQ1000097248 (錫房權證新區字第 WX1000092427-1, WX1000092427-2及 XQ1000097248號), 7 buildings with a total gross floor area of approximately 19,095.03 sq.m. are owned by Wuxi Huapeng. As advised by the Group, a portion of a building with a gross floor area of approximately 53.19 sq.m. was demolished. It is therefore excluded from our valuation.
3. For the remaining 4 buildings with a total gross floor area of approximately 655.55 sq.m., we have not been provided with any title certificate.
4. In the valuation of the property, we have not attributed any commercial value to the 4 buildings mentioned in note 3 which have not obtained any proper title certificate. However, for reference purposes, we are of the opinion that the capital value of the 4 buildings (excluding the land) as at the date of valuation would be RMB500,000 assuming all relevant title certificates had been obtained and they could be freely transferred.
5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. Wuxi Huapeng can legally own the land use rights of the property and the building ownership rights for the buildings stated in notes 1 and 2 and is entitled to occupy, use, profit or otherwise dispose of the parcel of land and the 7 buildings erected thereon;
   b. For the remaining 4 buildings stated in note 3, based on information provided by the Group, there is no Building Ownership Certificate obtained due to the lack of relevant construction permits to start the construction and there has been no dispute over the ownership of the buildings without Building Ownership Certificates. Furthermore, the buildings are not subject to any sequestration order or a court of judicial enforcement action;
   c. According to the PRC laws, if an owner of a building has failed to either obtain a construction planning permit or comply with the requirements under the construction planning permit, the local government above county level shall have the authority to rectify any non-compliance by ordering a building owner to (i) suspend construction, or (ii) rectify within a limited period of time, and, at the same time, impose a fine

of 5% to 10% of the total construction cost of the building. Where such non-compliance could not be rectified, the local government shall be able to (i) order the dismantling of the building within a limited period of time or (ii) confiscate the building or illegal income from the building, and, at the same time, impose a fine of up to 10% of the total construction cost of the building in case of any failure to dismantle the building as required; and

d. Pursuant to a Mortgage Contract dated 15 October 2008 entered into between Bank of China Limited, Wuxi Hi-Tech Development Zone Sub-branch (中國銀行股份有限公司無錫高新技術產業開發區支行) and Wuxi Huapeng, the land use rights and buildings mentioned in notes 1 and 2 (excluding the buildings under the Building Ownership Certificate — Xi Fang Quan Zheng Xin Qu Zi Di No. XQ1000097248) relating to a total gross floor area of approximately 15,802.44 sq.m. are subject to a mortgage in favour of Bank of China Limited, Wuxi Hi-Tech Development Zone Sub-branch as security for borrowing bank loans with a maximum loan amount of RMB30,000,000. According to the PRC laws, the buildings of the property should also be mortgaged as the land on which the buildings are erected has been mortgaged. So the buildings under the aforesaid Building Ownership Certificate are thought as being mortgaged.

## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 August 2009 RMB |
|---|---|---|---|---|
| 4. | A unit of Shuxing Apartment located at No. 19 Dongsanduan of Erhuan Road Chenghua District Chengdu City Sichuan Province The PRC | The property comprises a unit on Level 2 of a 6-storey residential building completed in about 1996.<br><br>The unit has a gross floor area of approximately 85.38 sq.m.<br><br>The land use rights of the property have been granted for a term of 50 years expiring on 19 September 2044 for composite use. | The property is currently vacant. | 471,000<br><br>61.48% interest attributable to the Group: RMB290,000 |

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Cheng Guo Yong (2002) Zi Di No. 203 (成國用(2002)字第203號), the land use rights of the property with an apportioned land area of approximately 18.09 sq.m. have been granted to CarnaudMetalbox Huapeng (Wuxi) Closures Co., Ltd. ("CarnaudMetalbox" 無錫華鵬嘉多寶瓶蓋有限公司), the former name of Wuxi Huapeng Closures Co., Ltd. ("Wuxi Huapeng", 無錫華鵬瓶蓋有限公司), a 61.48% interest owned subsidiary of the Company, for a term of 50 years expiring on 19 September 2044 for composite use.
2. Pursuant to a Building Ownership Certificate — Rong Fang Quan Zheng Cheng Fang Jian Zheng Zi Di No. 0528034 (蓉房權證成房監證字第0528034號), a unit with a gross floor area of approximately 85.38 sq.m. is owned by CarnaudMetalbox.
3. As advised by the Group, the property would fall into the scope of government demolition. In the course of our valuation, we arrive at our opinion of the market value of the property by considering that it could be freely transferred in the market.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. Wuxi Huapeng can legally own the property and is entitled to occupy, use, profit or otherwise dispose of the property;
   b. As advised by the Group, changing registered name of the State-owned Land Use Rights Certificate and the Building Ownership Certificate of the property to Wuxi Huapeng is under application. There is no material legal impediment to complete the registration procedures; and
   c. The property is not subject to mortgage or any other encumbrances.

## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 August 2009 RMB |
|---|---|---|---|---|
| 5. | A parcel of land, 6 buildings and various structures located at the northern side of Kaiyuan Road Wuqing Development Zone Tianjin The PRC | The property comprises a parcel of land with a site area of approximately 98,845.8 sq.m., 6 buildings and various structures erected thereon which were completed in 2007 and 2008.<br><br>The buildings have a total gross floor area of approximately 38,318.88 sq.m.<br><br>The buildings and structures mainly include industrial buildings, a dormitory building, warehouses, guardhouses, pump rooms, roads and landscape gardening.<br><br>The land use rights of the property have been granted for a term of 50 years expiring on 30 June 2056 for industrial use. | The property is currently occupied by the Group for office and production purposes. | 89,402,000<br><br>100% interest attributable to the Group: RMB89,402,000 |

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — No. 2006-44 dated 30 June 2006, the land use rights of a parcel of land with a site area of approximately 98,845.8 sq.m. have been contracted to be granted to COFCO Packaging Tianjin Company Limited, ("CPMC (Tianjin)", 中糧包裝(天津)有限公司), a wholly owned subsidiary of the Company, for a term of 50 years for industrial use. The land premium was RMB14,184,372.3.
2. Pursuant to a State-owned Land Use Rights Certificate — Wu Dan Guo Yong (2008 Geng) Di No. 91 (武單國用(2008更)第91號), the land use rights of a parcel of land with a site area of approximately 98,845.8 sq.m. have been granted to CPMC (Tianjin) for a term of 50 years expiring on 30 June 2056 for industrial use.
3. Pursuant to a Building Ownership Certificate — Fang Quan Zheng Jin Zi Di No. 122010801948 (房權證津字第122010801948號), 5 buildings with a total gross floor area of approximately 37,310.88 sq.m. are owned by CPMC (Tianjin).
4. For a building of the property with a gross floor area of approximately 1,008 sq.m., we have not been provided with any title certificate.
5. In the valuation of the property, we have not attributed any commercial value to the building mentioned in note 4 which has not obtained any proper title certificate. However, for reference purposes, we are of the opinion that the capital value of the building (excluding the land) as at the date of valuation would be RMB1,185,000 assuming all relevant title certificates had been obtained and it could be freely transferred.
6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. CPMC (Tianjin) can legally own the land use rights of the property and the building ownership rights for the 5 buildings stated in notes 2 and 3 and is entitled to occupy, use, profit or otherwise dispose of the parcel of land and the 5 buildings erected thereon;
   b. For the remaining building stated in note 4, based on information provided by the Group, there is no Building Ownership Certificate obtained due to the lack of relevant construction permits to start the construction and there has been no dispute over the ownership of the building. Furthermore, the building is not subject to any sequestration order or a court or judicial enforcement action;
   c. According to the PRC laws, if an owner of a building has failed to either obtain a construction planning permit or comply with the requirements under the construction planning permit, the local government above county level shall have the authority to rectify any non-compliance by ordering a building owner to (i) suspend construction, or (ii) rectify within a limited period of time, and, at the same time, impose a fine of 5% to 10% of the total construction cost of the building. Where such non-compliance could not be

rectified, the local government shall be able to (i) order the dismantling of the building within a limited period of time or (ii) confiscate the building or illegal income from the building, and, at the same time, impose a fine of up to 10% of the total construction cost of the building in case of any failure to dismantle the building as required; and

d. The property is not subject to mortgage or any other encumbrances.

## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 August 2009 RMB |
|---|---|---|---|---|
| 6. | A parcel of land, 7 buildings and various structures located at No. 466 Liutai Avenue Wenjiang District Chengdu City Sichuan Province The PRC | The property comprises a parcel of land with a site area of approximately 29,817.2 sq.m., 7 buildings and various structures erected thereon which were completed in 2006 and 2007.<br><br>The buildings have a total gross floor area of approximately 17,593.45 sq.m.<br><br>The buildings and structures mainly include an industrial building, a dormitory building, a storage room, guardhouses, an ancillary building, walls, roads and gates.<br><br>The land use rights of the property have been granted for a term of 50 years expiring on 14 November 2056 for industrial use. | The property is currently occupied by the Group for production purpose. | 32,183,000<br><br>100% interest attributable to the Group: RMB32,183,000 |

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — (2006) Chu Rang He Tong No. 225 ((2006)出讓合同225號) dated 15 November 2006, the land use rights of a parcel of land with a site area of approximately 29,817.2 sq.m. have been contracted to be granted to CPMC (Chengdu) Co., Ltd. ("CPMC (Chengdu)", 中糧包裝(成都)有限公司), a wholly owned subsidiary of the Company, for a term of 50 years for industrial use. The land premium was RMB1,073,419.2.
2. Pursuant to a State-owned Land Use Rights Certificate — Wen Guo Yong (2006) Di No. 599 (溫國用(2006)第599號), the land use rights of a parcel of land with a site area of approximately 29,817.2 sq.m. have been granted to CPMC (Chengdu) for a term of 50 years expiring on 14 November 2056 for industrial use.
3. Pursuant to 6 Building Ownership Certificates — Wen Fang Quan Zheng Jian Zheng Zi Di Nos. 0067861 to 0067865 and 0067903 (溫房權證監證字第0067861至0067865號及0067903號), 6 buildings with a total gross floor area of approximately 17,555.65 sq.m. are owned by CPMC (Chengdu).
4. For the remaining building with a gross floor area of approximately 37.8 sq.m., we have not been provided with any title certificate.
5. In the valuation of the property, we have not attributed any commercial value to the building mentioned in note 4 which has not obtained any proper title certificate. However, for reference purposes, we are of the opinion that capital value of the building (excluding the land) as at the date of valuation would be RMB30,000 assuming all relevant title certificate had been obtained and it could be freely transferred.
6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. CPMC (Chengdu) can legally own the land use rights and building ownership rights for the 6 buildings stated in notes 2 and 3 and is entitled to occupy, use, profit or otherwise dispose of the parcel of land and the 6 buildings erected thereon;
   b. For the remaining building stated in note 4, based on information provided by the Group, there is no Building Ownership Certificate obtained due to the lack of relevant construction permits to start the construction and there has been no dispute over the ownership of the building. Furthermore, the building is not subject to any sequestration order or a court or judicial enforcement action;

c. According to the PRC laws, if an owner of a building has failed to either obtain a construction planning permit or comply with the requirements under the construction planning permit, the local government above county level shall have the authority to rectify any non-compliance by ordering a building owner to (i) suspend construction, or (ii) rectify within a limited period of time, and, at the same time, impose a fine of 5% to 10% of the total construction cost of the building. Where such non-compliance could not be rectified, the local government shall be able to (i) order the dismantling of the building within a limited period of time or (ii) confiscate the building or illegal income from the building, and, at the same time, impose a fine of up to 10% of the total construction cost of the building in case of any failure to dismantle the building as required; and

d. Pursuant to a Mortgage Contract dated 20 October 2008 entered into between Bank of China Limited, Wenjiang Sub-branch (中國銀行股份有限公司温江支行) and CPMC (Chengdu), the land use rights and the buildings mentioned in notes 2 and 3 are subject to a mortgage in favour of Bank of China Limited, Wenjiang Sub-branch as security for borrowing bank loans with a maximum loan amount of RMB29,380,000.

## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 August 2009 RMB |
|---|---|---|---|---|
| 7. | A parcel of land, 8 buildings and various structures located at the southern side Dingmaoqiao Road Zhenjiang City Jiangsu Province The PRC | The property comprises a parcel of land with a site area of approximately 21,618.3 sq.m., 8 buildings and various structures erected thereon which were completed in various stages between 1996 and 2009.<br><br>The buildings have a total gross floor area of approximately 12,928.46 sq.m.<br><br>The buildings and structures mainly include an office building, an industrial building, a canteen, warehouses, guardhouses, walls, roads and a pool.<br><br>The land use rights of the property have been granted for a term of 50 years expiring on 11 January 2047 for industrial use. | The property is currently occupied by the Group for office and production purposes. | 19,763,000<br><br>100% interest attributable to the Group: RMB19,763,000 |

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Zhen Guo Yong (2008) Di No. 1316 (鎮國用(2008)第1316號), the land use rights of a parcel of land with a site area of approximately 21,618.3 sq.m. have been granted to CPMC (Zhenjiang) Can End Co., Ltd. ("CPMC (Zhenjiang)", 中糧包裝(鎮江)製蓋有限公司), a wholly owned subsidiary of the Company, for a term of 50 years expiring on 11 January 2047 for industrial use.
2. Pursuant to 3 Building Ownership Certificates — Zhen Fang Quan Zheng Ding Zi Di Nos. 70018480, 70018481 and 90020632 (鎮房權證丁字第70018480, 70018481和90020632號), 8 buildings with a total gross floor area of approximately 12,928.46 sq.m. are owned by CPMC (Zhenjiang).
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. CPMC (Zhenjiang) can legally own the property and is entitled to occupy, use, profit or otherwise dispose of the property; and
   b. Pursuant to a Mortgage Contract dated 21 April 2008 entered into between Bank of China Limited, Zhenjiang Dingmaoqiao Sub-branch (中國銀行股份有限公司鎮江丁卯橋支行) and CPMC (Zhenjiang), the land use rights and buildings mentioned in notes 1 and 2 (excluding the buildings under the Building Ownership Certificate – Zhen Fang Quan Zheng Ding Zi Di No. 90020632) relating to a total gross floor area of approximately 8,381.36 sq.m. are subject to a mortgage in favour of Bank of China Limited, Zhenjiang Dingmaoqiao Sub-branch as a security for borrowing bank loans with a maximum loan amount of RMB26,000,000. According to the PRC laws, the buildings of the property should also be mortgaged as land on which the buildings are erected has been mortgaged. So the buildings under the aforesaid Building Ownership Certificate are thought as being mortgaged.

## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 August 2009 RMB |
|---|---|---|---|---|
| 8. | A parcel of land, 9 buildings and various structures together with 2 buildings under construction located at Zhongliang Package Zone Caotang Village Hualong Town Panyu District Guangzhou City Guangdong Province The PRC | The property comprises a parcel of land with a site area of approximately 77,715.8 sq.m., 9 buildings and various structures erected thereon which were completed in various stages between 1995 and 2009.<br><br>The buildings have a total gross floor area of approximately 25,477.8 sq.m.<br><br>The buildings and structures mainly include industrial buildings, walls, roads and pools.<br><br>The property also includes an industrial building and an office building (the "CIP") which are currently under construction. The CIP is scheduled to be completed in January 2010. The CIP has a total planned gross floor area of approximately 18,049 sq.m.<br><br>The total construction cost of the CIP is estimated to be approximately RMB25,000,000, of which RMB23,837,000 had been paid up to the date of valuation.<br><br>The land use rights of the property have been granted for a term of 50 years expiring on 18 April 2045 for industrial use. | The property is currently occupied by the Group for production purpose, except for the CIP which is currently under construction. | 101,753,000<br><br>100% interest attributable to the Group: RMB101,753,000 |

Notes:

1. Pursuant to 9 Real Estate Title Certificates — Yue Fang Di Zheng Zi Di Nos. C5884944 to C5884951 and C6505364 (粵房地證字第C5884944至C5884951號及C6505364), the land use rights of a parcel of land with a site area of approximately 77,715.8 sq.m. have been granted to Guangzhou Panyu MCP Industries Ltd. ("Panyu MCP", 廣州番禺美特包裝公司), a wholly owned subsidiary of the Company, for a term of 50 years expiring on 18 April 2045 for industrial use and 8 buildings with a total gross floor area of approximately 24,157.8 sq.m. are owned by Panyu MCP.
2. For the remaining building with a gross floor area of approximately 1,320 sq.m., we have not been provided with any title certificates.
3. Pursuant to 2 Construction Work Planning Permits — Sui Gui Jian Zheng (2007) Nos. 4914 and 4915 (穗規建證(2007)4914及4915號) in favor of Panyu MCP, the CIP with a total planned gross floor area of approximately 18,049 sq.m. have been approved for construction.
4. Pursuant to a Construction Work Commencement Permit — No. 440126200805280101 in favour of Panyu MCP, permission by the relevant local authority was given to commence the construction work of the CIP.
5. In the valuation of the property, we have not attributed any commercial value to the building mentioned in note 2 which have not obtained any proper title certificate. However, for reference purposes, we are of the opinion that the capital value of the building (excluding the land) as at the date of valuation would be RMB903,000 assuming all relevant title certificate had been obtained and it could be freely transferred.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Panyu MCP can legally own the land use rights and building ownership rights for the buildings stated in note 1 and is entitled to occupy, use, profit or otherwise dispose of the parcel of land and buildings erected thereon;

   b. For the remaining building stated in note 2, based on information provided by the Group, there is no Building Ownership Certificate obtained due to the lack of relevant construction permits to start the construction and there has been no dispute over the ownership of the building. Furthermore, the building is not subject to any sequestration order or a court or judicial enforcement action;

   c. According to the PRC laws, if an owner of a building has failed to either obtain a construction planning permit or comply with the requirements under the construction planning permit, the local government above county level shall have the authority to rectify any non-compliance by ordering a building owner to (i) suspend construction, or (ii) rectify within a limited period of time, and, at the same time, impose a fine of 5% to 10% of the total construction cost of the building. Where such non-compliance could not be rectified, the local government shall be able to (i) order the dismantling of the building within a limited period of time or (ii) confiscate the building or illegal income from the building, and, at the same time, impose a fine of up to 10% of the total construction cost of the building in case of any failure to dismantle the building as required;

   d. Panyu MCP has obtained all requisite planning approvals as stated in notes 3 and 4 and has legal rights to construct the CIP; and

   e. Pursuant to a Mortgage Contract dated 11 July 2008 and a Supplementary Contract dated 12 July 2008 entered into between Bank of China Limited, Guangzhou Panyu Sub-branch (中國銀行廣州番禺支行) and Panyu MCP, the property under the title certificate mentioned in note 1 and property no. 9 are subject to a mortgage in favour of Bank of China Limited, Guangzhou Panyu Sub-branch as security for borrowing bank loans with a maximum loan amount of RMB120,000,000.

## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 August 2009 RMB |
|---|---|---|---|---|
| 9. | Units A90 and A92 of a residential building located at 12 Street Clifford Estate Zhongcun Town Panyu District Guangzhou City Guangdong Province The PRC | The property comprises 2 residential units on Level 3 of a 3-storey residential building completed in about 1994.<br><br>The units have a total gross floor area of approximately 301.5 sq.m.<br><br>The land use rights of the property have been granted for a term of 70 years expiring on 1 September 2062 for residential use. | The property is currently occupied by the Group for staff dormitory purpose. | 1,908,000<br><br>100% interest attributable to the Group: RMB1,908,000 |

Notes:

1. Pursuant to 2 Real Estate Title Certificates — Yue Fang Di Zheng Zi Di Nos. C6530030 and C6530031 (粵房地證字第C6530030及C6530031), the land use rights of the property with a total apportioned land area of approximately 167.7 sq.m. have been granted to Guangzhou Panyu MCP Industries Ltd. ("Panyu MCP", 廣州番禺美特包裝公司), a wholly owned subsidiary of the Company, for a term of 70 years expiring on 1 September 2062 for residential use and 2 units with a total gross floor area of approximately 301.5 sq.m. are owned by Panyu MCP.
2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. Panyu MCP can legally own the property and is entitled to occupy, use, profit or otherwise dispose of the property; and
   b. Pursuant to a Mortgage Contract dated 11 July 2008 and a Supplementary Contract dated 12 July 2008 entered into between Bank of China Limited, Guangzhou Panyu Sub-branch (中國銀行廣州番禺支行) and Panyu MCP, this property and the majority of property no. 8 are subject to a mortgage in favor of Bank of China Limited, Guangzhou Panyu Sub-branch as security for borrowing bank loans with a maximum loan amount of RMB120,000,000.

## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 August 2009 RMB |
|---|---|---|---|---|
| 10. | A parcel of land, 8 buildings and various structures located at No. 157 Chengbei Road Yangshe Town Zhangjiagang City Jiangsu Province The PRC | The property comprises a parcel of land with a site area of approximately 21,698.7 sq.m., 8 buildings and various structures erected thereon which were completed in about 1992.<br><br>The buildings have a total gross floor area of approximately 8,339.79 sq.m.<br><br>The buildings and structures mainly include a composite building, industrial buildings, an electricity room, warehouses, walls, roads, a gate and a shed.<br><br>The land use rights of the property have been granted for a term of 50 years expiring on 11 March 2054 for industrial use. | The property is currently occupied by the Group for office and production purposes. | 15,467,000<br><br>100% interest attributable to the Group: RMB15,467,000 |

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Zhang Guo Yong (2007) Di No. 010058 (張國用(2007)第010058號), the land use rights of a parcel of land with a site area of approximately 21,698.7 sq.m. have been granted to Zhangjiagang CPMC Co., Ltd. ("Zhangjiagang CPMC", 張家港中糧包裝有限公司), a wholly owned subsidiary of the Company, for a term of 50 years expiring on 11 March 2054 for industrial use.
2. Pursuant to a Building Ownership Certificate — Zhang Fang Quan Zheng Yang Zi Di No. 0000120443 (張房權證楊字第0000120443號), 8 buildings with a total gross floor area of approximately 8,339.79 sq.m. are owned by Zhangjiagang CPMC.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. Zhangjiagang CPMC can legally own the property and is entitled to occupy, use, profit or otherwise dispose of the property; and
   b. Pursuant to a Mortgage Contract entered into between Industrial and Commercial Bank of China Limited, Zhangjiagang Branch (中國工商銀行股份有限公司張家港分行) and Zhangjiagang CPMC, the property is subject to a mortgage in favour of Industrial and Commercial Bank of China Limited, Zhangjiagang Branch as a security for borrowing bank loans with a maximum loan amount of RMB12,000,000.

## VALUATION CERTIFICATE

**Group II — Property interest held for future development by the Group in the PRC**

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 August 2009 RMB |
|---|---|---|---|---|
| 11. | A parcel of land located at Lot 65MD Wuhan Economic and Technological Development Zone Wuhan City Hubei Province The PRC | The property comprises a parcel of land with a site area of approximately 79,529.82 sq.m.<br><br>The land use rights of the property have been granted for a term of 50 years expiring on 3 June 2059 for industrial use. | The property is currently a vacant site. | 21,473,000<br><br>100% interest attributable to the Group: RMB21,473,000 |

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — WH(WJK)-2009-00009, the land use rights of a parcel of land with a site area of approximately 79,529.82 sq.m. were contracted to be granted to CPMC (Wuhan) Co., Ltd. ("CPMC (Wuhan)", 中糧包裝(武漢)有限公司), a wholly owned subsidiary of the Company, for a term of 50 years for industrial use. The land premium was RMB21,500,000.
2. Pursuant to a State-owned Land Use Rights Certificate — Wu Kai Guo Yong (2009) Di No. 29 (武開國用(2009)第29號), the land use rights of a parcel of land with a site area of approximately 79,529.82 sq.m. have been granted to CPMC (Wuhan) for a term of 50 years expiring on 3 June 2059 for industrial use.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. CPMC (Wuhan) can legally own the property and is entitled to occupy, use and profit the property;
   b. The land use rights of the property could be transferred or mortgaged for the first time by meeting the following conditions: (i) more than 25% of the total investment has been paid; and (ii) the land satisfies the development conditions of industrial land or other construction land; and
   c. The property is not subject to mortgage or any other encumbrances.

## VALUATION CERTIFICATE

**Group III — Property interests rented and occupied by the Group in the PRC**

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 August 2009 RMB |
|---|---|---|---|---|
| 12. | 2 parcels of land and 18 buildings located at No. 8 Guangrui Road Chong'an District Wuxi City Jiangsu Province The PRC | The property comprises 2 parcels of land with a total site area of approximately 11,031 sq.m. and 18 buildings erected thereon which were completed in various stages between 1965 and 1992.<br><br>The buildings have a total gross floor area of approximately 12,205.2 sq.m.<br><br>The buildings mainly include office buildings, industrial buildings, a warehouse, a compressor room and a guardhouse.<br><br>The land use rights of the property have been leased for a term of 10 years commencing from January 2004 for industrial use. | The property is currently vacant, except for portions of the property with a total gross floor area of approximately 9,032 sq.m. which are currently leased to and occupied by various independent third parties (Refer to note 4). | No commercial value |

Notes:

1. Pursuant to a Land Lease Agreement entered into between CarnaudMetalbox Huapeng (Wuxi) Closures Co., Ltd. (CarnaudMetalbox, 無錫華鵬嘉多寶瓶蓋有限公司), the former name of Wuxi Huapeng Closures Co., Ltd. ("Wuxi Huapeng", 無錫華鵬瓶蓋有限公司), a 61.48% interest owned subsidiary of the Company, and Wuxi Caps General Factory ("Wuxi Caps", 無錫瓶蓋總廠), a shareholder of Wuxi Huapeng, the land use rights of 2 parcels of land with a total site area of approximately 11,031 sq.m. have been leased to CarnaudMetalbox for a term of 10 years commencing from January 2004 at an annual rent of RMB100,000 before gaining and at an annual rent of RMB200,000 after gaining for industrial use, exclusive of any other charges.

   Pursuant to a State-owned Land Use Rights Certificate — Xi Chong Guo Yong (2007) Di No. 57 (錫崇國用(2007)第57號), the land use rights of a parcel of land with a site area of approximately 8,124 sq.m. ("Land A") have been allocated to Wuxi Caps for industrial use. The remaining parcel of land with a site area of approximately 2,907 sq.m. ("Land B") has not obtained relevant title certificate.

2. Pursuant to 6 Building Ownership Certificates — Xi Fang Quan Zheng Chong An Zi Di Nos. 10020717 to 10020722 (錫房權證崇安字第10020717至10020722號), the buildings with a total gross floor area of approximately 13,531.25 sq.m. are owned by Wuxi Caps. As advised by the Group, the buildings with a total gross floor area of 2,687.85 sq.m. were demolished. They are therefore excluded from our valuation. The existing buildings with a total gross floor area of approximately 10,843.4 sq.m. are built upon Land A.

   As advised by the Group, the buildings of the property were injected by Wuxi Caps to Wuxi Huapeng as invested capital. However, the relevant Building Ownership Certificates have not been changed under the name of Wuxi Huapeng.

   The remaining buildings of the property with a total gross floor area of approximately 1,361.8 sq.m. are erected on Land B, for which we have not been provided with any title certificates.

3. As advised by the Group, 16 buildings of the property with a total gross floor area of approximately 11,142.33 sq.m. would fall into the scope of government demolition.

4. Pursuant to 13 Tenancy Agreements entered into between Wuxi Huapeng/Wuxi Caps and various independent third parties, portions of the property with a total gross floor area of approximately 9,032 sq.m. are leased to various independent third parties for various terms with the latest expiry date on 31 July 2011 at a total annual rent of RMB835,413, exclusive of water, electricity charges and other fees.

5. In the valuation of the property, we have not attributed any commercial value to the property according to the legal opinion of the Company's PRC legal advisers. However, for reference purposes, we are of the opinion that the capital value of the 18 buildings (excluding the land) as at the date of valuation would be RMB6,497,000 assuming all relevant title certificates had been obtained and they could be freely transferred.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The Land Lease Agreement is invalid and the rights of Wuxi Huapeng are not protected by the PRC Laws;

   b. Wuxi Huapeng is not the legal owner of Land A and the buildings erected thereon as the relevant title certificates are under the name of Wuxi Caps. Wuxi Huapeng has the rights to occupy and use the property in accordance with the provisions covered in a Joint Venture Agreement entered into between Wuxi Caps and Wuxi Huapeng and relevant Articles of Association. These rights may not be against bona fide third parties. Wuxi Huapeng has no rights to transfer, mortgage and otherwise dispose of Land A and buildings erected thereon;

   c. Wuxi Huapeng is not the legal owner of Land B and the buildings erected thereon. Wuxi Huapeng has no rights to occupy, use, profit and dispose of Land B and the buildings erected thereon;

   d. In respect of the Tenancy Agreements stated in note 4, as Wuxi Caps, the property owner as evidenced by the building ownership certificates, has given consent to such leases. Under the PRC law, these Tenancy Agreements regarding a total gross floor area of 9,032 sq.m. are legally binding on Wuxi Huapeng and the relevant third parties. In addition, these Tenancy Agreements provide that if the agreements are terminated due to the government's demolition, the relevant landlords will not be liable for breach of contract. As mention above, 16 out of the 18 buildings fall into the scope of the government's demolition. Therefore, it is believed that Wuxi Huapeng will not be exposed to material legal liabilities for leasing such defective title buildings.

## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 August 2009 RMB |
|---|---|---|---|---|
| 13. | 5 buildings located at the west section of Xinhua Road Hi-Tech Development Zone Linyi City Shandong Province The PRC | The property comprises 2 industrial buildings, a dormitory building, a canteen and an office building completed in about 1996.<br><br>The buildings have a total gross area of approximately 2,300 sq.m.<br><br>The property is leased from an independent third party, for a term commencing from 1 July 2008 and expiring on 1 July 2010 at an annual rent of RMB120,000, inclusive of management fees, exclusive of water and electricity charges. | The property is currently occupied by the Group for production and office purposes. | No commercial value |

Notes:

1. Pursuant to a Tenancy Agreement, the property with a total gross floor area of 2,300 sq.m. is leased to CarnaudMetalbox Huapeng (Wuxi) Closures Co., Ltd. (無錫華鵬嘉多寶瓶蓋有限公司), the former name of Wuxi Huapeng Closure Co., Ltd. ("Wuxi Huapeng", 無錫華鵬瓶蓋有限公司), a 61.48% interest owned subsidiary of the Company, from Linyi Wenyong Ceramics Co., Ltd. (臨沂文永陶瓷有限公司, the "Lessor"), an independent third party, for a term commencing from 1 July 2008 and expiring on 1 July 2010 at an annual rent of RMB120,000, inclusive of management fees, exclusive of water and electricity charges.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The legality and validity of the Tenancy Agreement is uncertain as the Lessor has not provided any title certificate for the property and the rights of Wuxi Huapeng under the Tenancy Agreement may not be protected by the PRC laws.

## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 August 2009 RMB |
|---|---|---|---|---|
| 14. | A building located at Hongfeng Farm Caotang Village Hualong Town Panyu District Guangzhou City Guangdong Province The PRC | The property comprises a single-storey industrial building completed in about 2005.<br><br>The building has a gross floor area of approximately 5,387.4 sq.m.<br><br>The property is leased from an independent third party for a term commencing from 1 May 2007 and expiring on 30 April 2010 at a monthly rent of RMB38,222, inclusive of management fees, exclusive of water and electricity charges. | The property is currently occupied by the Group for production purpose. | No commercial value |

Notes:

1. Pursuant to a Tenancy Agreement, the property with a gross floor area of 5,387.4 sq.m. is leased to Guangzhou Panyu MCP Industries Ltd. ("Panyu MCP", 廣州番禺美特包裝有限公司), a wholly owned subsidiary of the Company, from Xu Zhenhong (許振洪, the "Lessor"), an independent third party, for a term commencing from 1 May 2007 and expiring on 30 April 2010 at a monthly rent of RMB38,222, inclusive of management fees and exclusive of water and electricity charges.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Lessor has no rights to lease the property to Panyu MCP as the property is erected on collectively-owned land and it is not legal to lease the land as non-agricultural use without relevant government approval under the PRC laws; and
   b. The Tenancy Agreement is invalid and the rights of Panyu MCP under the Tenancy Agreement are not protected by the PRC laws.

## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 August 2009 RMB |
|---|---|---|---|---|
| 15. | A building located at Hongfeng Farm Caotang Village Hualong Town Panyu District Guangzhou City Guangdong Province The PRC | The property comprises a single-storey industrial building completed in about 2005.<br><br>The building has a gross floor area of approximately 2,871 sq.m.<br><br>The property is leased from an independent third party for a term commencing from 1 April 2009 and expiring on 31 March 2010, at a monthly rent of RMB22,176, inclusive of management fees, exclusive of water and electricity charges. | The property is currently occupied by the Group for storage purpose. | No commercial value |

Notes:

1. Pursuant to a Supplementary Tenancy Agreement, the property with a gross floor area of 2,871 sq.m. is leased to Guangzhou Panyu MCP Industries Ltd. ("Panyu MCP", 廣州番禺美特包裝有限公司), a wholly owned subsidiary of the Company, from Xu Zhenhong (許振洪, the "Lessor"), an independent third party, for a term commencing from 1 April 2009 and expiring on 31 March 2010, at a monthly rent of RMB22,176, inclusive of management fees and exclusive of water and electricity charges.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Lessor has no rights to lease the property to Panyu MCP as the property is erected on collectively-owned land and it is not legal to lease the land as non-agricultural use without relevant government approval under the PRC laws; and
   b. The Supplementary Tenancy Agreement is invalid and the rights of Panyu MCP under the Supplementary Tenancy Agreement are not protected by the PRC laws.

## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 August 2009 RMB |
|---|---|---|---|---|
| 16. | 3 buildings located at Lantian Industry Zone Dayi County Chengdu City Sichuan Province The PRC | The property comprises 3 industrial buildings completed in about 2007.<br><br>The buildings have a total gross floor area of approximately 14,298 sq.m.<br><br>The property is leased from an independent third party for a term commencing from 1 November 2008 and expiring on 30 October 2010, at an annual rent of RMB15,000, inclusive of management fees and exclusive of water and electricity charges. | The property is currently occupied by the Group for production purpose. | No commercial value |

Notes:

1. Pursuant to a Tenancy Agreement, the property with a total gross floor area of approximately 14,298 sq.m. is leased to CPMC (Chengdu) Co., Ltd., ("CPMC (Chengdu)", 中糧包裝(成都)有限公司), a wholly owned subsidiary of the Company, from Sichuan Lantian Industry Food Co., Ltd. (四川蘭田工業食品有限公司, the "Lessor"), an independent third party, for a term commencing from 1 November 2008 and expiring on 30 October 2010 at an annual rent of RMB15,000, inclusive of management fees, exclusive of water and electricity charges.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. Pursuant to 2 State-owned Land Use Rights Certificates — Da Yi Guo Yong (2005) Di No. 35752 and Da Yi Guo Yong (2007) Di No. 207 (大邑國用(2005)第35752號及大邑國用(2007)第207號) and a Building Ownership Certificate — Da Fang Quan Zheng Jian Zheng Zi Di No. 0024238 (大房權證監證字第0024238號), the property is owned by the Lessor;
   b. The Tenancy Agreement is binding on both signing parties; and
   c. CPMC (Chengdu) has the legal rights to use the property in accordance with the Tenancy Agreement.

## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 August 2009 RMB |
|---|---|---|---|---|
| 17. | A building located at No. 288 Rongtai Avenue North Section Wenjiang District Chengdu City Sichuan Province The PRC | The property comprises a single-storey industrial building completed in about 2007.<br><br>The building has a gross floor area of approximately 1,731.47 sq.m.<br><br>The property is leased from an independent third party for a term commencing from 1 April 2009 and expiring on 31 March 2010, at an annual rent of RMB207,776, inclusive of management fees exclusive of water and electricity charges. | The property is currently occupied by the Group for production purpose. | No commercial value |

Notes:

1. Pursuant to a Tenancy Agreement, the property with a gross floor area of 1,731.47 sq.m. is leased to CPMC (Chengdu) Co., Ltd., ("CPMC (Chengdu)", 中糧包裝(成都)有限公司), a wholly owned subsidiary of the Company, from Chengdu Education and Science Industry Development Co., Ltd. (成都海峽教育科技產業開發有限公司, the "Lessor"), an independent third party, for a term commencing from 1 April 2009 and expiring on 31 March 2010 at an annual rent of RMB207,776, inclusive of management fees and exclusive of water and electricity charges.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. Pursuant to 2 Building Ownership Certificates — Wen Fang Quan Zheng Jian Zheng Zi Di Nos. 0074976 and 0074990 (溫房權證監證字第0074976號及0074990號), the property is owned by the Lessor;
   b. The Tenancy Agreement is binding on both signing parties;
   c. CPMC (Chengdu) has the legal rights to use the property in accordance with the Tenancy Agreement; and
   d. The Tenancy Agreement has been properly registered with relevant government authorities.

## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 August 2009 RMB |
|---|---|---|---|---|
| 18. | A building located at Fujiang Road Hechuan District Chongqing The PRC | The property comprises a single-storey industrial building completed in about 2008.<br><br>The building has a gross floor area of approximately 3,220 sq.m.<br><br>The property is leased from an independent third party for a term commencing from 1 April 2009 and expiring on 31 March 2012, at an annual rent of RMB125,000, inclusive of management fees, exclusive of water and electricity charges. | The property is currently occupied by the Group for storage purpose. | No commercial value |

Notes:

1. Pursuant to a Tenancy Agreement, the property with a gross floor area of approximately 3,220 sq.m. is leased to CPMC (Chengdu) Co., Ltd. ("CPMC (Chengdu)", 中糧包裝(成都)有限公司), a wholly owned subsidiary of the Company, from Chongqing Dejia Food Group Meat Technology Co., Ltd. (重慶德佳食品集團肉類科技有限公司, the "Lessor"), an independent third party, for a term commencing from 1 April 2009 and expiring on 31 March 2012 at an annual rent of RMB125,000, inclusive of management fees and exclusive of water and electricity charges.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. Pursuant to 3 Real Estate Title Certificates — 204 Fang Di Zheng 2005 Zi Di Nos. 03915 and 03916 (204房地證2005字第03915及03916號) and 204 Fang Di Zheng 2008 Zi Di No. 03545 (204房地證2008字第03545號), the property is owned by the Lessor;
   b. The Tenancy Agreement is binding on both signing parties; and
   c. CPMC (Chengdu) has the legal rights to use the property in accordance with the Tenancy Agreement.

## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 August 2009 RMB |
|---|---|---|---|---|
| 19. | A building located at Jinsha Hi-Tech Development Zone Sanming City Fujian Province The PRC | The property comprises a single-storey industrial building completed in about 2003.<br><br>The building has a gross floor area of approximately 5,865 sq.m.<br><br>The property is leased from an independent third party for a term commencing from 20 October 2005 and expiring on 19 October 2010, at an annual rent of RMB100,000, inclusive of management fees and exclusive of water and electricity charges. | The property is currently occupied by the Group for production purpose. | No commercial value |

Notes:

1. Pursuant to a Tenancy Agreement, the property with a gross floor area of approximately 5,865 sq.m., is leased to Hangzhou COFCO-MC Packaging Co., Ltd. ("Hangzhou COFCO-MC", 杭州中糧美特容器有限公司 ), a wholly owned subsidiary of the Company, from Fujian Sanhe Food Group (福建三和食品集團, the "Lessor"), an independent third party, for a term commencing from 20 October 2005 and expiring on 19 October 2010 at an annual rent of RMB100,000, inclusive of management fees and exclusive of water and electricity charges.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. Pursuant to a State-owned Land Use Rights Certificate — Qiu Guo Yong (2006) Di No. 1386007 (虬國用(2006)第1386007號) and 5 Building Ownership Certificates — Sha Fang Quan Zheng Zi Di Nos. 20061227 to 20061231 (沙房權證字第20061227至20061231號), the property is owned by the Lessor;
   b. The Tenancy Agreement is binding on both signing parties; and
   c. Hangzhou COFCO-MC has the legal rights to use the property in accordance with the Tenancy Agreement.

## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 August 2009 RMB |
|---|---|---|---|---|
| 20. | Units 803, 804 and 3 car parking lots of COFCO Fortune Plaza located at the eastern side of Chaoyangmen South Avenue Chaoyang District Beijing The PRC | The property comprises 2 office units on Level 8 and 3 car parking lots of a 13-storey office building completed in about 2008.<br><br>The 2 office units have a total gross floor area of approximately 296 sq.m.<br><br>The property is leased from a connected party, for a term commencing from 1 July 2009 and expiring on 1 July 2010, at a total annual rent of RMB701,200, exclusive of management fees, water and electricity charges. | The property is currently occupied by the Group for office purpose. | No commercial value |

Notes:

1. Pursuant to a Tenancy Agreement, the property is leased to Hangzhou CPMC Co., Ltd. ("Hangzhou CPMC", 杭州中糧包裝有限公司), a wholly owned subsidiary of the Company, from COFCO Corporation (中糧集團有限公司), a connected party, for a term commencing from 1 July 2009 and expiring on 1 July 2010, at a total annual rent of RMB701,200, exclusive of management fees, water and electricity charges.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. COFCO Corporation has entered into a Pre-sales Contract of Commodity House with Beijing Zhaotai Land (Group) Co., Ltd. (北京兆泰置地(集團)有限公司) to purchase a building (COFCO Fortune Plaza); and
   b. COFCO Corporation has not obtained the Building Ownership Certificate of the property and not fully paid the consideration under the aforesaid Pre-sales Contract. Therefore, the rights of Hangzhou CPMC under the Tenancy Agreement may not be protected by the PRC laws.

## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 August 2009 RMB |
|---|---|---|---|---|
| 21. | A portion of a parcel of land and a building located at Dongzhouwan Dock Xintang Town Zengcheng City Guangdong Province The PRC | The property comprises a portion of a parcel of land with a site area of approximately 6,500 sq.m. and a single-storey industrial building with a gross floor area of approximately 2,800 sq.m. erected thereon and completed in about 1995.<br><br>The property is leased from a connected party, for a term of 2 years at a monthly rent of RMB35,884.74, inclusive of management fees and exclusive of water and electricity charges. | The property is currently occupied by the Group for production and office purposes. | No commercial value |

Notes:

1. Pursuant to a Tenancy Agreement dated 27 June 2008, a portion of a parcel of land with a site area of approximately 6,500 sq.m. and a building with a gross floor area of approximately 2,800 sq.m. are leased to Zhangjiagang CPMC Co., Ltd. ("Zhangjiagang CPMC", 張家港中糧包裝有限公司), a wholly owned subsidiary of the Company, from COFCO Eastbay Oils & Grains Industries (Guangzhou) Co., Ltd. (中糧東州糧油工業(廣州)有限公司, the "Lessor"), a connected party, for a term of 2 years at a monthly rent of RMB35,884.74, inclusive of management fees and exclusive of water and electricity charges.

2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Pursuant to a State-owned Land Use Rights Certificate — Zeng Guo Yong (1988) Zi Di No. 002745901250204309 (增國用(1988)字第002745901250204309號) and a Building Ownership Certificate — Yue Fang Zi No. 4014777 (粵房字4014777號), the property is owned by the Lessor;

   b. The Tenancy Agreement is binding on both signing parties;

   c. Zhangjiagang CPMC has the legal rights to use the property in accordance with the Tenancy Agreement; and

   d. The Tenancy Agreement has been properly registered with relevant government authorities.

## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 August 2009 RMB |
|---|---|---|---|---|
| 22. | A portion of a parcel of land and a building located at No. 869 Hubei Road Tanggu District Tianjin The PRC | The property comprises a portion of a parcel of land with a site area of approximately 7,200 sq.m. and a single-storey industrial building with a gross floor area of approximately 4,200 sq.m. erected thereon and completed in about 1992.<br><br>The property is leased from a connected party, for a term of 2 years, at a monthly rent of RMB32,614.59, inclusive of management fees and exclusive of water and electricity charges. | The property is currently occupied by the Group for production purpose. | No commercial value |

Notes:

1. Pursuant to a Tenancy Agreement dated 27 June 2008, a portion of a parcel of land with a site area of approximately 7,200 sq.m. and a building with a gross floor area of 4,200 sq.m. are leased to Zhangjiagang CPMC Co., Ltd. ("Zhangjiagang CPMC", 張家港中糧包裝有限公司), a wholly owned subsidiary of the Company, from COFCO Northsea Oils & Grains Industries (Tianjin) Co., Ltd. (中糧北海糧油工業(天津)有限公司, the "Lessor"), a connected party, for a term of 2 years, at a monthly rent of RMB32,614.59, inclusive of management fees and exclusive of water and electricity charges.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. Pursuant to a State-owned Land Use Rights Certificate — Jin Guo Yong (1998 Geng 1) Zi Di No. 005 (津國用(1998更1)字第005號) and a Building Ownership Certificate — Jin Fang Zi No. 000002928 (津房字000002928號), the property is owned by the Lessor;
   b. The Tenancy Agreement is binding on both signing parties;
   c. Zhangjiagang CPMC has the legal rights to use the property in accordance with the Tenancy Agreement; and
   d. The Tenancy Agreement has been properly registered with relevant government authorities.

## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 August 2009 RMB |
|---|---|---|---|---|
| 23. | A building located at the western side of Binjiang Road and the southern side of Huijiu Road, Changjiang Village, Jingang Town Zhangjiagang City Jiangsu Province The PRC | The property comprises a single-storey industrial building completed in about 2006.<br><br>The building has a gross floor area of approximately 8,234.47 sq.m.<br><br>The property is leased from an independent third party, for a term commencing from 1 May 2009 and expiring on 30 April 2010, at an annual rent of RMB750,000, inclusive of management fees and exclusive of water and electricity charges. | The property is currently occupied by the Group for production and office purposes. | No commercial value |

Notes:

1. Pursuant to a Tenancy Agreement, the property with a gross floor area of approximately 8,234.47 sq.m. is leased to Zhangjiagang CPMC Co., Ltd. ("Zhangjiagang CPMC", 張家港中糧包裝有限公司), a wholly owned subsidiary of the Company, from Changjiang Runfa Group Co. Ltd. (長江潤發集團有限公司, the "Lessor"), an independent third party, for a term commencing from 1 May 2009 and expiring on 30 April 2010, at an annual rent of RMB750,000, inclusive of management fees and exclusive of water and electricity charges.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. Pursuant to a State-owned Land Use Rights Certificate — Zhang Guo Yong (2006) Di No. 070966 (張國用(2006)第070966號) and a Building Ownership Certificate — Zhang Fang Quan Zheng Jin Zi Di No. 0000162151 (張房權證金字第0000162151號), the property is owned by the Lessor;
   b. The Tenancy Agreement is binding on both signing parties; and
   c. Zhangjiagang CPMC has the legal rights to use the property in accordance with the Tenancy Agreement.

## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 August 2009 RMB |
|---|---|---|---|---|
| 24. | A unit in Huaxia Office Building located at the western side of Binjiang Road and the southern side of Huijiu Road, Jingang Town Zhangjiagang City Jiangsu Province The PRC | The property comprises a unit on Level one of a 4-storey office building completed in about 2006.<br><br>The unit has a gross floor area of approximately 295 sq.m.<br><br>The property is leased from an independent third party, for a term commencing from 1 June 2009 and expiring on 31 May 2010, at an annual rent of RMB30,000, inclusive of management fees and exclusive of water and electricity charges. | The property is currently occupied by the Group for office purpose. | No commercial value |

Notes:

1. Pursuant to a Tenancy Agreement, the property with a gross floor area of approximately 295 sq.m. is leased to Zhangjiagang CPMC Co., Ltd. ("Zhangjiagang CPMC", 張家港中糧包裝有限公司), a wholly owned subsidiary of the Company, from Changjiang Runfa Group Co., Ltd. (長江潤發集團有限公司, the "Lessor"), an independent third party, for a term commencing from 1 June 2009 and expiring on 31 May 2010, at an annual rent of RMB30,000, inclusive of management fees and exclusive of water and electricity charges.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. Pursuant to a State-owned Land Use Rights Certificate — Zhang Guo Yong (2006) Di No. 070966 (張國用(2006)第070966號) and a Building Ownership Certificate — Zhang Fang Quan Zheng Jin Zi Di No. 0000112385 (張房權證金字第0000112385號), the property is owned by the Lessor;
   b. The Tenancy Agreement is binding on both signing parties; and
   c. Zhangjiagang CPMC has the legal rights to use the property in accordance with the Tenancy Agreement.

## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 August 2009 RMB |
|---|---|---|---|---|
| 25. | A parcel of land and a building located at Huashan Road Jinfeng Village Zhangjiagang City Jiangsu Province The PRC | The property comprises a parcel of land with a site area of approximately 2,364.33 sq.m. and a single-storey building with a gross floor area of 3,635.67 sq.m. completed in about 2005.<br><br>The property is leased from an independent third party, for a term commencing from 1 July 2008 and expiring on 31 December 2009, at a total annual rent of RMB200,000, inclusive of management fees and exclusive of water and electricity charges. | The property is currently occupied by the Group for production and office purposes. | No commercial value |

Notes:

1. Pursuant to 2 Tenancy Agreements, a parcel of land with a site area of approximately 2,364.33 sq.m. and a building with a gross floor area of approximately 3,635.67 sq.m. are leased to Zhangjiagang CPMC Co., Ltd. ("Zhangjiagang CPMC",張家港中糧包裝有限公司), a wholly owned subsidiary of the Company, from Zhangjiagang Lantian Yintie Can Making Co., Ltd. (張家港藍天印鐵製罐有限公司, the "Lessor"), an independent third party, for a term commencing from 1 July 2008 and expiring on 31 December 2009, at a total annual rent of RMB200,000, inclusive of management fees and exclusive of water and electricity charges.
2. We have been provided with a legal opinion on the legality of the tenancy agreements to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. Pursuant to a Collectively-owned Land Use Rights Certificate — Zhang Ji Yong (2001) Zi Di No. 1200434 (張集用(2001)字第1200434) and a Building Ownership Certificate — Zhang Fang Quan Zheng Jin Zi Di No. 0000089824 (張房權證錦字第0000089824號), the property is owned by the Lessor;
   b. The Tenancy Agreements are binding on both signing parties;
   c. Zhangjiagang CPMC has the legal rights to use the property in accordance with the Tenancy Agreements; and
   d. The Tenancy Agreements have been properly registered with relevant government authorities.

## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 August 2009 RMB |
|---|---|---|---|---|
| 26. | Unit 702, Block B of Changjiang Runfa International Plaza located at No. 30 Changjiang Road Zhangjiagang City Jiangsu Province The PRC | The property comprises a unit on Level 7 of a 16-storey office building completed in about 2005.<br><br>The unit has a gross floor area of approximately 50 sq.m.<br><br>The property is leased from an independent third party, for a term commencing from 17 September 2008 and expiring on 16 September 2009 with nil rent. | The property is currently vacant. | No commercial value |

Notes:

1. Pursuant to a Tenancy Agreement, the property with a gross floor area of approximately 50 sq.m. is leased to CPMC (Zhangjiagang) Development Co., Ltd. ("CPMC (Zhangjiagang) Development", 中糧包裝(張家港)發展有限公司), a wholly owned subsidiary of the Company, from Qian Huixin (錢惠新, the "Lessor"), an independent third party, for a term commencing from 17 September 2008 and expiring on 16 September 2009 with nil rent.
2. Advised by the Group, CPMC (Zhangjiagang) Development is currently in the process of deregistration. In addition, the Tenancy Agreement of the property has expired after the date of valuation. As such, there is no legal opinion provided for the property interest.

## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 August 2009 RMB |
|---|---|---|---|---|
| 27. | 4 buildings located at Nos. 1 and 2 in Juyou Industry Park Liaokeng Village Shiyan Town Shenzhen City Guangdong Province The PRC | The property comprises 4 buildings completed in about 2004.<br><br>The buildings has a total gross floor area of approximately 32,068.01 sq.m.<br><br>The property is sub-leased from an independent third party, for various terms expiring on 28 February 2010 and 31 December 2020, at a total monthly rent of RMB314,536, inclusive of management fees and exclusive of water and electricity charges. | The property is currently occupied by the Group for dormitory and production purposes. | No commercial value |

Notes:

1. Pursuant to 2 Sub-lease Agreements, the property with a total gross floor area of 32,068.01 sq.m. is sub-leased to Shenzhen CPMC Co., Ltd. ("Shenzhen CPMC", 深圳中糧包裝有限公司), a wholly owned subsidiary of the Company, from Shenzhen Union Friend Can Making Co., Ltd. ("Shenzhen Can Making", 深圳聚友製罐有限公司, the "Lessor"), an independent third party, for various terms expiring on 28 February 2010 and 31 December 2020 respectively, at a total monthly rent of RMB314,536, inclusive of management fees and exclusive of water and electricity charges.
2. We have been provided with a legal opinion on the legality of the tenancy agreements to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. Pursuant to a Cooperative Enforcement Letter issued by Puning People's Court dated 8 October 2007, Shenzhen Qiaqun Investment Co., Ltd. ("Shenzhen Qiaqun", 深圳洽群投資有限公司), is the legal owner of the property;
   b. Pursuant to a Consent Letter, Shenzhen Qiaqun agreed Shenzhen Can Making to sub-lease the property;
   c. The Sub-lease Agreements are binding on both signing parties; and
   d. Shenzhen CPMC has the legal rights to use the property in accordance with the Sub-lease Agreements.

## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 August 2009 RMB |
|---|---|---|---|---|
| 28. | A building and a coal unloading shed located at No. 34 Beijing Dong Road Shashi District Jingzhou City Hubei Province The PRC | The property comprises a building and a coal unloading shed completed in about 2005.<br><br>The building has a gross floor area of approximately 450 sq.m.<br><br>The property is approved by an independent third party to be used by Panyu MCP with nil rent. | The property is currently occupied by the Group for storage purpose. | No commercial value |

Notes:

1. Pursuant to a Procurement Agreement dated 29 October 2007 and a Confirmation Letter issued by Reckitt Bunckiser (China) Co., Ltd., (利潔時家化(中國)有限公司, "Reckitt Bunckiser"), the property with a gross floor area of approximately 450 sq.m. is approved to be used by Guangzhou Panyu MCP Industries Ltd. ("Panyu MCP", 廣州番禺美特包裝有限公司), a wholly owned subsidiary of the Company, within the valid term of the Procurement Agreement (no more than 5 years) with nil rent.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. Pursuant to a Building Ownership Certificate — Jing Zhou Fang Quan Zheng Zi Di No. 200710354 (荊州房權證字第200710354號), the property is owned by Reckitt Bunckiser;
   b. The Procurement Agreement is binding on both signing parties; and
   c. Panyu MCP has the legal rights to use the property in accordance with the Procurement Agreement.

## VALUATION CERTIFICATE

**Group IV — Property interest rented and occupied by the Group in the Hong Kong**

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 August 2009 RMB |
|---|---|---|---|---|
| 29. | Room 2302<br>23rd Floor<br>Top Glory Tower,<br>No. 262 Gloucester Road<br>Causeway Bay<br>Hong Kong | The property comprises a unit on the 23rd floor of a 35-storey office building completed in about 1993.<br><br>The unit has a gross floor area of approximately 184 sq.m. (or 1,982 sq.ft.)<br><br>The property is leased from a connected party, for a term of 17 months expiring on 31 December 2009 at a monthly rent of HK$59,460, exclusive of government rates and services charges. | The property is currently occupied by the Group for office purpose. | No commercial value |

Notes:

1. The registered owner of the property is Bapton Company Limited.
2. Pursuant to a Tenancy Agreement, a unit with a gross floor area of approximately 184 sq.m. is leased to Witty Link Limited, the former name of the Company, from Bapton Company Limited, a connected party, for a term of 17 months expiring on 31 December 2009, at a monthly rent of HK$59,460, exclusive of government rates and service charges. The monthly service charges are HK$9,810.9.

The existing Articles of Association were adopted on October 23, 2009. The following is a summary of certain provisions of the Articles of Association. A copy of the Articles of Association is available for inspection at the address specified in the section headed "Documents Available for Inspection" in Appendix VII to this document.

## CHANGES IN CAPITAL

The Company may exercise any power conferred or permitted by the Companies Ordinance or any other ordinance from time to time to purchase or otherwise acquire its own shares and warrants (including any redeemable shares) or to give, directly or indirectly, by means of a loan, guarantee, the provision of security or otherwise, financial assistance for the purpose of or in connection with a purchase or other acquisition made or to be made by any person of any shares or warrants in the Company and should the Company purchase or otherwise acquire its own shares or warrants, neither the Company nor the Board shall be required to select the shares or warrants to be purchased or otherwise acquired rateably or in any other particular manner as between the holders of shares or warrants of the same class or as between them and the holders of shares or warrants of any other class or in accordance with the rights as to dividends or capital conferred by any class of shares, provided that in the case of purchases of redeemable shares, (a) purchases not made through the market or by tender shall be limited to a maximum price and (b) if purchases are by tender, tenders shall be available to all shareholders alike and provided further that any such purchase or other acquisition or financial assistance shall only be made or given in accordance with any relevant rules or regulations issued by the Stock Exchange or the SFC from time to time.

The Company may, from time to time, by ordinary resolution increase its authorized share capital by such sum divided into shares of such amounts as the resolution shall prescribe.

The Company may, from time to time, by ordinary resolution:

(a) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association and that the resolution whereby any share is subdivided may determine that as between the holders of the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any preference or advantage;

(b) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;

(c) consolidate and divide its share capital or any part thereof into shares of larger amount than its existing shares;

(d) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its authorized share capital by the amount of the shares so cancelled; or

(e) make provision for the issue and allotment of shares which do not carry any voting rights.

Save as provided by the Companies Ordinance or the Articles of Association to the contrary, all unissued shares shall be at the disposal of the Directors who may offer, allot, grant options over or otherwise deal with or dispose of the same to such persons and upon such terms as they shall consider fit, provided that no shares of any class shall be issued at a discount to their nominal value except in accordance with the provisions of the Companies Ordinance.

The Company may by special resolution reduce its share capital and any capital redemption reserve fund, any share premium account in any manner allowed by law.

## MODIFICATION OF RIGHTS

If, at any time, the Company's share capital is divided into different classes of shares, all or any of the special rights attached to any class of shares (unless otherwise provided for by the terms of issue of the shares of that class) may, subject to the provisions of the Companies Ordinance, be varied, either while the Company is a going concern or during or in contemplation of a winding-up either with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of shares of that class. All the provisions contained in the Articles of Association relating to general meetings shall mutatis mutandis apply to every such meeting so that the quorum thereof shall be not less than two persons holding or representing by proxy one-third in nominal value of the issued shares of the class, and that any holder of shares of that class present in person or by proxy may demand a poll.

## TRANSFERS OF SHARES

All transfers of shares must be effected by an instrument of transfer in writing and in any usual form or in a form prescribed by the Stock Exchange or in any other form which the Directors may approve and shall be executed under hand or, if the transferor or transferee is a clearing house or its nominee(s), the instrument of transfer shall be executed by hand or by machine imprinted signature or in writing in the usual common form or in such other form as the Board may approve by such manner of execution as the Board may approve from time to time. The instrument of transfer must be executed by or on behalf of the transferor and by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the shares concerned until the name of the transferee is entered in the Company's register of members in respect thereof. Nothing in the Articles of Association shall preclude the Directors from recognizing a renunciation of the allotment or provisional allotment of any share by the allottee in favor of some other person.

The Board may, at any time in their absolute discretion and without assigning any reason therefore, decline to register any transfer of any share (not being a fully paid up share).

The Board may also decline to register any transfer unless:

(a) the instrument of transfer is lodged at the Company's registered office or at such other place as the Directors may appoint;

(b) the instrument of transfer is in respect of only one class of shares;

(c) in the case of a transfer to joint holders, the number of transferees does not exceed four;

(d) the shares concerned are free of any lien in favor of the Company;

(e) the instrument of transfer is properly stamped;

(f) such other conditions as the Board may from time to time impose for the purpose of guarding against losses arising from forgery are satisfied;

(g) a fee not exceeding the maximum fee prescribed or permitted from time to time by the Stock Exchange is paid to the Company in respect thereof; and

(h) the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.

(i) If the Board refuses to register a transfer they will, within 10 Business Days after the date on which the transfer was lodged with the Company, send to the transferor and transferee notice of the refusal.

No transfer may be made to a minor (under the age of 18) or to a person of unsound mind or under other legal disability.

## VOTING AT GENERAL MEETINGS

Subject to any rights or restrictions attached to any shares, at any general meeting every shareholder who is present in person (or in the case of a shareholder being a corporation, by its duly authorized representative) or by proxy is entitled, on a poll, to one vote for every fully paid-up share of which he is the holder. Votes may be given either personally or by proxy.

A shareholder entitled to more than one vote on a poll need not use all his votes or cast all the votes he uses in the same way. In the case of an equality of votes at any general meeting, the chairman of the meeting is entitled to a second or casting vote.

At any general meeting a resolution put to the vote of the meeting is to be taken by way of a poll.

A shareholder, being a clearing house (or its nominee), may authorize such person or persons as it thinks fit to act as its proxy or proxies or representative or representatives at any general meeting of shareholders or at any meeting of any class of shareholders, provided that, if more than one person is so authorized, the instrument of proxy or authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person so authorized is entitled to exercise the same powers on behalf of the clearing house (or its nominee) which he represents as that clearing house (or its nominee) could exercise as if such person were an individual shareholder.

## QUALIFICATION OF DIRECTORS

A Director is not required to hold any qualification shares. No person is required to vacate office or be ineligible for re-election or re-appointment as a Director, and no person is ineligible for appointment as a Director, by reason only of his having attained any particular age.

## BORROWING POWERS

The Board may exercise all the powers of the Company to raise or borrow money and to mortgage or charge all or any part of its undertaking, property and uncalled capital. The Board may issue debentures, debenture stock, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

## FEES OF DIRECTORS

The Directors are entitled to receive by way of remuneration for their services such sum as the remuneration committee established by the Board with a majority of the members being independent non-executive Directors determine, which (unless otherwise directed by the resolution by which it is voted) is to be divided amongst the Directors in such proportions and in such manner as the Board may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing shall not apply to a Director who holds any salaried employment or office in the Company except in the case of sums paid in respect of Directors' fees.

The Directors are also entitled to be repaid their reasonable traveling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of the Board, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors.

The remuneration committee, may award special remuneration (by way of bonus, commission, participation in profits or otherwise as the Directors may determine) to any Director who performs services which, in the opinion of the remuneration committee, goes beyond the scope of the ordinary duties of a Director.

## DIRECTORS' INTERESTS

No Director or intended Director is disqualified by his office from contracting with the Company, nor is any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested be liable to be avoided, nor is any Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason of such Director holding that office or of any fiduciary relationship thereby established, provided that such Director shall disclose the nature of his interest in any contract or arrangement in which he is interested as required by and subject to the provisions of the Companies Ordinance.

A Director may not vote nor be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or matter in which he or any of his associate(s) has, directly or indirectly, a material interest (other than an interest in shares, debentures or other securities of, or otherwise in or through, the Company), but this prohibition does not apply to any of the following matters:

(a) any contract or arrangement for the giving of any guarantee, security or indemnity to the Director or his associate(s) in respect of money lent to, or obligations incurred by him or any of them at the request of or for the benefit of, the Company or any of its subsidiaries;

(b) any contract or arrangement for the giving of any guarantee, security or indemnity to a third party in respect of an obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(c) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are intending to become interested as a participant in the underwriting or sub-underwriting of the offer;

(d) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in those shares or debentures or other securities;

(e) any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer, executive or shareholder or in which the Director or his associate(s) is/are beneficially interested in shares of that company, other than a company in which the Director together with any of his associates are in aggregate the holders of or beneficially interested in 5% or more of the issued shares of any class of such company (or of any other company through which his interest or that of his associates is derived) or of the voting rights attaching to such issued shares;

(f) any proposal or arrangement concerning the benefit of the employees of the Company or any of its subsidiaries, including the adoption, modification or operation of a pension fund or retirement, death or disability benefit scheme, which relates to the Directors, his associates and employees of the Company or any of its subsidiaries and does not accord to any Director or his associate(s) as such any privilege or advantage not generally accorded to the employees to whom such arrangement relates; and

(g) any proposal or arrangement concerning the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme for the benefit of the employees of the Company or any of its subsidiaries under which the Director or his associate(s) may benefit.

Notwithstanding the above, the entering into any transaction between the Company or any of its subsidiaries, on the one part, and COFCO and/or any of its associates (excluding the Group), on the other part, including the exercise of any option or right of first refusal granted by COFCO or any of its subsidiaries in favor of the Company or any member of the Group, shall be considered and voted on by the independent non-executive Directors together with any other Director who does not hold any position in COFCO Group and decided by majority votes. Such Directors shall appoint among themselves a chairman of the meeting who shall have a second or casting vote in case of equality of votes at the meeting. Directors with positions in COFCO Group shall not be counted in the quorum and shall abstain from voting on such matters. In addition, such Directors shall excuse themselves from the Board meetings when such matters are discussed unless expressly requested to attend by a majority of the independent non-executive Directors.

A Director may continue to be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested, and shall not be liable to account to the Company for any remuneration or other benefit received by him as a director or other officer or from his interest in such other company. The Board may exercise the voting powers conferred by the shares in any other company held or owned by the Company or exercisable by them as directors of such other company in such manner as the Board thinks fit (including the exercise thereof in favor of any resolution appointing themselves or any of them as directors, managing directors, joint managing directors, deputy managing directors, executive directors, chief executive officers, managers or other officers of such company) and any Director may vote in favor of the exercise of such voting rights in the manner aforesaid notwithstanding that he may be, or be about to be, appointed a director, managing director, joint managing director, deputy managing director, executive director, chief executive officer, manager or other officer of such a company, and that as such he is or may become interested in the exercise of such voting rights in the manner aforesaid. A Director or his firm may not act as the auditors of the Company.

## DIVIDENDS

Subject to the Companies Ordinance, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board. The Company in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Companies Ordinance). No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realizable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium account.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit. The Company may also upon the recommendation of the Board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company.

## INDEMNITY

Each of the Directors or other officer or auditors of the Company shall be indemnified out of the assets of the Company against all liabilities incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favor or in which he is acquitted or in connection with any application in which relief from liability is granted to him by the court.

Subject to the provisions of the Companies Ordinance, the Directors may exercise all the powers of the Company to purchase and maintain insurance for the benefit of a person who is a director, alternate director, manager, secretary or officer of the Company or the auditors of the Company for the purpose of indemnifying such persons and keeping them indemnified against liability for negligence, default, breach of duty or breach of trust or other liability which may lawfully be insured against by the Company and any liability which may be incurred by him in defending any proceedings, whether civil or criminal, taken against him for any negligence, default, breach of duty or breach of trust (including fraud) of which he may be guilty in relation to the Company or a related company.

## A. FURTHER INFORMATION ABOUT OUR COMPANY

### 1. Incorporation of our Company

Our Company was incorporated in Hong Kong under the Companies Ordinance with limited liability on October 25, 2007. Our registered office is at 33rd Floor, Top Glory Tower, 262 Gloucester Road, Causeway Bay, Hong Kong. A summary of the provisions of our Articles of Association is set out in Appendix V to this document.

### 2. Changes in share capital of our Company

As at the date of incorporation of our Company, our authorized share capital was HK$10,000 divided into 10,000 shares with a nominal value of HK$1.00 each. On February 15, 2008, COFCO (HK) acquired from True Friendship Limited one share of HK$1.00, credited as fully paid, representing the entire issued share capital of our Company.

On April 29, 2008, our Company allotted and issued one share of HK$1.00, credited as fully paid, to COFCO (HK) in consideration of and in exchange for the transfer by COFCO (HK) to our Company of the entire issued share capital of COFCO No. 86 and shareholder's loans in the respective amounts of US$8,537,990.6 and HK$56,056.8.

On October 17, 2008, our Company allotted and issued one share of HK$1.00, credited as fully paid, to COFCO (HK) in consideration of and in exchange for the assignment by COFCO (HK) of all the rights, title, interest and benefit in and to the receivable in the sum of HK$34,190,000 due by COFCO-MC (HK).

