
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in China Packaging Group Company Limited (Provisional Liquidators Appointed), you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the shares or other securities of the Company.

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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)

Integrated Asset Management (Asia) Limited
(Incorporated in the British Virgin Islands with limited liability)
and
Business Giant Limited
(Incorporated in the British Virgin Islands with limited liability)

ENTERING INTO THE RESTRUCTURING AGREEMENT INVOLVING

- (1) PROPOSED CAPITAL REORGANISATION;
- (2) PROPOSED SUBSCRIPTION OF NEW SHARES;
- (3) PROPOSED SUBSCRIPTION OF PREFERENCE SHARES;
- (4) PROPOSED SUBSCRIPTION OF CONVERTIBLE NOTES;
- (5) PROPOSED ISSUE OF OPTIONS;
- (6) PROPOSED BONUS ISSUE; AND
- (7) PROPOSED APPLICATION FOR WHITEWASH WAIVER,
AUTHORISED SHARE CAPITAL INCREASE,
AMENDMENT TO THE MEMORANDUM AND
THE ARTICLES OF THE COMPANY,
CHANGE IN BOARD LOT SIZE
AND
PROPOSED APPOINTMENT OF DIRECTORS

Financial adviser to
China Packaging Group Company Limited
(Provisional Liquidator Appointed)



博大資本國際有限公司
Partners Capital International Limited

Financial adviser to
Integrated Asset Management (Asia) Limited
and Business Giant Limited



普頓資本有限公司
PROTON CAPITAL LIMITED

Independent Financial Adviser to the Independent Shareholders



粵海證券有限公司
GUANGDONG SECURITIES LIMITED

A letter of advice from Guangdong Securities Limited, the Independent Financial Adviser of the Company to the Independent Shareholders is set out on pages 94 to 113 of this circular.

A notice convening the EGM to be held at Level 22, The Center, 99 Queen's Road Central, Central, Hong Kong, at 11:30 a.m. Thursday, 6 October 2011 are set out on pages EGM-1 to EGM-22. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time fixed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person in the EGM or any adjourned meeting should you so wish. In such event, the instrument appointing a proxy shall be deemed revoked.

CONTENTS

	<i>Page</i>
Definitions	1
Glossary	11
Expected Timetable	12
Letter from the Provisional Liquidators	14
Introduction	14
Authorised share capital increase	17
The Restructuring Agreement	17
1. Capital Reorganisation	17
2. The Subscription	20
3. Debt Restructuring	27
4. Bonus Issue	31
5. Alternative structures	32
6. Listing	32
7. Termination	32
8. Exclusivity and Escrow Agreement	33
Financial effects of the Restructuring	33
The audit qualifications	34
Information on the Investors	35
Intention of the Investors	36
Investors' undertakings	36
Investors' dealing and interest in the Company's securities	37
Proposed change of Board composition	37
Takeovers Code implications and proposed application for Whitewash Waiver	39
Information about the Group	40
• Business	40
• The Company, Bloxworth BVI and Shanxi Zhanpen	40
• Overview of the Group's operation since suspension	41
• Business model	42
• Competition and competitive strengths	43
• Products	44
• Pricing	45
• Credit control	45
• Sales and marketing	45
• Customers	45
• Production facilities	46
• Production process	48
• Raw materials and suppliers	54
• Inventory control	55
• Provision policies	55
• Quality control	55
• Human resources	56
• Insurance	58
• Intellectual property rights	58
• Permits and licenses	58
Management discussion and analysis	59
Prospect and future plan	65

CONTENTS

Use of proceeds from the Subscription	67
Unaudited pro forma financial information of the restructured Group	67
Fund raising activities in the past 12 months	67
Shareholding structure of the Group	68
Listing and dealings	70
Posting of new share certificates of the New Shares	70
Change in board lot and arrangement on odd lot trading	70
Possible adjustment to the Share Options	70
Risk factors	71
Relating laws and regulations in the PRC	79
Internal controls	82
Industry overview	84
Amendment to the Memorandum and the Articles of the Company	92
EGM	92
Recommendations	93
Additional information	93
Letter from Guangdong Securities	94
Appendix I – Financial information of the Group	I-1
Appendix II – Additional financial information of the Group	II-1
Appendix III – Property valuation	III-1
Appendix IV – Unaudited pro forma statement of financial position of the Group	IV-1
Appendix V – Profit forecast for the year ending 31 December 2011	V-1
Appendix VI – Details of Directors proposed to be elected at the EGM	VI-1
Appendix VII – General information	VII-1
Notice of EGM	EGM-1

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“acting in concert”	has the same meaning ascribed thereto under the Takeovers Code
“Amend Articles Resolution”	the resolution to be considered by the Shareholders in the EGM to approve the amendments to the memorandum and the articles of association of the Company (as amended from time to time) to facilitate the issuance of the Preference Shares
“Announcement”	the joint announcement of the Company dated 4 July 2011 in relation to the entering into the Restructuring Agreement and the Authorised Share Capital Increase
“Articles”	the articles of association of the Company
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Authorised Share Capital Increase”	the proposed increase in the authorised share capital of the Company to HK\$250,000,000 by the creation of an additional 115,629,967,965 unissued New Shares conditional on the Capital Consolidation, Capital Reduction and the Share Split becoming effective
“Bloxworth BVI”	Bloxworth Enterprise Limited, an existing wholly-owned subsidiary of the Company which is incorporated in the BVI with limited liability
“Board”	the board of Directors
“Bonus Issue”	the proposed bonus issue of New Shares on the basis of 13 Bonus Shares for every 1,000 New Shares to those Qualifying Shareholders whose names appeared in the Register of Members on the Record Date
“Bonus Issue Resolution”	the resolution to be considered by the Shareholders to approve the Bonus Issue
“Bonus Shares”	those New Shares to be issued by the Company to the Qualifying Shareholders under the Bonus Issue
“business day”	a day (excluding a Saturday or a Sunday and a day on which a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9 a.m. and 5 p.m.) on which banks in Hong Kong are generally open for business

DEFINITIONS

“BVI”	British Virgin Islands
“Capital Consolidation”	proposed consolidation of every eight issued Shares into one Consolidated Share
“Capital Reduction”	proposed reduction of the nominal value of each Consolidated Share from HK\$0.80 to HK\$0.001 resulting in the existing paid up capital of the Company being reduced from HK\$65,712,108.10 to HK\$82,140.14
“Capital Reorganisation”	collectively, the Capital Consolidation, Capital Reduction and Share Split
“Capital Reorganisation Resolution”	the resolution to be considered by the Shareholders to approve the Capital Reorganisation
“Cash Consideration”	the sum of HK\$62,000,000
“Cayman Companies Law”	the Companies Law (2010 Revision) of the Cayman Islands as amended from time to time
“Cayman Court”	the Grand Court of the Cayman Islands
“Cayman Scheme”	the proposed scheme of arrangement to be effected under section 86 of the Companies Law between the Company and the Scheme Creditors, and sanctioned by the Cayman Court
“Certificate”	the certificates to be issued in respect of the Convertible Notes
“Companies Ordinance”	Chapter 32 of the Laws of Hong Kong
“Company”	China Packaging Group Company Limited (Provisional Liquidators Appointed), a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 572)
“Completion”	the completion of the transactions contemplated under the Restructuring Agreement
“Completion Date”	a date falling within five business days following the Conditions Precedent being fulfilled (to the extent not waived by the Investors) or in such other date shall be agreed
“Concert Group”	the Investors, their respective ultimate beneficial owner and parties acting in concert with any of them

DEFINITIONS

“Conditions Precedent”	the conditions precedent set out in the Restructuring Agreement
“Consolidated Share(s)”	ordinary share(s) of HK\$0.80 each in the issued share capital of the Company immediately following and arising from the Capital Consolidation
“Conversion Share(s)”	the New Shares to be issued by the Company upon exercise by the holder(s) of the Convertible Notes of the conversion rights attached to the Convertible Notes
“Convertible Notes”	the convertible loan notes in the aggregate principal amount of HK\$18,000,000 with 2% coupon rate, which is convertible into 150,000,000 Conversion Share at a conversion price of HK\$0.12 per Conversion Share
“Cost Account”	the bank account maintained by the Escrow Agent to hold money paid by the Investors under the Exclusivity and Escrow Agreement for the Fee Advancement
“Costs”	the costs and expenses of the Restructuring
“Courts”	the HK Court and the Cayman Court
“Creditor(s)”	any Person(s) with a non-preferential claim (and only to the extent of the non-preferential portion if the claim consists of both preferential and non-preferential parts) (whether asserted or not)
“Debt Restructuring”	proposed debt restructuring to be implemented by the Company to settle the debt, liability or obligation of the Company owed to the creditors together with interest accrued thereon until such cut-off date as may be agreed between the parties in a legally binding agreement and be effected under the Schemes
“Director(s)”	the director(s) of the Company from time to time
“EGM”	the extraordinary general meeting of the Company to be convened for the purposes of considering, and if thought fit, approving, the Restructuring Agreement, the Whitewash Waiver and any other transactions contemplated under the Restructuring Agreement, the Authorised Share Capital Increase, the amendment to the Memorandum and the Articles of the Company and the proposed appointment of Directors
“Escrow Agent” or “FTI Consulting”	FTI Consulting (Hong Kong) Limited (formerly Ferrier Hodgson Limited), being the escrow agent appointed under the Exclusivity and Escrow Agreement

DEFINITIONS

“Exchange Rate”	RMB1.00 : HK\$1.177 as at 31 December 2010
“Exclusivity and Escrow Agreement”	the legally-binding exclusivity and escrow agreement dated 28 December 2009 entered into between the Company, the Escrow Agent and Business Giant Limited, relating to the Restructuring (as amended by three supplemental agreements dated 25 November 2010, 24 December 2010 and 21 January 2011 respectively)
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Exercise Date”	any business day falling during the Option Period on which the Option is duly exercised before the close of business on such day by delivery of an Exercise Notice to the Company, where appropriate, together with a remittance for the Exercise Moneys provided that if an Exercise Notice is served during a period when the register of holders of Shares is closed, the “Exercise Date” shall be the next business day on which the register of holders of Shares is re-open
“Exercise Moneys”	the aggregate amount of the relevant Option Price multiplied by the number of Option Shares exercised by the holder of the Options and payable by the holder of the Options to the Company upon the exercise of the Option
“Exercise Notice”	the notice(s) to be served by the Scheme Administrators for the exercise of the Options during the Option Period
“Exercise Price”	the exercise price of HK\$0.15 per Option
“Facility”	the facility to be made or procured to be made available by the Investors and/or their associates to finance the working capital of the Group prior to Completion upon such terms and conditions as may be agreed between the Investors and the Provisional Liquidators
“Fee Advancement”	the fee advancement of HK\$17 million from the Investors to the Company to meet the costs and expenses in relation to the implementation of the Restructuring
“Group” or “Remaining Group”	the Company and its subsidiaries, namely Bloxworth Enterprises Limited and 山西展鵬金屬製品有限公司 (Shanxi Zhanpen Metal Products Co., Ltd.*)

* *The English name is for identification only*

DEFINITIONS

“Guangdong Securities” or “Independent Financial Adviser”	Guangdong Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and the independent financial adviser to advise the Independent Shareholders on the Restructuring Agreement and the Whitewash Waiver
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK Court”	the High Court of Hong Kong
“Hong Kong Scheme”	the proposed scheme of arrangement under section 166 of the Companies Ordinance between the Company and its creditors, with or subject to any modification thereof or addition thereto or condition to be imposed by the HK Court
“Independent Shareholder(s)”	Shareholder(s), other than (i) the Concert Group; and (ii) those who are involved in or interested in the Restructuring Agreement and the Whitewash Waiver, or such Shareholders who are not permitted by the Stock Exchange and the Executive (or the Takeovers and Mergers Panel of the SFC) to vote in relation to a particular resolution of the Company
“Independent Third Party(ies)”	any persons or company(ies) and their ultimate beneficial owners, to the best of the Provisional Liquidators’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Investors”	Integrated Asset Management (Asia) Limited and Business Giant Limited, both of them are companies incorporated in the BVI with limited liability
“Last Trading Date”	27 April 2009, being the last trading day prior to the suspension of the trading of the Shares
“Latest Practicable Date”	9 September 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Long Stop Date”	28 February 2012 or such later date agreed by the Parties
“Memorandum”	the memorandum of association of the Company
“National Bureau of Statistics”	the National Bureau of Statistics of China (中華人民共和國國家統計局)
“New Shares”	ordinary shares of HK\$0.001 each in the share capital of the Company following completion of the Capital Reorganisation
“Non-Core Subsidiaries”	the Company’s subsidiaries and associated companies which do not form part of the Restructuring Proposal
“Options”	those options to be granted under the Option Deed for the benefit of the Scheme Creditors pursuant to which the holders thereof will be entitled to subscribe for 56,000,000 New Shares
“Option Deed”	the deed for the granting of the Options (as amended, varied, modified, novated or supplemented in writing from time to time) to be entered into among the Parties
“Option Period”	means the period of one year commencing from the date hereof and expiring on the first anniversary of such commencement date provided that if the last day of such period falls on a non-business day, such period will expire on the business day immediately preceding such last day
“Option Resolution”	the resolution to be considered by the Shareholders to approve the Options
“Option Shares”	56,000,000 New Shares as may be subscribed by the Scheme Creditors pursuant to the terms of the Option Deed at the Exercise Price
“Parties”	the Investors, the Company, the Provisional Liquidators and the Escrow Agent; and any of them, a “Party”
“Partners Capital”	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Company
“Person”	an individual, partnership, company, body corporate, joint stock company, trust, unincorporated association or body of persons (including a partnership or consortium), joint venture or other entity, or a government or any political subdivision or agency thereof

DEFINITIONS

“Petitions”	the winding-up petition served on the Company by Deutsche Bank Aktiengesellschaft on 8 July 2009 in Hong Kong and the winding-up petition of the Company dated 5 February 2010 in Cayman Islands
“PRC”	the People’s Republic of China
“Preference Shares”	520,000,000 preference shares of par value HK\$0.001 each
“Provisional Liquidators”	(i) in respect of the Company’s provisional liquidators in Hong Kong, Mr. Fok Hei Yu and Mr. Roderick John Sutton of FTI Consulting, appointed as joint and several provisional liquidators of the Company in Hong Kong on 2 October 2009, or (ii) in respect of the Company’s provisional liquidators in the Cayman Islands, Mr. Fok Hei Yu and Mr. Roderick John Sutton of FTI Consulting and Mr. G. James Cleaver of Messrs. Zolfo Cooper, Cayman Islands appointed as joint provisional liquidators of the Company in the Cayman Islands on 25 March 2010 (as the case may be), who act without personal liabilities
“Put Option(s)”	the option(s) which entitle the Scheme Creditors the rights, but not the obligation, to require the purchase of the Options by the Investors at the Put Option Price, upon and subject to the terms and conditions contained in the Put Option Deed
“Put Option Deed”	the deed for the granting of Put Options (as amended, varied, modified, novated or supplemented in writing from time to time)
“Put Option Exercise Notice”	the written notice to be given by the Scheme Administrators to the Investors to exercise the Put Options
“Put Option Price”	the purchase price of HK\$0.02 per Option to be paid by the Investors when the Put Option is exercised
“Qualifying Shareholders”	holders of Shares whose names appear on the Register of Members on the Record Date
“Record Date”	the date of reference to which entitlements to the Bonus Issue are to be determined, which is currently expected to be 19 October 2011
“Register of Members”	the original register of members of the Company
“Relevant Ratio”	the ratio of 70% to 30% between Integrated Asset Management (Asia) Limited and Business Giant Limited

DEFINITIONS

“Resolutions”	the resolutions to be considered by the Shareholders (or, where applicable, the Independent Shareholders) for the purpose of giving effect to the transactions contemplated under the Restructuring Agreement and comply with the Listing Rules and the Takeovers Code and, including: (1) the Capital Reorganisation Resolution; (2) the Subscription Resolution; (3) the Option Resolution; (4) the Bonus Issue Resolution; (5) the Amend Articles Resolution; and (6) the Whitewash Waiver Resolution; but does not include any resolutions to be put before the Scheme Meeting
“Restructuring”	restructuring of the business, debts and liabilities, capital structure and share capital of the Company, or its subsidiaries, associated companies or other entities in which the Company holds an interest and which shall include (subject to finalisation of the Restructuring Proposal) Capital Reorganisation, the Subscription, the Bonus Issue, the Whitewash Waiver and implementation of the Schemes
“Restructuring Agreement”	the restructuring agreement dated 17 June 2011 entered into between the Parties in relation to the Restructuring (as supplemented and amended by a side letter dated 9 September 2011 made between the Parties and as may be amended or supplemented from time to time)
“Restructuring Proposal”	a proposal setting out the agreements or arrangement proposed or contemplated by the Group and the Investors for the purpose of implementing the Restructuring
“Resumption Conditions”	conditions set out in the Stock Exchange’s letter to the Company dated 26 May 2011 for the resumption of trading of the Shares
“SAFE”	中國國家外匯管理局 (the State Administration of Foreign Exchange of PRC)
“Schemes”	proposed Hong Kong Scheme and/or the Cayman Scheme
“Scheme Administrators”	Mr. Fok Hei Yu and Mr. Roderick John Sutton acting jointly and severally or their successors appointed pursuant to the Schemes
“Scheme Creditors”	any Creditor with an admitted claims
“Scheme Documents”	the document to be sent to the Creditors with the approval of the Courts which includes, inter alia, an explanatory statement of the Schemes
“Scheme Meeting”	the meeting of the Scheme Creditors to sanction the Schemes
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanxi Zhanpen”	山西展鵬金屬製品有限公司 (Shanxi Zhanpen Metal Products Co., Ltd.*), an existing indirect wholly-owned subsidiary of the Company incorporated in the PRC with limited liability
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company prior to the Capital Reorganisation
“Share Option Scheme”	the share option scheme adopted by the Company on 2 June 2003
“Share Split”	proposed subdivision of the authorised unissued share capital, pursuant to which the authorised unissued share capital in the Company of HK\$134,287,891 is comprised of 134,287,891,900 authorised unissued shares, each with a nominal value of HK\$0.001
“Shareholder(s)”	the holder(s) of the share(s) of the Company
“Sino Gather”	Sino Gather Limited, a company incorporated in Hong Kong, controlled and wholly owned by one of the Scheme Administrators for the furtherance of the Restructuring Proposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of Subscription Shares, the Preference Shares and the Convertible Notes by the Investors pursuant to the Restructuring Agreement
“Subscription Resolution”	the resolution to be considered by the Shareholders to approve the Subscription
“Subscription Shares”	230,000,000 New Shares to be subscribed by the Investors
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“WFOE”	wholly foreign owned enterprise incorporated and registered under the laws of the PRC
“Whitewash Waiver”	a waiver by the Executive pursuant to Note 1 on dispensation from Rule 26 of the Takeovers Code from the obligation of the Investors and parties acting in concert with any of them to make a general mandatory offer for all the New Shares not already owned or agreed to be acquired by them upon completion of the Restructuring

* *The English name is for identification only*

DEFINITIONS

“Whitewash Waiver Resolution”	the resolution to be considered by the Independent Shareholders to approve the Whitewash Waiver
“Working Capital Account”	the bank account maintained by the Escrow Agent to hold money paid by the Investors under the Exclusivity and Escrow Agreement for the working capital of the Group, if any
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

For the purpose of this circular for illustrative purpose only and unless otherwise specified, RMB is translated to HK\$ at the rate of RMB1.00: HK1.177 as at 31 December 2010. No representation is made that any amounts in RMB have been or could be converted at the above rate or at any other rates or at all.

