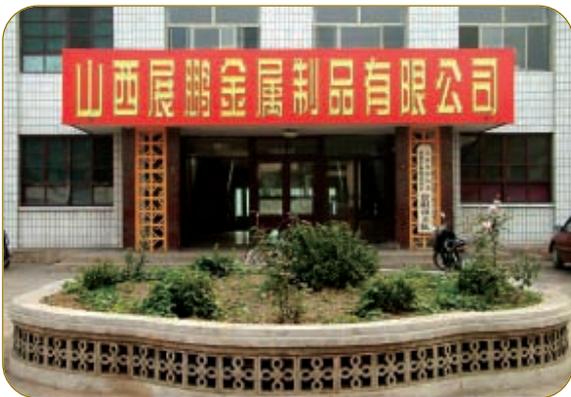


**NEWLY-LAUNCHED
TWO-PIECE
TINPLATE CANS
WELL-RECEIVED BY
THE MARKET**



**EXPANSION OF
SHANXI PLANT
TO SPUR
FUTURE GROWTH**

**ACCREDITED
ENVIRONMENTAL
MANAGEMENT
CERTIFICATION**



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2004, the Group recorded a turnover of approximately RMB425.7 million (2003: RMB337.6 million), representing a growth of approximately 26.1% as compared to that of the last year. The increase was largely attributable to the enhancement of the market competitiveness of the products by increasing the productivity and the use of new technology.

The Group's gross profit amounted to approximately RMB141.1 million (2003: RMB120.6 million), representing an increase of approximately 17.0% as compared to that of the last year. The improvement in gross profit was mainly due to the increase in turnover and adoption of effective cost cutting measures.

Net profit for the year under review amounted to approximately RMB90.1 million (2003: RMB78.7 million), which represented an increase of approximately 14.5% as compared to that of the last year. The net profit margin for the year under review amounted to approximately 21.2% (2003: 23.3%), which represented a decrease of approximately 2.1% as compared to that of the last year. Basic earnings per share was RMB0.223 (2003: RMB0.228).

BUSINESS REVIEW

Year 2004 marked a new start for the Group. With the competitive edges achieved in terms of brand name, market, quality and technology, the Group, as compared with its market peers in the industry, has enjoyed a rapid growth rate and has shown enormous potential for development, and has progressively emerged to become a sizable metal packaging enterprise with comprehensive product range and a relatively strong ability for profit generation in the PRC. In the second half of the year, with the commencement of operations of the two-piece tinplate can production lines and the substantial enhancement in the productivity of colour printing processing, the Group's composition of principal business and structures have experienced significant changes and diversification of product mix was achieved. The revenue and profit of the principal businesses were approximately RMB425.7 million and approximately RMB90.1 million respectively, representing a growth of 26.1% and 14.5% as compared with that of last year. The outstanding results were attributable to the series of measures adopted by the Group, and the details of which are as follows:



I. Enhancement of competitiveness of the products in the market through the increase in productivity and the adoption of new technology

Three-piece tinplate cans:

In the second half of 2004, the Group's Fuqing plant acquired two additional production lines for three-piece tinplate cans, allowing the production capacity of cans for beverages to increase by

approximately 50%. With such an improvement, the frequency for changing moulds and the time required for production were largely reduced, and thereby shortening the response time to order changes or increments, and allowing timely and flexible delivery of products. Meanwhile, the normal deliveries to customers were shortened by two to three days, the competitiveness of the products in the market was accordingly enhanced.

Two-piece tinplate cans:

In the second half of 2004, the Group's Fuqing plant acquired three production lines for two-piece tinplate cans for food. At present, most of the two-piece tinplate cans in the PRC do not have colour printing on surface of can body, and the common practice has been the use of sticker labeling method. Sticking labels by hand is slow and poses heavy reliance on the labour force. More often than not, the labels will fall off when coming into contact with water or oil, or may even be dampened and destroyed if the cans were kept in freezer for a period, which would seriously affect the appearance of the products eventually. In view of such problems, the Group's Fuqing plant committed itself through providing an attractive remuneration package to and engage a senior technician who had worked for a famous domestic two-piece tinplate cans manufacturer to form a project team with the existing technicians. After months of hard work, the Group finally worked out the solutions to two major problems, namely the irregular shift of picture developed and the fall off of the stretched paint film. Upon the launch of fine printed two-piece tinplate cans to the market in October 2004, it achieved a remarkable sales result for the Group.



