



**中國包裝集團有限公司**  
**China Packaging Group Company Limited**

(Provisional Liquidators Appointed)  
(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 572)

Interim Report 2010

## CONTENTS

	<i>Pages</i>
Corporate Information	2
Provisional Liquidators' Report	3
Condensed Consolidated Statement of Comprehensive Income	11
Condensed Consolidated Statement of Financial Position	12
Condensed Consolidated Statement of Changes in Equity	13
Notes to the Condensed Consolidated Financial Statements	14
Additional Information	33

## **CORPORATE INFORMATION**

### **Joint and Several Provisional Liquidators**

Mr. FOK Hei Yu  
*(Appointed by the High Court  
on 2 October 2009)*  
Mr. Roderick John SUTTON  
*(Appointed by the High Court  
on 2 October 2009)*

### **Executive Directors**

Mr. LIU Zhi Qiang

### **Independent Non-Executive Directors**

Mr. CHONG Hoi Fung

### **Audit Committee**

Mr. CHONG Hoi Fung

### **Remuneration Committee**

Mr. CHONG Hoi Fung

### **Share Registrar**

Computershare Hong Kong  
Investor Services Limited  
Rooms 1806-7  
18th Floor Hopewell Centre  
183 Queen's Road East  
Wan Chai  
Hong Kong

### **Principal Office**

c/o FTI Consulting (Hong Kong) Limited  
14/F The Hong Kong Club Building  
3A Chater Road  
Central  
Hong Kong

### **Principal Bankers (prior to the appointment of the Provisional Liquidators)**

Standard Chartered Bank  
Bank of China Fuqing Branch  
China Construction Bank (Asia)  
Corporation Limited  
DBS Bank (Hong Kong) Limited  
DBS Bank (China) Company Limited  
PT. Bank Mandiri (Persero) TBK,  
Hong Kong Branch

### **Company Website**

<http://www.cpackaging.com.hk>

### **Registered Office**

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### **Auditors**

World Link CPA Limited  
5th Floor, Far East Consortium Building  
121 Des Voeux Road Central  
Hong Kong

## **PROVISIONAL LIQUIDATORS' REPORT**

Trading in the shares of China Packaging Group Company Limited (Provisional Liquidators Appointed) (the "Company") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been suspended since 28 April 2009.

On 2 October 2009, DBS Bank (Hong Kong) Limited filed an application to the High Court of Hong Kong (the "High Court") for the winding up petition against the Company. Accordingly, the High Court appointed Mr. Fok Hei Yu and Mr. Roderick John Sutton, both of FTI Consulting (Hong Kong) Limited ("FTI Consulting") (formerly Ferrier Hodgson Limited), to act as Provisional Liquidators to the Company (the "Provisional Liquidators") on the same day.

The Provisional Liquidators have been granted the authority to sign, approve, publish and do all such acts in connection with this report pursuant to an order of the High Court.

The Provisional Liquidators herein present their report together with the condensed consolidated interim financial statements of the Company and its subsidiaries namely Bloxworth Enterprises Limited and Shanxi Zhanpen Metal Products Co Ltd (山西展鹏金屬製品有限公司) (collectively the "Group") for the six months ended 30 June 2010. The Provisional Liquidators are responsible for the accuracy of the contents of this report and the financial statements for the six months ended 30 June 2010 in relation to the affairs of the Group after the appointment of the Provisional Liquidators.

## **BUSINESS REVIEW**

To the best knowledge and information of the Provisional Liquidators since the time of their appointment, the Company is principally engaged in investment holding. The Group is principally engaged in the manufacture and sale of tinsplate cans for the packaging of beverage in Shanxi, the PRC.

## **FINANCIAL RESULTS**

For the six months ended 30 June 2010, the Group's turnover was approximately RMB58.11 million (six months ended 30 June 2009: RMB58.52 million), representing a decrease of approximately 1% as compared to the corresponding period of last year. The consolidated profit attributable to equity holders of the Company amounted to approximately RMB1.53 million for the six months ended 30 June 2010 (six months ended 30 June 2009: RMB47.25 million). Basic earnings per share was approximately RMB0.0023 for the six months ended 30 June 2010 (six months ended 30 June 2009: RMB0.075). No dividend is declared by the Company for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

## **LIQUIDITY, FINANCIAL RESOURCES AND FUNDING**

Bank balances and cash including escrow money advanced by Business Giant Limited as at 30 June 2010 was approximately RMB1.54 million (31 December 2009: RMB4.81 million). The Group's gearing ratio measured on the basis of the Group's total bank borrowings relative to the shareholders' funds was not applicable as the Group had shareholders' deficits as at 30 June 2010 and 31 December 2009.

## **CAPITAL STRUCTURE**

Details of the capital structure of the Company are set out in note 19 to the condensed consolidated financial statements.

## **FOREIGN CURRENCY EXPOSURE**

The Group has minimal exposure to foreign currency risks as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi.

The Group currently does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging foreign currency exposure if necessary.

## **RESTRUCTURING OF THE GROUP AND KEY EVENTS AFTER THE APPOINTMENT OF THE PROVISIONAL LIQUIDATORS UP TO THE DATE OF THIS REPORT**

On 28 December 2009, the Provisional Liquidators, on behalf of the Company, and FTI Consulting (as escrow agent) entered into an exclusivity and escrow agreement with Business Giant Limited (the “Investor”). The said agreement granted the Investor a 12-month exclusivity to negotiate the restructuring of the Company, certain subsidiaries and associated companies, if any, in the Group, and in turn, the Investor advanced a sum of HK\$5 million to the Company to meet the costs and expenses in relation to the implementation of the restructuring of the Company. Furthermore, the Investor acknowledges that the Company and its business in the PRC may require working capital for its normal operations during this period and agrees to make available a working capital facility to the Group, if necessary. On 24 December 2010, the Provisional Liquidators, on behalf of the Company, the Escrow Agent and the Investor entered into a supplemental agreement to extend the Exclusivity Period to twenty four months up to 27 December 2011.

Up to the date of this report, in addition to the working capital to the Group as advanced by the Investor, the Investor has advanced a total sum of HK\$7 million to the Company to meet the costs and expenses in relation to the implementation of the restructuring of the Company.

On 22 February 2010, the Stock Exchange issued a letter to the Company, inter alia, setting out the conditions for resumption of trading of the shares of the Company as follows:

- demonstrate that the Company has a sufficient level of operations or has assets of sufficient value as required under Rules 13.24 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).
- publish all outstanding financial results and address any concerns that may be raised by the auditors of the Company.
- demonstrate that the Company has adequate financial reporting system and internal control procedures to enable the Company to meet its obligations under the Listing Rules.
- address certain issues raised by Deloitte Touche Tohmatsu, the former auditors of the Company, which details were set out in the announcement of the Company dated 30 April 2009, to the satisfaction of the Stock Exchange.
- withdrawal or dismissal of the winding-up petition and discharge of the Provisional Liquidators.