Certain amounts and percentage figures included in this circular 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.

GLOSSARY

This glossary contains certain technical terms used in this circular. Such terms and their meanings may not correspond to standard industry definitions or usage.

“%”	per cent.
“CAGR”	compound annual growth rate
“easy-open end”	an aluminum end with a pull tab that has gone through stamping and scoring procedures, and which is usually the top end of a can that is used to package consumer beverage products
“GDP”	gross domestic product
“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 which is used to package consumer beverage products
“tinplate”	a thin sheet of steel coated with tin, used principally for metal cans and caps

EXPECTED TIMETABLE

The following dates are tentative dates only. Further announcement will be made by the Company should there be any change in the following dates.

*2011
(Note 1)*

Creditors' meeting of the Hong Kong Scheme	10:00 a.m. on Wednesday, 21 September
Creditors' meeting of the Cayman Scheme	10:00 a.m. on Wednesday, 21 September
Announcement of the results of Creditors' meetings of the Hong Kong Scheme and the Cayman Scheme	Thursday, 22 September
Latest time for lodging proxy forms for the EGM (not less than 48 hours)	11:30 a.m. on Tuesday, 4 October
Expected date of the EGM	11:30 a.m. on Thursday, 6 October
Announcement of the results of the EGM	Thursday, 6 October
HK Court hearing of petition to sanction the Hong Kong Scheme	Tuesday, 11 October
Cayman Court hearing of petition to sanction the Cayman Scheme (<i>Notes 2 and 3</i>)	10:00 a.m. (Cayman time) on Tuesday, 11 October
Cayman Court direction hearing regarding proposed Capital Reduction (<i>Notes 2 and 3</i>)	10:00 a.m. (Cayman time) Tuesday, 11 October
Effective date of the Capital Reorganisation	9:00 a.m. on Wednesday, 12 October
Effective date for the change in board lot size from 2,000 Shares to 20,000 New Shares	Wednesday, 12 October
Last day of cum-entitlements of the Bonus Shares	Wednesday, 12 October
First day of ex-entitlements of the Bonus Shares	Thursday, 13 October
Latest time for lodging transfer of the Shares in order to be entitled to the Bonus Shares	4:30 p.m. on Friday, 14 October
Closure of the register of members of the Company	from Monday, 17 October to Wednesday, 19 October (both days inclusive)
Record Date for Bonus Issue	9:00 a.m. on Wednesday, 19 October

EXPECTED TIMETABLE

Completion of the Restructuring Agreement and issue of Subscription Shares and Preference Shares	Wednesday, 26 October
Latest time for lodging transfer of the Shares in existing share certificates which are in light grey colour.	4:30 p.m. on Wednesday, 26 October
Despatch of share certificates in pink colour for the Bonus Shares and the New Shares, and automatically void of the old share certificates, which are in light grey in colour	Thursday, 27 October
Publication of announcement relating to Completion	Thursday, 27 October
Resumption of trading in the New Shares (<i>Notes 4 and 5</i>)	Monday, 31 October
Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lots of the New Shares.	Monday, 31 October
Designated broker ceases to stand in the market to provide matching services for the sale and purchase of odd lots of the New Shares.	Monday, 21 November

Notes:

1. All times and dates in this circular refer to Hong Kong local times and dates (unless otherwise stated).
2. If the Cayman Court is satisfied (inter alia) with the application for a capital reduction, and that the creditors interests are being properly safeguarded, it may make an order sanctioning the Cayman Scheme and the Capital Reduction at the same time.
3. There is a time difference of 13 hours between Hong Kong (GMT +8 hours) and Cayman Islands (GMT -5 hours).
4. By a letter dated 26 May 2011, the Company was informed that the Stock Exchange decided to allow the Company to proceed with the Resumption Proposal, subject to prior compliance with conditions set out in the in-principle letter by 31 December 2011. The resumption of the Shares is subject to the fulfillment of the Resumption Conditions and that the issuance of this circular does not necessarily mean that trading in the Shares will be resumed.
5. The Company will make a separate announcement in respect of the resumption of trading in the New Shares.

LETTER FROM THE PROVISIONAL LIQUIDATORS



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)

Provisional Liquidators:

Mr. Roderick John Sutton
Mr. Fok Hei Yu

Executive Director:

Mr. LIU Zhi Qiang

Independent non-executive Director:

Mr. CHONG Hoi Fung

Registered Office:

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

Principal place of business

in Hong Kong:

c/o FTI Consulting (Hong Kong) Limited
Level 22, The Center
99 Queen's Road Central
Central
Hong Kong

12 September 2011

To the Shareholders

Dear Sir or Madam,

ENTERING INTO THE RESTRUCTURING AGREEMENT INVOLVING

- (1) PROPOSED CAPITAL REORGANISATION;**
- (2) PROPOSED SUBSCRIPTION OF NEW SHARES;**
- (3) PROPOSED SUBSCRIPTION OF PREFERENCE SHARES;**
- (4) PROPOSED SUBSCRIPTION OF CONVERTIBLE NOTES;**
- (5) PROPOSED ISSUE OF OPTIONS;**
- (6) PROPOSED BONUS ISSUE; AND**
- (7) PROPOSED APPLICATION FOR WHITEWASH WAIVER,
AUTHORISED SHARE CAPITAL INCREASE,
AMENDMENT TO THE MEMORANDUM AND
THE ARTICLES OF THE COMPANY,
CHANGE IN BOARD LOT SIZE AND
PROPOSED APPOINTMENT OF DIRECTORS**

INTRODUCTION

Reference is made to the Company's announcements dated (i) 23 March 2010 in relation to, amongst others, the disposal of the Non-Core Subsidiaries, (ii) 27 May 2011 in relation to, amongst others, the in-principal approval granted by the Stock Exchange for resumption of trading in the Shares and the Resumption Conditions set by the Stock Exchange, and (iii) 4 July 2011 in relation to, amongst others, the entering into of the Restructuring Agreement.

LETTER FROM THE PROVISIONAL LIQUIDATORS

Suspension of trading of the Shares and appointment of Provisional Liquidators

Trading in the Shares has been suspended since 28 April 2009. Pursuant to a petition seeking the Company's winding up presented by Deutsche Bank Aktiengesellschaft on 8 July 2009, and a subsequent application on 2 October 2009, by DBS Bank (Hong Kong) Limited for a Provisional Liquidation order to be made against the Company, the HK Court appointed Mr. Roderick John Sutton and Mr. Fok Hei Yu to act as joint and several provisional liquidators to the Company on the same day. On 5 October 2009, Bloxworth Enterprise (HK) Limited ("**Bloxworth HK**"), a wholly owned subsidiary of the Company, which wholly owns the shareholding interest in 福建福旺金屬製品有限公司 (Fujian Fuwang Metal Products Co Ltd*), was placed in creditors' voluntary liquidation pursuant to section 228A of the Companies Ordinance.

On 28 December 2009, the Provisional Liquidators, on behalf of the Company, and the Escrow Agent entered into the Exclusivity and Escrow Agreement with Business Giant Limited, which granted Business Giant Limited with a 12 months exclusivity period to negotiate the restructuring of the Company, and certain subsidiaries and associated companies in the Group. In turn, the Investors agreed to advance funds (i.e. the Fee Advancement) to the Company to meet the costs and expenses in relation to the implementation of the restructuring of the Company.

On 23 March 2010, the Company and Sino Gather entered into a deed (the "**Disposal Deed**"), pursuant to which Sino Gather acquired and the Company sold the entire share capital of three of its wholly-owned subsidiaries (i.e. the Non-Core Subsidiaries), namely Chinawinner Enterprises Limited (being the holding company of 四川省展旺金屬製品有限公司 (Sichuan Zhanwang Metal Products Co., Ltd.*)), Chinawinner Enterprises (HK) Limited (a dormant company) and Rich Victory Development Limited (a dormant company), at an aggregate nominal consideration of HK\$3. Sino Gather is wholly owned by Mr. Fok Hei Yu, one of the Scheme Administrators. As at the Latest Practicable Date, Sino Gather and Mr. Fok Hei Yu did not hold or control any Shares, warrants, options or convertible securities of the Company or any derivatives in respect of the securities of the Company. According to the information available to the Provisional Liquidators, 四川省展旺金屬製品有限公司 (Sichuan Zhanwang Metal Products Co., Ltd.*) has not commenced any operations since its establishment. This transaction is primarily in furtherance of the Group's restructuring.

Pursuant to an application of the Company, Messrs Fok Hei Yu and Roderick John Sutton, both of FTI Consulting, and Mr. G. James Cleaver, of Zolfo Cooper, Cayman Islands were appointed as joint provisional liquidators of the Company by an order of the Grand Court of the Cayman Islands dated 25 March 2010.

Resumption Conditions

A resumption proposal was submitted to the Stock Exchange on 21 August 2010 and submissions in relation to, inter alia, proposed terms of the Restructuring Agreement and an update of operation and performance of the Group since suspension of trading of the Shares, have subsequently been made to the Stock Exchange thereafter. On 24 December 2010, a supplemental agreement was signed to between the same parties to extend the exclusivity period under the Exclusivity and Escrow Agreement to 24 months up to 27 December 2011.

* *The English names are for identification only*

LETTER FROM THE PROVISIONAL LIQUIDATORS

By a letter dated 26 May 2011, the Stock Exchange informed the Company that the Stock Exchange would be prepared to allow a trading resumption if the Company fulfils the following Resumption Conditions by 31 December 2011:

- (1) completion of the bonus issue, subscriptions of new shares, preference shares and convertible bonds, issuance of the creditors' options and the scheme and all other transactions contemplated under the resumption proposal;
- (2) inclusion of the following in the circular to shareholders:
 - (a) detailed disclosure of the resumption proposal which is comparable to prospectus standards;
 - (b) a profit forecast for the year ending 31 December 2011 together with reports from the auditors and the financial adviser under paragraph 29(2) of Appendix 1b of the Listing Rules;
 - (c) a pro forma balance sheet upon completion of the resumption proposal and a comfort letter from an independent accounting firm under Rule 4.29 of the Listing Rules;
- (3) the Company demonstrated that it has adequate financial reporting systems to meet its obligations under the Listing Rules; and
- (4) discharge of the Petitions and the Provisional Liquidators.

The Company should also comply with the Listing Rules. The Stock Exchange may modify the Resumption Conditions if the Company's situation changes.

In order to satisfy the Resumption Conditions, the Company, the Provisional Liquidators, the Investors and the Escrow Agent entered into the Restructuring Agreement which provides for, inter alia, the proposed Capital Reorganisation, the proposed subscription of the New Shares, the Preference Shares and the Convertible Notes, the grant of the Options and Put Option, the Bonus Issue, the proposed implementation of the Schemes and the proposed application for the Whitewash Waiver.

General

With the appointment of the Provisional Liquidators on 2 October 2009, the powers of the existing Directors have ceased since then. As such, no independent board committee has been established to advise the Independent Shareholders on the Restructuring Agreement and the Whitewash Waiver. Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Shareholders on the Restructuring Agreement and the Whitewash Waiver.

The purpose of this circular is to provide you with, among other matters, the Authorised Share Capital Increase, the Restructuring Agreement, the amendment of the Memorandum and Articles of the Company, the pro forma financial information of the Group upon Completion, the letter of advice from Guangdong Securities to the Independent Shareholders in relation to the Restructuring Agreement and the Whitewash Waiver and a notice convening the EGM.

LETTER FROM THE PROVISIONAL LIQUIDATORS

AUTHORISED SHARE CAPITAL INCREASE

As at the Latest Practicable Date, the Company has an authorised share capital of HK\$200,000,000 divided into 2,000,000,000 Shares of HK\$0.10 each and an issued share capital of HK\$65,712,108.10 divided into 657,121,081 Shares of HK\$0.10 each. The Company proposes to increase the authorised share capital of the Company to HK\$250,000,000 conditional on the Capital Consolidation, Capital Reduction and Shares Split becoming effective.

THE RESTRUCTURING AGREEMENT

Date: 17 June 2011 (as supplemented and amended by a side letter dated 9 September 2011 made between the Parties)

Parties: (1) the Company
(2) the Provisional Liquidators
(3) the Investors
(4) the Escrow Agent

1. Capital Reorganisation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$200,000,000 comprising 2,000,000,000 Shares of HK\$0.10 each, of which 657,121,081 Shares have been issued and fully paid. The issued share capital of the Company is HK\$65,712,108.10. Pursuant to the terms of the Restructuring Agreement, the Company will use its reasonable endeavours to effect the Capital Reorganisation in the following manner:

(a) Capital Consolidation

Every eight Shares of HK\$0.10 each in the issued share capital of the Company will be consolidated into one Consolidated Share with par value of HK\$0.80 each.

(b) Capital Reduction

Upon the Capital Consolidation becoming effective, the par value of each issued Consolidated Share will be reduced from HK\$0.80 to HK\$0.001 by cancellation of HK\$0.799 of the paid-up capital of each issued Consolidated Share.

The Capital Reduction shall be implemented in accordance with the Cayman Companies Law, with the sanction of the Cayman Court.

LETTER FROM THE PROVISIONAL LIQUIDATORS

(c) *Partial Accumulated Loss Set-Off*

Upon the Capital Consolidation and the Capital Reduction becoming effective, the credit generated therefrom of approximately RMB283,094,000 (or equivalent to approximately HK\$333,201,638 if converted at the Exchange Rate) will be applied in a manner consistent with the Cayman Companies Law, including but not limiting to setting off against part of the accumulated losses of the Company of approximately RMB404,238,000 (or equivalent to approximately HK\$475,788,126 if converted at the Exchange Rate) as at 31 December 2010.

(d) *Share Split*

Following the Capital Consolidation and the Capital Reduction, the authorised unissued share capital of the Company of HK\$134,287,891.9, comprised 1,342,878,919 Shares each with a nominal value of HK\$0.10, shall be altered so as to be comprised of 134,287,891,900 New Shares of HK\$0.001 each.

Reasons for and benefits of the Capital Reorganisation

The Capital Consolidation will result in a change of par value of each Share from HK\$0.10 to HK\$0.80. After the Capital Reduction, the par value of each Share will be reduced to HK\$0.001. As a result, the reduction of HK\$0.799 in the par value of each Share will be credited to the capital reduction reserve for setting off part of the accumulated loss of the Company amounting to approximately RMB404,238,000 as at 31 December 2010. The Provisional Liquidators, the Investors and the proposed Directors are of the view that the Capital Consolidation and the Capital Reduction are necessary as it will enable the Company's share capital to reflect the Company's available assets more appropriately since the net assets of the Company have been substantially depleted by the audited accumulated losses.