On November 14, 2008, our Company further allotted and issued:

(a) one share of HK$1.00, credited as fully paid, to COFCO (HK) in consideration of and in exchange for the transfer by COFCO (HK) to our Company of the entire issued share capital of COFCO No. 33;

(b) one share of HK$1.00, credited as fully paid, to COFCO (HK) in consideration of and in exchange for the transfer by COFCO (HK) to our Company of the entire issued share capital of COFCO No. 34; and

(c) one share of HK$1.00, credited as fully paid, to COFCO (HK) in consideration of and in exchange for the transfer by COFCO (HK) to our Company of the entire issued share capital of COFCO No. 39.

Pursuant to the written resolutions passed by the sole shareholder of our Company on October 23, 2009, the authorized share capital of our Company was 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 and each of the then issued and unissued shares with a nominal value of HK$1.00 each was subdivided into 10 shares with a nominal value of HK$0.10 each. Accordingly, after the alteration, our Company has 1,500,000,000 authorized shares and 60 issued shares of HK$0.10 each.

Immediately upon completion of the [●] and the Capitalization Issue but without taking into account any shares which may be issued pursuant to the exercise of the [●] or any options which may be granted under the Share Option Scheme, 800,000,000 shares will be issued fully paid or credited as fully paid.

Except as discussed above and in the paragraph headed "Written resolutions of the sole shareholder of our Company passed on October 23, 2009" below, there has been no alteration in our share capital since the date of our incorporation.

**3. Written resolutions of the sole shareholder of our Company passed on October 23, 2009**

By written resolutions of the sole shareholder of our Company passed on October 23, 2009:

(a) conditional on the same conditions as stated in the paragraph headed "Conditions of the [●]" in the section headed "Structure of the [●]" of this document, the [●] (including the grant of the [●]) was approved and the Directors were authorized to allot and issue the [●] pursuant thereto;

(b) our Company approved and adopted the Articles of Association in substitution for and to the exclusion of the articles of association adopted upon incorporation;

(c) conditional on the same conditions as stated in the paragraph headed "Conditions of the Hong Kong Public Offering" in the section headed "Structure of the [●]" of this document, and conditional further on: (i) the commencement of dealings in the shares of our Company on the Stock Exchange; and (ii) the approval of the SASAC, the terms of the Share Option Scheme were approved and adopted and the Directors were authorized to grant options to subscribe for shares thereunder and to allot and issue shares pursuant to the exercise of options granted thereunder;

(d) conditional on the share premium account of our Company being credited as a result of the issue of the [●] by our Company pursuant to the [●], our Directors were authorized to capitalize HK$59,999,994 standing to the credit of the share premium account of our Company and apply such sum in paying up in full at par 599,999,940 shares for allotment and issue to our sole shareholder whose name appears on the register of members of our Company on October 23, 2009 or its nominee;

(e) conditional on the same conditions as stated in the paragraph headed "Conditions of the Hong Kong Public Offering" in the section headed "Structure of the [●]" of this document, the Directors were granted a general unconditional mandate to allot, issue and deal with shares with an aggregate nominal value of not more than the aggregate of (i) 20% of the aggregate nominal value of our issued share capital immediately following completion of the [●] and the Capitalization Issue (excluding shares which may be issued upon the exercise of the [●] or pursuant to any options which may be granted under the Share Option Scheme); and (ii) the aggregate nominal value of our issued share capital repurchased by our Company pursuant to the Repurchase Mandate as referred to in paragraph (f) below; such mandate will expire (i) at the conclusion of the next annual general meeting of our Company; (ii) upon expiration of the period within which the next annual general meeting of our Company is required to be held by our Articles of Association or any applicable laws; or (iii) the passing of an ordinary resolution by shareholders of our Company in a general meeting revoking or varying such mandate, whichever first occurs. Such mandate does not cover shares to be allotted, issued or dealt with under a rights issue, scrip dividend scheme or similar arrangement, or upon the exercise of options granted under the Share Option Scheme or pursuant to any adjustment of rights to subscribe for shares under options or warrants or a special authority granted by our shareholders;

(f) conditional on the same conditions as stated in the paragraph headed "Conditions of the Hong Kong Public Offering" in the section headed "Structure of the [●]" of this document, the Directors were granted the Repurchase Mandate, which is a general unconditional mandate to exercise all powers of our Company to repurchase shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of our issued share capital immediately following completion of the [●] and the Capitalization Issue (excluding shares which may be issued upon the exercise of the [●] or pursuant to any options which may be granted under the Share Option Scheme); such mandate will expire (i) at the conclusion of the next annual general meeting of our Company; (ii) upon expiration of the period within which the next annual general meeting of our Company is required to

be held by our Articles of Association or any applicable laws; or (iii) the passing of an ordinary resolution by shareholders of our Company in a general meeting revoking or varying such mandate, whichever first occurs. Such mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the shares are listed (and which is recognized by the SFC and the Stock Exchange for that purpose), and which are in accordance with all applicable laws and the Listing Rules; and

(g) the general unconditional mandate mentioned in paragraph (e) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by us pursuant to the General Mandate referred to in paragraph (f) above.

## 4. The Reorganization

In preparation for the [●], the companies comprising our Group underwent the Reorganization to rationalize our Group's structure and our Company became the holding company of the eleven PRC companies engaging in the packaging business.

Major steps of the Reorganization included the following:

(a) on December 13, 2007, COFCO No. 33 acquired from True Friendship Limited one share of HK$1.00, representing the entire issued share capital of CPMC (HK), for a consideration of HK$1.00, which has been fully paid in cash;

(b) on December 13, 2007, COFCO No. 86 acquired from True Friendship Limited one share of HK$1.00, representing the entire issued share capital of COFCO-MC (HK), for a consideration of HK$1.00, which has been fully paid in cash;

(c) on the dates noted below, CPMC (HK) acquired the following interests from various indirect wholly-owned subsidiaries of COFCO (HK) for the following consideration:

  (i) on December 27, 2007, 100% equity interest in CPMC (Chengdu) from COFCO No. 39 for a consideration of US$10,000,000 based on the original investment cost to CPMC (Chengdu), which consideration has not been settled by CPMC (HK);

  (ii) on December 28, 2007, 100% equity interest in CPMC (Tianjin) from COFCO No. 33 for a consideration of US$20,000,000, satisfied by the allotment and issue by CPMC (HK) to COFCO No. 33 of one share of HK$1.00, credited as fully paid;

  (iii) on December 29, 2007, 100% equity interest in Hangzhou CPMC from COFCO No. 33 for a consideration of US$30,000,000, satisfied by the allotment and issue by CPMC (HK) to COFCO No. 33 of one share of HK$1.00, credited as fully paid;

  (iv) on December 29, 2007, 100% equity interest in Panyu MCP from COFCO No. 34 for a consideration of US$11,743,861.5 based on the original purchase cost, which consideration has not been settled by CPMC (HK); and

  (v) on December 29, 2007, 25% equity interest in CPMC (Zhenjiang) from COFCO No. 86 for a consideration of US$2,035,684 based on the original purchase cost, which consideration has not been settled by CPMC (HK);

(d) on January 23, 2008, Hangzhou CPMC acquired an 8.8% equity interest in Zhangjiagang CPMC from COFCO Tunhe Kuitun for a consideration of RMB2,977,300 based on the net asset value of Zhangjiagang CPMC, which has been fully paid in cash;

(e) on February 15, 2008, COFCO (HK) acquired from True Friendship Limited one share of HK$1.00, representing the entire issued share capital of our Company, for a consideration of HK$1.00, which has been fully paid in cash;

(f) on April 29, 2008, our Company acquired from COFCO (HK) one share of US$1.00, representing the entire issued share capital of COFCO No. 86, and shareholder's loans in the respective amounts of US$8,537,990.6 and HK$56,056.8, in consideration of and in exchange for the allotment and issue by our Company to COFCO (HK) of one share of HK$1.00, credited as fully paid;

(g) on April 29, 2008, Hangzhou CPMC acquired a 40% equity interest in CPMC (Zhenjiang) from Zhenjiang Huading Packaging Industries Development Co. Ltd., an independent third party, for a consideration of RMB28,250,000 based on the net asset value of CPMC (Zhenjiang) and on arm's length negotiations, which has been fully paid in cash;

(h) on May 19, 2008, CPMC (HK) subscribed for an additional equity interest in the amount of US$3,500,000 in CPMC (Zhenjiang), thereby increasing its equity interest in CPMC (Zhenjiang) from 25% to 50.61% and diluting the equity interest of Hangzhou CPMC in CPMC (Zhenjiang) from 75% to 49.39%;

(i) on May 20, 2008, COFCO injected its 43.08% equity interest in Wuxi Huapeng to COFCO-MC (HK) for nil consideration as a direct injection by a wholly state-owned enterprise to its wholly-owned subsidiary;

(j) on May 20, 2008, COFCO-MC (HK) acquired an 18.4% equity interest in Wuxi Huapeng from TG (London) for a consideration of HK$34,190,000 based on the net asset value of Wuxi Huapeng, which became payable by COFCO-MC (HK) to our Company upon completion of steps (n) and (p) below;

(k) on May 22, 2008, COFCO injected its 75% equity interest in Hangzhou COFCO-MC to COFCO-MC (HK) for nil consideration as a direct injection by a wholly state-owned enterprise to its wholly-owned subsidiary;

(l) on May 22, 2008, COFCO-MC (HK) acquired a 25% equity interest in Hangzhou COFCO-MC from COFCO No. 86 for a consideration of US$8,537,891.63, satisfied by the allotment and issue by COFCO-MC (HK) to COFCO No. 86 of one share of HK$1.00, credited as fully paid;

(m) on June 28, 2008, Zhangjiagang CPMC acquired the steel barrel and rectangular can businesses from two subsidiaries and an associate of China Agri, namely Eastbay, East Ocean and Northsea, for a consideration of RMB12,458,013.8, RMB19,809,744.6 and RMB12,293,528.8, respectively, based on the asset value of the machinery and equipment and the book value of the inventory and raw materials of each company and on arm's length negotiations, which has been fully paid in cash;

(n) on August 28, 2008, TG (London) assigned to COFCO (HK) all its rights, title, interest and benefit in and to the receivable in the sum of HK$34,190,000 due by COFCO-MC (HK) to TG (London) in step (j) above for a consideration of HK$1.00 based on agreed value, which has been paid in cash;

(o) on August 31, 2008, COFCO No. 33 allotted and issued to COFCO (HK) one share of US$1.00, credited as fully paid, in full settlement of the shareholder's loans in the respective amounts of US$73,784,545.5 and HK$126,332.1;

(p) on September 8, 2008, CPMC (Wuhan) was incorporated in the PRC and was 100% held by CPMC (HK);

(q) on October 17, 2008, our Company acquired from COFCO (HK) all the rights, title, interest and benefit in and to the receivable in the sum of HK$34,190,000 due by COFCO-MC (HK) to COFCO (HK) in step (n) above in consideration of and in exchange for the allotment and issue by our Company to COFCO (HK) of one share of HK$1.00, credited as fully paid;

(r) on November 14, 2008, our Company acquired from COFCO (HK) two shares of US$1.00 each, representing the entire issued share capital of COFCO No. 33, in consideration of and in exchange for the allotment and issue by our Company to COFCO (HK) of one share of HK$1.00, credited as fully paid;

(s) on November 14, 2008, our Company acquired from COFCO (HK) one share of US$1.00, representing the entire issued share capital of COFCO No. 34, in consideration of and in exchange for the allotment and issue by our Company to COFCO (HK) of one share of HK$1.00, credited as fully paid;

(t) on November 14, 2008, our Company acquired from COFCO (HK) one share of US$1.00, representing the entire issued share capital of COFCO No. 39, in consideration of and in exchange for the allotment and issue by our Company to COFCO (HK) of one share of HK$1.00, credited as fully paid;

(u) on November 17, 2008, Shenzhen CPMC was incorporated in the PRC and was held as to 90% and 10% by Hangzhou CPMC and Panyu MCP, respectively;

(v) on December 16, 2008, COFCO No. 39 acquired from True Friendship Limited one share of HK$1.00, representing the entire issued share capital of Powerful Chance for a consideration of HK$1.00, which has been fully paid in cash;

(w) on December 23, 2008, Hangzhou CPMC Canmaking was incorporated in the PRC and was 100% held by Powerful Chance;

(x) on October 23, 2009, the authorized share capital of our Company was 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 and each of the then issued and unissued shares with a nominal value of HK$1.00 each was subdivided into 10 shares with a nominal value of HK$0.10 each; and

(y) pursuant to the written resolutions of the sole shareholder passed on October 23, 2009, conditional on the share premium account of our Company being credited as a result of the [●], the Directors were authorized to allot and issue an aggregate of 599,999,940 shares by way of capitalization of the amount of HK$59,999,994.00 from the amount standing to the credit of the share premium account of our Company, details of which are set out in the paragraph above headed "Written resolutions of the sole shareholder of our Company passed on October 23, 2009".

The considerations for the transactions under steps (c)(ii), (c)(iii), (f), (l), (r), (s) and (t) above were settled by way of issuing new shares, as the transferors in such transactions were, at the time of the transactions, the immediate holding companies of the relevant transferees.

## 5. Changes in share capital of subsidiaries

The subsidiaries (as defined under the Listing Rules) of our Company are those companies which are listed in the Accountants' Report set out in Appendix I to this document.

The following alterations in the share capital of the subsidiaries of our Company took place within the two years immediately preceding the date of this document:

*COFCO No. 33*

On August 30, 2000, COFCO No. 33 was incorporated in the BVI with an authorized share capital of US$50,000 divided into 50,000 shares of US$1.00 each.

On August 31, 2008, COFCO No. 33 allotted one share of US$1.00 to COFCO (HK).

*CPMC (HK)*

On December 11, 2007, CPMC (HK) was incorporated in Hong Kong with an authorized share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each.

On December 13, 2007, one subscriber share in CPMC (HK) was transferred to COFCO No. 33 at a consideration of HK$1.00.

On December 28, 2007, CPMC (HK) allotted one share of HK$1.00 to COFCO No. 33.

On December 29, 2007, CPMC (HK) allotted one share of HK$1.00 to COFCO No. 33.

*COFCO-MC (HK)*

On October 25, 2007, COFCO-MC (HK) was incorporated in Hong Kong with an authorized share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each.

On December 13, 2007, one subscriber share in COFCO-MC (HK) was transferred to COFCO No. 86 at a consideration of HK$1.00.

On May 22, 2008, COFCO-MC (HK) allotted one share of HK$1.00 to COFCO No. 86.

*Powerful Chance*

On October 2, 2008, Powerful Chance was incorporated in Hong Kong with an authorized share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each.

On December 16, 2008, one subscriber share in Powerful Chance was transferred to COFCO No. 39 at a consideration of HK$1.00.

*Hangzhou CPMC*

On November 28, 2005, Hangzhou CPMC was established in the PRC with a registered capital of US$30,000,000.

On September 10, 2008, (i) the total investment amount of Hangzhou CPMC was increased from US$80,600,000 to US$85,600,000; and (ii) the registered capital of Hangzhou CPMC was increased from US$30,000,000 to US$32,500,000.

*CPMC (Chengdu)*

On January 13, 2006, CPMC (Chengdu) was established in the PRC with a registered capital of US$5,000,000.

On May 31, 2007, (i) the total investment amount of CPMC (Chengdu) was increased from US$10,000,000 to US$25,000,000; and (ii) the registered capital of CPMC (Chengdu) was increased from US$5,000,000 to US$10,000,000.

*CPMC (Zhenjiang)*

On August 3, 2005, CPMC (Zhenjiang) was established in the PRC with a registered capital of US$6,750,000.

On May 19, 2008, (i) the total investment amount of CPMC (Zhenjiang) was increased from US$13,500,000 to US$20,500,000 and (ii) the registered capital of CPMC (Zhenjiang) was increased from US$6,750,000 to US$10,250,000.

On May 19, 2008, CPMC (HK) subscribed for additional equity interest in the amount of US$3,500,000 in CPMC (Zhenjiang). As a result, CPMC (Zhenjiang) became held as to 50.61% and 49.39% by CPMC (HK) and Hangzhou CPMC respectively.

Save as disclosed in this document, there has been no alteration in the registered capital or the authorized share capital (as the case may be) of any of the subsidiaries of our Company within the two years immediately preceding the date of this document.