Colour print processing:

The Group's Fuqing plant was the first in Fujian Province to acquire a new sophisticated double-colour printing production line in the second half of 2004, which is compatible with the latest computer image processing technology. It is equipped with various advanced technologies, such as precise colour measurement control, easy printing parameter control, accurate ink control, breaking the bottle neck of the traditional printing production lines, which typically include low colour saturation, narrow colour gamut, difficulties in precision and contrast control of printing products. The new technology helps to produce print-out images with finer texture, enriched colour and sharpness that are more detailed and more colourful, and that truly express the fluorescent colours which could not have been readily reproduced by traditional printing production lines in particular. In addition, among various printing technique, traditional printing production line require the use of spot colours; while the double-colour printing production line could minimize such use, reducing the time required for changing colour plates, thereby largely enhancing the printing accuracy and efficiency, and effectively reducing the production cost. The new double-colour printing production line is also suitable for printing different kinds of high class premium metal containers.

MANAGEMENT DISCUSSION AND ANALYSIS

II. Adoption of various effective measures to raise the gross profit margin and stringent control on attributes to the rising cost

In 2004, notwithstanding the significant increase in the price of tinplate, one of the raw materials, has contributed to a considerable rise in the production costs, the Group through the adoption of effective measures still managed to achieve a slight increase in profit. The major attributes to which are as follows:

1. The improvement made by the Group's technicians to the production techniques and moulds reduced the consumption of raw materials by approximately 10% while maintaining the excellence of pressure resistance of cans;
2. On the ground of the successful market penetration of two-piece tinplate cans that enjoy higher profit margin, addition of new types of three-piece tinplate cans and the expansion of the coverage of colour printing, the Group's product portfolio and distribution channels were further strengthened and expanded. Such strategy helped to avoid and reduce the risk of reliance on single market and to serve complementary effects on cost, thereby raising the overall profit margin of the Group's product;
3. Appropriate adjustment of product prices; and
4. Enhancement of productivity, reduction of unit costs raised the competitiveness of products in the market.

Moreover, the Group's management believes that local suppliers would be raising their tinplate production capacity in the coming years, thereby increasing the local supply of tinplates. In view of such increase, the issue of soaring prices could be effectively resolved.



III. Continuous enhancement of production environment to support sound development

In October 2004, the Group leased a 20,000 square metres factory complex in a state-level economic development zone - Fuqing Rongqiao Economic and Technology Development Zone - as its new production base for further consolidating its foundation for future production capacity expansion. Through the improvement of the production environment and raising the cumulative productivity of the Group, laid a strong foundation for future production efficiency enhancement.

IV. The successful business development strategies helped to maintain the competitive edges

In 2004, given the intense market competition, the Group adjusted its development strategies and attained outstanding achievements by its strategy of expanding the scale of low cost operations through the establishment of marketing network with additional staff. The Group further recruited 15 well-experienced and talented marketing staffs to expand the marketing team of the Fuqing and Shanxi plants. The Group adopted a flexible and innovative management approach that integrated the regional management with central deployment, allowing the Group to attain astonishing results in achieving rapid development without incurring extra costs. Meanwhile, the Group endeavoured to improve the customer

services quality and enhance the business communications with the manufacturers to provide the best services to customers and to effectively promote the products of the Group. The most direct and effective promotion mean is through customers' satisfaction.

With the enhancement in the Group's productivity and the rise of the Group's influence and renown in the industry, the Group redefined its target customers to those large scale fast-food enterprises. The management believed that such an initiative would further raise the Group's renown and recognition in the industry and turn the Group into one of the major suppliers of its customers.