Immediately after the Capital Reorganisation and by the Authorised Share Capital Increase, the authorised share capital of the Company will be enlarged to HK\$250,000,000. The Provisional Liquidators, the Investors and the proposed Directors are of the view that this will provide the Company a flexibility to raise fund and strengthen its capital base by any subsequent issue of securities.

LETTER FROM THE PROVISIONAL LIQUIDATORS

The following table sets out the effect of the Capital Reorganisation and the Authorised Share Capital Increase on the share capital of the Company:

	As at the Latest Practicable Date (A)	After Capital Consolidation but before Capital Reduction, Share Split and Authorised Share Capital Increase (B)	After Capital Consolidation and Capital Reduction but before Share Split and Authorised Share Capital Increase (C)	After Capital Consolidation, Capital Reduction, and Share Split but before Authorised Share Capital Increase (D)	After Capital Consolidation, Capital Reduction, Share Split and Authorised Share Capital Increase (E)
Nominal value ¹	HK\$0.10	HK\$0.80 ¹	HK\$0.001 ¹	HK\$0.001	HK\$0.001
Issued and paid-up share capital	HK\$65,712,108.10 divided into 657,121,081 Shares	HK\$65,712,108.10 divided into 82,140,135 Shares	HK\$82,140.14 divided into 82,140,135 New Shares	HK\$82,140.14 divided into 82,140,135 New Shares	HK\$82,140.14 divided into 82,140,135 New Shares
Authorised unissued share capital	HK\$134,287,891.9 divided into 1,342,878,919 Shares	HK\$134,287,891.9 divided into 1,342,878,919 Shares	HK\$134,287,891.9 divided into 1,342,878,919 Shares	HK\$134,287,891.9 divided into 134,287,891,900 New Shares	HK\$249,917,859.86 divided into 249,917,859,865 New Shares
Authorised share capital	HK\$200,000,000 divided into 2,000,000,000 Shares	HK\$200,000,000 divided into 2,000,000,000 Shares ²	HK\$134,370,032.04 divided into 1,425,019,054 Shares ³	HK\$134,370,032.04 divided into 134,370,032,035 New Shares	HK\$250,000,000 divided into 250,000,000,000 New Shares

Notes:

1. The nominal value referred to relates only to the issued share capital, but not the unissued share capital.
2. Such Shares being 82,140,135 issued shares with a nominal value of HK\$0.8 each, and 1,342,878,919 unissued shares with a nominal value of HK\$0.1 each.
3. Such shares being 82,140,135 issued shares with a nominal value of HK\$0.001 each, and 1,342,878,919 unissued shares with a nominal value of HK\$0.1 each.

LETTER FROM THE PROVISIONAL LIQUIDATORS

2. The Subscription

Subject to the fulfillment of the Conditions Precedent, the Investors shall subscribe for and the Company shall on Completion allot and/or issue:

- (a) 230,000,000 Subscription Shares at a subscription price of HK\$0.12 per Subscription Share to the Investors in the Relevant Ratio which Subscription Shares shall rank pari passu in all respects with the New Shares in issue as at the Completion Date and free from any encumbrance or third party's rights and with all rights and benefits attached thereto as at the Completion Date;
- (b) 520,000,000 Preference Shares at a subscription price of HK\$0.12 per Preference Share to the Investors in the Relevant Ratio free from any encumbrance or third party's rights and with all rights and benefits attached thereto as at the Completion Date; and
- (c) the Convertible Notes in the aggregate principal amount of HK\$18 million at a conversion price of HK\$0.12 per Conversion Share to the Investors in the Relevant Ratio free from any encumbrance or third party's rights and with all rights and benefits attached thereto as at the Completion Date.

The Company will receive gross proceeds from the subscription of Subscription Shares, the Preference Shares and the Convertible Notes of HK\$27.6 million, HK\$62.4 million and HK\$18.0 million respectively, totalling HK\$108 million, payable from the Investors in the Relevant Ratio. It is expected that (i) HK\$62.0 million of the gross proceeds will be made available for distribution to the Scheme Creditors; (ii) approximately HK\$17 million will be used to set off against the Fee Advancement to the Company advanced by the Investors under the Exclusivity and Escrow Agreement; and (iii) the remaining balance of approximately HK\$29 million, after netting off any additional amounts advanced by the Investors to the Group as working capital under the Facility, will be applied towards the working capital requirements of the Group.

Proposed issue of New Shares

The Subscription Shares

Pursuant to the Restructuring Agreement, at Completion, the Investors shall subscribe for, and the Company shall issue and allot 230,000,000 Subscription Shares at the subscription price of HK\$0.12 per Subscription Share in the Relevant Ratio subject to the fulfillment of all the Conditions Precedent (to the extent not waived by the Investors). The Subscription Shares will rank pari passu in all respects with the New Shares in issue as at the date of allotment and issue of the Subscription Shares. As at the Latest Practicable Date, there are 657,121,081 Shares in issue and the 230,000,000 Subscription Shares represent:

- (i) approximately 35.00% of the issued capital of the Company as at the Latest Practicable Date;
- (ii) approximately 73.43% of the enlarged issued share capital of the Company upon completion of the Capital Reorganisation and as enlarged by the Subscription Shares and Bonus Issue (assuming no conversion of the Preference Shares and Convertible Notes, no exercise of the Options); and

LETTER FROM THE PROVISIONAL LIQUIDATORS

- (iii) approximately 22.13% of the enlarged issued share capital of the Company upon completion of the Capital Reorganisation and as enlarged by the Subscription Shares, the Bonus Issue, the New Shares upon full conversion of Preference Shares and Convertible Notes and the New Shares upon full exercise of the Options.

Proposed issue of Preference Shares

Pursuant to the Restructuring Agreement, at Completion, the Investors shall subscribe for, and the Company shall issue 520,000,000 Preference Shares at the subscription price of HK\$0.12 per Preference Share in the Relevant Ratio subject to the fulfillment of all the Conditions Precedent (to the extent not waived by the Investors). The holder of Preference Shares is entitled to convert into New Share(s) at the rate equal to the subscription price per Preference Share divided by the initial conversion price of HK\$0.12 (i.e. at the initial rate of one New Share for one Preference Share upon conversion). As at the Latest Practicable Date, there are 657,121,081 Shares in issue, and the 520,000,000 New Shares upon full conversion of Preference Shares represent:

- (i) approximately 79.13% of the issued capital of the Company as at the Latest Practicable Date;
- (ii) approximately 166.02% of the enlarged issued share capital of the Company upon completion of Capital Reorganisation and as enlarged by the Subscription Shares and the Bonus Issue (assuming no conversion of the Preference Shares, Convertible Notes and no exercise of the Options); and
- (iii) approximately 50.04% of the enlarged issued share capital of the Company upon completion of Capital Reorganisation and as enlarged by the Subscription Shares, the Bonus Issue, the New Shares upon full conversion of Preference Shares, the New Shares upon full conversion of Convertible Notes and the New Shares upon full exercise of Options.

The principal terms of the Preference Shares are summarised below:

Issuer	:	the Company
Subscriber	:	the Investors
Number of Preference Shares	:	520,000,000 Preference Shares
Subscription price	:	HK\$0.12 per Preference Share
Conversion period	:	from the date of issue, each holder of Preference Shares shall have the right at any time and from time to time to convert all or part or such other number as may for the time being a board lot of New Shares on the Stock Exchange

LETTER FROM THE PROVISIONAL LIQUIDATORS

Basis : The number of New Shares to be issued and allotted to any holder of Preference Shares on the exercise of his conversion rights will be calculated as follows:

$$X = Y \times \frac{A}{B}$$

where:

X = the number of ordinary Shares that may be allotted and issued upon conversion of the relevant Preference Shares

Y = the number of the Preference Shares to be converted

A = the issue price of the Preference Shares, i.e. HK\$0.12 per Preference Shares

B = the initial conversion price of the Preference Shares of HK\$0.12 per ordinary Share (subject to adjustment)

The New Shares resulting from conversion shall carry the right to receive all dividends and other distributions declared, made or paid on the share capital of the Company by reference to a record date on or after the relevant conversion date and shall rank *pari passu* in all other respects and form one class with the share capital of the Company then in issue and fully paid

Adjustments : the number of New Shares into which the Preference Shares may be converted will be subject to adjustments for, among other things, subdivisions or consolidations of Conversion Shares, capitalisation of profits or reserves, capital distributions, rights issues, issue of New Shares below the prevailing conversion price of the Preference Shares and other events which may have a diluting effect on the holders of the Preference Shares, provided that in any event such adjustment shall not result in the conversion price be below the nominal value of the Shares.

Dividend : the holders of Preference Shares shall not be entitled to any dividend or distribution

Redemption : the Preference Shares are non-redeemable

LETTER FROM THE PROVISIONAL LIQUIDATORS

- Capital : subject to the rights and restrictions relating to the Preference Shares, on a return of capital on liquidation, the assets of the Company available for distribution among the members shall be applied in repaying to the holders of the Preference Shares the nominal amount paid up on the Preference Shares. The paid-up Preference Shares shall rank for return of capital on liquidation in priority to all other shares in the capital of the Company for the time being in issue while the non-paid-up Preference Shares shall rank pari passu with the New Shares for the time being in issue.
- Participation : the Preference Shares shall not carry any right to participate in profits or assets of the Company beyond such rights as are expressly set out in the terms of the Preference Shares.
- Voting : the Preference Shares shall not confer on the holders thereof the right to receive notices of general meetings and shall not entitle the holders:—
- (i) to attend and to vote upon any resolution (other than a resolution for winding up the Company or a resolution varying or abrogating any of the special rights attached to such shares) at a general meeting of the Company; or
 - (ii) for, varying or, abrogating the rights or privileges of the holders of the Preference Shares.
- Subject as aforesaid on a show of hands every holder of Preference Shares who is present in person or (being a corporation) by a representative shall have one vote and on a poll every holder of Preference Shares who is present in person or (being a corporation) by a representative or (in either such case) by proxy shall have one vote for each Preference Share held.
- Dealings by connected person : The Company will notify the Stock Exchange in relation to any dealings by such connected persons of the Company in the Preference Shares from time to time immediately upon the Company becoming aware of it.
- Listing : the Preference Shares will not be listed on any stock exchange.
- Transferability : the Preference Shares are freely transferable by the holders thereof after the date of issue of the Preference Shares, subject to the requirements of the Listing Rules.

LETTER FROM THE PROVISIONAL LIQUIDATORS

Proposed issue of Convertible Notes

The Company agreed to issue and the Investors agreed to subscribe for the Convertible Notes in the aggregate principal amount of HK\$18 million in the Relevant Ratio. The principal terms of Convertible Notes are summarised below:

Issuer	:	the Company
Subscriber	:	the Investors
Principal amount	:	HK\$18,000,000
Coupon rate	:	2%
Maturity date	:	the fifth anniversary of the issue date of the Convertible Notes
Conversion price	:	the holders of the Convertible Notes will have the right to convert the Convertible Notes into Conversion Shares at the conversion price of HK\$0.12 (subject to adjustment as described below).
Adjustment to conversion price	:	the conversion price will be subject to adjustments for, among other things, subdivisions or consolidations of Conversion Shares, capitalisation of profits or reserves, capital distributions, rights issues, issue of New Shares below the prevailing conversion price and other events which may have a diluting effect on the holders of the Convertible Notes, provided that in any event such adjustment shall not result in the conversion price be below the nominal value of the Shares.
Conversion period	:	the holders of the Convertible Notes will have the right to convert the whole or any part of the outstanding principal amount of the Convertible Notes into Conversion Shares at any time during the period from the date of issue of the Convertible Notes up to seven business days before the maturity date at the conversion price (subject to adjustment).

The relevant Conversion Shares shall be allotted and issued by the Company to the converting holders of the Convertible Notes or as it may direct with effect from the relevant date of Conversion. Share certificate(s) for such Conversion Shares shall be issued in board lots (if applicable) and delivered to the converting holders of the Convertible Notes together with an endorsement on the Certificate by a director of the Company for any outstanding balance of its Convertible Notes not converted (if appropriate) or redeemed or cancelled (as the case may be) within ten (10) business days after the date of Conversion.

LETTER FROM THE PROVISIONAL LIQUIDATORS

Conversion prerequisites	:	no conversion rights may be exercised by the holders of the Convertible Notes unless immediately after exercise of such conversion rights, the Company will be able to comply with the public float requirements under Rule 8.08 of the Listing Rules.
Redemption	:	the total outstanding principal amount of the Convertible Notes will be redeemed on the maturity date.
Early Redemption	:	the Convertible Notes is not redeemable by the Company until (i) maturity or (ii) upon receipt of a form of redemption notice from the holder(s) of the Convertible Notes by the Company in any event of default.
Ranking of Convertible Notes	:	the Convertible Notes constitutes a direct, general, unconditional and unsecured obligation of the Company and ranks pari passu and rateably without preference (with the exception of obligations in respect of taxes and certain other mandatory provisions of applicable law exceptions) equally with all other present and/or future unsecured and unsubordinated obligations of the Company.
Ranking of Conversion Shares	:	the Conversion Shares shall rank pari passu in all respects amongst themselves and with all other shares in the issued share capital of the Company outstanding at the date of conversion and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of conversion.
Listing	:	no application will be made for the listing of the Convertible Notes on any stock or securities exchange.
Transferability	:	The Convertible Notes are freely transferable by the holders thereof after the date of issue, subject to the requirements of the Listing Rules. Title to the Convertible Note passes only upon the cancellation of the existing Certificate issued in respect of the Convertible Notes and the issue of a new Certificate.
Denomination	:	HK\$600,000 and integral multiples thereof
Voting	:	the holders of the Convertible Notes will not be entitled to attend or vote at any meetings of the Company by reason only of it being the holders of the Convertible Notes.

LETTER FROM THE PROVISIONAL LIQUIDATORS

The subscription price of the New Shares and the Preference Shares and the conversion price of the Convertible Notes

The subscription price of the New Shares and the Preference Shares and the conversion price of the Convertible Notes of HK\$0.12 per share represent (i) a discount of approximately 94.83% to the theoretical closing price of HK\$2.32 per New Share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK\$0.29 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 94.87% to the average theoretical closing price of HK\$2.34 per New Share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK\$0.293 per Share as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Day; and (iii) a discount of approximately 94.83% to the average theoretical closing price of HK\$2.32 per New Share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK\$0.290 per Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day.

Reasons for and benefits of the Subscription

The audited deficit attributable to the owners of the Company as at 31 December 2010 was approximately RMB110.9 million. Given the acute financial situation of the Group, the Provisional Liquidators consider that it is in the best interests of the Company to raise funds by way of the Subscription. Following the subscription of Subscription Shares, the share premium will be increased by approximately RMB23.28 million. As a result, the Company's net deficit position will be partially discharged by offsetting against such share premium.

Upon completion of the subscription of the Convertible Notes, a sum of approximately RMB15.31 million will be raised, which in the view of the Provisional Liquidators, the Investors and the proposed Directors, are in the interests of the Company and the Shareholders because the Company could obtain a long term funding at a relatively low interest rate without any charge of assets or guarantee.

The subscription of Preference Shares will result in an increase of the Company's share premium by approximately RMB52.63 million. Given that the Preference Shares do not have any entitlement to receive any dividend or distribution, the Company can retain its earning without bearing an additional burden of paying dividend. In addition, as the Preference Shares are not attached with any voting right, it will not cause any immediate dilution effect to the shareholding interest of existing Shareholders structure until the Preference Shares are converted into New Shares.

Having considered the above reasons and benefits, the Provisional Liquidators, the Investors and the proposed Directors are of the opinion that the Subscription is in the interest of the Company and the Shareholders as it enables the Company to achieve a balance between raising sufficient fund to improve its financial position and minimisation of dilution effect to the shareholding interest of existing Shareholders.

LETTER FROM THE PROVISIONAL LIQUIDATORS

3. Debt Restructuring

The Scheme

Pursuant to the terms of the Restructuring Agreement, the Company shall apply to the Courts for orders convening the Scheme Meetings to consider the Schemes pursuant to which:

- (a) all claims against the Company shall be compromised, discharged and/or settled;
- (b) the Scheme Creditors shall receive pro rata distribution of the Cash Consideration;
- (c) the Company shall grant the Options to Scheme Administrators to hold for the benefit of the Scheme Creditors pursuant to which, the Scheme Creditors shall be entitled to subscribe for the Option Shares at the Exercise Price;
- (d) the Investors shall grant the Put Option to Scheme Administrators to hold for the benefit of the Scheme Creditors pursuant to which the Scheme Creditors shall be entitled to put the Options to the Investors in the Relevant Ratio at the Put Option Price within two months from the date of granting the Options; and
- (e) The Scheme Creditors will be entitled to receive ratably all rights, title and interest in the Non-Core Subsidiaries transferred to Sino Gather by the Company on or about 23 March 2010 pursuant to the deed entered into between the Company and Sino Gather dated 23 March 2010 for disposal of the entire issued share capital of the Non-Core Subsidiaries, and any assets transferred by the Company to Sino Gather under the Schemes with effect from the Completion Date which will be dealt with by the Scheme Administrators. Details of the Non-Core Subsidiaries are referred to in the announcement of the Company dated 23 March 2010.