On 23 March 2010, the Provisional Liquidators and Sino Gather Limited (“Sino Gather”) (a special purpose vehicle controlled by the Provisional Liquidators) entered into a sale and purchase agreement where Sino Gather agreed to acquire and the Provisional Liquidators (on behalf of the Company) agreed to sell the entire share capital of Chinawinner Enterprises Limited (“Chinawinner BVI”), Chinawinner Enterprises (HK) Limited (“Chinawinner HK”), Rich Victory Development Limited (“Rich Victory”), all are at an aggregate nominal consideration of HK\$3. The said transaction is primarily in furtherance of the Group’s restructuring.

On 13 May 2009, the two structured five-year interest rate swaps entered by the Company on 31 December 2007 (the “Swaps”) were early terminated by Deutsche Bank as a result of the Company not paying the interest payment under the Swaps on the due dates and the Company received a statement of demand dated 15 May 2009 for an early termination amount of US\$10,319,033 (equivalent to approximately RMB70,830,000) and a gain of RMB23,340,000 was recognised upon termination of the Swaps on the same date. The Provisional Liquidators had negotiated with Deutsche Bank the basis for calculation of the early termination amount. In August 2010, both parties agreed the revised early termination amount of US\$10,069,033.

The Stock Exchange placed the Company in the first stage of the delisting procedures in accordance with Practice Note 17 to the Listing Rules. If the Company failed to submit a viable resumption proposal on or before 21 August 2010 and demonstrate its compliance with Rule 13.24 of the Listing Rules, the Stock Exchange would consider whether to proceed to place the Company in the second stage of delisting procedures. A resumption proposal was submitted to the Stock Exchange on 21 August 2010.

## **PROSPECTS**

It is anticipated that the financial position of the Group will be substantially improved upon (i) the Investor signing a formal restructuring agreement with the Provisional Liquidators (on behalf of the Company without personal liability) to revive the Group; and (ii) completion of the proposed restructuring of the Group as contemplated under such agreement. The Investor and the Provisional Liquidators anticipate all existing liabilities owed to the creditors of the Company and creditors of its subsidiaries holding guarantees given by the Company will be compromised and discharged through a proposed scheme of arrangement and the Group will be able to turnaround its existing net liabilities position upon completion of the restructuring.

Subject to, among other things, the approvals of the shareholders of the Company and the Stock Exchange upon completion of the abovementioned restructuring agreement, the Company's shares will resume trading on the Stock Exchange.

It is the Investor's intention to maintain the Group's existing business in Shanxi, the PRC, currently conducted through Shanxi Zhanpen Metal Products Co Ltd (山西展鹏金属製品有限公司) ("Zhanpen"), an indirect wholly owned subsidiary of the Company.

## **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company's articles of association and laws of the Cayman Islands.

## **SIGNIFICANT INVESTMENT**

To the best knowledge and information of the Provisional Liquidators, the Group did not have any significant investment throughout the period. Accordingly, the Provisional Liquidators are not aware of any significant discrepancy of the said item.

## **CONTINGENT LIABILITIES**

Details of contingent liabilities are set out in note 22 to the condensed consolidated financial statements.

## **RELATED PARTY TRANSACTIONS, CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS**

To the best knowledge and information of the Provisional Liquidators, during the six months ended 30 June 2010, the Group has not entered into any related party transactions, connected transactions and continuing connected transactions as defined under Hong Kong Accounting Standard ("HKAS") 24 and the Listing Rules.

The Provisional Liquidators make no representation as to whether the Group entered into any related party transactions, connected transactions and continuing connected transactions during the six months ended 30 June 2009 as defined under HKAS 24 and the Listing Rules.

## **MANAGEMENT CONTRACTS**

To the best of their knowledge and information, the Provisional Liquidators are unaware of any management contracts carried out during the six months period ended 30 June 2010.



## **PLEDGE OF ASSETS**

To the best of their knowledge and information, the Provisional Liquidators are unaware of any pledge of asset carried out during the six months period ended 30 June 2010.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2010, the Group had 88 employees situated mainly in the PRC and Hong Kong. The Group's emoluments policies are formulated based on industry practices and performance of individual employees. The Group also operates a share option scheme for the purpose of providing incentives and rewards to the eligible participants for their contributions to the Group. During the six months ended 30 June 2010, the total staff costs amounted to approximately RMB550,000 and there are no payment to directors as remuneration.

During the six months ended 30 June 2010, no share option has been granted to the eligible participants.

## **PUBLIC FLOAT**

Based on information that is publicly available to the Company and within the knowledge of the Provisional Liquidators as at the latest practicable date prior to the issue of this report, the Company has complied with the sufficiency of public float requirement under the Listing Rules.

## **AUDIT COMMITTEE**

Following the resignations of the majority of the Company's independent non-executive directors in March and July 2009, up to date of this report, there has been no replacement of members at the audit committee. No functional audit committee is therefore maintained as required by Rule 3.21 of the Listing Rules. As a result, the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2010 have not been reviewed by the audit committee or the auditor.

## **SHARE CAPITAL**

Movements in share capital of the Company are set out in note 19 to the condensed consolidated financial statements.

## **SHARE OPTION SCHEME**

Pursuant to the written resolutions passed by all of the shareholders of the Company on 2 June 2003, the Company adopted a share option scheme (the “Scheme”). The purpose of the Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. Under the Scheme, the directors of the Company may, at their absolute discretion, invite any employee (whether full-time or part time, including any executive director), any non-executive director (including independent non-executive director), any supplier of goods or services, any customer, any person or entity that provides research, development or other technological support, any shareholder, any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or its investee companies to take up options to subscribe for shares in the Company representing up to a maximum 10% of the shares in issue as at the date of commencement of listing of shares of the Company on the Stock Exchange and subject to renewal with shareholders’ approval. The number of shares in respect of which options may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of the shares of the Company in issue, without prior approval from the Company’s shareholders. Options granted to substantial shareholders or independent non-executive directors in any one year exceeding the higher of 0.1% of the Company’s shares in issue and with a value in excess of HK\$5,000,000 must be approved by the Company’s shareholders.