PROSPECTS

Under the favourable development of the PRC's accession to the WTO and China's success to win the host of Olympic Games, the metal packaging industry is expected to achieve a growth in both the demand and the scale in future. The Group will continue to pursue for new products and technologies and adjust its production strategies for the persistent improvement in productivity and management. The main strategies are:

I. Nurturing new profit growth point

The Group, being a production enterprise which is capable of producing the largest volume of various type of two-piece tinplate cans for food in the packaging industry in the PRC, is able to offer the richest product mix and the best quality of products. With the persistent increase in demand for higher quality and safety standard of canned food, the demand of two-piece tinplate cans for food increased. Meanwhile, two-piece tinplate cans only comprise two parts, the top and the body, while the latter can be formed through the compression of the tinplate. As no additional tinplate is required for bottom lid, the consumption of tinplate



by two-piece tinplate cans for food is less than the traditional ones by approximately 20-30%, effectively bringing down the overall costs. The Group is committed to make a timely response to the market demand and price change in order to reinforce its core competitiveness by offering customers with products of highest quality and best appearance which are produced with the latest technology. The management believes that the two-piece tinplate cans for food which enjoy a competitive edge, a strong growth and a high profit margin, would expect to be the Group's new profit growth point.

The Group's newly-introduced state-of-art double-colour printing production line, allows it to raise its capability in colour print processing by approximately 40%. Not only can the equipment satisfy the demand from the Group's newly acquired production lines, but also offer the Group with additional production capacity that allows it to expand the printing services to other clients. The management believes that the state-of-art technology will promote the scale of printing operations of the Group.

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II. Promotion of technology improvement

The Group will take an active approach to upgrade its technologies and will expand the scope of application of its products (to sugar or strong acidic beverages) by broadening the product mix through the alternation of height, diameter or the frequency of necks of the cans and by the improving and revising the raw materials or the processing technology of the internal or external layer of lacquer and the supplemental layer of lacquer for welding. Such efforts will help to fully manifest the potential of the existing equipment and to largely extend the applicability of the products in the market.

In the coming year, the Group shall make use of the latest packaging technology for pursuing higher standard of management. The Group is committed to maximize its return by offering the best and top quality services.

III. Use of new production base and enhancement of productivity

The new 20,000 square metres production base leased by the Group's Fuqing plant comprises two workshops, namely the manufacturing of lids and the printing workshop. All the bottom lids used in the beverage cans or food cans will be produced at the new factory complex while one of the Group's existing colour printing production lines will also be moved to the new factory. The planning and construction of the new factory complex has followed the stringent production control standards and quality control system of the Group, signifies the Group's step to further expand its scale of production and reinforce its competitiveness.

Under the collective effort of operation and production staff, the company's market share of three-piece beverage cans in Shanxi area recorded a further growth which supplies about 70% of the total demand in the market. Shanxi plant is the only production enterprise which produces three-piece beverage cans in the Western China and our products are always over-demanded. Based on the long-term development needs, Shanxi plant is intended to establish one additional production line for three-piece beverage cans in 2005. The management believes that the enhancement of the production capacity will further promote its competitiveness.

IV. Persistent fine tuning of business strategies to identify its own directions of development

In 2005, the Group will adjust its business development strategy to identify the suitable direction of expansion, implying that the Group will reclassify the clients into different categories and will serve different clients under different strategies in customer services.

The Group's healthy growth has been well witnessed in the market. Supported by the competitive edges in customer base and in internal management, the Group is geared for further growth. Besides, the Group, being a leading enterprise in the metal packaging industry in the PRC, also enjoys a bright future, underpinned by the new development opportunities in packaging industry, arising from the growth in the domestic consumer market and which is expected to achieve a growth of more than 10% per year in the ten years to come. The Group, under such trend of development, will definitely enjoy the fruitful results brought from the growth momentum of the industry.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally financed its operations by internally generated cashflow, net proceeds from placing and new issue and banking facilities provided by its bankers.