Pursuant to its 2010 Annual Report, the amount of total liabilities of the Group as at 31 December 2010 was approximately RMB230.7 million.

Grant of Options

Pursuant to the Restructuring Agreement, at Completion, 56,000,000 Options will be granted by the Company to the Scheme Administrators for the benefit of the Scheme Creditors. Terms of the Options are set out below:

Issuer	:	the Company
Holder of the Options	:	Scheme Administrators
Number of Option Shares	:	56,000,000 Option Shares to be issued upon exercise of the Options

LETTER FROM THE PROVISIONAL LIQUIDATORS

- Option Period : the period of one year commencing from the date of the Option Deed and expiring on the first anniversary of such commencement date provided that if the last day of such period falls on a non-business day, such period will expire on the business day immediately preceding such last day
- Exercise Price : HK\$0.15 per Option, representing (i) a discount of approximately 93.53% to the theoretical closing price of HK\$2.32 per New Share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK\$0.29 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 93.59% to the average theoretical closing price of HK\$2.34 per New Share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK\$0.293 per Share as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Day; and (iii) a discount of approximately 93.53% to the average theoretical closing price of HK\$2.32 per New Share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK\$0.290 per Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day.
- Ranking of New Shares allotted and issued on exercise of the Options : all New Shares allotted and issued on exercise of the Options shall rank *pari passu* in all respects with the fully paid New Shares in issue on the relevant Exercise Date and shall accordingly entitle the holders to participate in full in all dividends or other distributions paid or made on the Shares on or after the relevant Exercise Date other than any dividend or other distribution previously declared, or recommended or resolved to be paid or made if the record date therefore shall be before the relevant Exercise Date and notice of the amount and record date for which shall have been given to the Stock Exchange prior to the relevant Exercise Date.
- Alteration in capital structure : in the event of any alteration in the capital structure of the Company whilst any Option is able to be vested or remains exercisable, whether by way of capitalisation of profits or reserves, consolidation or sub-division of the share capital of the Company in accordance with the legal requirements and requirements of the Stock Exchange, such corresponding alterations (if any) shall be made to the Exercise Price.

LETTER FROM THE PROVISIONAL LIQUIDATORS

The Issue of Put Options

Pursuant to the Restructuring Agreement, the Investors irrevocably agree to grant to the Scheme Administrators to hold for the benefit of the Scheme Creditors an option to sell the Options back to the Investors at a Put Option Price of HK\$0.02 per Option in the Relevant Ratio. Terms of the Put Option are set out below:

Grantor	:	the Investors
Grantee	:	Scheme Administrators
Exercise of Put Option	:	the Investors shall purchase the Options and the Scheme Administrators shall on behalf of the Scheme Creditors sell the Options free from any encumbrance, equities, claims and adverse interests whatsoever, and together with all rights now and hereafter attaching or accruing to them on or after the date of the Put Option Exercise Notice.
Put Option Exercise Period	:	any day within the period commencing on the date of the issue of the Options up to the date falling two months thereafter (both days inclusive).
Put Option Price	:	HK\$0.02 per Option

Conditions precedent

Completion shall be conditional upon the following conditions precedent being fulfilled or waived (as the case may be):

- (1) the signing of all Restructuring documents by all the parties thereunder as may be required to be entered into before Completion;
- (2) passing of the Capital Reorganisation Resolution at the EGM by way of poll by the Shareholders;
- (3) passing of the Subscription Resolution at the EGM by way of poll by the Shareholders;
- (4) passing of the Option Resolution at the EGM by way of poll by the Shareholders;
- (5) passing of the Bonus Issue Resolution at the EGM by way of poll by the Shareholders;
- (6) passing of the Amend Articles Resolution at the EGM by way of poll by the Shareholders;

LETTER FROM THE PROVISIONAL LIQUIDATORS

- (7) passing of the Whitewash Waiver Resolution at the EGM by way of poll by the Shareholders;
- (8) the Listing Committee of the Stock Exchange granting approval (either unconditionally or subject to conditions to which neither the Company nor the Investors shall reasonably object) for the listing of, and permission to deal in, all the New Shares, the Subscription Shares, the Conversion Shares, the New Shares to be issued upon the conversion of the Preference Shares, the Option Shares and the Bonus Shares;
- (9) Whitewash Waiver having been granted by the Executive to the Investors and parties acting in concert with it;
- (10) a copy of an order of the Cayman Court sanctioning the Cayman Scheme pursuant to the Cayman Companies Law having been delivered to the Registrar of Companies in the Cayman Islands for registration and a copy of an order of the HK Court sanctioning the Hong Kong Scheme pursuant to the Companies Ordinance having been delivered to the Registrar of Companies in Hong Kong for registration;
- (11) sanction of the Capital Reduction by the Cayman Court;
- (12) conditional approval by the Stock Exchange for the resumption of trading of the New Shares;
- (13) listing of the Shares on the Stock Exchange not being revoked or withdrawn at any time prior to the Completion and there being no indication received by the Company from the Stock Exchange or the SFC prior to the Completion that listing of the Shares will be revoked at any time after completion of the obligations of the parties under the Restructuring Agreement;
- (14) the orders of the Cayman Court and the HK Court sanctioning withdrawal of the Petitions and discharge of Provisional Liquidators in Hong Kong and Cayman Islands conditional only on Completion; and
- (15) all necessary governmental, regulatory and corporate authorisations and approvals for the entering into of the Restructuring Agreement and the performance of obligations hereunder having been obtained and effective.

If the Conditions Precedent are not fulfilled by the Long Stop Date, the Restructuring Agreement will lapse and the parties will be released from all their respective obligations hereunder, save for certain clauses under the Restructuring Agreement and the liabilities for any antecedent breaches hereof.

LETTER FROM THE PROVISIONAL LIQUIDATORS

The Investors, the Company and the Provisional Liquidators agree that the Conditions Precedent as set out in conditions (1) to (4), (6), (8), and (10) to (15) shall not be waivable. Pursuant to the Takeovers Code, the Whitewash Waiver shall be subject to the approval of the Independent Shareholders by way of poll at the EGM. The Investors will not waive conditions (5), (7) and (9) above.

As at the Latest Practicable Date, save and except for condition (12), none of the above conditions was fulfilled or waived.

Reasons for and benefit of the grant of Options and the issue of Put Options

As part of the Schemes and the Debt Restructuring, the Company will grant the Options to the Scheme Administrators to hold for the benefit of the Scheme Creditors. In addition, the Investors will issue the Put Option to the Scheme Administrators to hold for the benefit of the Scheme Creditors. The Company has the opportunity to raise additional capital and to further strengthen its capital base. For those Scheme Creditors who are not willing to invest in the Company, they can sell the Options for value by way of exercising the Put Option. The Provisional Liquidators, the Investors and the proposed Directors consider that the Schemes and the Debt Restructuring is the only viable way to compromise, discharge and settle all claims against the Company by the Scheme Creditors and is of the view that the terms of the Schemes and the Restructuring Agreement are on normal commercial terms and are fair and reasonable and in the interest of the Company, the Shareholders and the Scheme Creditors as a whole.

4. Bonus Issue

After Completion, the Company shall as soon as possible effect the Bonus Issue to the Qualifying Shareholders whose names appear on the Register of Members on the Record Date. The terms of the Bonus Issue shall be made by way of bonus on the basis of 13 Bonus Shares for every 1,000 New Shares held on the Record Date by the Qualifying Shareholders. The Bonus Shares will be issued and credited as fully paid up par. If the number of New Shares held by the Qualifying Shareholders is not a multiple of 1,000, the issue of Bonus Shares would be on pro rata basis. Fractional entitlements will not be distributed but will be aggregated, rounded down to the nearest whole number and sold for the benefit of the Company. The proceeds of sale will be retained for the benefit of the Company. For the avoidance of doubt, holders of the Subscription Shares, Preference Shares and the Conversion Shares will not be entitled to the Bonus Issue.

The 1,067,822 Bonus Shares to be issued to Qualifying Shareholders upon Completion represent:

- (i) approximately 0.34% of the enlarged issued share capital of the Company upon completion of Capital Reorganisation and as enlarged by the Subscription Shares and the Bonus Issue (assuming no conversion of the Preference Shares, Convertible Notes and no exercise of the Options has occurred); and
- (ii) approximately 0.10% of the enlarged issued share capital of the Company upon completion of Capital Reorganisation and as enlarged by the Subscription Shares, the Bonus Issue, the New Shares upon full conversion of Preference Shares, the New Shares upon full conversion of Convertible Notes and the New Shares upon full exercise of Options.

LETTER FROM THE PROVISIONAL LIQUIDATORS

Reasons for and the benefits of the Bonus Issue

Under the Bonus Issue, a total of approximately 1.07 million Bonus Shares will be issued to the existing Shareholders. This will lower the dilution effect of the Subscription over the shareholding interest of the existing Shareholders and therefore, the existing Shareholders can, to a larger extent, share future development and growth of the Company which, in the view of the Provisional Liquidators, the Investors and the proposed Directors, are in the interest of the Company and the Shareholders as a whole.

5. Alternative structures

In the event that any of the structures or transactions proposed in the Restructuring Agreement are found to be legally or practically unworkable or not approved by the Stock Exchange or any other regulatory authority, each Party agrees to work together with the other Parties in good faith to find alternative means or structures to effect the Restructuring Proposal so that the Parties may obtain the benefits described in the Restructuring Agreement.

6. Listing

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the New Shares, the Subscription Shares, the Conversion Shares, the New Shares to be issued upon the conversion of the Preference Shares, the Option Shares and the Bonus Shares.

7. Termination

The Provisional Liquidators or the Investors may terminate the Restructuring Agreement upon service of written notice to the Investors or the Provisional Liquidator (as the case may be) if the Investors or the Company/Provisional Liquidators (as the case may be) materially breach or default in any of their obligations under the Restructuring Agreement or fail to comply fully with such obligations (i) where such breach, default or non-compliance is, in the opinion of the non-defaulting party, capable of being remedied but the defaulting party fail to rectify such breach, default or non-compliance within 10 business days of the non-defaulting party notifying the defaulting party in writing of such breach, default or non-compliance or (ii) where such breach, default or non-compliance is, in the opinion of the non-defaulting party, not capable of being remedied, the time when such breach, default or non-compliance occurs or takes place.

In the event that the Restructuring Agreement is terminated by the Provisional Liquidators following a material breach by the Investors of their obligations under the Restructuring Agreement as mentioned above, (i) all claims from Creditors against the Company together with interest shall continue to remain due and payable by the Company; and (ii) the Provisional Liquidators will be entitled to retain all amounts standing to the credit of the Cost Account.

LETTER FROM THE PROVISIONAL LIQUIDATORS

In the event that the Restructuring Agreement is terminated by the Investors following a material breach by the Company or the Provisional Liquidators of their obligations under the Restructuring Agreement as mentioned above, (i) all claims from Creditors against the Company together with interest shall continue to remain due and payable by the Company; and (ii) the Provisional Liquidators shall transfer to the Investors all amounts standing to the credit of the Working Capital Account and any unused amount of the Fee Advancement in the Cost Account, less any Costs.

The Restructuring Agreement shall be terminated automatically if:

- (1) the listing of the Shares has been cancelled by the Stock Exchange before the Completion Date and the Company has failed in an appeal to the Listing Appeals Committee of the Stock Exchange to reverse the decision;
- (2) an order has been made by the HK Court or the Cayman Court to wind-up the Company; or
- (3) the Provisional Liquidators and the Investors agree in writing that the Restructuring Agreement shall be terminated.

In the event that the Restructuring Agreement is terminated automatically, (i) all claims from Creditors against the Company together with interest shall continue to remain due and payable by the Company; and (ii) the Provisional Liquidators will transfer to the Investors all amounts standing to the credit of the Working Capital Account and any unused amount of the Fee Advancement in the Cost Account, less any Costs.

8. Exclusivity and Escrow Agreement

The Parties agree that the Exclusivity and Escrow Agreement will continue in full force and effect except to the extent that any of its terms are inconsistent with the terms of the Restructuring Agreement in which case the Restructuring Agreement will prevail, until the earlier of (i) the Completion Date; or (ii) termination of the Restructuring Agreement.

FINANCIAL EFFECTS OF THE RESTRUCTURING

Assets and liabilities

Based on the unaudited pro forma statement of financial position of the Group as at 31 December 2010 as set out in appendix IV to this Circular, if completion of the Restructuring Agreement had been taken place on 31 December 2010, the total assets of the Group as at 31 December 2010 will increase from approximately RMB119,782,000 to approximately RMB143,558,000 whereas the total liabilities will be significantly reduced from approximately RMB230,696,000 to approximately RMB15,431,000. Meanwhile, the financial position of the Company would be turned around from the net liabilities of approximately RMB110,914,000 to the net assets of approximately RMB128,127,000. Such improvement was primarily due to the proceeds from the Subscription pursuant to the Restructuring and netting off the amount for settlement with the Scheme Creditors under the Scheme.

LETTER FROM THE PROVISIONAL LIQUIDATORS

Earnings

For the year ended 31 December 2010, the audited net profits of the Group amounted to approximately RMB9,247,000. Under the Schemes and the Restructuring Agreement, the Group is expected to record an accounting gain of approximately RMB157,192,000 as disclosed in Note 8 to Part B in Appendix IV “Unaudited Pro Forma Statement of Financial Position of the Group”.

Working Capital

Based on the unaudited pro forma statement of financial position of the Group as at 31 December 2010, upon the completion of the Restructuring, the working capital of the Group as at 31 December 2010 will be improved from the net current liabilities of approximately RMB173,948,000 to the net current assets of approximately RMB65,093,000. Such improvement is primarily due to the settlement with the Scheme Creditors under the Schemes with the proceeds from the Subscription pursuant to the Restructuring.

THE AUDIT QUALIFICATIONS

As set out in the Appendix I to this circular, the auditors of the Company have given disclaimers of opinion on the consolidated financial statements of the Company for each of the three years ended 31 December 2010. The basis for the disclaimers of opinion for each of the three years ended 31 December 2010 are also set out in the Appendix I to this circular.

Although there have been disclaimers of opinion over the three years from 2008 to 2010, the sufficiency of appropriate audit evidence has been improved. For the year ended 31 December 2010, significant number of defects which constituted the basis for disclaimer of opinion of the Company’s auditors was eliminated. In addition, the Provisional Liquidators are of the view that as a result of the completion of the Restructuring and the resumption of trading of the Shares, certain matters relating to the existing basis of disclaimer of opinion, such as (i) going concern and basis of preparation; (ii) lack of Provisional Liquidators, director and management representation; and (iii) limitation of scope affecting provision for bank borrowings guarantee for a deconsolidated subsidiary, will be resolved due to the appointment of Directors and the settlement of Scheme Creditors. As such, the bases of disclaimers are expected to be further eliminated.

As a result of the completion of the Restructuring, the amounts due to the Scheme Creditors will be settled under the Schemes and the Company will be free of any material liabilities. The net asset position of the Company will be strengthened substantially upon the completion of the proposed subscription of the Subscription Shares, the Preference Shares and the Convertible Notes. The Group’s financial position will be further strengthened if the Options are exercised. In any event, the Group’s net liabilities position will be turned into net assets position after the completion of the Restructuring. Details of the unaudited pro forma statement of financial position of the Group are set out in Appendix IV to this circular.

Regarding the audit qualification on gain on disposal of subsidiaries, as all the balance sheet items in relation to the deconsolidated subsidiaries had been written off/impaired/craved out in the financial year ended 31 December 2008 and 2009, and had been disposed of during the year ended 31 December 2010, the auditors advised that such audit qualification can be removed in the financial year ending 31 December 2011 if the Directors could provide them sufficient appropriate audit evidence to assess the accuracy of the carrying value of the deconsolidated subsidiaries as at the date of the disposal. Regarding the audit qualification on limitation of scope affecting opening balances, comparative figures and related disclosures, when the Directors are satisfied that the financial statements of the Group have been properly prepared and are able to provide sufficient representation to the satisfaction of the auditors, (i) the audit qualification on limitation of scope affecting opening balances can be removed in the financial year ending 31 December 2012; and (ii) the audit qualification on limitation of scope affecting comparative figures and related disclosures can be removed in the financial year ended 31 December 2013.

LETTER FROM THE PROVISIONAL LIQUIDATORS

Having considered the above, upon the completion of the Restructuring, and in the absence of any unforeseen circumstances, the Provisional Liquidators, the Investors and the proposed Directors consider that the above audit qualifications do not have any material implications on the profit forecast as set out in Appendix V to this circular and should not materially affect the Group's financial and operation.

INFORMATION ON THE INVESTORS

The Investors are special purpose companies incorporated in the BVI with limited liability, namely Integrated Asset Management (Asia) Limited and Business Giant Limited for the purpose of implementing the Restructuring Proposal. Integrated Asset Management (Asia) Limited is wholly and beneficially owned by Mr. Yam Tak Cheung, the sole director of Integrated Asset Management (Asia) Limited whereas Business Giant Limited is wholly and beneficially owned by Mr. Leung Heung Ying, Alvin, the sole director of Business Giant Limited. The obligations of the Investors to subscribe under the Subscription shall be in the Relevant Ratio, i.e. the ratio of 70% and 30% between Integrated Asset Management (Asia) Limited and Business Giant Limited provided that, if one of the Investors is in default to subscribe, the other Investor shall be obliged to honour the outstanding subscription obligations.