Options granted must be taken up within 21 days of the date of grant, upon payment of HK\$1 per each grant of options. Options may be exercised at any time from the date of acceptance of the share option to such date as determined by the board of directors but in any event not exceeding 10 years. The exercise price is determined by the directors of the Company and will be not less than the higher of the closing price of the Company’s shares on the date of grant, the average closing prices of the shares for the five business days immediately preceding the date of grant and the nominal value of the Company’s shares.

To the best knowledge and information of the Provisional Liquidators, 1,000,000 share options were lapsed and no share option has been granted during the six months period ended 30 June 2010.

## **SUSPENSION OF TRADING OF THE COMPANY'S SHARES AND APPOINTMENT OF THE JOINT AND SEVERAL PROVISIONAL LIQUIDATORS**

Trading in the shares of the Company on the Stock Exchange has been suspended since 28 April 2009.

On 2 October 2009, DBS Bank (Hong Kong) Limited filed an application with the High Court for the winding up petition against the Company. Accordingly, the High Court appointed the Provisional Liquidators to the Company on the same day.

Based on their best knowledge and information, the Provisional Liquidators are responsible for the accuracy and completeness of the contents of this report and the condensed consolidated financial statements for the six months ended 30 June 2010 in relation to (i) the affairs of the Group after the appointment of the Provisional Liquidators; and (ii) the preparation of the contents of these condensed consolidated financial statements for the six months ended 30 June 2010.

### **INTERIM RESULTS AND DIVIDENDS**

The profit of the Group for the six months ended 30 June 2010 and the state of affairs of the Group as at that date are set out on pages 11 to 13.

There will not be a payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

For and on behalf of  
**CHINA PACKAGING GROUP COMPANY LIMITED**  
*(Provisional Liquidators Appointed)*  
**Fok Hei Yu**  
**Roderick John Sutton**  
*Joint and Several Provisional Liquidators*  
*who act without personal liabilities*

Hong Kong, 14 January 2011

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months period ended 30 June 2010

	Notes	Six months ended 30 June	
		2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
<b>Turnover</b>	4	<b>58,108</b>	58,518
Costs of sales		<u>(48,333)</u>	<u>(47,548)</u>
<b>Gross profit</b>		<b>9,775</b>	10,970
Other income		33	4
Restructuring costs and expenses		(3,112)	–
Selling expenses		(2,638)	(2,569)
Administrative expenses		<u>(401)</u>	<u>(3,575)</u>
<b>Profit from operations</b>		<b>3,657</b>	4,830
Gain on termination of derivative financial instruments		–	23,340
Impairment on amounts due from deconsolidated subsidiaries and amounts recovered from deconsolidated subsidiaries	9	–	22,056
Finance costs		<u>(407)</u>	<u>(1,803)</u>
<b>Profit before taxation</b>	5	<b>3,250</b>	48,423
Income tax expense	6	<u>(1,717)</u>	<u>(1,177)</u>
<b>Profit and total comprehensive income for the period attributable to equity holders of the Company</b>		<b><u>1,533</u></b>	<b><u>47,246</u></b>
Dividend recognised as distribution during the period	7	<u>–</u>	<u>–</u>
Earnings per share – Basic	8	<b><u>RMB0.0023</u></b>	<b><u>RMB0.075</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

		<b>30 June</b>	31 December
		<b>2010</b>	2009
	<i>Notes</i>	<b>RMB'000</b>	RMB'000
		<b>(Unaudited)</b>	(Audited)
<b>Non-current assets</b>			
Property, plant and equipment	<i>10</i>	<u>61,980</u>	<u>65,529</u>
<b>Current assets</b>			
Inventories		3,311	3,557
Trade and other receivables	<i>11</i>	49,113	28,646
Escrow money	<i>12</i>	1,288	4,400
Bank balances and cash		<u>247</u>	<u>411</u>
		<u>53,959</u>	<u>37,014</u>
<b>Current liabilities</b>			
Trade and other payables	<i>13</i>	18,128	7,898
Taxation payable		3,199	1,971
Bank borrowings	<i>14</i>	59,727	59,727
Other borrowings	<i>15</i>	48,660	48,255
Provision for bank loans guarantee for a deconsolidated subsidiary	<i>16</i>	29,000	29,000
Derivative financial instruments	<i>17</i>	–	–
Escrow money		4,400	4,400
Other financial liabilities	<i>18</i>	<u>71,453</u>	<u>71,453</u>
		<u>234,567</u>	<u>222,704</u>
<b>Net current liabilities</b>		<u>(180,608)</u>	<u>(185,690)</u>
<b>Net liabilities</b>		<u>(118,628)</u>	<u>(120,161)</u>
<b>Capital and reserves</b>			
Share capital	<i>19</i>	67,399	67,399
Reserves	<i>20</i>	<u>(186,027)</u>	<u>(187,560)</u>
Deficit attributable to equity holders of the Company		<u>(118,628)</u>	<u>(120,161)</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Surplus reserve fund RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2010	67,399	215,765	13,699	9,222	(426,246)	(120,161)
Total comprehensive income for the period	-	-	-	-	1,533	1,533
Lapse of share options	-	-	(800)	-	800	-
<b>At 30 June 2010 (unaudited)</b>	<b>67,399</b>	<b>215,765</b>	<b>12,899</b>	<b>9,222</b>	<b>(423,913)</b>	<b>(118,628)</b>
At 1 January 2009	64,260	198,618	18,381	6,251	(415,332)	(127,822)
Total comprehensive income for the period	-	-	-	-	47,246	47,246
Transfer	-	-	-	2,971	(2,971)	-
Recognition of equity-settled share-based payments	-	-	137	-	-	137
Exercise of share options	3,139	17,147	(4,154)	-	-	16,132
<b>At 30 June 2009 (unaudited)</b>	<b>67,399</b>	<b>215,765</b>	<b>14,364</b>	<b>9,222</b>	<b>(371,057)</b>	<b>(64,307)</b>

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*For the six months period ended 30 June 2010*

### **1. GENERAL**

China Packaging Group Company Limited (Provisional Liquidators Appointed) (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands on 21 October 2002 under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business is 14/F, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and have been suspended from trading since 28 April 2009.

The Company is an investment holding company. The Group is principally engaged in the manufacture and sale of tins for the packaging of beverage in Shanxi, the People’s Republic of China (the “PRC”).

The condensed consolidated financial statements are presented in thousands of Renminbi (“RMB’000”), unless otherwise stated.

### **2. BASIS OF PRESENTATION**

This unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34: “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the same accounting policies as those adopted in the annual financial statements for the year ended 31 December 2009 (the “2009 Annual Accounts”). These condensed consolidated financial statements should be read in conjunction with the 2009 Annual Report.