**6. Further information about our operating subsidiaries in the PRC**

Brief particulars of the operating subsidiaries of our Company established in the PRC are set out below:

(1) 中糧包裝(天津)有限公司 (COFCO Packaging Tianjin Company Limited)

| | |
|---|---|
| Date of incorporation: | March 30, 2006 |
| Place of incorporation: | China |
| Nature: | Company with limited liability (wholly foreign owned) |
| Registered office: | Kaiyuan Road, Wuqing Development Zone, New Technology Industry Park, Tianjin Municipality, China |
| Registered capital: | US$20,000,000, which has been fully paid |
| Shareholder: | CPMC (Hong Kong) Limited (100%) |
| Directors: | Wang Jinchang, Zhou Zheng, Zhang Xin, Huang Jin, Teng Shumin |
| Scope of business: | Manufacture and sale of metal and plastic packaging products and printed and coated tinplates, and provision of related design and printing services. |

(2) 杭州中糧包裝有限公司 (Hangzhou CPMC Co., Ltd.)

| | |
|---|---|
| Date of incorporation: | November 28, 2005 |
| Place of incorporation: | China |
| Nature: | Company with limited liability (wholly foreign owned) |
| Registered office: | No. 160, Weisan Road, Hangzhou Economic and Technical Development Zone, Hangzhou, Zhejiang Province, China |
| Registered capital: | US$32,500,000, which has been fully paid |
| Shareholder: | CPMC (Hong Kong) Limited (100%) |
| Directors: | Wang Jinchang, Zhou Zheng, Zhang Xin, Yao Hongying, Teng Shumin |
| Scope of business: | Manufacture and sale of metal packaging products and printed and coated tinplates, and provision of printing services for packaging and decoration. |

(3) 廣州番禺美特包裝有限公司 (Guangzhou Panyu MCP Industries Ltd.)

| | |
|---|---|
| Date of incorporation: | September 22, 1994 |
| Place of incorporation: | China |
| Nature: | Company with limited liability (wholly foreign owned) |
| Registered office: | Lianhuawei, Hualong Town, Panyu District, Guangzhou, Guangdong Province, China |
| Registered capital: | US$20,280,000, which has been fully paid |
| Shareholder: | CPMC (Hong Kong) Limited (100%) |
| Directors: | Wang Jinchang, Zhou Zheng, Zhang Xin, Huang Jin |
| Scope of business: | Manufacture and sale of metal and plastic packaging products and printed and coated tinplates, and provision of printing services for packaging and decoration. |

(4) 中糧包裝(成都)有限公司 (CPMC (Chengdu) Co., Ltd.)

| | |
|---|---|
| Date of incorporation: | January 13, 2006 |
| Place of incorporation: | China |
| Nature: | Company with limited liability (wholly foreign owned) |
| Registered office: | Cross-strait Technical Industry Development Zone, Chengdu, Sichuan Province, China |
| Registered capital: | US$10,000,000, which has been fully paid |
| Shareholder: | CPMC (Hong Kong) Limited (100%) |
| Directors: | Zhou Zheng, Zhang Xin, Huang Jin |
| Scope of business: | Manufacture and sale of metal packaging products and provision of related design and printing services. |

(5) 杭州中糧美特容器有限公司 (Hangzhou COFCO-MC Packaging Co., Ltd.)

| | |
|---|---|
| Date of incorporation: | October 21, 1992 |
| Place of incorporation: | China |
| Nature: | Company with limited liability (wholly foreign owned) |
| Registered office: | No. 160, Weisan Road, Baiyang Street, Hangzhou Economic and Technical Development Zone, Hangzhou, Zhejiang Province, China |
| Registered capital: | US$30,050,000, which has been fully paid |
| Shareholder: | COFCO-MC (Hong Kong) Limited (100%) |
| Directors: | Wang Jinchang, Zhou Zheng, Zhang Xin, Huang Jin |
| Scope of business: | Manufacture and sale of metal packaging products and printed and coated tinplates. |

(6) 無錫華鵬瓶蓋有限公司 (Wuxi Huapeng Closures Co., Ltd.)

| | |
|---|---|
| Date of incorporation: | October 21, 1991 |
| Place of incorporation: | China |
| Nature: | Sino-foreign joint venture company with limited liability |
| Registered office: | Wuxi National Hi-tech Development Zone, Wuxi, Jiangsu Province, China |
| Registered capital: | US$25,000,000, which has been fully paid |
| Shareholders: | COFCO-MC (Hong Kong) Limited (61.48%) Other independent shareholders (38.52%) |
| Directors: | Wang Jinchang, Zhou Zheng, Zhang Xin, Huang Jin, Jozdf Salaerts, Goh Hock Huat, Wang Jiliang |
| Scope of business: | Manufacture and sale of metal packaging products and provision of printing services for metal packaging products. |

(7) 中糧包裝(鎮江)製蓋有限公司 (CPMC (Zhenjiang) Can End Co., Ltd.)

| | |
|---|---|
| Date of incorporation: | August 3, 2005 |
| Place of incorporation: | China |
| Nature: | Sino-foreign joint venture company with limited liability |
| Registered office: | South side, Dingmaoqiao Road, Dingmao Development Zone, Zhenjiang, Jiangsu Province, China |
| Registered capital: | US$10,250,000, which has been fully paid |
| Shareholders: | CPMC (Hong Kong) Limited (50.61%)<br>Hangzhou CPMC Co., Ltd. (49.39%) |
| Directors: | Zhou Zheng, Zhang Xin, Huang Jin |
| Scope of business: | Manufacture and sale of easy-open ends and related parts. |

(8) 張家港中糧包裝有限公司 (Zhangjiagang CPMC Co., Ltd.)

| | |
|---|---|
| Date of incorporation: | January 19, 2004 |
| Place of incorporation: | China |
| Nature: | Company with limited liability |
| Registered office: | Economic Development Zone, Zhangjiagang, Jiangsu Province, China |
| Registered capital: | RMB17,000,000, which has been fully paid |
| Shareholder: | Hangzhou CPMC Co., Ltd. (100%) |
| Directors: | Zhou Zheng, Huang Jin, Teng Shuming |
| Scope of business: | Manufacture and sale of metal packaging products, provision of printing services and import and export of goods and technology. |

(9) 中糧包裝(武漢)有限公司 (CPMC (Wuhan) Co., Ltd.)

| | |
|---|---|
| Date of incorporation: | September 8, 2008 |
| Place of incorporation: | China |
| Nature: | Company with limited liability (wholly foreign owned) |
| Registered office: | No. 65MD Land, Wuhan Economic and Technical Development Zone, Wuhan, Hubei Province, China |
| Registered capital: | US$10,000,000, which has been fully paid |
| Shareholder: | CPMC (Hong Kong) Limited (100%) |
| Directors: | Zhang Xin, Qian Wenyang, Huang Jin |
| Scope of business: | Manufacture and sale of metal and plastic packaging products, and research, development, manufacture and sale of packaging equipment and provisions of related services. |

(10) 杭州中糧制罐有限公司 (Hangzhou CPMC Canmaking Co., Ltd.)

| | |
|---|---|
| Date of incorporation: | December 23, 2008 |
| Place of incorporation: | China |
| Nature: | Company with limited liability (wholly foreign owned) |
| Registered office: | Zone A, Block 6, No. 160, Weisan Road, Baiyang Street, Hangzhou Economic and Technical Development Zone, Hangzhou, Zhejiang Province, China |
| Registered capital: | US$22,000,000, which has been fully paid |
| Shareholder: | Powerful Chance Limited (100%) |
| Directors: | Zhang Xin, Qian Wenyang, Yang Mu, Lv Qing, Feng Ping |
| Scope of business: | Manufacture and sale of metal two-piece cans and provision of related services. |

(11) 深圳中糧包裝有限公司 (Shenzhen CPMC Co., Ltd.)

| | |
|---|---|
| Date of incorporation: | November 17, 2008 |
| Place of incorporation: | China |
| Nature: | Company with limited liability |
| Registered office: | Nos. 1 and 2 Buildings, Juyou Industry Park, Liaoken Village, Langxin Community, Shiyan Street, Bao'an District, Shenzhen, Guangdong Province, China |
| Registered capital: | RMB50,000,000, which has been fully paid |
| Shareholder: | Hangzhou CPMC Co., Ltd. (90%)<br>Guangzhou Panyu MCP Industries Ltd. (10%) |
| Directors: | Zhang Xin, Teng Shumin, Huang Jin |
| Scope of business: | Manufacture and sale of industrial cylindrical and rectangular cans and miscellaneous cans, and import and export of goods and technology. |

## 7. Repurchase by our Company of its own securities

This section includes information required by the Stock Exchange to be included in this document concerning the repurchase by our Company of its own securities.

### *(a) Provisions of the Listing Rules*

The Listing Rules permit companies with primary listings on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

*(i) Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions passed by the sole shareholder of our Company on October 23, 2009, the Repurchase Mandate was conditionally granted to the Directors.

*(ii) Source of funds*

Repurchases must be funded out of funds legally available for that purpose in accordance with our Articles of Association and the Companies Ordinance. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of capital paid up on the shares to be repurchased, funds of our Company which would otherwise be available for dividend or distribution or out of an issue of new shares made for the purpose of the repurchase and, in the case of any premium payable on the repurchase, out of the funds of our Company which would otherwise be available for dividend or distribution or out of the share premium account of our Company.

*(iii) Trading restrictions*

The total number of shares which our Company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of the shares in issue immediately following completion of the [●] and the Capitalization Issue (excluding shares which may be issued upon the exercise of the [●] or pursuant to any options which may be granted under the Share Option Scheme).

### *(b) Reasons for repurchases*

The Directors believe that it is in the best interests of our Company and its shareholders for the Directors to have general authority from the shareholders to enable our Company to repurchase shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, enhance the net value of our Company, its assets and/or earnings per share and will only be made where the Directors believe that such repurchases will benefit our Company and its shareholders.

### *(c) Funding of repurchases*

In repurchasing the shares, our Company may only apply funds legally available for such purpose in accordance with our Articles of Association and the applicable laws of Hong Kong. The Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of the Directors are from time to time appropriate to our Company. However, there might be a material adverse effect on the working capital requirement of our Company or the gearing level (as compared with the position disclosed in the audited financial statements of our Company set out in this document) in the event that the Repurchase Mandate is exercised in full.

### *(d) Share capital*

The exercise in full of the Repurchase Mandate, on the basis of 800,000,000 shares in issue immediately following completion of the [●] and the Capitalization Issue (assuming the [●] is not exercised), could accordingly result in up to 80,000,000 shares being repurchased by our Company during the period prior to the date on which the Repurchase Mandate expires or terminates.

### *(e) General*

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules) has any present intention to sell shares to our Company or its subsidiaries. The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Memorandum of Association and Articles of Association of our Company, the Listing Rules and the applicable laws of Hong Kong. If, as a result of a securities repurchase, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer under Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the exercise in full of the Repurchase Mandate. No connected person (as defined in the Listing Rules) has notified our Company that he has a present intention to sell shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

## B. FURTHER INFORMATION ABOUT THE BUSINESS

### 1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this document and are or may be material:

(1) an equity transfer agreement dated December 18, 2007 entered into between COFCO No. 39 and CPMC (HK) pursuant to which COFCO No. 39 transferred its 100% equity interest in CPMC (Chengdu) to CPMC (HK) for a consideration of US$10,000,000;

(2) an equity transfer agreement dated December 18, 2007 entered into between COFCO No. 33 and CPMC (HK) pursuant to which COFCO No. 33 transferred its 100% equity interest in CPMC (Tianjin) to CPMC (HK) for a consideration of US$20,000,000;

(3) an equity transfer agreement dated December 18, 2007 entered into between COFCO No. 33 and CPMC (HK) pursuant to which COFCO No. 33 transferred its 100% equity interest in CPMC Hangzhou to CPMC (HK) for a consideration of US$30,000,000;

(4) an equity transfer agreement dated December 18, 2007 entered into between COFCO No. 34 and CPMC (HK) pursuant to which COFCO No. 34 transferred its 100% equity interest in Panyu MCP to CPMC (HK) for a consideration of US$11,743,861.5;

(5) an equity transfer agreement dated December 18, 2007 entered into between COFCO No. 86 and CPMC (HK) pursuant to which COFCO No. 86 transferred its 25% equity interest in CPMC (Zhenjiang) to CPMC (HK) for a consideration of US$2,035,684;

(6) an equity transfer agreement dated December 21, 2007 entered into between COFCO No. 86 and COFCO-MC (HK) pursuant to which COFCO No. 86 transferred its 25% equity interest in Hangzhou COFCO-MC to COFCO-MC (HK) for a consideration of US$8,537,891.6;

(7) an equity transfer agreement dated January 23, 2008 entered into between COFCO Tunhe Kuitun and Hangzhou CPMC pursuant to which COFCO Tunhe Kuitun transferred its 8.8% equity interest in Zhangjiagang CPMC to Hangzhou CPMC for a consideration of RMB2,977,300;

(8) an equity injection agreement dated January 23, 2008 entered into between COFCO and COFCO-MC (HK) pursuant to which COFCO transferred its 75% equity interest in Hangzhou COFCO-MC to COFCO-MC (HK) for nil consideration;

(9) an equity injection agreement dated January 23, 2008 entered into between COFCO and COFCO-MC (HK) pursuant to which COFCO transferred its 43.08% equity interest in Wuxi Huapeng to COFCO-MC (HK) for nil consideration;

(10) an equity transfer agreement dated January 23, 2008 entered into between TG (London) and COFCO-MC (HK) pursuant to which TG (London) transferred its 18.4% equity interest in Wuxi Huapeng to COFCO-MC (HK) for a consideration of HK$34,190,000;

(11) an equity transfer agreement dated April 21, 2008 entered into between Zhenjiang Huading Packaging Industries Development Co., Ltd and Hangzhou CPMC pursuant to which Zhenjiang Huading Packaging Industries Development Co., Ltd transferred its 40% equity interest in CPMC (Zhenjiang) to Hangzhou CPMC for a consideration of RMB 28,250,000;

(12) a share purchase agreement dated April 29, 2008 between our Company and COFCO (HK) pursuant to which our Company acquired from COFCO (HK) the entire issued share capital of and shareholder's loans in COFCO No. 86 in consideration of and in exchange for the allotment and issue by our Company to COFCO (HK) of one share of HK$1.00, credited as fully paid;

(13) a deed of assignment of shareholder's loans dated April 29, 2008 among our Company, COFCO (HK) and COFCO No. 86, pursuant to which COFCO (HK) assigned to our Company shareholder's loans in the respective amounts of US$8,537,990.6 and HK$56,056.8 in COFCO No. 86;

(14) an asset transfer agreement dated June 27, 2008 entered into between Eastbay and Zhangjiagang CPMC pursuant to which Eastbay sold its assets relating to its steel barrel business to Zhangjiagang CPMC for a consideration of RMB12,458,013.8;

(15) an asset transfer agreement dated June 27, 2008 entered into between East Ocean and Zhangjiagang CPMC pursuant to which East Ocean sold its assets relating to its steel barrel and rectangular can businesses to Zhangjiagang CPMC for a consideration of RMB19,809,744.6;

(16) an asset transfer agreement dated June 27, 2008 entered into between Northsea and Zhangjiagang CPMC pursuant to which Northsea sold its assets relating to its steel barrel business to Zhangjiagang CPMC for a consideration of RMB12,293,528.8;

(17) a deed of assignment dated August 28, 2008 among TG (London), COFCO (HK) and COFCO-MC (HK), pursuant to which TG (London) assigned to COFCO (HK) the receivable in the sum of HK$34,190,000 due by COFCO-MC (HK) to TG (London) for a consideration of HK$1.00;

(18) a deed of assignment dated October 17, 2008 among COFCO (HK), our Company and COFCO-MC (HK), pursuant to which COFCO (HK) assigned to our Company the receivable in the sum of HK$34,190,000 due by COFCO-MC (HK) to COFCO (HK) in consideration of and in exchange for the allotment and issue by our Company to COFCO (HK) of one share of HK$1.00, credited as fully paid;

(19) a share purchase agreement dated November 14, 2008 between our Company and COFCO (HK) pursuant to which our Company acquired from COFCO (HK) the entire issued share capital of COFCO No. 33 in consideration of and in exchange for the allotment and issue by our Company to COFCO (HK) of one share of HK$1.00, credited as fully paid;

(20) a share purchase agreement dated November 14, 2008 between our Company and COFCO (HK) pursuant to which our Company acquired from COFCO (HK) the entire issued share capital of COFCO No. 34 in consideration of and in exchange for the allotment and issue by our Company to COFCO (HK) of one share of HK$1.00, credited as fully paid;

(21) a share purchase agreement dated November 14, 2008 between our Company and COFCO (HK) pursuant to which our Company acquired from COFCO (HK) the entire issued share capital of COFCO No. 39 in consideration of and in exchange for the allotment and issue by our Company to COFCO (HK) of one share of HK$1.00, credited as fully paid;

(22) the HK Trademark License Agreement dated October 23, 2009 between our Company and COFCO, as referred to in the paragraph headed "Continuing Connected Transactions Exempt from the Reporting, Announcement and Independent Shareholders' Approval Requirements — Trademark License Agreements with COFCO" in the section headed "Connected Transactions";

(23) the PRC Trademark License Agreement dated October 23, 2009 between our Company and COFCO, as referred to in the paragraph headed "Continuing Connected Transactions Exempt from the Reporting, Announcement and Independent Shareholders' Approval Requirements — Trademark License Agreements with COFCO" in the section headed "Connected Transactions";

(24) a non-competition deed dated October 23, 2009 executed by COFCO, COFCO (HK) and Wide Smart in favor of our Company, as referred to in the paragraph headed "Non-competition Deed" in the section headed "Relationship with COFCO Group";

(25) a deed of indemnity dated October 23, 2009 given by COFCO and COFCO (HK) (the "Indemnifiers") in favor of our Company (for itself and as trustee for its subsidiaries) under which the Indemnifiers had given certain indemnities in favor of the Group containing, among other things, the indemnities referred to in the paragraph headed "Deed of indemnity" in this Appendix.