Mr. Yam Tak Cheung, aged 50, has over 17 years of experience in the management and operation of a private textile and knitting company of which he is a controlling shareholder. Mr. Yam is a professional investor and, as at the Latest Practicable Date, has investments in a number of companies including but not limited to Guojin Resources Holding Limited (stock code: 630) and Sustainable Forest Holdings Limited (stock code 723), whose shares are listed on the Stock Exchange. He is not a director of any of the listed companies in which he has substantial investments. Mr. Yam was the chairman of Yan Oi Tong, one of the six largest charitable organisations in Hong Kong, in year 2007 and was awarded a Medal of Honour from the Hong Kong Government subsequently. Mr. Yam obtained a bachelor degree of Science from the University of Toronto majoring in computer in 1983.

Mr. Leung Heung Ying, Alvin aged 48, is the managing director and shareholder of Proton Capital Limited. He was the managing director of Artfield Group Limited (now known as International Resources Enterprise Limited) (stock code: 1229), formerly an industrial group with principal operations and manufacturing plants in the PRC, which principal activity was manufacturing, marketing and trading of clocks and timepieces, gift, premium and other office related products, lighting products and trading of metals with extensive sales network in the United Kingdom, Germany and the USA. He also acted as executive director, vice-chairman and deputy chief executive officer of Espco Technology Holdings Limited (now known as Grand T G Gold Holdings Limited) (stock code: 8299), which principal business was manufacturing, processing, sale and distribution of desktop personal computer components in the PRC, Hong Kong, Macau and Singapore and mining and exploration of gold in the PRC. Mr. Leung is currently an independent non-executive director of Creative Energy Solutions Holdings Limited (stock code: 8109).

Mr. Leung is a member of the Listing Committee of the Stock Exchange, a Fellow Member of the Institute of Chartered Accountants in England and Wales, and the Hong Kong Institute of Certified Public Accountant, a Standing Committee member of the Political Consultative Committee of Wu Hua County of Guangdong Province and an arbitrator of the Panel of Arbitrators of China International Economic and Trade Arbitration Commission. Mr. Leung is also a member of the Energy Advisory Committee and the Public Affairs Forum of the Hong Kong Government. Mr. Leung graduated from the University of Bradford, United Kingdom with a Bachelor Degree. He received a Master Degree from London School of Economics and Political Science of University of London, United Kingdom and a Bachelor Degree in Chinese Laws from the Peking University, the PRC.

LETTER FROM THE PROVISIONAL LIQUIDATORS

INTENTION OF THE INVESTORS

In view of the persistent growth of the PRC economy over the years, the Investors believe that food and beverage industry is one of the industries which would be directly benefited as people in the PRC would spend more money on food and beverage. Production of tinplate cans, being a business highly relating to the food and beverage industry, has shown significant growth over the years. Therefore, the Investors expect that the business operations of the Group, in particular Shanxi Zhanpen, would be able to share the growth in tinplate cans production industry if it has sufficient resources to finetune its business operation and expand its customer portfolio.

Following the Completion, a gross proceed of approximately HK\$108 million would be received by the Company and of which approximately HK\$29 million, after netting off any additional amounts advanced by the Investors to the Group as working capital under the Facility, will be applied as the general working capital of the Group. As such, the financial position of the Company will be improved and the management can put more resources into expanding the business of the Group by finetuning its operation, identifying new customers and formulating appropriate business plans and strategies. The Investors understand that the sales of the Company has been adversely affected since 2009 due to several reasons such as (i) legal proceedings against the Company by its creditors; (ii) the appointment of Provisional Liquidators; and (iii) the suspension of trading of the Shares. However, the Investors are of the view that such effects to the Company will vanish following the Completion. In addition, leveraging on the extensive network and experience in relation to the manufacturing, marketing and sale and distribution in the PRC of the proposed Directors, the Investors are optimistic about the future prospect of the Group and see a long term commercial justification on the Restructuring.

The Investors intend to maintain the existing manufacturing and selling tinplate cans business for the Group for a period of at least one year after resumption of trading of the Company's shares. The Investors do not have any intention to (i) inject any new assets or businesses into the Group or (ii) dispose of any of the material assets (including deployment of fixed assets) of the Group or (iii) discontinue employment of the employees of the Group. Following completion of the Restructuring Agreement, the Investors will conduct a further review on the business operations and financial position of the Group for the purpose of formulating appropriate business plans and strategies in order to enhance the long-term growth potential of the Group.

The Investors and their respective director and ultimate beneficial owner have no intention to dispose of their shareholding interests in the Company (except for the purpose of maintaining the public float requirement under the Listing Rules, if applicable) for the first six months from the Completion Date and cease to be a controlling shareholder of the Company for the period of the second six months from the Completion Date.

INVESTORS' UNDERTAKINGS

The Investors have made an application to the Executive for the Whitewash Waiver. The Investors hereby confirm and undertake that the Concert Group has not dealt in the securities of the Company during the period beginning 6 months prior to the date of the Restructuring Agreement and that they and the Concert Group shall not deal in such securities of the Company prior to Completion.

LETTER FROM THE PROVISIONAL LIQUIDATORS

Notwithstanding that the obligations of the Investors in relation to the Subscription, the Put Option and the costs and expenses of implementing the Restructuring Proposal as referred to in the Restructuring Agreement are in Relevant Ratio, the Investors irrevocably agree that in the event of default by any of the Investors in relation to the Subscription, the Put Option and the costs and expenses of implementing the Restructuring Proposal, the non-defaulting Investor shall be obliged to honour those Subscription obligations and obligations in advancing and reimbursing the Company's costs and expenses in connection with the Restructuring Proposal of such defaulting Investor under the Restructuring Agreement. In this connection, the obligations of the Investors under the Restructuring Agreement in relation to the Subscription, the Put Option and the costs and expenses of implementing the Restructuring Proposal shall be joint and several.

INVESTORS' DEALING AND INTEREST IN THE COMPANY'S SECURITIES

During the period commencing on the date falling six months prior to the date of the Restructuring Agreement and up to the Latest Practicable Date, save for entering into the Restructuring Agreement, none of the Investors, their respective sole director, their respective ultimate beneficial owner and parties acting in concert with any of them has (i) dealt in the Shares, outstanding options, derivatives, warrants or other securities convertible or exchangeable into the Shares (ii) borrowed or lent any of the Shares, outstanding options, derivatives, warrants or other securities convertible or exchangeable into the Shares.

As at the Latest Practicable Date, the Investors, their respective ultimate beneficial owner, the sole director of the Investors and parties acting in concert with any of them do not hold any Shares, warrants, options or convertible securities of the Company or any derivatives in respect of the securities of the Company.

As at the Latest Practicable Date, (i) none of the Shareholders had irrevocably committed themselves to vote for or against the Restructuring Agreement and/or the Whitewash Waiver; (ii) there is no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between the Investors, their respective ultimate beneficial owner and parties acting in concert with any of them and any other person; and (iii) there is no agreement, arrangement or understanding (including any compensation arrangement) existing between the Investors, their respective ultimate beneficial owner and parties acting in concert with any of them and any Director, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Restructuring Agreement and/or the Whitewash Waiver.

PROPOSED CHANGE OF BOARD COMPOSITION

As at the Latest Practicable Date, the Board comprises Mr. Liu Zhi Qiang as executive Director and Mr. Chong Hoi Fung as independent non-executive Director. Mr. Liu Zhi Qiang and Mr. Chong Hoi Fung will retire at the Company's annual general meeting to be held on the same date of the EGM pursuant to Article 108(A) of the Articles. As at the Latest Practicable Date, the Company had not received any notice from any of them offering themselves for re-election at the said annual general meeting.

The Investors intend to appoint Mr. Leung Heung Ying, Alvin and Mr. Wong Tat Wai, Derek as the executive Directors upon Completion. The Company intends to appoint Dr. Lam Andy Siu Wing, *JP*, Mr. Siu Siu Ling, Robert and Mr. Tam Tak Wah as independent non-executive Directors upon Completion. The proposed appointment of the Directors will be subject to the approval of the Shareholders by way of ordinary resolutions in the EGM in which the voting will be taken by way of poll.

LETTER FROM THE PROVISIONAL LIQUIDATORS

Upon the appointment of the proposed Directors become effective (i.e. before the Resumption) an audit committee will be formed which members will include all of the three independent non-executive directors with Dr. Lam Andy Siu Wing *JP* as the chairman for the audit committee.

The biographical details of the proposed new Directors are set out as follows:

Proposed executive Directors

The brief biography of Mr. Leung Heung Ying, Alvin is set out in the section headed “Information on the Investors” of this letter.

Mr. Wong Tat Wai, Derek, aged 41, studied in York University in Canada and has over 15 years of experience in the management and operation of textile and knitting business in the PRC. He also has substantial experience in the overall corporate strategic planning and management in PRC manufacturing business. Mr. Wong is the brother-in-law of Mr. Yam Tak Cheung, who is the sole shareholder and sole director of Integrated Asset Management (Asia) Limited.

Proposed independent non-executive Directors

Dr. Lam Andy Siu Wing, JP aged 60, has been involving in strategic investment and planning for listed and unlisted companies for over 21 years. He holds a doctoral degree from the University of Bolton in the United Kingdom and a master degree in business administration from Oklahoma City University in the United States. Professionally, he is an American Certified Public Accountant, a Certified Fraud Examiner, a Chartered Secretary and a Chartered Marketer. Dr. Lam was the financial controller and business development manager of Whimsy Company Limited from 1984 to 1986. From 1987 to 1995, he was the managing director of an industrial group of company which was principally engaged in direct manufacturing industries investments in Hong Kong and the PRC. Dr. Lam was an executive director of Harmony Asset Limited (stock code: 428), a company dual-listed on the Stock Exchange and Toronto Stock Exchange, and has been redesignated as non-executive director since 1 January 2011. He is currently an independent non-executive director of Tanrich Financial Holdings Limited (stock code: 812). He has been appointed by Hong Kong Government as a Justice of the Peace and has sat on a number of committees, boards, and tribunals, included the Administrative Appeals Board, Urban Services Appeals Board, Board of Review (Inland Revenue Ordinance), Action Committee Against Narcotics, Immigration Tribunal, Registration of Persons Tribunal and Obscene Articles Tribunal. Currently, Dr. Lam is a member of the Hong Kong Housing Authority, including its Finance Committee, Commercial Properties Committee and Audit Sub-Committee, a member of the Chinese Medicine Practitioner Board of the Chinese Medicine Council of Hong Kong, and a member of the Appeal Board on Public Meetings and Processions.

Mr. Siu Siu Ling, Robert, aged 59, is a partner of the firm, Messrs. Robert Siu & Co., Solicitors. Mr. Siu has been an executive director of China Grand Pharmaceutical and Healthcare Holdings Limited (formerly known as Maxx Bioscience Holdings Limited) (stock code: 512) until 2006 and is now an independent non-executive director of Incutech Investments Limited (stock code: 356), both of them are listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of Kaisun Energy Group Limited (stock code: 8203) and Finet Group Limited (stock code: 8317), both of them are listed on the Growth Enterprise Market of the Stock Exchange. Mr. Siu holds a bachelor’s degree in laws from University of London in the United Kingdom and a postgraduate certificate in laws from the University of Hong Kong. He has been admitted as a solicitor in Hong Kong since 1992 and has been admitted as a solicitor in England and Wales since 1993. His legal practice is mainly in the field of commercial and corporate finance.

LETTER FROM THE PROVISIONAL LIQUIDATORS

Mr. Tam Tak Wah, aged 46, is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. Mr. Tam has over 20 years of experience in accounting, corporate finance and corporate development. He is currently an executive director of New Smart Energy Group Limited (stock code: 91) and an independent non-executive director of Siberian Mining Group Company Limited (stock code: 1142) and Tech Pro Technology Development Limited (stock code: 3823), all of these companies are listed on the Main Board of the Stock Exchange. He was an independent non-executive director of National Arts Holdings Limited (stock code: 8228), a company listed on the Growth Enterprise Market of the Stock Exchange, during the period from 2004 to 2009.

Details of the proposed Directors as required under Rule 13.51(2) of the Listing Rules are set out in Appendix VI – Details of Directors proposed to be elected at the EGM in this circular.

Further announcement will be made by the Company when the appointment of the proposed Directors become effective and the audit committee and the remuneration committee are formed.

TAKEOVERS CODE IMPLICATIONS AND PROPOSED APPLICATION FOR WHITEWASH WAIVER

As at the date of the Restructuring Agreement, the Investors, their respective ultimate beneficial owner and parties acting in concert with any of them do not own any Shares.

Pursuant to the terms of the Restructuring Agreement, the Investors shall subscribe for the Subscription Shares, the Preference Shares and the Convertible Notes. The beneficial shareholding interest of the Investors (and parties acting in concert with them) in the Company will increase from nil to (a) 230,000,000 Subscription Shares, in case of completion of subscription of the Subscription Shares and the Bonus Shares, representing approximately 73.43% of the enlarged issued share capital of the Company; and (b) 900,000,000 New Shares, in case of completion of subscription of the Subscription Shares, the Bonus Issue, the full conversion of the Preference Shares and the Convertible Notes and the full exercise of the Options, representing approximately 86.60% of the enlarged issued share capital of the Company.

As such, no matter under which circumstances described above, in the absence of the Whitewash Waiver, the Investors, their respective ultimate beneficial owner and parties acting in concert with any of them would be obliged to extend a mandatory general offer to all Shareholders under Rule 26 of the Takeovers Code. In this respect, the Investors, their ultimate beneficial owners and parties acting in concert with any of them have made an application to the Executive for the Whitewash Waiver, the grant of which by the Executive is a condition precedent to the Completion. The Whitewash Waiver, if granted, will be subject to, amongst other things, the approval of the Independent Shareholders in the EGM, who are not interested or involved in the Restructuring Agreement and the Whitewash Waiver. As there is no Shareholder who is interested or involved in the Restructuring Agreement and the Whitewash Waiver, no Shareholder will be abstained from voting in relation to the Whitewash Waiver.

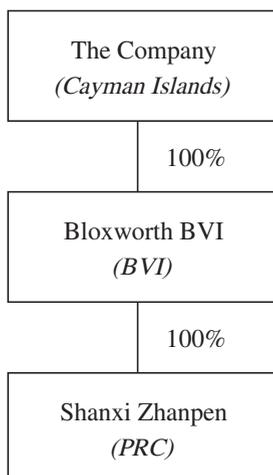
Shareholders should note that the maximum potential holding of voting rights for the Investors, their respective ultimate beneficial owner together with parties acting in concert with anyone of them upon completion of the Capital Reorganisation, Bonus Issue and subscription of the Subscription Shares will exceed 50% of the voting rights of the Company and that the Investors may increase its holding without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer for the securities of the Company.

LETTER FROM THE PROVISIONAL LIQUIDATORS

INFORMATION ABOUT THE GROUP

Business

The structure of the Group is as follows:



The Company, Bloxworth BVI and Shanxi Zhanpen

The Company was incorporated in Cayman Islands with limited liability on 21 October 2002 and was listed on the Main Board of the Stock Exchange on 2 July 2003. The Company is an investment holding company. Upon completion of the Restructuring, the Group will consist of the Company, Bloxworth BVI and Shanxi Zhanpen.

Bloxworth BVI was incorporated in the BVI with limited liability on 6 September 2001 and is an investment holding company.

Shanxi Zhanpen was established as a wholly foreign owned enterprise in the PRC on 19 August 2004 with registered and paid-up capital of US\$8.10 million and approximately US\$7.76 million respectively. Shanxi Zhanpen is principally engaging in the manufacturing and sale of tinplate cans in the PRC.

The existing operations of the Group are principally carried out by its indirect wholly-owned subsidiary, Shanxi Zhanpen, which is located at Fenyang County (汾陽縣), Shanxi Province (山西省) and generates substantially all revenue of the Group.

LETTER FROM THE PROVISIONAL LIQUIDATORS

The Group has an established client base in the northern and western regions of the PRC. For the year ended 31 December 2010, the Group has 25 customers which were mainly located in Shanxi (山西), Shaanxi (陝西) and Henan (河南) provinces. The Group is positioned as a high-quality tinplate cans manufacturer in the PRC which provides all-in-one services in the production of tinplate cans for beverages.