The interim financial report is unaudited and has not been reviewed by the audit committee of the Company or the auditors.

## **2. BASIS OF PRESENTATION (Continued)**

### **2.1 Winding-up petitions, appointment of provisional liquidators, going concern and group restructuring**

As at 30 June 2010, the Company and its subsidiaries (collectively the “Group”) had unaudited net current liabilities of approximately RMB180,608,000 (31 December 2009: RMB185,690,000) and unaudited net liabilities of RMB118,628,000 (31 December 2009: RMB120,161,000). These conditions indicate the existence of a fundamental uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

On 2 October 2009, pursuant to an order of the High Court of the Hong Kong Special Administrative Region, Mr. Fok Hei Yu and Mr. Roderick John Sutton, both of FTI Consulting (Hong Kong) Limited (“FTI Consulting”) (formerly Ferrier Hodgson Limited), were appointed as the provisional liquidators to the Company (the “Provisional Liquidators”) as a result of the winding up petition made by DBS Bank (Hong Kong) Limited, one of the major creditors, against the Company. Upon the appointment of the Provisional Liquidators, the powers of the directors were suspended with regard to the affairs and business of the Company.

The Provisional Liquidators are responsible for the accuracy and completeness of the contents of this report and the condensed consolidated financial statements for the six months ended 30 June 2010 in relation to (i) the affairs of the Group after the appointment of the Provisional Liquidators; and (ii) the preparation of the contents of these condensed consolidated financial statements for the six months ended 30 June 2010.

The Company is in the first stage of the delisting procedures in accordance with Practice Note 17 to the Listing Rules as at the date of these financial statements. The Company is required to submit a viable resumption proposal to the Stock Exchange by 21 August 2010, to address the following issues:

1. demonstrate that the Company has a sufficient level of operations or has assets of sufficient value as required under Rule 13.24 of the Listing Rules.
2. publish all outstanding financial results and address any concerns that may be raised by the auditors.
3. demonstrate that the Company has adequate financial reporting system and internal control procedures to enable the Company to meet its obligations under the Listing Rules.
4. address certain issues raised by Deloitte Touche Tohmatsu, the then auditors of the Company, which details were set out in the announcement of the Company dated 30 April 2009, to the satisfaction of the Stock Exchange.
5. withdrawal or dismissal of the winding-up petition, and discharge of the Provisional Liquidators.



## **2. BASIS OF PRESENTATION (Continued)**

### **2.1 Winding-up petitions, appointment of provisional liquidators, going concern and group restructuring (Continued)**

If the Company failed to submit a viable resumption proposal to address the above conditions on or before 21 August 2010, the Stock Exchange may proceed to place the Company in the second stage of the delisting procedures.

The restructuring proposal submitted by Business Giant Limited (the “Investor”) on 13 December 2009 has been accepted by the Provisional Liquidators (on behalf of the Company). On 28 December 2009, an exclusivity and escrow agreement was entered into amongst the Provisional Liquidators, on behalf of the Company, FTI Consulting (the “Escrow Agent”) and the Investor (“the Escrow Agreement”). Pursuant to the Escrow Agreement, the Provisional Liquidators granted the Investor an exclusive right up to 27 December 2010 to negotiate a legally binding agreement for the implementation of the restructuring proposal. On 24 December 2010, the Provisional Liquidators, on behalf of the Company, the Escrow Agent and the Investor entered into a supplemental agreement to extend the Exclusivity Period to twenty four months up to 27 December 2011.

The Provisional Liquidators appointed Partners Capital International Limited as financial adviser to the Company regarding the restructuring of the Group and submitting a viable resumption proposal to the Stock Exchange. A resumption proposal was submitted to the Stock Exchange on 21 August 2010.

The unaudited condensed consolidated financial statements have been prepared on a going concern basis on the basis that the proposed restructuring of the Company will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future.

Should the Group be unable to achieve a successful restructuring and to continue its business as a going concern, adjustments would have to be made to the condensed consolidated financial statements to adjust the value of the Group’s assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

### **2.2 Deconsolidation of subsidiaries**

The Provisional Liquidators consider that control of the Company over certain subsidiaries has been lost subsequent to the year ended 31 December 2008. Details are set out below:

- On 5 October 2009, Bloxworth Enterprises (HK) Limited (“Bloxworth HK”), a wholly owned subsidiary of the Company, which wholly owns Fujian Fuwang Metal Products Company Limited (福建福旺金屬製品有限公司) (“Fuwang”), was placed in creditors’ voluntary liquidation pursuant to section 228A of the Companies Ordinance (Chapter 32) of the Laws of Hong Kong. On 26 February 2010, Mr. Fok Hei Yu and Mr. Roderick John Sutton, both of FTI Consulting were appointed as Joint and Several Liquidators of Bloxworth HK.

## **2. BASIS OF PRESENTATION (Continued)**

### **2.2 Deconsolidation of subsidiaries (Continued)**

- On 23 March 2010, Chinawinner Enterprises (HK) Limited (“Chinawinner HK”), Chinawinner Enterprises Limited (“Chinawinner BVI”), and Rich Victory Development Limited (“Rich Victory”), all direct wholly owned subsidiaries of the Company and the subsidiary of Chinawinner BVI, Sichuan Zhanwang Metal Products Company Limited (四川省展旺金屬製品有限公司) (“Zhanwang”) (collectively, the “Disposed Group”), were transferred to a special purpose vehicle controlled by the Provisional Liquidators for realisation for the benefit of the creditors of the Company and to facilitate the restructuring as proposed by the Investor.

The Provisional Liquidators are of the view that the results and assets and liabilities of Bloxworth HK, Fuwang and the Disposed Group should not be consolidated to the financial statements of the Group since 1 January 2008. The condensed consolidated financial statements as at and for the six months ended 30 June 2010 prepared on the aforementioned basis present more fairly the results and state of affairs of the Group as a whole in light of the aforesaid situations. The non-consolidation of Bloxworth HK, Fuwang and the Disposed Group is not in compliance with the requirements of Hong Kong Accounting Standards (“HKAS”) 27 “Consolidated and Separate Financial Statements”.

Any adjustment as a result of the abovementioned action may have a significant effect to the Group’s condensed consolidated financial statements for the six months ended 30 June 2010 and the relevant disclosures.