## 2. Intellectual property rights of our Group

*(a) Trademarks*

As at the Latest Practicable Date, our Group has obtained registration of the following trademarks in the PRC and Hong Kong which are material to our Group's business:

| Trademark | Registered Owner | Place of Registration | Class | Registration Number | Duration of Validity |
|---|---|---|---|---|---|
| HMCP | Hangzhou COFCO-MC | China | 29 | 3341553 | September 28, 2003 to September 27, 2013 |
| HMCP | Hangzhou COFCO-MC | China | 17 | 3341555 | June 21, 2004 to June 20, 2014 |
| HMCP | Hangzhou COFCO-MC | China | 42 | 3347121 | July 14, 2004 to July 13, 2014 |
| HMCP | Hangzhou COFCO-MC | China | 16 | 3341556 | June 7, 2004 to June 6, 2014 |
| HMCP | Hangzhou COFCO-MC | China | 40 | 3347268 | May 21, 2004 to May 20, 2014 |
| MCP | Hangzhou COFCO-MC | China | 29 | 3341558 | September 28, 2003 to September 27, 2013 |
| MCP | Hangzhou COFCO-MC | China | 20 | 3341559 | July 21, 2004 to July 20, 2014 |
| MCP | Hangzhou COFCO-MC | China | 17 | 3341560 | June 21, 2004 to June 20, 2014 |
| MCP | Hangzhou COFCO-MC | China | 16 | 3341561 | March 28, 2004 to March 27, 2014 |
| MCP | Hangzhou COFCO-MC | China | 42 | 3347117 | July 14, 2004 to July 13, 2014 |
| MCP | Hangzhou COFCO-MC | China | 40 | 3347267 | May 21, 2004 to May 20, 2014 |
| | Hangzhou COFCO-MC | China | 17 | 3341563 | June 21, 2004 to June 20, 2014 |

| Trademark | Registered Owner | Place of Registration | Class | Registration Number | Duration of Validity |
|---|---|---|---|---|---|
| | Hangzhou COFCO-MC | China | 16 | 3341564 | September 14, 2004 to September 13, 2014 |
| | Hangzhou COFCO-MC | China | 29 | 3341566 | September 28, 2003 to September 27, 2013 |
| | Hangzhou COFCO-MC | China | 42 | 3347112 | July 14, 2004 to July 13, 2014 |
| | Hangzhou COFCO-MC | China | 40 | 3347266 | May 21, 2004 to May 20, 2014 |
| | Hangzhou COFCO-MC | China | 6 | 838744 | May 14, 2006 to May 13, 2016 |
| | Wuxi Huapeng | China | 7 | 1787504 | June 14, 2002 to June 13, 2012 |
| | Wuxi Huapeng | China | 16 | 3010537 | January 28, 2003 to January 27, 2013 |
| | Wuxi Huapeng | China | 6 | 3302080 | January 7, 2004 to January 6, 2014 |
| | Wuxi Huapeng | China | 6 | 637635 | April 14, 2003 to April 13, 2013 |
| | Wuxi Huapeng | China | 6 | 943118 | February 7, 2007 to February 6, 2017 |
| | Wuxi Huapeng | China | 20 | 949681 | February 21, 2007 to February 20, 2017 |

| Trademark | Registered Owner | Place of Registration | Class | Registration Number | Duration of Validity |
|---|---|---|---|---|---|
| CPMC | Hangzhou CPMC | Hong Kong | 2, 6, 14, 16, 20-21, 40, 42 | 301077174 | March 20, 2008 to March 19, 2018 |
| CPMC * | Hangzhou CPMC | Hong Kong | 2, 6, 14, 16, 20-21, 40, 42 | 301077183 | March 20, 2008 to March 19, 2018 |

* Application with claim to protection of the colors.

As at the Latest Practicable Date, our Group has filed applications for the following trademarks in the PRC which are material to our Group's business:

| Trademark | Applicant | Place of registration | Class | Application Number | Date of Application |
|---|---|---|---|---|---|
| CPMC | Hangzhou CPMC | China | 2, 6-7, 14, 16, 20-21, 29-34, 39-40, 42 | N/A(1) | December 30, 2006 |
| CPMC | Hangzhou CPMC | China | 2, 6-7, 14, 16, 20-21, 29-34, 39-40, 42 | N/A(2) | December 30, 2006 |
| CPMC * | Hangzhou CPMC | China | 1-45 | N/A(3) | December 30, 2006 |

* Application with claim to protection of the colors.

(1) There are in total 16 separate application numbers.

(2) There are in total 16 separate application numbers.

(3) There are in total 45 separate application numbers.

*(b) Domain names*

As at the Latest Practicable Date, our Group has registered the following domain names:

| Domain name | Registered Owner | Expiry Date |
|---|---|---|
| cofco-mc.com | Hangzhou COFCO-MC | September 2, 2013 |
| cofco-mc.com.cn | Hangzhou COFCO-MC | August 11, 2013 |
| cofco-mc.cn | Hangzhou COFCO-MC | August 11, 2013 |
| cofco-packaging.com.cn | Hangzhou COFCO-MC | April 11, 2014 |
| cofco-packaging.com | Hangzhou COFCO-MC | April 11, 2014 |
| cofcopackaging.com.cn | Hangzhou COFCO-MC | April 11, 2014 |
| cofcopackaging.com | Hangzhou COFCO-MC | April 11, 2014 |
| cofco-pack.com.cn | Hangzhou COFCO-MC | April 11, 2014 |
| cofco-pack.com | Hangzhou COFCO-MC | April 11, 2014 |
| cofcopack.com.cn | Hangzhou COFCO-MC | April 11, 2014 |
| cofcopack.com | Hangzhou COFCO-MC | April 11, 2014 |
| cpmcgroup.cn | Hangzhou COFCO-MC | December 1, 2011 |
| cpmcgroup.com | Hangzhou COFCO-MC | December 1, 2011 |
| 中粮包装.com | Hangzhou COFCO-MC | December 1, 2011 |
| 中粮包装.中国 | Hangzhou COFCO-MC | December 1, 2011 |
| 中糧包装.中国 | Hangzhou COFCO-MC | December 1, 2011 |
| 中粮包装.cn | Hangzhou COFCO-MC | December 1, 2011 |
| 中糧包装.cn | Hangzhou COFCO-MC | December 1, 2011 |
| cofcopack-wuxi.com | Wuxi Huapeng | October 16, 2011 |
| hpchina.cn | Wuxi Huapeng | March 17, 2012 |

*(c) Patents*

As at the Latest Practicable Date, our Group has obtained registrations of the following patents in the PRC:

| Patent | Registered Owner | Place of Registration | Class | Registration Number | Date of Application |
|---|---|---|---|---|---|
| Positioning device for metal can packaging | Hangzhou COFCO-MC | China | Utility Model | ZL00203768.8 | March 3, 2000 |
| Clapboard for aerosol can packaging | Hangzhou COFCO-MC | China | Utility Model | ZL01210815.4 | February 28, 2001 |
| Clapboard for metal can packaging | Hangzhou COFCO-MC | China | Utility Model | ZL02215365.9 | January 25, 2002 |
| Halftone chromatic threshold printed tinplate anti-counterfeiting sheet material | Hangzhou COFCO-MC | China | Utility Model | ZL200420019609.5 | January 17, 2004 |
| Special printing technique for fish pattern | Hangzhou COFCO-MC | China | Design | ZL00348683.4 | December 29, 2000 |
| Special printing technique for oval pattern | Hangzhou COFCO-MC | China | Design | ZL00348684.2 | December 29, 2000 |
| Claw-shape twist cap | Wuxi Huapeng | China | Utility Model | ZL2007 2 0036253.X | April 19, 2007 |
| Packaging container(1) | Hangzhou CPMC and ZUST | China | Design | ZL200730342043.9 | November 6, 2007 |

| Patent | Registered Owner | Place of Registration | Class | Registration Number | Date of Application |
|---|---|---|---|---|---|
| Packaging container(2) | Hangzhou CPMC and ZUST | China | Design | ZL200730342044.3 | November 6, 2007 |
| Packaging container(3) | Hangzhou CPMC and ZUST | China | Design | ZL200730342046.2 | November 6, 2007 |
| Packaging container(4) | Hangzhou CPMC and ZUST | China | Design | ZL200730342045.8 | November 6, 2007 |
| Packaging container(5) | Hangzhou CPMC and | China | Design | ZL200730342047.7 | November 6, 2007 |
| Packaging container(6) | Hangzhou CPMC and ZUST | China | Design | ZL200730342050.9 | November 6, 2007 |
| Packaging container(7) | Hangzhou CPMC and ZUST | China | Design | ZL200730342049.6 | November 6, 2007 |
| Packaging container(8) | Hangzhou CPMC and ZUST | China | Design | ZL200730342048.1 | November 6, 2007 |
| Tea cans (Biluochun Tea) | Hangzhou CPMC | China | Design | ZL200730340463.3 | October 25, 2007 |
| Tea cans (Huang Shan Mao Feng Tea) | Hangzhou CPMC | China | Design | ZL200730340461.4 | October 25, 2007 |
| Poster (Flying Dragon Dancing Phoenix) | Hangzhou CPMC | China | Design | ZL200730340460.X | October 25, 2007 |
| Poster (Double Dragon) | Hangzhou CPMC | China | Design | ZL200730340458.2 | October 25, 2007 |
| Tea cans (Tieguanyin Tea) | Hangzhou CPMC | China | Design | ZL200730340462.9 | October 25, 2007 |
| Tea cans (West Lake Long Jing Tea) | Hangzhou CPMC | China | Design | ZL200730340459.7 | October 25, 2007 |

As at the Latest Practicable Date, our Group has filed the application for the patent below in the PRC:

| Patent | Applicant | Place of Registration | Class | Application Number | Date of Application |
|---|---|---|---|---|---|
| Sealing compound for claw-shape twist cap | Wuxi Huapeng | China | Invention | 200710021637.9 | April 19, 2007 |

*(d) Logo*

We have been authorized by COFCO to use the logo appearing on the cover page of this document.

## C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND SUBSTANTIAL SHAREHOLDER

### 1. Particulars of service agreements

*(a) Executive Directors*

Each of the executive Directors has entered into a service agreement with our Company. Particulars of these agreements are set out below:

Each service agreement is for an initial period of three years commencing on October 23, 2009 and will continue thereafter unless and until terminated by either party by serving not less than three months' prior written notice or three months' salary in lieu of such notice.

The following table sets out the annual salary range of the executive Directors:

| Range of annual salary | No. of Directors |
|---|---|
| RMB900,000 — RMB1,200,000 | one |
| RMB700,000 — RMB900,000 | two |

The aggregate annual salary of the three executive Directors will not exceed RMB2,800,000. Moreover, each of the executive Directors, for each completed year of service, may be awarded with a management bonus (if any) of such amount as may be determined by the remuneration committee at its sole discretion by reference to criteria as the remuneration committee may determine as appropriate from time to time. The relevant executive Director may not vote on any resolution of the Directors regarding the amount of the management bonus (if any) payable to him.

*(b) Non-executive Directors and independent non-executive Directors*

Each of the non-executive Directors and independent non-executive Directors has signed a letter of appointment with our Company under which he agreed to act as non-executive Director or independent non-executive Director for a term of three years from October 23, 2009, which may be terminated by not less than three months' notice in writing served by either party on the other.

| Range of annual salary | No. of Directors |
|---|---|
| HK200,000 | three |
| HK100,000 | three |

*(c) Directors' remuneration*

The aggregate remunerations paid to the Directors by our Group in respect of the financial year ended December 31, 2008 were approximately HK$1,409,000. The aggregate remunerations and benefits in kind which the Directors are entitled to receive for the financial year ending December 31, 2009 are estimated to be approximately HK$3,303,000, excluding any discretionary bonuses which may be paid to the Directors.

Save as disclosed above, none of the Directors has or is proposed to have a service agreement with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

## 2. Interests of Directors and chief executive in the share capital of our Company and its associated corporations

Save as disclosed below, immediately following completion of the [●] and the Capitalization Issue (without taking into account any shares that may be issued and allotted pursuant to the exercise of the [●] or Options granted under Share Option Scheme), none of our Directors or chief executive will have any interest or short positions in the shares, underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to our Company and the Stock Exchange, once the shares are listed on the Stock Exchange.

| Name of Director | Name of associated corporations | Capacity | Number of shares *(Note 1)* | Approximate percentage of shareholding |
|---|---|---|---|---|
| Mr. Ning Gaoning . . . . . | China Foods | Beneficial owner | [●] (L) | [●] *(Note 2)* |
| Mr. Ning Gaoning . . . . . | China Agri | Beneficial owner | [●] (L) | [●[ *(Note 3)* |
| Mr. Hu Yonglei . . . . . | China Agri | Beneficial owner | [●] (L) | [●] *(Note 3)* |

Notes:

(1) Long position in the underlying shares of the relevant company under share options granted pursuant to the share option scheme of the relevant company.

(2) The percentage is calculated based on the total number of shares of China Foods in issue as at June 30, 2009, i.e. [●] shares.

(3) The percentage is calculated based on the total number of shares of China Agri in issue as at June 30, 2009, i.e. [●] shares.

## 3. Substantial shareholders

So far as the Directors are aware, information on the persons or entities, not being Directors or the chief executive of our Company, who will have, immediately following completion of the [●] and the Capitalization Issue (without taking into account shares that may be issued and allotted pursuant to the exercise of the [●] or options granted under the Share Option Scheme), an interest or a short position in the shares or underlying shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group will be as follows:

### (a) Interest in our Company

| Name of shareholder | Capacity | Number of shares *(Note 1)* | Approximate percentage of shareholding |
|---|---|---|---|
| Wide Smart | Beneficial owner | [●] (L) | [●] |
| COFCO (HK) | Beneficial owner | [●] (L) | [●] |
| | Interest of controlled corporation *(Note 2)* | [●] (L) | [●] |
| COFCO | Interest of controlled corporations *(Note 3)* | [●] (L) | [●] |

Notes:

(1) The letter "L" denotes long position of the shareholder in the shares.

(2) Wide Smart is a wholly-owned subsidiary of COFCO (HK). COFCO (HK) is therefore deemed to be interested in the [●] shares held by Wide Smart.

(3) COFCO (HK) and Wide Smart are wholly-owned subsidiaries of COFCO. COFCO is therefore deemed to be interested in the [●] shares in aggregate held by COFCO (HK) and Wide Smart.

### (b) Interest in other member of the Group

| Name of shareholder | Name of subsidiary | Capacity | Amount of registered capital held | Percentage of equity interest |
|---|---|---|---|---|
| Wuxi Caps General Factory | Wuxi Huapeng Closures Co., Ltd. | Beneficial owner | US$3,880,000 | 15.52% |
| Crown Asia Pacific Holdings Limited | Wuxi Huapeng Closures Co., Ltd. | Beneficial owner | US$5,750,000 | 23% |

## 4. Disclaimers

Save as disclosed in this document:

(a) none of the Directors or the experts named in the paragraph headed "Consents and qualifications of experts" below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group nor will any Director apply for [●] either in his or her own name or in the name of a nominee;

(b) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group; and

(c) none of the experts named in the paragraph headed "Consents and qualifications of experts" below has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

## D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by written resolutions of the sole shareholder of our Company passed on October 23, 2009. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

For the purposes of this summary, unless the context otherwise requires or specifies, the following terms have the meanings set out below:

| | |
|---|---|
| "Employee(s)" | (1) any executive or non-executive director(s) of any member(s) of the Group, (2) any supervisor(s), senior executive(s), key technical staff, professional staff, manager(s), any employee(s) of any member(s) of the Group, (3) any other individual(s) as may be decided by the Board, and "employment" shall be interpreted accordingly; |
| "Grantee(s)" | person(s) who are offered or granted Options pursuant to the Share Option Scheme; |
| "Option(s)" | option(s) to subscribe for shares that may be granted pursuant to the Share Option Scheme; and |
| "Participant(s)" | (1) any executive or non-executive director(s) of any member(s) of the Group (or person(s) proposed to be appointed as such provided that the offer to such proposed appointee(s) shall be conditional upon the proposed appointment taking effect), (2) any supervisor(s), senior executive(s), key technical staff, professional staff, manager(s), employee(s) of any member(s) of the Group (or person(s) proposed to be appointed as such provided that the offer to such proposed appointee(s) shall be conditional upon the proposed appointment taking effect), or (3) any other individuals as may be proposed by the Board. For the avoidance of any doubt, Participant(s) do not include independent non-executive director(s) of our Company. |

### 1. Purpose

The purpose of the Share Option Scheme is to attract, retain and motivate senior management personnel and key employees of the Group, and provide the Participants with an opportunity to acquire proprietary interests in our Company and to encourage the Participants to work towards enhancing the value of our Company and shares for the benefit of our Company and its shareholders as a whole.

**2. Who may join**

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the adoption date of the Share Option Scheme to make an offer to any Participant of the Share Option Scheme to subscribe for such number of shares at the subscription price, after which period no further Options will be granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect.

**3. Acceptance of an offer of Options**

An offer shall be made to a Participant by letter in such form as the Board may from time to time determine specifying the number of shares under the Option and the option period in respect of which the offer is made and requiring the Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme.

An offer shall be deemed to have been accepted and the Option to which the offer relates shall be deemed to have been granted when the duplicate letter comprising acceptance of the offer duly signed by the Grantee within 28 days with the number of shares in respect of which the offer is accepted clearly stated therein together with the payment of HK$1.00 by consideration for the grant of the Option.