Overview of the Group's operation since suspension

Since the suspension in trading of the Company's shares on 28 April 2009, the Company has lost control over certain subsidiaries. On 5 October 2009, Bloxworth HK, a wholly owned subsidiary of the Company, which wholly owns the shareholding interest in 福建福旺金屬製品有限公司 (Fujian Fuwang Metal Products Co Ltd*), was placed in creditors' voluntary liquidation pursuant to section 228A of the Companies Ordinance. In furtherance of the Group's restructuring, on 23 March 2010, the Company and Sino Gather entered into the Disposal Deed, pursuant to which Sino Gather acquired and the Company sold the entire share capital of three of its wholly-owned subsidiaries (i.e. the Non-Core Subsidiaries), namely Chinawinner Enterprises Limited (being the holding company of 四川省展旺金屬製品有限公司 (Sichuan Zhanwang Metal Products Co., Ltd.*)), Chinawinner Enterprises (HK) Limited (a dormant company) and Rich Victory Development Limited (a dormant company), at an aggregate nominal consideration of HK\$3. As a result, the Group ceased to provide lacquering and printing services and has only been able to rescue and maintain its manufacturing and sale of the tinplate cans for the packaging of beverage business in Shanxi, the PRC, which is conducted by its indirect wholly owned subsidiary, Shanxi Zhanpen.

Shanxi Zhanpen's products are commonly referred to as three-piece cans in the packaging industry in the PRC and are used by beverage producers for storing variety of beverages such as juice, protein drinks and congee. There is no change in the type of products produced by Shanxi Zhanpen since its establishment in 2004 or suspension in trading of the Shares on 28 April 2009 up to the Latest Practicable Date.

Shanxi Zhanpen has been able to maintain its normal operation during and after the turbulent year of 2009 notwithstanding the appointment of the Provisional Liquidators but its turnover for the year of 2009 was significantly affected by the adverse publicity of legal proceedings of the Group in mass media, suspension in trading of the Shares and appointment of the Provisional Liquidators which weakened the confidence of customers and employees over the Group.

As time goes by, Shanxi Zhanpen proved that it is able to operate as usual and fulfill sales orders placed by customers, there is a gradual regaining confidence of customers and employees over the Group which resulted in an improvement of the results of the Group for the year ended 31 December 2010 and the six months ended 30 June 2011, which turned around the gross loss position of the Group in 2009.

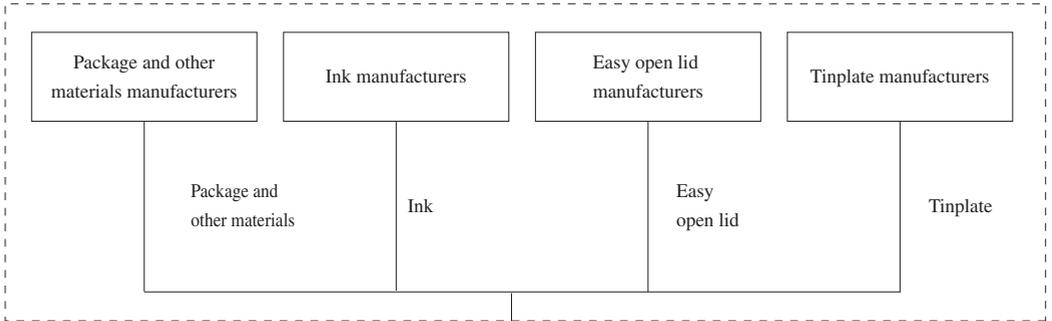
* *The English names are for identification only*

LETTER FROM THE PROVISIONAL LIQUIDATORS

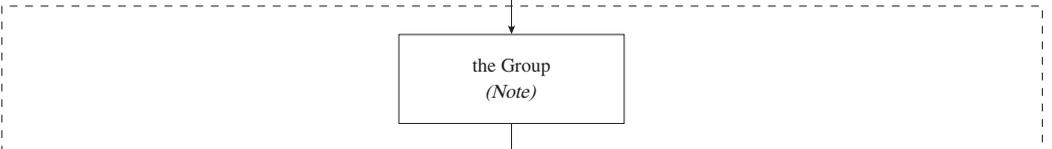
BUSINESS MODEL

The business model of the Group is illustrated below:

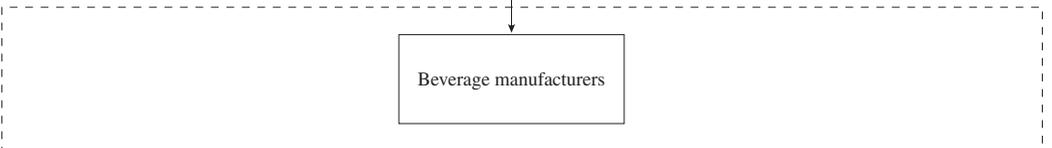
PROCUREMENT



PROCESSING



CUSTOMER



Note: Detail production process and work flow are set out in pages 48 to 53 of this letter

LETTER FROM THE PROVISIONAL LIQUIDATORS

Competition and competitive strengths

Market Competition

The Provisional Liquidators, the Investors and the proposed Directors believe that the entry barriers to the tinplate cans manufacturing industry are relatively low as advanced technology and substantial capital investment are not necessary. Accordingly, the Provisional Liquidators, the Investors and the proposed Directors consider that the Group faces competition from other cans manufacturers in the PRC with similar or even larger production capacities and similar lines of products.

The Company believes that the principal competitive factors in its industry are:

- service offerings and product quality;
- cost and pricing;
- production capacity, geographical location and coverage;
- flexibility and timeliness in responding to design and schedule changes; and
- general reputation and reliability in meeting product delivery schedules.

Despite the competition, the Provisional Liquidators, the Investors and the proposed Directors are of the view that the Group has a competitive edge over its competitors on the basis of those factors summarised in the paragraph headed “Competitive strengths” below. In addition, the Group is committed to increase its competitiveness by expanding its sales network and implementing stringent quality control procedures.

Competitive strengths

The competitive strengths of the Company as set out below have driven growth in the Group’s revenue and net profits and distinguished from its competitors in the PRC beverages tinplate packaging industry:

(i) *Experience and technical expertise of senior management*

The Group’s management team comprises members with experience in packaging and manufacturing industries. The management team’s in-depth knowledge of the beverages tinplate packaging industry can enable the Group to respond efficiently to various challenges from the changing market conditions.

(ii) *Established cliental and reputation built up during the years*

The Group has commenced its operation and business in Shanxi Province serving customers located in northern and western regions of the PRC since October 2002. Its established clientele in the above regions whose business relationship with the Group commenced prior to the listing of the Company on the Stock Exchange in June 2003. It is believed that during the years, the Group has built up good reputation in this region among its customer for the quality of its products and efficiency in completing orders within a short time lag under its just-in-time system.

LETTER FROM THE PROVISIONAL LIQUIDATORS

(iii) *Strategic location advantage to key customers and timely response to customers' orders*

The Group's production facilities are located in Fenyang, Shanxi Province, the PRC, which is one of the major manufacturing centres of China. Major customers of the Group are either located in this region or focusing their sourcing in this region. The proximity to the key customers of the Group will enable the Group to provide a timely response and better service in terms of material procurement, technical support and closer collaboration.

Products

The Group's tinplate cans are commonly referred to as three-piece cans in the packaging industry in the PRC and are used by beverage producers for storing variety of beverages such as juice, protein drinks and congee. Typical tinplate can manufactured by the Group is made up of three components:

- (a) a cylindrical can body with lacquer applied on the inner surface and artwork printed on the outer surface;
- (b) a lacquered bottom lid; and
- (c) a lacquered easy-opening end.

The Group manufactures the can bodies and the bottom lids, while the easy-opening ends are sourced from external suppliers.

The lacquering and printing of tinplate form integral parts of the production process of the Group's tinplate cans. Lacquering involves the coating of a layer of lacquer inside a tinplate can so as to prevent chemical reaction between the tinplate and the beverage contents. Printing involves the transfer of an artwork onto the outside surface of a tinplate can by using lithography. The Company recognizes that beverage producers rely, to a great extent, on the artwork printed on the tinplate cans to promote their products.

At present, the Group offers tinplate cans with 8 different dimensions covering majority of the typical tinplate cans in the market to its customers. The following table summarises the model numbers and dimensions as well as examples of the uses for packaging of each type of tinplate can currently produced by the Group:

Model number of tinplate cans	Diameter (mm)	Height (mm)	Examples of beverages
#200/250g	52.3	113	fruit juice, protein drink
#206/250g	65.3	91.5	fruit juice, milk drink
#206/280g	65.3	108	milk drink
#200/180g	52.3	104.3	milk drink, fruit juice
#206/320g	65.3	115.2	fruit juice, congee
#209/320g	65.3	122	congee
#209/250g	65.3	103	fruit juice, milk drink
#209/350g	65.3	125	congee

LETTER FROM THE PROVISIONAL LIQUIDATORS

Pricing

The Group prices its tinplate cans based on the negotiation between the Group and its customers with reference to factors such as relationship with customers, location of customers, complexity of artwork and colour variety, dimension of tinplate cans and scale of purchase.

Credit control

The Group generally offers credit terms of 90 days to 120 days, depending on the past payment history and the length of business relationship with the relevant customers. The Group usually requires new customers to pay a deposit before delivery. Sales proceeds are normally settled in RMB.

Due to the change in operating environment in the year 2009 as a result of the global financial turmoil and a strategy to restore customer relationship of the Company, the due dates for account receivables have been extended. With a tightened management policy implemented in the first quarter of the year 2010, the customer relationship management was reinforced and the performance has gradually restored.

As part of the Group's credit control procedures, the management of the Group review from time to time information relating to customers financial conditions and operations to assess the credibility of existing customers and adjust the credit terms granted to its customers accordingly. The Group's sales and accounting staff also liaise with existing customers periodically for the settlement of outstanding balances.

Sales and marketing

The Group's sales and marketing team is located in Shanxi and mainly responsible for fostering business relationships with existing and potential customers of the Group. A marketing staff of the Group is usually responsible for the promotion of the Group's products in one or two provincial regions in the PRC.

The major marketing campaign is carried out mainly through client visit. The Group's marketing staff visit food and beverages trade fairs including Chengdu Sugar, Tobacco and Wine Expo which provide good opportunities for sales persons of the Group to meeting up potential customers.

Customers

The Group has an established client base in the northern and western regions of the PRC. The Group's customers are domestically recognized beverage product manufacturers in the PRC which were mainly located in Shanxi (山西), Shaanxi (陕西) and Henan (河南) provinces. For the three years ended 31 December 2010 and the six months ended 30 June 2011, total sales to top five customers of the Group amounted to approximately 37.2%, 31.6%, 49.8% and 62.14% of the Group's total turnover for each year/period, respectively. In particular, sales to the largest customer of the Group accounted for approximately 8.8%, 7.5%, 11.5% and 14.29% of the Group's total turnover for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, respectively. The Group is positioned as a high-quality tinplate cans manufacturer in the PRC which provides all-in-one services in the production of tinplate cans for beverages producers.

LETTER FROM THE PROVISIONAL LIQUIDATORS

Year of business relationship with the Group and credit and payment terms granted to the major customers are summarized below:

Customers	Revenue generated from	Sales amount in the year ended 31 December 2010 (RMB'000)	Year of business relationship with the Group	Credit and payment terms
A	Sales of tinplate cans	14,323	over 3 years	120 days
B	Sales of tinplate cans	13,663	over 6 years	120 days
C	Sales of tinplate cans	12,928	over 4 years	120 days

Production facilities

Since the commencement of the operation of the Group in Shanxi in October 2002, the Group had entered into a lease agreement with an Independent Third Party, 山西義盈包裝工業有限公司 (Shanxi Yiying Packing Industrial Co., Ltd.*) (“**Shanxi Yiying**”) for the lease of production plants, production lines and auxiliary constructions such as staff quarter in Fenyang, Shanxi Province, the PRC. Such lease agreement has been further renewed for a period of two years commencing from 30 July 2009 at an aggregate annual rental of RMB2 million.

In 2007, in order to increase the production capacity and to prepare for future expansion, Shanxi Zhanpen entered into a land acquisition compensation agreement (土地徵用補償協議) (“**Land Acquisition Agreement**”) with 汾陽市文峰街道南關村民委員會 (Fen Yang Wen Feng Street Nanguan Villagers’ Committee*) (“**Villagers’ Committee**”) for acquiring the land use right of a piece of land situated in Fenyang (汾陽) (the “**Land**”), which is adjacent to the properties leased by Shanxi Zhanpen. With completion of the building of factory complex on the Land by Shanxi Zhanpen, Shanxi Zhanpen acquired and installed a production line for tinplate can making at the end of 2007.

Save for the two production lines for tinplate lacquering which are installed in the leased production plants, Shanxi Zhanpen has now installed all the production facilities and equipment (including but not limited to the three large scale production lines for tinplate can making, one of which was acquired by Shanxi Zhanpen in 2007 and two are leased from Shanxi Yiying under the aforesaid lease agreement, production line for manufacturing of bottom lids and tinplate cutting machines), in the factory complex built by Shanxi Zhanpen.

* The English names are for identification only

LETTER FROM THE PROVISIONAL LIQUIDATORS

The application for the conversion of the Land, currently in form of collectively owned, into state-owned, which will then be ready for transfer to Shanxi Zhanpen, is still in progress. As the Villagers' Committee cannot estimate the time required to go through and complete the aforesaid, the Provisional Liquidators have fully impaired the prepaid deposit of RMB12,400,000 in the year ended 31 December 2008. Nevertheless, Shanxi Zhanpen has obtained a confirmation from the Villagers' Committee that Shanxi Zhanpen can continue to use the Land without paying any consideration until the aforesaid is completed and there has not been any unfulfilled obligation under the Land Acquisition Agreement. As such, the Company considers that there is no adverse effect (including any contingent liability or penalty) to the Group's operation. Pursuant to the Land Acquisition Agreement, the second installment of RMB12,400,000 shall be payable to the Villagers' Committee upon the obtaining of the land use right certificate, but the Company understands from the Villagers' Committee that the completion of the aforesaid is unlikely to take place before August 2013. The Company is of the view that it will have sufficient internal resources to settle the second installment following the Completion and there will be no material impact to its sufficiency of working capital. Further details of the Land were set out in note 16 to the audited financial statements of the Company for the year ended 31 December 2010.

On 12 May 2011, Shanxi Zhangpen and Shanxi Yiying entered into a lease agreement to extend the lease of the above production plants, production lines and auxilliary constructions for a term of five years from 1 August 2011 to 31 July 2016. The aggregate annual rental for the aforesaid lease of production plants, production lines and auxilliary constructions was adjusted to RMB2.2 million.

The production facilities of the Group comprises six production lines, namely three production lines for the manufacture of tinplate cans and one production line for the manufacture of bottom lids, tinplate lacquering and tinplate printing. Except for one production line for the manufacture of tinplate can which is owned by the Group, all other production lines are leased by the Group from Shanxi Yiying. The Group has the exclusive right to use and is responsible for the daily maintenance and management of all the assets leased from Shanxi Yiying under the aforesaid lease agreement.

The production capacities of the production lines of the Group are set out below:

	Annual production capacity	Utilisation rate			
		For the six months ended 30 June 2011	For the year ended 31 December		
			2008	2009	2010
Tinplate can workshop (piece)	331.2 million	57.1%	80.8%	41.1%	55.3%

Note:

The annual production capacity is calculated based on (i) the expected production capacity in tinplate manufacture process of 1,150 pieces of tinplate can per minute; (ii) 16 working hours per day; and (iii) 300 working days per year.

LETTER FROM THE PROVISIONAL LIQUIDATORS

The actual sales volume of the Group in the years 2008, 2009 and 2010 and the six months ended 30 June 2011 were approximately 267.6 million pieces, 136.1 million pieces, 183.5 million pieces and 94.63 million pieces respectively.

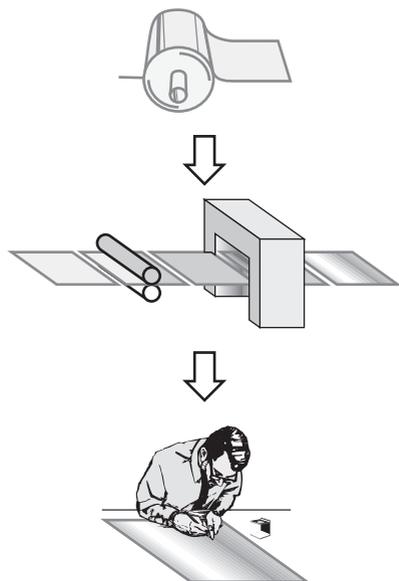
Due to the adverse publicity of legal proceedings of the Group and suspension in trading of the Shares in 2009, there was an impact on customers' confidence which affected the turnover of the Group in such year. As the utilization rate of the production capacities of the production lines of the Group for the year ended 31 December 2010 and the six months ended 30 June 2011 was just 55.3% and 57.1%, the Company believes that the production capacities of its existing production lines can meet with its production requirement for the next few years based on an expected future growth of 10% per annum.

The Group's production facilities for tinplate cans production were operated at approximately 80.8%, 41.1%, 55.3% and 57.1% of their production capacities for the three years ended 31 December 2008, 2009 and 2010 and for the six months ended 30 June 2011. Leveraging on its experience in tinplate lacquering and printing and its sizable capacity in the manufacture of tinplate cans, the Group is able to deliver tinplate cans to its customers in approximately five to ten days.

Production Process

The principal steps involved in the lacquering and printing of tinplate, and the manufacture of bottom lids and can bodies are illustrated below:

A. *Lacquering and application of white base*



1. *Preparation of tinplate and lacquer*

Tinplate and lacquer are selected based on their storage contents and checked in accordance with customers' specifications.