### **2.3 Departure from the Hong Kong Financial Reporting Standards (“HKFRSs”)**

Due to the failure of getting access to the books and records of certain subsidiaries and the resignation of the majority of management personnel responsible for maintaining the books and records, the Provisional Liquidators do not have sufficient data to compile the condensed consolidated financial statements of the Group for the six months ended 30 June 2010 so as to comply with the HKFRSs. The following information, among others, are not disclosed in the said condensed consolidated financial statements:

- (a) Condensed consolidated statements of cash flow for the six months ended 30 June 2010 as required by HKAS 7 “Statement of Cash Flows” issued by the HKICPA;
- (b) Details of the Group’s aging of debtors and creditors as required by the Listing Rules; and
- (c) Segment information disclosures as required by HKAS 14 “Segment Reporting” issued by the HKICPA and the Listing Rules.

### 3. APPLICATION OF NEW AND REVISED HKFRSs

In the current period, the Group has applied for the first time the following new and revised Hong Kong Accounting Standards (“HKAS”s), amendments and interpretations (“INT”s) (hereinafter collectively referred to as “new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for accounting period beginning on or after 1 January 2010.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC)-Int 18	Transfers of Assets from Customers
HK Interpretation 4 (Amendments)	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

\* *IFRIC represents the International Financial Reporting Interpretations Committee.*

The adoption of the new and revised HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 <sup>1</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>3</sup>
HKAS 32 (Amendment)	Classification of Rights Issues <sup>4</sup>
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures For First-time Adopters <sup>2</sup>
HKFRS 9	Financial Instruments <sup>5</sup>
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement <sup>3</sup>
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>2</sup>

<sup>1</sup> *Amendments that are effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.*

<sup>2</sup> *Effective for annual periods beginning on or after 1 July 2010.*

<sup>3</sup> *Effective for annual periods beginning on or after 1 January 2011.*

<sup>4</sup> *Effective for annual periods beginning on or after 1 February 2010.*

<sup>5</sup> *Effective for annual periods beginning on or after 1 January 2013.*

#### 4. TURNOVER

Turnover represents the net amounts received and receivable for goods sold and services rendered during the period.

#### 5. PROFIT BEFORE TAXATION

<b>Six months ended 30 June</b>	
<b>2010</b>	2009
<b>RMB'000</b>	RMB'000
<b>(Unaudited)</b>	(Unaudited)

Profit before taxation has been arrived at after charging:

Cost of inventories recognized as an expense	<b>48,333</b>	47,548
Depreciation of property, plant and equipment	<b>3,121</b>	2,786
Minimum lease payments in respect of:		
– Land and buildings	–	349
– Machinery and equipment	<b>1,000</b>	1,000

And after crediting:

Gain on disposal of property, plant and equipment	<b>22</b>	–
Interest income on bank deposits	<b>1</b>	4
	<b><u>1</u></b>	<b><u>4</u></b>

#### 6. INCOME TAX EXPENSE

<b>Six months ended 30 June</b>	
<b>2010</b>	2009
<b>RMB'000</b>	RMB'000
<b>(Unaudited)</b>	(Unaudited)

The charge comprises:

Income tax calculated at the rates prevailing in the PRC	<b><u>1,717</u></b>	<b><u>1,177</u></b>
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No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

## 6. INCOME TAX EXPENSE (Continued)

The PRC corporate income tax is calculated at the applicable tax rates in accordance with the relevant law and regulations in the PRC. A PRC subsidiary, Zhanpen, was approved as enterprise with foreign investment and therefore, it is exempted from corporate income tax for three years starting from the first year of profit-making after offsetting prior year tax losses, followed by a 50% reduction for the next two consecutive years thereafter. 2009 is the fifth year after first profitable year. Accordingly, corporate income tax for Zhanpen was provided at a reduced rate of 15% based on the corporate income tax rate of 30%. According to the letter issued by Fenyang State Tax Bureau on 24 February 2006, Zhanpen was approved as an enterprise with foreign investment and thus the local enterprise tax of 3% is exempted.

Under the Law of the People's Republic of China on Corporate Income Tax (the "CIT Law") and Implementation Regulation of the CIT Law, the tax rate of the PRC subsidiary is 25% from 1 January 2008 onwards. Because Zhanpen, is in the last year of the tax relief period in 2009, the chargeable corporate income tax rate is 30%. From year 2010 onward, corporate income tax rate of 25% will be applied to Zhanpen.

No provision for deferred taxation has been recognised in the condensed consolidated financial statements as there are no significant temporary differences arising during the period or at end of the reporting period.

## 7. DIVIDEND

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Ordinary shares:		
Interim dividend – NIL per share	—	—

## 8. EARNINGS PER SHARE

### (a) Basic

The calculation of the basic earnings per share is based on the following data:

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Earnings:		
Profit for the period for the purposes of basic earnings per share	<u><u>1,533</u></u>	<u><u>47,246</u></u>
	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u><u>657,121,081</u></u>	<u><u>628,427,075</u></u>

### (b) Diluted

Since the outstanding share options are anti-dilutive to the earnings per share, no diluted earnings per share is presented for both periods.

**9. IMPAIRMENT ON AMOUNTS DUE FROM DECONSOLIDATED SUBSIDIARIES AND AMOUNTS RECOVERED FROM DECONSOLIDATED SUBSIDIARIES**

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Impairment on amounts due from the deconsolidated subsidiaries	-	(8)
Amounts recovered from the deconsolidated subsidiaries	-	22,064
	<u>-</u>	<u>22,056</u>
	<b><u>-</u></b>	<b><u>22,056</u></b>

*Note:*

As disclosed in note 2.2 to the condensed consolidated financial statements, the Provisional Liquidators considered that the control over certain subsidiaries had been lost since 1 January 2008. The results, assets and liabilities of these subsidiaries were therefore deconsolidated from the financial statements of the Group since then.

**10. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT**

During the current period the Group did not acquire any property, plant and equipment (six months ended 30 June 2009: RMB16,020,000).

**11. TRADE AND OTHER RECEIVABLES**

	<b>30 June</b>	31 December
	<b>2010</b>	2009
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Trade receivables	<b>45,848</b>	23,782
Other receivables, deposits and prepayments	<b>3,265</b>	4,864
	<u><b>49,113</b></u>	<u>28,646</u>
	<b><u>49,113</u></b>	<b><u>28,646</u></b>

All the trade and other receivables are expected to be recovered within one year.

## 12. ESCROW MONEY

	<b>30 June 2010 RMB'000 (Unaudited)</b>	31 December 2009 RMB'000 (Audited)
Professional fees	<b><u>1,288</u></b>	<b><u>4,400</u></b>

On 28 December 2009, the Provisional Liquidators, on behalf of the Company, and the Escrow Agent entered into an exclusivity and escrow agreement with the Investor. The said agreement granted the Investor a 12-month exclusivity to negotiate the restructuring of the Company, certain subsidiaries and associated companies, if any, in the Group. On 24 December 2010, the Provisional Liquidators, on behalf of the Company, the Escrow Agent and the Investor entered into a supplemental agreement to extend the Exclusivity Period to twenty four months up to 27 December 2011.