Any offer may be accepted or deemed to have been accepted in respect of less than the number of shares for which it is offered provided that it is accepted in respect of a board lot for dealing in shares on the Stock Exchange or an integral multiple thereof. To the extent that the offer is not accepted within 28 days in the manner indicated above, it will be deemed to have been irrevocably declined.

**4. Maximum number of shares**

The maximum number of shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and under any other share options schemes of our Company (if any) are in aggregate equal to 10% of the total number of shares in issue on the date on which dealings in the shares commence on the Stock Exchange (the "Scheme Mandate Limit").

For the avoidance of any doubt, Options lapsed in accordance with the terms of the Share Option Scheme and under any other share option schemes shall not be counted for the purpose of calculating the above-mentioned maximum number of shares. The Scheme Mandate Limit may be renewed at any time, subject to the shareholders' approval. However, the Scheme Mandate Limit as renewed shall not exceed 10% of the number of shares in issue as at the date of the relevant approval. Options already granted under the Share Option Scheme and under any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the relevant schemes or exercised) shall not be counted for the purpose of calculating the maximum number of shares as renewed.

The overall limit on the number of shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and all other share option scheme of our Company must not exceed 10% of the number of shares in issue from time to time. No Options will be granted under the Share Option Scheme at any time if such grant will result in such limit being exceeded.

The total number of shares which may be issued upon exercise of all of the Options that are first granted after the Share Option Scheme takes effect shall not in aggregate exceed 1% of the total number of shares in issue at the relevant time.

**5. Maximum number of Options granted to any individual**

The number of shares issued and to be issued upon exercise of the Options granted to any Grantee (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the shares at the relevant time.

Where any grant of Options to a substantial shareholder (as defined in the Listing Rules) of our Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the shares in issue; and

(b) having an aggregate value, based on the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of each grant, in excess of HK$5 million,

such further grant of Options shall be subject to approval by the shareholders of our Company (voting by way of poll) at a general meeting. All connected persons (as defined in the Listing Rules) of our Company shall abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular complying with the relevant requirements under Chapter 17 of the Listing Rules to be sent to the shareholders of our Company in connection therewith.

Any grant of Options to a Participant, or any of his or her respective associates, who at the date of grant holds shares representing more than 5% of the voting rights of our Company shall be subject to the approval of the shareholders of our Company at a general meeting. All connected persons (as defined in the Listing Rules) shall abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular in connection therewith.

**6. Subscription prices**

Subject to any adjustment made pursuant to paragraph (17), the subscription price under any Options shall be a price determined by the Board and notified to the Grantees and shall be the highest of the following:

(i) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer;

(ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer; or

(iii) the nominal value of a share.

**7. Granting Options to connected persons**

Any grant of Options to a director, chief executive officer or substantial shareholder (not including the independent non-executive directors) of our Company or his/her respective associates is required to be approved by the independent non-executive directors of our Company.

**8. Restrictions on the time of granting Options**

A grant of Options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in the manner prescribed under the Listing Rules. In particular, no Options shall be granted:

(i) during the period of 60 days immediately proceeding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to and including the publication date of the results; and

(ii) during the period of 30 days immediately proceeding the publication date of the half-year results or quarterly results (if any) or, if shorter, the period from the end of the relevant half-year or quarterly period up to and including the publication date of the results.

For the avoidance of doubts, the period during which no Options shall be granted covers any period of delay in the publication of the relevant results announcement.

**9. Rights are personal to Grantee**

An Option is personal to the Grantee. No Grantee shall in any way sell, transfer or assign, charge, mortgage, encumber or create any interest in favor of any third party over or in relation to any Option or enter into any agreement to do so. Any breach of the foregoing shall entitle our Company to cancel the Options granted to the extent not already exercised.

**10. Exercise of Options and period of the Share Option Scheme**

Except where an Option shall become exercisable as otherwise provided in the Share Option Scheme, a Grantee shall hold his or her Options for a minimum period of two years from the date of grant before any of the Options can be exercised. The maximum exercise period of any Option shall not exceed seven years from the date of grant of the Option. The actual exercise period of any Option not exceeding seven years from the date of grant may be determined by the Board in its sole discretion. After the expiry of the exercise period of the Options granted, the Options (to the extent not yet exercised) will lapse automatically and become non-exercisable.

Save as otherwise specified in the Share Option Scheme, the Share Option Scheme shall remain effective for a period of 10 years from the date on which it takes effect being the date on which dealings in the shares on the Stock Exchange first commence, after which the Share Option Scheme will cease to be effective, and no further Options shall be granted provided that all other provisions contained in the Share Option Scheme shall remain effective with regard to the Options granted under the Share Option Scheme and the exercise of such Options.

**11. Conditions for the exercise of Options**

The Board is entitled in its absolute discretion to impose any conditions, restrictions or limitations upon each grant of Options. The number of the Options which are exercisable shall be conditional upon the extent to which any conditions imposed, including but not limited to performance targets, by the Board are satisfied. The rights of interpretation of the conditions, restrictions or limitations are reserved by the Board.

**12. Rights on ceasing employment/death**

In the event the Grantee ceases to be an Employee for any reason other than on his or her death, or diseases, or injuries or disabilities not attributable to his or her own improper conduct, or retirement from the position of the Employee, or transfer of employment upon the decision of his or

her employer, or the termination of his or her employment on one or more of the grounds specified in paragraphs (18) (iv) or (vi), the Grantee may exercise the Option up to the entitlement of such Grantee at the date of cessation (to the extent not already exercised) within a period of three months following the date of such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not.

In the event the Grantee ceases to be an Employee due to his or her diseases, or injuries or disabilities not attributable to his or her own improper conduct, or retirement from the position of the Employee, or transfer of employment upon the decision of his or her employer and none of the events which would be a ground for termination of his or her employment under paragraphs (18) (iv) or (vi) arises, the Grantee may exercise the Option up to the entitlement of such Grantee at the date of cessation (to the extent not already exercised) within a period of six months following the date of such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not.

In the event the Grantee dies before the Option is exercised in full and none of the events which would be a ground for termination of his or her employment under paragraphs (18) (iv) or (vi) arises, the personal representative(s) of the Grantee shall be entitled within a period of 12 months from the date of death or such longer period as the Board may determine to exercise the Option up to the entitlement of such Grantee at the date of death (to the extent not already exercised).

**13. Rights on takeover of our Company**

If a general offer by way of take-over, share repurchase, or similar offer is made to all the holders of shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) with the terms of the offer having been approved by the holders of not less than nine-tenths in value of the shares comprised in the offer within four months and the offeror thereafter gives a notice pursuant to the Companies Ordinance to acquire the remaining shares, the Grantee (or his or her personal representative(s)) may by notice in writing to our Company within 21 days of such notice exercise the Option (to the extent not already exercised) to its full extent or to the extent specified in such notice.

**14. Rights on a voluntary liquidation of our Company**

Where our Company adopts the resolution of voluntary liquidation, the Grantees (or their legal personal representative(s)) may, by notice in writing within 14 days following the resolution, elect to be treated as if they had exercised all or part of the Options (to the extent not already exercised) prior to the resolution, in which case the Grantees may pari passu, the same as other shareholders, be entitled to receive out of the assets available in the liquidation such sum as he would have received in respect of the shares, being the subject of such election, less an amount equal to the subscription price which would otherwise have been payable in respect thereof.

**15. Rights on scheme of arrangement between our Company and its shareholders**

If a general offer by way of scheme of arrangement is made to all the holders of shares with the scheme having been approved by the necessary number of holders of shares at the requisite meetings and having been declared unconditional, the Grantee (or his or her personal representative(s)) may thereafter (but before such time as shall be notified by our Company) exercise the Option (to the extent not already exercised) to its full extent or to the extent specified in such notice.

### 16. Ranking of shares

The shares to be allotted upon the exercise of an Option will be subject to the Articles of Association of our Company then in force and will rank pari passu with the fully paid shares in issue on the date of exercise of the Option, including participation in the distribution of dividends and other rights/interests on or after the date of allotment, save as the dividends or other rights/interests publicized, proposed or decided prior to the date of exercise of the Option.

### 17. Effect of the alteration of the share capital of our Company

Subject to the applicable laws and regulations, in the event of capitalization issue, rights issue, consolidation, subdivision, or reduction in the share capital of our Company other than any alteration in the capital structure of our Company as a result of an issue of shares as consideration in respect of a transaction to which our Company is a party, such corresponding adjustments (if any) shall be made to:

(i) the number of shares subject to the Options so far as unexercised; and/or

(ii) the subscription price; and/or

(iii) the terms of the Option,

provided that any such adjustments shall give a Grantee as much as possible the same proportion of the issued share capital of our Company as that to which he/she is previously entitled, but to the extent not exceeding the proportion before the adjustment. No such adjustments shall be made to the effect of which would be to enable any shares to be issued at any value lower than their nominal value, or the proportion for the subscription of the issued share capital of our Company by the Grantee to be increased. Any adjustment to be made to the exercise price of, and/or the number of shares subject to, and any Option to be granted under the Share Option Scheme will comply with Chapter 17 of the Listing Rules, the supplemental guidance issued by the Stock Exchange on September 5, 2005 to all issuers relating to share option schemes and any future guidance or interpretation of the Listing Rules issued by the Stock Exchange from time to time.

Our Company's auditors shall certify in writing to the Board that such adjustment is, in their opinion, in compliance with the terms of the Share Option Scheme and the rules, requirements and guidelines issued by the Stock Exchange from time to time.

### 18. Lapse of Options

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(i) the expiry of the Option period;

(ii) the expiry of any of the periods referred to in paragraphs (12) and (14);

(iii) the date of the commencement of the liquidation of our Company (pursuant to the provisions of the applicable law);

(iv) the date on which the Grantee ceases to be an Employee by reason of termination of his/her employment on the grounds that he/she has been guilty of misconduct, or has been convinced of any criminal offence involving his/her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his/her employment or pursuant to any applicable laws or under the Grantee's service contract with our Company or the relevant subsidiary;

(v) the date of occurrence on the part of the Grantee of any of the following events confirmed by the Board:

a. material negligence or dereliction of his/her duty;

b. breach of the relevant laws and regulations or the Articles of Association of our Company;

c. where the Board determines that the Grantee during his/her term of office has incurred losses to our Company due to accepting/demanding bribes, embezzlement/ theft, disclosure of the operational and technological secrets or know-how of our Company, implementation of connected transactions against the interests or reputation of our Company and such other behaviors which have material adverse effect on the image of our Company;

(vi) the date on which the Grantee has become bankrupt or has become insolvent or has made any arrangement or composition with his/her creditors after which his/her employment is terminated;

(vii) the date on which the Grantee breaches paragraph (9); and

(viii) subject to the relevant courts of Hong Kong not making an order prohibiting the offeror to acquire the remaining shares in the offer, the expiry of the period referred to in paragraph (13).

**19. Alterations to the Share Option Scheme**

The Share Option Scheme may be altered in any respect by the resolution of the Board, provided that such definitions, "Employee(s)" "Participant(s)" and "Option Period" as set out in the Share Option Scheme, the terms and conditions of the Share Option Scheme and the major provisions concerning the subscription rights shall not be amended to such effect as terms of the rights and obligations of the Participant(s) and Employee(s) or the future Participant(s) and Employee(s) will be prejudiced, save as approved by the resolution of general meetings of our Company.

Any amendments to the terms and conditions of the Share Option Scheme which are of a material nature, or any change to the terms of the Options granted must also, to be effective, be approved by the shareholders at a general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

The amended terms and conditions of the Share Option Scheme shall comply with the relevant requirements of the Listing Rules and the applicable laws and regulations from time to time.

**20. Cancellation of Options**

Any Options already granted but not exercised may be cancelled by the Board if the Grantee so agrees and new Options may be granted to the Grantee under the Share Option Scheme with available unissued options.

**21. Termination of the Share Option Scheme**

The Share Option Scheme shall terminate upon the expiration of the period of the Share Option Scheme. Our Company may by resolution at a general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered, but the provisions of the Share Option Scheme shall in all other respects remain in full

force and effect. Options which are granted during the life of the Share Option Scheme and remain unexpired immediately prior to the termination of the operation of the Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.

### 22. Administration of the Share Option Scheme

The Share Option Scheme shall be subject to the administration of the Board, the resolutions of which shall be final and binding upon all the parties, save as otherwise specified.

### 23. Conditions

The Share Option Scheme shall take effect subject to the passing of the necessary resolution to adopt the Share Option Scheme by the sole shareholder of our Company and is conditional upon, among other things, (i) the obligations of the [●] under the [●] in respect of the [●] becoming unconditional and not being terminated in accordance with the terms of the respective agreements or otherwise; (ii) the Listing Committee of the Stock Exchange granting approval of the [●] of, and permission to deal in, the shares of the Company in issue and to be issued as detailed in this document, and to be issued pursuant to the exercise of Options under the Share Option Scheme; (iii) the SASAC granting approval of the Share Option Scheme; and (iv) the commencement of dealings in the shares of our Company on the Stock Exchange.

### 24. Financing arrangements

Subject to and to the extent permitted by applicable laws, our Company may, but shall not be obliged to, provide, procure or make arrangements for the financing to Grantees for the purposes of satisfying the payment of the subscription price in respect of the exercise of the Options on the part of the relevant Grantee.

## E. OTHER INFORMATION

### 1. Estate duty

The Directors have been advised that, based on the applicable laws and the current practice of the relevant regulatory authorities, no material liability for estate duty is likely to fall on any member of the Group in Hong Kong or in the PRC.

### 2. Litigation

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

### 3. Qualifications of experts

The qualifications of the experts referred to in this document are as follows:

| Name | Qualifications |
|---|---|
| CICC | Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO |
| BOCI | Licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO |
| Ernst & Young | Certified Public Accountants |
| Jones Lang LaSalle Sallmanns Limited. | Independent property valuer |
| Haiwen & Partners | PRC attorneys-at-law |

### 4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK$3,000 and are payable by our Company.

### 5. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance (so far as applicable).

### 6. Deed of indemnity

COFCO and COFCO (HK) (the "Indemnifiers") have entered into a deed of indemnity (the "Indemnity Deed") with and in favor of us (for ourselves and as trustee for each of the members of our Group) (being the material contract referred to in the paragraph headed "Summary of material contracts" under the paragraph headed "Further Information about the Business" in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters:

(a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong) to any member of our Group on or before the date on which the [●] becomes unconditional (the "Effective Date"); and

(b) any claim or demand for Taxation (as defined therein) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, acts, omissions, matters or things earned, accrued, received, entered into (or deemed to be so earned, accrued, received or entered into) or occuring on or before the Effective Date;

(c) any claims, damages, losses, liabilities, costs (including without limitation costs of relocation), expenses, actions or proceedings incurred or suffered, or which may be incurred or suffered, by our Group in respect of the use or occupation of properties with defective titles or invalid leases and non-registration of leases entered into by our Group with the relevant government authority in accordance with applicable laws and regulations; and

(d) any Damages (as defined therein) howsoever arising from or in connection with any Litigation Claim (as defined therein) the amount of which exceeding HK$5,000,000 to the extent that the events leading to such Damages occurred prior to the Effective Date and any such Damages are not paid by the insurer under any relevant insurance policy (if any) or provision of which has not been made in the Accounts (as defined below).

Under the Indemnity Deed, these indemnities against Taxation do not cover any claim and the Indemnifiers are under no liability thereunder in respect of any Taxation claim:

(a) to the extent that adequate provision has been made for such Taxation in the audited consolidated accounts of the Group for the three financial years ended December 31, 2008 and the six months ended June 30, 2009 (the "Accounts");

(b) to the extent that such Taxation or liability would not have arisen but for any act or omission by any member of the Group voluntarily effected without the prior written consent or agreement of the Indemnifiers (such consent or agreement not to be unreasonably withheld or delayed), otherwise than in the ordinary course of business after the Effective Date;

(c) for which any member of the Group is liable as a result of transactions entered into in the ordinary course of business after the Effective Date;

(d) to the extent that such Taxation claim arises or is incurred as a result of the imposition of Taxation as a consequence of any retrospective change in the law or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC, the BVI or any other relevant authority in any other part of the world coming into force after the date of the Indemnity Deed or to the extent such claim arises or is increased by an increase in rates of Taxation after the date of the Indemnity Deed with retrospective effect; and

(e) to the extent of any provisions or reserve made for Taxation in the Accounts which is finally established to be an over-provision provided that the amount of any such provision applied to reduce the Indemnifiers' liability in respect of Taxation shall not be available in respect of any such liability arising thereafter.

## 7. Miscellaneous

(a) Save as disclosed herein:

(i) within the two years immediately preceding the date of this document, no share or loan capital of our Company or any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) within the two years immediately preceding the date of this document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;

(iv) no founder shares, management shares or deferred shares or debentures of our Company or any of its subsidiaries have been issued or agreed to be issued;

(b) all necessary arrangements have been made to enable the shares to be admitted into CCASS for clearing and settlement;

(c) the Group has no present intention to change the nature of its business in the near future;

(d) there are no arrangements in existence under which future dividends are to be or agreed to be waived.

## 8. Exemptions from the Companies Ordinance

The English language and Chinese language versions of this document are being published separately.