2. *Tinplate lacquering, baking and application of white base*

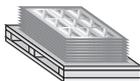
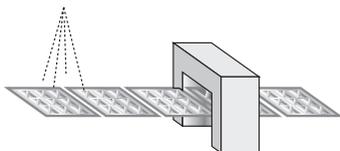
Tinplate is thoroughly lacquered on one side with lacquer to preserve and prevent chemical reaction, and a white base is applied to the other side and baked before the printing of artwork.

3. *Quality control procedure: Inspection*

Product control staff carries out thickness, adhesiveness, and anti-corrosion inspection.

LETTER FROM THE PROVISIONAL LIQUIDATORS

B. *Printing of artwork*



1. *Colour mixing and creation of lithographic plate*

Inks are selected in accordance with the standard sample provided by the customer and are mixed and matched by production staff. Artwork is transferred from films to a lithographic plate, which is then mounted on the roller of the printing machine for printing on tinplate.

2. *Printing of artwork*

Artwork is lithographically printed on tinplate lacquered with a white base.

3. *Quality control procedure: Alignment and dimension check*

Printed tinplate is inspected for the evenness of the printed colours, accuracy of artwork and printing quality.

4. *Application of colour enhancing agents*

Colour enhancing agents are applied on the printed tinplate to enhance the artwork's visual effect.

5. *Baking*

Printed tinplate is baked to ensure a complete finish of inks and colour enhancing agents.

6. *Quality control procedure: Colour check*

A production supervisor carries out an inspection to check the colour softness, durability, heat resistance and chemical deterioration.

7. *Stacking*

Lacquered and printed tinplate is carefully unloaded from the printing machines and stacked up for final inspection.

8. *Quality control procedure: Final inspection*

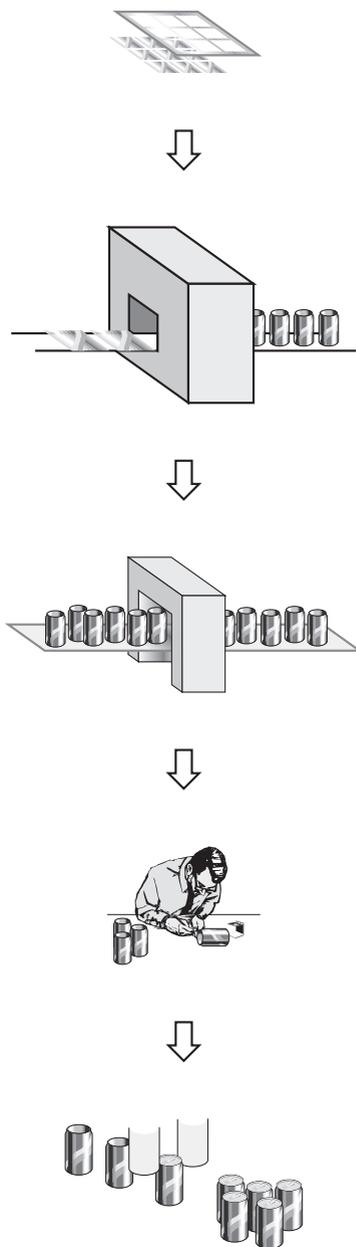
Quality control staff performs final inspection of the overall quality of artwork on the tinplate and issues approval for packaging and warehousing.

9. *Packaging and warehousing*

Approved tinplate is packaged and stored for subsequent production of can bodies.

LETTER FROM THE PROVISIONAL LIQUIDATORS

C. *Manufacture of can bodies*



1. *Tinplate cutting and curling*

Lacquered and printed tinplate is cut and curled into cylindrical shape to form can bodies.

2. *Quality control procedure: Shape and dimension check*

Production supervisor checks the shape and dimension of the can bodies against customers' specifications.

3. *Sealing of can bodies*

Can bodies are wrapped into cylinders and the seams are welded by a high frequency welder. Lacquer and enhancing agents are re-applied respectively on the inside and outside of the can bodies.

4. *Quality control procedure: Test for tension endurance and heat resistance*

Quality control staff tests can bodies for tension endurance and printed artwork for heat resistance abilities.

5. *Necking (optional) and seams folding*

Can bodies are single or triple-necked at the top in accordance with customers' specifications, while both ends of the can bodies are folded down to create seams for subsequent closing of can bodies.

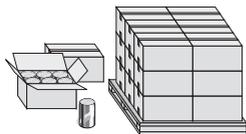
6. *Quality control procedure: Shape and dimension check*

Production supervisor checks the shape and dimension of the can bodies against customers' specifications.

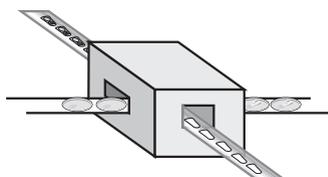
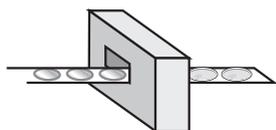
7. *Closing the easy-opening end of can bodies*

Lacquered easy-opening ends are sealed onto the top end of the can bodies.

LETTER FROM THE PROVISIONAL LIQUIDATORS



D. Manufacture of bottom lids



8. Quality control procedure: Test for leakage

Sealed cans go through the leakage testing machine which automatically tests whether the cans are properly sealed. Quality control staff carries out sample testing on the tightness of the sealed easy opening lids.

9. Quality control procedure: Final inspection

Quality control staff performs final inspection on the overall quality of the can bodies and issues approval for packaging and delivery.

10. Packaging and delivery

Approved can bodies are packaged and delivered to customers together with lacquered bottom lids.

1. Tinplate cutting and trimming

Bottom lids which fulfill the relevant specifications are cut and trimmed from lacquered tinplate.

2. Quality control procedure: Shape and dimension check

A production supervisor checks the shape and dimension of the bottom lids against customers' specifications.

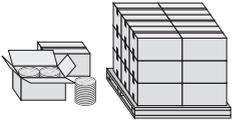
3. Seam folding and pressurizing

A bottom lid processing machine pressurizes the bottom lid to form a curved shape to prevent any deformation after the food and beverage manufacturers apply product processing procedures. The seams of the bottom lids are then folded up for subsequent closing of can bodies by foods and/or beverages manufactures.

4. Application of glue and baking

Glue is applied evenly on the bottom lids and baked to allow better sealing with the can bodies. The bottom lids are then baked to ensure a complete finish of the glue.

LETTER FROM THE PROVISIONAL LIQUIDATORS



5. *Quality control procedure: Shape and dimension check*

Production supervisor checks the shape and dimension of the bottom lids against customers' specifications and checks the finish of the glue.

6. *Quality control procedure: Final inspection*

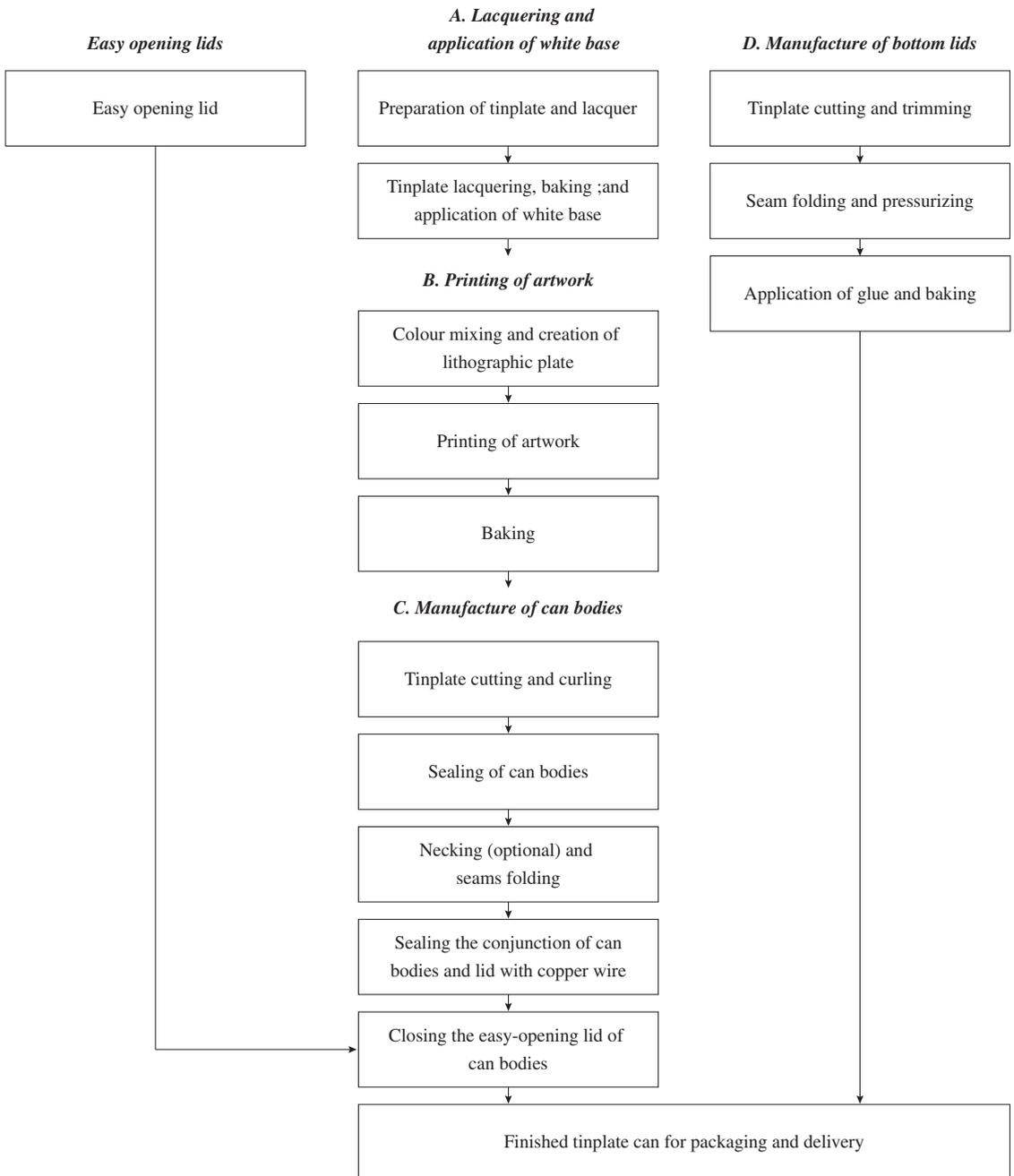
Quality control staff performs final inspection on the overall quality of the bottom lids and issues approval for packaging and warehousing.

7. *Packaging and warehousing*

Approved bottom lids are packaged for delivery to customers with approved can bodies.

LETTER FROM THE PROVISIONAL LIQUIDATORS

The production chart set out below illustrates production processes of manufacture of tinplate cans:



LETTER FROM THE PROVISIONAL LIQUIDATORS

Raw materials and suppliers

The principal raw material used by the Group in the manufacture of the tinfoil cans include tinfoil can, easy opening lids, ink and copper wire. For the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, purchases of tinfoil accounted for approximately 65.6%, 69.9%, 69.3% and 67.8% respectively of the total purchases of the Group. All of the Group's raw materials are sourced in the PRC.

Prior to its storage, each raw material is inspected and tested by quality control staff. The raw material is returned to supplier if any of the Group's requirements are not met. The Group's procurement team assesses potential supplier based on its production capacity and capability as well as its reputation in the relevant industry. The Group generally enters into one-year framework supply contracts with its approved suppliers in order to ensure a stable supply of tinfoil and other major raw materials. To ensure the quality of its raw materials, the Group's procurement team conducts annual review on the suppliers prior to the renewal of their supply contracts.

Year of business relationship with the Group and credit and payment terms granted by the major suppliers are summarized below:

Suppliers	Raw materials to purchase from	Purchase amount in the year ended 31 December 2010 (RMB'000)	Year of business relationship with the Group	Credit and payment terms
A	Tinfoil	24,693,142	over 1 year	30 days
B	Tinfoil	23,538,330	over 6 years	30 days
C	Tinfoil	15,169,527	over 2 years	30 days

For the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, the Group has established business relations with over 6 major suppliers and the Provisional Liquidators, the Investors and the proposed Directors believe that the Group would not encounter any difficulties in sourcing its raw materials.

For the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, purchases from the largest supplier of the Group accounted for approximately 25.4%, 31.3%, 24.2% and 67.77% of the Group's total purchases, respectively. During the same period, purchases from the five largest suppliers of the Group accounted for approximately 78.2%, 76.3%, 83.7% and 93.7% of the Group's total purchases, respectively.

For the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, all of the Group's raw material purchases were settled in Renminbi.

LETTER FROM THE PROVISIONAL LIQUIDATORS

Inventory control

The Group closely monitors the level of inventories in order to maintain a smooth production schedule. All purchase orders must be approved with supporting documents such as the material purchase plan. The Group's finance and accounting department provides monthly management accounts on the level of inventory to the senior management of the Group. The Group normally commences production after customers' orders are placed, and purchases of raw materials are made according to the production schedules.

Based on the inventory of the Group as at 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, the inventory turnover of the Group was maintained at approximately 11 days, 16 days, 11 days and 16 days respectively due to its just-in-time production strategy.

Provision policies

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where 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 passage of time is recognised as interest expense.

According to the Group's provision policy, provision is required for receivables which are outstanding over 6 months after credit terms. During the year ended 31 December 2010 and six months ended 30 June 2011, there is no situation of long outstanding sales and no account receivables have been overdue for 6 months which require provision.

Quality Control

The Group is committed to stringent quality control procedures. It is believed that the Group's commitment to manufacture high quality products and its emphasis on quality control are crucial to the success of the Group. Accordingly, the Group regularly arranges quality control training to its technical staff. At the same time, the Group also continuously enhances and updates its quality control procedures.

The Group's quality control procedures can be divided into three stages:

(1) Raw material procurement stage:

Tinplate and other raw materials are only purchased from suppliers approved by the procurement team of the Group. Prior to the storage of raw materials at the Group's warehouse, each raw material is strictly inspected and tested by quality control staff. The raw material is returned to the supplier if any of the Group's requirements are not met.

LETTER FROM THE PROVISIONAL LIQUIDATORS

(2) Production stage:

The Group carries out stringent quality control procedures throughout the production process. To ensure the quality, consistency and reliability of the Group's products, quality checks are carried out at each production stage to ensure that customers' specifications are strictly adhered to. Only products which fulfill the Group's quality control requirements can be proceeded to the next procedure. The products which are unable to fulfill the technical specifications are taken out by the production staff and placed in an area for further processing.

(3) Finished products quality assurance:

All finished goods are subject to final inspection and approval before packaging and delivery to the Group's customers to ensure that the finished products conform to product quality standards and the specifications prescribed by the customers.

Human resources

Function

The following table shows a breakdown of the employees by function of the Group as at the Latest Practicable Date:

	As at the Latest Practicable Date
Management, administration and accounting	21
Tinplate can workshop	41
Lacquering and printing workshop	22
Sales and marketing	5
Quality assurance	4
	<hr/>
Total	93

Senior management

The senior management of the Group comprises the following members:

Mr. Lin Wu (林武), aged 42, is the general manager of Shanxi Zhanpen and is responsible for the daily operation and supervision of Shanxi Zhanpen. Mr. Lin obtained over 20 years of management experiences in packaging industry. Prior to joining the Group, Mr. Lin was the deputy general manager of 福州威利金屬制品有限公司 (Fuzhou Weili Metalware Company Limited) from 2006 to 2009.

Mr. Chen Gui (陳貴), aged 35, is the administrative manager of Shanxi Zhanpen and is responsible for the administration and human resources in Shanxi Zhanpen since April 2002. Mr. Chen gained over 14 years management experiences in administration and human resources.

Mr. Yao Gen Chen (姚根辰), aged 50, joined the Group in 2005 and is currently the sales manager of Shanxi Zhanpen. He is responsible for the sales management and planning and maintenance of customer relationship of the Group. Mr. Yao has more than 15 years of extensive experience in sales management in packaging industry of Shanxi province.

LETTER FROM THE PROVISIONAL LIQUIDATORS

Mr. Wang Hongjiang (王洪江), aged 33, joined the Group in 2010, is currently the manager of the production department of Shanxi Zhanpen. He is responsible for supervising the production function and quality control of the Group. He has over 14 years of experience in tinplate cans manufacturing industry.

As stated in the section headed “Proposed change of Board composition” in this letter, a new board of Directors will be formed. The new Board will be assisted by the existing management team of the Group in the running of the Group’s business.

Among the proposed Directors, Mr. Wong Tak Wai, Derek, one of the proposed executive Directors, has substantial experience in the overall strategic planning and management in PRC manufacturing business. He has over 15 years of experience in the management and operation of textile and knitting business in the PRC. The other proposed executive Director, Mr. Leung Heung Ying, Alvin was the managing director of Artfield Group Limited (now known as International Resources Enterprise Limited) (stock code: 1229), formerly an industrial group with principal operations and manufacturing plants in the PRC, which principal activity was manufacturing, marketing and trading of clocks and timepieces, gift, premium and other office related products, lighting products and trading of metals with extensive sales network in the United Kingdom, Germany and the USA. He also acted as executive director, vice-chairman and deputy chief executive officer of Espco Technology Holdings Limited (now known as Grand T G Gold Holdings Limited) (stock code: 8299), which principal business was manufacturing, processing, sale and distribution of desktop personal computer components in the PRC, Hong Kong, Macau and Singapore and mining and exploration of gold in the PRC.