During the year ended 31 December 2009, the Investor provided HK\$5,000,000 (equivalent to approximately RMB4,400,000) to the Provisional Liquidators for the cost and expenses of the Company to proceed with the restructuring.

Up to the date of this report, in addition to the working capital to the Group as advanced by the Investor, the Investor has advanced a total sum of HK\$7 million to the Company to meet the costs and expenses in relation to the implementation of the restructuring of the Company.

## 13. TRADE AND OTHER PAYABLES

	<b>30 June 2010 RMB'000 (Unaudited)</b>	31 December 2009 RMB'000 (Audited)
Trade payables	<b>9,481</b>	1,656
Interest payable	<b>1,353</b>	1,353
Receipt in advance, other payables and accrued charges	<b><u>7,294</u></b>	<u>4,889</u>
	<b><u>18,128</u></b>	<b><u>7,898</u></b>

All the trade and other payables are expected to be settled within one year.

## 14. BANK BORROWINGS

	<b>30 June 2010 RMB'000 (Unaudited)</b>	31 December 2009 RMB'000 (Audited)
Bank loans, secured	<b>56,858</b>	56,858
Bank overdrafts, secured	<b><u>2,869</u></b>	<u>2,869</u>
	<b><u>59,727</u></b>	<b><u>59,727</u></b>



#### 14. BANK BORROWINGS (Continued)

<b>30 June 2010 RMB'000 (Unaudited)</b>	31 December 2009 RMB'000 (Audited)
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The maturity of the secured bank borrowings,  
is as follows:

Within one year or on demand	<u><b>59,727</b></u>	<u>59,727</u>
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Bank borrowings of RMB59,727,000 (31 December 2009: RMB59,727,000) are denominated in Hong Kong dollars and arranged at floating rates from 2% to 3.5% over HIBOR (31 December 2009: 2% to 3.5% over HIBOR) per annum.

Bank loans from DBS Bank (China) Company Limited of approximately RMB20,533,000 and DBS Bank (Hong Kong) Limited of RMB25,751,000 had not been repaid in accordance with the relevant terms. Bank loans from PT. Bank Mandiri (Persero) TBK, Hong Kong Branch of RMB10,574,000 has been called on demand according to the respective loan agreements. Due to the default in repayment and consequential litigations following the default arisen against the bank loans, the Provisional Liquidators reclassified all the bank loans as current liabilities accordingly.

#### 15. OTHER BORROWINGS

<b>30 June 2010 RMB'000 (Unaudited)</b>	31 December 2009 RMB'000 (Audited)
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Debts assigned ( <i>Note (i)</i> )	<b>47,458</b>	47,458
Accrued interest ( <i>Note (ii)</i> )	<u><b>1,202</b></u>	<u>797</u>
As at 30 June/31 December	<u><b>48,660</b></u>	<u>48,255</u>

*Note:*

- (i) Pursuant to debt assignment agreements dated 21 September 2009 entered into between (a) Mr. Yang Zongwang (“Mr. Yang”) and Banyan Capital Management Inc. (“Banyan Capital”), (b) Fu Teng Global Limited (“Fu Teng”) (a substantial shareholder of the Company in which Mr. Yang has entire interest) and Banyan Capital, the amounts due from the Company to Mr. Yang of HK\$3,763,100 (equivalent to approximately RMB3,308,000) and Fu Teng of HK\$50,220,000 (equivalent to approximately RMB44,150,000) were assigned to Banyan Capital at consideration of HK\$300,000 and HK\$2,700,000 respectively.
- (ii) Other borrowings are unsecured, interest bearing at Hong Kong Prime Rate per annum and have no fixed repayment terms.

## 16. PROVISION FOR BANK LOANS GUARANTEE FOR A DECONSOLIDATED SUBSIDIARY

	<b>30 June 2010 RMB'000 (Unaudited)</b>	31 December 2009 RMB'000 (Audited)
Provision for bank loans guarantee for 福建福旺金屬製品有限公司	<b>29,000</b>	29,000

Details of the guarantee are set out below:

<b>Bank</b>	<b>Guarantee for</b>	<b>Status of subsidiary</b>	<b>Guaranteed Amount RMB'000</b>
Bank of China Fuqing Branch	Fuwang	Bloxworth HK, immediate holding company of Fuwang, was placed into creditors' voluntary liquidation pursuant to section 228A of the Companies Ordinance (Chapter 32) of the Laws of Hong Kong on 5 October 2009. On 26 February 2010, Mr. Fok Hei Yu and Mr. Roderick John Sutton, both of FTI Consulting were appointed as Joint and Several Liquidators of Bloxworth HK. Respective results, assets and liabilities were deconsolidated from the Group's account since 1 January 2008.	29,000

The Company had executed corporate guarantee to the extent of RMB29,000,000 (31 December 2009: RMB29,000,000) to a bank in the PRC to secure the loans extended to a deconsolidated subsidiary, Fuwang. So far the Company does not receive any notice for demand for repayment under the guarantee. Based on a legal advice from a lawyer in the PRC obtained by the Provisional Liquidators, the obligations under the guarantee are still in force until November 2011. Since there is insufficient information for the Company to assess the liabilities which will be borne by the Company under the guarantee, the Company therefore had made full provision of RMB29,000,000 (31 December 2009: RMB29,000,000) in the condensed consolidated financial statements.

## 17. DERIVATIVE FINANCIAL INSTRUMENTS

### Swaps derivatives

	<b>30 June 2010 RMB'000 (Unaudited)</b>	31 December 2009 RMB'000 (Audited)
At 1 January	–	96,198
Payments made during the period/year	–	(2,028)
Gain on termination	–	(23,340)
Derecognition upon termination ( <i>Note 18</i> )	–	(70,830)
	<hr/>	<hr/>
Structure interest rate swap at 30 June/31 December	<u>–</u>	<u>–</u>

During the year ended 31 December 2007, the Company entered into two structured five-year interest rate swaps (the “Swaps”) as a part of its financial management strategy with a commercial bank (the “Bank”). On effective date of respective Swaps, the Company received total upfront payments of approximately HK\$78,000,000 from the Bank. The fair value of the Swaps at the end of the reporting period is provided by the counterparty bank. Major terms of the Swaps are set out in below:

Notional amount	Upfront payments	Effective date	Maturity date	Swaps
HK\$390,000,000	HK\$39,000,000	28 February 2007	28 February 2012	The Company receives: 7.0% semi-annually for first 6 months; thereafter: 7.0% * n/m ( <i>Notes i</i> )  The Company pays: 9.0% semi-annually
US\$50,000,000	US\$5,000,000	23 April 2007	23 April 2012	The Company receives: 8.0% semi-annually  The Company pays: 10.0% semi-annually for first 6 months; thereafter: 10.0% minus 5* (Index of YoY Return – 1.0%) ( <i>Notes ii</i> ) coupon capped at 13.0% and floored at 0%

## 17. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

### Swaps derivatives (Continued)

#### Notes:

- (i) n : Number of business days in the calculation period that HK\$ 10-years CMS# minus HK\$ 2-years CMS<sup>^</sup>≥0%
  - m: Total number of business days in the calculation period
  - # Mid-market quarterly swap rate expressed as a percentage for a HK\$ interest rate swap transaction with a term equal to 10 years which appears on the Reuters Screen ISDAFIX5 Page 11:00 a.m. Hong Kong time fixing on each day in the Accrual Period.
  - <sup>^</sup> Mid-market quarterly swap rate expressed as a percentage for a HK\$ interest rate swap transaction with a term equal to 2 years which appears on the Reuters Screen ISDAFIX5 Page 11:00 a.m. Hong Kong time fixing on each day in the Accrual Period.
- (ii) Index\* of YoY Return: The closing level of the Index five business days prior to the end of the relevant coupon payment period/closing level of the Index five business days prior to the payment date which is two coupon payment periods prior to the relevant coupon payment (or effective date in cash of the second coupon payment period) – 1.

\* *Index means the “Deutsche Bank Pan-Asian Forward Rate Bias Index” (the “Index”) as published on Bloomberg Page DBFRASI3 <Index>*

On 13 May 2009, the Swaps were early terminated by the Bank as a result of the Company not paying the interest payment under the Swaps on the due dates and the Company received a statement of demand dated 15 May 2009 for an early termination amount (the “Termination Amount”) of US\$10,319,033 (equivalent to approximately RMB70,830,000) and a gain of RMB23,340,000 was recognized upon termination of the Swaps on the same date. The Termination Amount is remained unsettled with the Bank as at 30 June 2010 and is included under “Other financial liabilities” (see Note 18) in the consolidated statement of financial position at the same date. The Provisional Liquidators had negotiated with the Bank the basis for calculation of the Termination Amount. In August 2010, both parties agreed the revised Termination Amount of US\$10,069,033.

## 18. OTHER FINANCIAL LIABILITIES

	<b>30 June 2010 RMB'000 (Unaudited)</b>	31 December 2009 RMB'000 (Audited)
Termination Amount ( <i>Note (i)</i> )	<b>70,830</b>	70,830
Accrued interest ( <i>Note (ii)</i> )	<b>623</b>	623
	<hr/>	<hr/>
At 30 June/31 December	<b><u>71,453</u></b>	<b><u>71,453</u></b>

### *Notes:*

- (i) The balance represents the Termination Amount demanded by the bank as a result of the early termination of the Swaps (*see Note 17*).
- (ii) Interest is accrued on the Termination Amount for the period from 13 May 2009 to 2 October 2009 at a rate per annum equal to the cost to the Bank if it were to fund the relevant amount plus 1% per annum in accordance with the ISDA 2002 Master Agreement dated 14 February 2007. The Provisional Liquidators used the overnight USD London Interbank Offered Rates plus 1% per annum to estimate the accrued interest.

## 19. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2009, 31 December 2009 and 30 June 2010	<u>2,000,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 1 January 2009	621,521,081	62,152
Exercise of share options	<u>35,600,000</u>	<u>3,560</u>
At 31 December 2009, 1 January 2010 and 30 June 2010	<u>657,121,081</u>	<u>65,712</u>
		RMB'000
Shown in the condensed consolidated financial statements		
At 30 June 2010		<u>67,399</u>
At 31 December 2009		<u>67,399</u>

All the shares which were issued by the Company during the period rank pari passu with each other in all respects.

## 20. RESERVES

### (a) Basis of appropriations to reserves

As stipulated by the relevant laws and regulations in the PRC, Zhanpen is required to provide for the surplus reserve fund. Appropriation to such reserve funds are made out of net profit after taxation as reported in the statutory financial statements of Zhanpen prepared in accordance with PRC Accounting Standards and the amount and allocation basis are decided by their respective board of directors annually. The surplus reserve fund can be used to make up prior year losses of Zhanpen, if any, and can be applied in conversion into capital by means of capitalisation issue. The enterprise expansion fund is used for expanding the capital base of Zhanpen by means of capitalisation issue.

## 20. RESERVES (Continued)

### (b) Special reserve

The special reserve of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation taken place in June 2003.

### (c) Share premium

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Associations and provided that immediately following the distribution or dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

## 21. RELATED PARTY TRANSACTIONS

To the best knowledge and information of the Provisional Liquidators, during the six months ended 30 June 2010, the Group has not entered into any related party transactions (defined under HKAS 24).

The Provisional Liquidators make no representation as to whether the Group entered into any related party transactions during the six months ended 30 June 2009 (defined under HKAS 24).

## 22. CONTINGENT LIABILITIES

To the best of their knowledge and information, the Provisional Liquidators, are unaware of any significant contingent liabilities of the Group and the Company as at 30 June 2010.

Since the Provisional Liquidators lost control of certain subsidiaries and failed to get access to the complete books and records of the Company and its subsidiaries, the Provisional Liquidators make no representation as to the completeness and accuracy of the contingent liabilities for the six months ended 30 June 2009.

## 23. COMMITMENTS

### Operating Lease commitment

At 30 June 2010, the Group had commitments for future minimum lease payments under noncancelable operating leases which fall due as follows:

	As at 30 June 2010 RMB'000 (Unaudited)	As at 31 December 2009 RMB'000 (Audited)
Within one year	1,000	834
After one year but within five year	—	1,166
	<u>1,000</u>	<u>2,000</u>

The lease payments represent the rental payable by the Group for certain of the premises and machinery and equipment. The lease payments are fixed for an average of 2 years and no arrangements have been entered into for contingent rental payments.

## 23. COMMITMENTS (Continued)

### Capital commitment

To the best of their knowledge and information, the Provisional Liquidators, are unaware of any significant capital commitments for the six months period ended 30 June 2010.

Since the Provisional Liquidators lost control of certain subsidiaries and failed to get access to the complete books and records of the Company and its subsidiaries, the Provisional Liquidators make no representation as to the completeness and accuracy of the capital commitments up to 31 December 2009.