For the year ended 31 December 2004, the Group generated approximately RMB87.6 million (2003: RMB71.6 million) of cash from operations. As at 31 December 2004, the Group had cash and cash equivalents amounted to approximately RMB241.2 million (2003: RMB164.2 million).

As at 31 December 2004, the Group had total borrowings of approximately RMB80.8 million (2003: RMB44.0 million) comprising an aggregate short-term bank loans which will be repayable within one year of approximately RMB50.0 million (2003: RMB37.0 million) and convertible notes of approximately RMB30.8 million (2003: Nil). The short-term bank loans were at variable interest rates ranging from 5.580% to 5.841% per annum. The bank loans were guaranteed by corporate guarantees from the Company.

As at 31 December 2004, the Group's current ratio, as a ratio of current assets to current liabilities, was approximately 3.6 (2003: 3.6) and the Group's gearing ratio, as a ratio of total interest-bearing borrowings to total assets, was approximately 16.6% (2003: 13.3%).

With respect to foreign exchange exposure, as the Group's transactions were mostly denominated in Renminbi and Hong Kong dollars and the exchange rate between Renminbi and Hong Kong dollar has been steady during the year under review, the Group's exposure to foreign exchange fluctuations was considered minimal and the Group therefore had not used any financial instruments for hedging purposes.

SEGMENT INFORMATION

Segment information of the Company is set out in note 4 to the financial statements.

CAPITAL COMMITMENTS

As at 31 December 2004, the Group had capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements amounting to approximately RMB2.4 million (2003: RMB31.4 million) and authorised but not contracted for amounting to approximately RMB9.9 million (2003: Nil).

PLEDGE OF ASSETS

As at 31 December 2004, bank deposit of approximately RMB4.3 million (2003: RMB765,000) was pledged to a bank for trade finance granted to the Group to the extent of the amount of deposits placed with the bank.

CONTINGENT LIABILITIES

As at 31 December 2004, the Group did not have any material contingent liabilities (2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

The Group raised approximately HK\$88.4 million (equivalent to approximately RMB93.7 million) net of related expenses from the issue of 82,800,000 new shares in connection with the listing of the Company's shares on the Stock Exchange on 2 July 2003. The proceeds were applied as follows:

- as to approximately HK\$40.0 million (equivalent to approximately RMB42.4 million) for the expansion of production facilities and the purchase of additional production equipment for the Group's production plant in Fuqing;
- as to approximately HK\$5.0 million (equivalent to approximately RMB5.3 million) for the establishment of production facilities in the parcel of land adjacent to the Group's production plant in Fuqing;
- as to approximately HK\$8.0 million (equivalent to approximately RMB8.5 million), for the purchase of additional production equipment for the production plant in Fenyang;
- as to approximately HK\$31.4 million (equivalent to approximately RMB33.2 million), as general working capital of the Group; and
- the remainder of approximately HK\$4.0 million (equivalent to approximately RMB4.3 million) will be used for the product development and expansion of sales and marketing capability and were placed on deposits with banks as at 31 December 2004.

The actual and intended applications of the net proceeds are consistent with the plans set out in the Company's prospectus dated 10 June 2003.

The Group raised net proceeds of approximately HK\$24.5 million (approximately RMB26.0 million) from the placement and subscription of 40,000,000 shares at HK\$0.65 per share which was completed in June 2004, of approximately HK\$20.0 million (approximately RMB21.2 million) will be applied for the purchase of additional machinery in Shanxi Fenyang factory and were placed on deposits with banks as at 31 December 2004. The balance of the net proceeds of approximately HK\$4.5 million (approximately RMB4.8 million) had been applied as the working capital of the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2004, the Group employed a total of 417 employees (2003: 344 employees). The Group's emoluments policies are formulated based on industry practices and performance of individual employees. During the year under review, the total staff costs (including Directors' emoluments) amounted to approximately RMB10.7 million (2003: RMB8.7 million).

The Group operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to the eligible participants for their contributions to the Group. For the year ended 31 December 2004, 30,000,000 share options were granted to certain employees by the Company under the Scheme.