## 24. SHARE-BASED PAYMENT

The Company has a share option scheme for eligible directors of the Company and eligible employees of the Group and other participants. Options granted must be taken up within 21 days of the date of grant, upon payment of HK\$1 per each grant of options. Options may be exercised at any time from the date of acceptance of the share option to such date as determined by the board of directors but in any event not exceeding 10 years.

Details of the share options outstanding during the current period are as follows:

	<b>Number of Share options</b>
Outstanding at 1 January 2010	79,550,000
Lapsed during the period	<u>(1,000,000)</u>
Outstanding at 30 June 2010	<u><u>78,550,000</u></u>

To the best knowledge and information of the Provisional Liquidators, 1,000,000 share options were lapsed and no share option has been granted during the six months period ended 30 June 2010.

During the current period, no expenses was recognized by the Group (six months ended 30 June 2009: RMB137,000) in relation to share options granted by the Company.

## 25. EVENTS AFTER THE REPORTING PERIOD

On 28 December 2009, the Provisional Liquidators, on behalf of the Company, and the Escrow Agent entered into an exclusivity and escrow agreement with the Investor. The said agreement granted the Investor a 12-month exclusivity the (“Exclusivity Period”) to negotiate the restructuring of the Company, certain subsidiaries and associated companies, if any, in the Group, and in turn, the Investor paid a sum of HK\$5 million to the Company to meet the costs and expenses in relation to the implementation of the restructuring of the Company during the 12-month exclusivity period. Furthermore, the Investor acknowledges that the Company and its business in the PRC may require working capital for its normal operations during this period and agrees to make available a working capital facility to the Group, if necessary. On 24 December 2010, the Provisional Liquidators, on behalf of the Company, the Escrow Agent and the Investor entered into a supplemental agreement to extend the Exclusivity Period to twenty four months up to 27 December 2011.



## 25. EVENTS AFTER THE REPORTING PERIOD (Continued)

On 22 February 2010, the Stock Exchange issued a letter to the Company, inter alia, requiring the Company to submit a viable resumption proposal to address the following issues:

- demonstrate that the Company has a sufficient level of operations or has assets of sufficient value as required under Rule 13.24 of the Listing Rules.
- publish all outstanding financial results and address any concerns that may be raised by the auditors.
- demonstrate that the Company has adequate financial reporting system and internal control procedures to enable the Company to meet its obligations under the Listing Rules.
- address certain issues raised by Deloitte Touche Tohmatsu, the then auditors of the Company, which details were set out in the announcement of the Company dated 30 April 2009, to the satisfaction of the Stock Exchange.
- withdrawal or dismissal of the winding-up petition, and discharge of the Provisional Liquidators.

On 23 March 2010, the Provisional Liquidators and Sino Gather Limited (“Sino Gather”) (a special purpose vehicle controlled by the Provisional Liquidators) entered into a sale and purchase agreement where Sino Gather agreed to acquire and the Provisional Liquidators (on behalf of the Company) agreed to sell the entire share capital of Chinawinner BVI, Chinawinner HK, Rich Victory, at an aggregate nominal consideration of HK\$3. The said transaction is primarily in furtherance of the Group’s restructuring.

On 13 May 2009, the two structured five-year interest rate swaps entered by the Company on 31 December 2007 (the “Swaps”) were early terminated by the Deutsche Bank as a result of the Company not paying the interest payment under the Swaps on the due dates and the Company received a statement of demand dated 15 May 2009 for an early termination amount of US\$10,319,033 (equivalent to approximately RMB70,830,000) and a gain of RMB23,340,000 was recognised upon termination of the Swaps on the same date. The Provisional Liquidators had negotiated with Deutsche Bank the basis for calculation of the early termination amount. In August 2010, both parties agreed the revised early termination amount of US\$10,069,033.

The Stock Exchange placed the Company in the first stage of the delisting procedures in accordance with Practice Note 17 to the Listing Rules. If the Company failed to submit a viable resumption proposal by 21 August 2010, the Stock Exchange may proceed to place the Company in the second stage of the delisting procedures. A resumption proposal was submitted to the Stock Exchange on 21 August 2010.

Up to the date of this report, in addition to the working capital to the Group as advanced by the Investor, the Investor has advanced a total sum of HK\$7 million to the Company to meet the costs and expenses in relation to the implementation of the restructuring of the Company.

## ADDITIONAL INFORMATION

### Directors' Interest or Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2010, the interests of the directors and the chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Beneficial interests	Position	Corporate interests	Total number of shares held	Percentage of total issued shares
Fu Teng Global Limited	Long	236,610,000	236,610,000	36.01%
Ms. Yang Yunxian	Long	236,610,000	236,610,000	36.01%
Mr. Yang Zongwang	Long	236,610,000	236,610,000	36.01%

To the best information and knowledge of the Provisional Liquidators, other than as disclosed above, none of the directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2010.

### Substantial Shareholders

As at 30 June 2010, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

	Ordinary shares held	Position	Percentage of total issued shares
Fu Teng Global Limited ( <i>Note 1</i> )	236,610,000	Long	36.01%
Ms. Yang Yunxian ( <i>Note 2</i> )	236,610,000	Long	36.01%
Mr. Yang Zongwang	236,610,000	Long	36.01%

*Note 1:* Mr. Yang is the owner of the entire issued share capital of Fu Teng.

*Note 2:* Mr. Yang is the owner of the entire issued share capital of Fu Teng. Mr. Yang and his spouse, Ms. Yang Yunxian, are taken to be interested in these 221,510,000 shares held by Fu Teng by virtue of the SFO. In addition, 5,000,000 share options owned by Mr. Yang are also taken to be interested by Ms. Yang by virtue of the SFO.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

As at 30 June 2010, the directors of the Company have not yet adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct governing securities transactions for directors (the “Model Code”). However, the directors of the Company will, as soon as practicable, adopt such code of conduct on terms not less stringent than those in the required standard set out in the Model Code to be complied by all directors of the Company.

For the six months ended 30 June 2010, the Company was not aware of any non-compliance of the standards on securities transactions by directors of the Company as set out in the Listing Rules.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

To the best knowledge and information of the Provisional Liquidators, the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2010.

## **CORPORATE GOVERNANCE**

The Company’s code on corporate governance practices was adopted by reference to the provisions of the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 to the Listing Rules. However, due to the severe financial difficulties of the Group and the appointment of the Provisional Liquidators, the Provisional Liquidators are unable to comment as to whether the Company has complied with the CG Code contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2010.