One of the proposed independent non-executive Directors, Dr. Lam Andy Siu Wing, JP, was the managing director of an industrial group of company which was principally engaged in direct manufacturing industries investments in Hong Kong and the PRC from 1987 to 1995.

Based on the foresaid, the Company believes that the new board of Directors has sufficient expertise in running the business the Group.

Recruitment and staff training

The Group understands that a harmonious working environment is important to its employees and the Group as it can lift the morale and improve the efficiency of its employees. Therefore, the Group has been treasuring its workforce by exerting more effort on human resources management.

First, recruitment is carried out after detailed discussion among all department heads and senior’s approval. Each of the candidates is interviewed and carefully assessed in respect of their competence and work experiences. Second, for every new factory worker, a full-day orientation training is provided in the presence of senior management so that every new comer can understand the factory’s objective, culture and operation. Furthermore, on-job training will also be delivered, if necessary, to particular factory workers so that their competence and job satisfaction can be maintained. Third, wages payable to the factory workers are determined after the management’s due consideration so that it can reasonably compensate the factory workers and give motivation to them. Periodic appraisal is conducted to assess employees’ performance, identify training needs, motivate employees and ensure employees to work align with the Group’s objectives. In addition, a detailed personnel file is maintained and updated so that the management can easily and timely assessed the employee record for performance appraisal and identification the need and area of staff training.

The Company believes that by implementing the system of recruitment, staff training and performance appraisal, the standard and morale of its employee can be lifted. As at the Latest Practicable Date, the Group had not experienced any material strikes or any material disputes with its workforce which would have any material adverse impact on the Group’s business.

LETTER FROM THE PROVISIONAL LIQUIDATORS

Insurance

The Group's insurance coverage includes composite property insurance for the fixed assets. In addition, the Group also has insurance coverage over most of its employees in the PRC. Such social insurance is provided for the Group's PRC employees working in production base in Shanxi Province as required by the PRC social security regulations. For those PRC employees who have not joined the social insurance, they are either reached the retirement age and Shanxi Zhanpen is not required to make contribution for them under the relevant laws and regulations or they are agreed not to join the social insurance as other companies have already settled the social insurance for them. For the year ended 31 December 2010, Shanxi Zhanpen made a provision for the social benefit. In the opinion of the PRC legal adviser of the Group, the provision would be sufficient to settle the non-contribution. In addition, the PRC legal adviser considered that although Shanxi Zhanpen has not fully paid the social benefit, Shanxi Zhanpen has already properly registered for the social benefit. Therefore, subject to the compliance of relevant rules and regulation, the maximum exposure of Shanxi Zhanpen would be limited to the amount of non-contribution and a penalty of not more than RMB10,000.

According to the information available to the Provisional Liquidators, as at the Latest Practicable Date, the Group had not made nor been the subject of any material insurance claims.

Intellectual property rights

Based on the information available to the Provisional Liquidators, as at the Latest Practicable Date, the Group does not has any intellectual property right save for those as set out below:

Domain name	Registration date	Expiry date
cpackaging.com.hk	22-11-2007	22-11-2011

Trademark	Class	Registration number	Valid until	Products/services covered
	40	300012400	29 April 2013	Tinplate lacquering, metal coating and advisory services relating to the application of coatings to metal

Permits and licenses

Shanxi Zhanpen has obtained a 營業執照 (business license) and a 排放污染物許可證 (Permit for Emission of Pollutant Permit) as required under the applicable environmental protection laws and regulations. Regarding the business operation of Shanxi Zhanpen, it has obtained a 印刷經營許可證 (Permit for Printing Operation) pursuant to the laws and regulations in relation to printing. As at the Latest Practicable Date, all of the above license and permits are valid.

LETTER FROM THE PROVISIONAL LIQUIDATORS

MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis of the operating results and business review of the Company for each of the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011. It should be noted that the auditors disclaimed the final results of the Group for the years ended 31 December 2008, 2009 and 2010. Also, maintenance of management continuity in a provisional liquidation scenario may not be consistent with the duties of the provisional liquidators, although in this situation, the Provisional Liquidators have endeavored to keep the operational management stable. Analyses of the financial performance should therefore be construed in that light, and may be of limited value.

Business review

Trading in the Shares has been suspended since 28 April 2009. Pursuant to a petition seeking the Company's winding up presented by Deutsche Bank Aktiengesellschaft on 8 July 2009, and a subsequent application on 2 October 2009 by DBS Bank (Hong Kong) Limited for a Provisional Liquidation order to be made against the Company, the HK Court appointed Mr. Roderick John Sutton and Mr. Fok Hei Yu to act as provisional liquidators to the Company on the same day. Pursuant to an application of the Company, Messrs Fok Hei Yu and Roderick John Sutton, both of FTI Consulting, and Mr. G. James Cleaver, of Zolfo Cooper, Cayman Islands were appointed joint provisional liquidators of the Company by an order of the Grand court of the Cayman Islands dated 25 March 2010.

To the best knowledge and information of the Provisional Liquidators, since the time of their appointment, the Company is principally engaged in investment holding and the Group is principally engaged in manufacturing and selling tinplate cans business in the PRC. There is no change in the principal business of the Group before and after the Suspension.

The published financial results of the Group are summarised below:

	For the six months		For the year ended 31 December		
	ended 30 June				
	2011	2010	2010	2009	2008
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Group's turnover (<i>RMB'000</i>)	63,529	58,108	124,812	74,066	193,354
Group's gross profit/(loss) (<i>RMB'000</i>)	11,677	9,775	22,895	(5,565)	44,092
Group's gross profit margin	18.4%	16.8%	18.3%	N/A	22.8%
Group's profit/(loss) attributable to the Shareholders (<i>RMB'000</i>)	1,900	1,533	9,247	(8,608)	(902,317)
Group's net profit margin	3.0%	2.6%	7.4%	N/A	N/A

LETTER FROM THE PROVISIONAL LIQUIDATORS

Turnover and gross profit (loss)

For the year ended 31 December 2008

For the year ended 31 December 2008, turnover of the Group was approximately RMB193.35 million and the gross profit of the Group was approximately RMB44.09 million. Results of the Group for this year was affected by the deconsolidation of certain subsidiaries of the Group, which details were set out in the section headed "Introduction" of this letter, and thus only represented the results of the Remaining Group (i.e. the Company, Bloxworth BVI and Shanxi Zhanpen). In view that the control of the Company over certain subsidiaries has been lost subsequent to the year ended 31 December 2008 and in order to present the results and state of affairs of the Group more fairly, the results and assets and liabilities of certain subsidiaries were not consolidated to the financial statements of the Group since 1 January 2008. Gross profit margin of the Group was approximately 22.8% for the year ended 31 December 2008.

For the year ended 31 December 2009

For the year ended 31 December 2009, turnover of the Group decreased by 61.7% from approximately RMB193.35 million in 2008 to approximately RMB74.07 million. Such change was mainly due to decrease in sales volume. Suspension in trading of the Shares since 28 April 2009, legal proceedings against the Company by its creditors and relating adverse publicity in mass media since early 2009 and the subsequent appointment of the Provisional Liquidators on 2 October 2009 had negative impacts on the confidence of customers and employees of the Group which resulted in decrease in sales orders and unstable product quality. The Group recorded a gross loss in the year ended 31 December 2009 (2008: gross profit margin of 22.8%) mainly due to decrease in turnover for the reasons as set out above which failed to cover the fixed cost of production.

For the year ended 31 December 2010

For the year ended 31 December 2010, turnover of the Group increased by 68.5% from approximately RMB74.07 million for the year ended 31 December 2009 to approximately RMB124.81 million. Such an increase was mainly due to gradual regaining confidence of customers and employees over the Group as notwithstanding the appointment of the Provisional Liquidators, the Group was able to operate as usual and fulfill sales orders placed by customers. Gross profit margin of the Group was turned around and increased to 18.3% in 2010 as the increased sales volume was able to cover the fixed production overheads.

For the six months ended 30 June 2011

For the six months ended 30 June 2011, turnover of the Group increased by 9.3% from approximately RMB58.1 million for the six months ended 30 June 2010 to approximately RMB63.5 million. Gross profit increased from RMB9.8 million for the six months ended 30 June 2010 to approximately RMB11.7 million, representing an increase of 19.5%. Such an increase was mainly due to continual recovery of the Group's business as a result of continued gradual increase and recovery of the Group's customers though the Company was still under the control of the Provisional Liquidators.

During the period, the Group also increased its personnel in its sales and marketing department in order to provide better sales services to existing customers and spent more effort in soliciting business from potential customers. Gross profit margin of the Group recorded a slight improvement from 16.8% for the six months ended 30 June 2010 to 18.4% for the six months ended 30 June 2011 as the averaged fixed cost of production per unit decreased with an increase in sales volume.

LETTER FROM THE PROVISIONAL LIQUIDATORS

Profit/Loss attributable to Shareholders

For the year ended 31 December 2008

The Group's consolidated loss attributable to Shareholders for the year ended 31 December 2008 amounted to approximately RMB902.32 million and loss per Share was approximately RMB1.366. The significant net loss in 2008 was mainly due to inclusion of (i) net loss on deconsolidation of subsidiaries, impairment on investment costs and amounts due from deconsolidated subsidiaries of approximately RMB800.40 million in aggregate; (ii) provision for loss on bank loans guarantee for a deconsolidated subsidiary of RMB29 million; and (iii) administrative costs of approximately RMB18.24 million.

In addition, provision amounting to RMB12.4 million represented first installment of the compensation paid to the Villagers' Committee for acquiring the land use right of the Land by Shanxi Zhanpen was made in 2008. As the Provisional Liquidators are of the view that since it is highly uncertain about the conversion the Land and the recoverability of the prepaid deposit, the prepaid deposit of RMB12.4 million was fully impaired in the year ended 31 December 2008. Please refer to page 47 of this Circular for details.

As the Group recorded a net loss in 2008, it had no net profit margin in the year.

For the year ended 31 December 2009

The consolidated loss attributable to Shareholders for the year ended 31 December 2009 was significantly decreased to approximately RMB8.61 million (2008: RMB902.32 million). Loss per Share was approximately RMB0.0133 as compared with loss per Share of approximately RMB1.366 for the year ended 31 December 2008. The significant decrease in the consolidated loss of the Group for the year was because of the Group's loss on deconsolidation of subsidiaries, impairment on investment costs and amounts due from deconsolidated subsidiaries, amounts recovered from deconsolidated subsidiaries was reduced to RMB3.45 million only (2008: RMB800.40 million) and there was no provision for impairment loss on deposit for compensation (2009: RMB12.40 million) and loss on bank loans guarantee for a deconsolidated subsidiary (2009: RMB29 million) in 2009. However, the Group continued to record a net loss in 2009 which was mainly due to the decrease in turnover and the Group's administrative expenses remained at a high level of RMB18.13 million (2008: RMB18.24 million). The drop in turnover rendered the Group being unable to cover the fixed production overheads.

The Group had no net profit margin in 2009, mainly due to the decrease in sales volume in 2009 as a result of the decrease in sales orders and unstable product quality which were caused by the lack of confidence of customers and employees of the Group following suspension in trading of the Shares since 28 April 2009, legal proceedings against the Company by its creditors and relating adverse publicity in mass media since early 2009, and the subsequent appointment of the Provisional Liquidators on 2 October 2009.

LETTER FROM THE PROVISIONAL LIQUIDATORS

For the year ended 31 December 2010

The consolidated profit attributable to the Shareholders amounted to approximately RMB9.25 million for the year ended 31 December 2010 (2009: loss of RMB8.61 million). Basic earnings per Share was approximately RMB0.0141 for the year ended 31 December 2010 (2009: loss per Share RMB0.0133). The Group was able to turn around its results from net loss in 2009 to net profit in 2010 was mainly due to increase in turnover and a significant decrease of administrative costs from approximately RMB18.1 million in 2009 to approximately RMB2.97 million in 2010. Compared with the relatively high level of administrative expenses in 2008 and 2009, the significant decrease of administrative costs in 2010 was mainly due to the results of the following:

- (i) no emolument was paid to all of the Directors since the appointment of Provisional Liquidators at late 2009;
- (ii) as no share options was granted under the Share Option Scheme in 2010, no share base payment was recorded in 2010;
- (iii) the entertainment cost decreased in 2010 primarily due to effective control at the level of Shanxi Zhanpen and the significant reduction of such cost at the Company's level following the appointment of the Provisional Liquidators;
- (iv) the reduction in audit fee to approximately RMB0.43 million in 2010 as compared to approximately RMB2.7 million in 2008 due to the reduction of the scale of the Group;
- (v) the reduction in professional fee to approximately RMB0.7 million in 2010 as compared to approximately RMB1.29 million in 2008 primarily due to the significant reduction of legal, public relation and printing services expenses at the Company's level following the appointment of Provisional Liquidators; and
- (vi) the reduction in the salaries and wages to approximately RMB1.12 million in 2010 as compared to approximately RMB2.2 million in 2008 due to the reduction of staff in other Group companies, in particular the Hong Kong office primarily due to the resignation of staff prior to the appointment of Provisional Liquidators.

Net profit margin of the Group was turned around and at 7.4% in 2010 as:

- (i) the increased turnover was able to cover the fixed production overheads;
- (ii) Shanxi Zhanpen was able to transfer the increased cost of raw materials to customers; and
- (iii) significant decrease in administrative expenses during the year due to the reasons as stated above.

LETTER FROM THE PROVISIONAL LIQUIDATORS

For the six months ended 30 June 2011

The unaudited consolidated profit attributable to the Shareholders amounted to approximately RMB1.90 million for the six months ended 30 June 2011 (2010: RMB1.53 million), representing an increase of 24.2%. Basic earnings per Share was approximately RMB0.0029 for the six months ended 30 June 2011 (2010: RMB0.0023), representing an increase of 26.1%. The Group was able to improve its results mainly due to continual increase in turnover as a result of continued gradual increase and recovery of the Group's customers though the Company is still under the control of the Provisional Liquidators. During the period, the Group also increased its personnel in its sales and marketing department in order to provide better sales services to existing customers and spent more effort in soliciting business from potential customers. The Group's administrative expenses continued to be maintained at an insignificant level, whilst the restructuring costs were comparatively significant at approximately RMB2.7 million for the six months ended 30 June 2011 (2010: approximately RMB3.1 million). Net profit margin of the Group was 3.0% for the six months ended 30 June 2011 (2010: 2.6%). The finance cost of approximately RMB3.3 million for the six months 30 June 2011 is relating to the Restructuring and will be settled by the Schemes. If this cost is excluded, the profit for the six months ended 30 June 2011 would be approximately RMB5.2 million.

Inventories, liquidity, financial resources and funding

For the years ended 31 December 2008, 2009 and 2010 and six months ended 30 June 2011

Bank balances and cash including, unused balance of escrow money from the Investors of the Group were approximately RMB46.95 million, RMB4.81 million, RMB3.54 million and RMB4.07 million as at 31 December 2008, 31 December 2009, 31 December 2010 and 30 June 2011 respectively.

Closing inventories were approximately RMB4.34 million, RMB3.56 million, RMB3.17 million and RMB3.7 million as at 31 December 2008, 31 December 2009, 31 December 2010 and 30 June 2011 respectively.

The Group's gearing ratio measured on the basis of the Group's total bank borrowings relative to the shareholders' funds is not applicable as the Group had shareholders' deficits as at 31 December 2008, 31 December 2009, 31 December 2010 and 30 June 2011 respectively.

Major customers and suppliers

For the years ended 31 December 2008, 2009 and 2010 and six months ended 30 June 2011

The Group's customers are primarily from the beverage industry which are mainly located in Shanxi (山西), Shaanxi (陝西) and Henan (河南) provinces, the PRC. The top five customers were/are located in Shanxi, Shaanxi and Henan provinces, the PRC. For the three years ended 31 December 2010 and the six months ended 30 June 2011, total sales to top five customers of the Group amounted to approximately 37.2%, 31.6%, 49.8% and 62.14% of the Group's total turnover for each year/period, respectively. In particular, sales to the largest customer of the Group accounted for approximately 8.8%, 7.5%, 11.5% and 14.29% of the Group's total turnover for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, respectively.

LETTER FROM THE PROVISIONAL LIQUIDATORS

The Group's major suppliers supply tinplate, the major raw material component of tinplate can products, to the Group. All of the Group's tinplate are sourced in the PRC. Purchases from the five largest suppliers of the Group accounted for approximately 78.2%, 76.3%, 83.7% and 93.71% of the Group's total purchase for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 respectively. In particular, purchases from the Group's largest supplier accounted for approximately 25.4%, 31.3%, 24.2% and 67.77% of the Group's total purchases for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 respectively.

None of the directors, their associates and any shareholders of the Company (which to the knowledge of the Provisional Liquidators own more than 5% of the Company's share capital) had any interest in the major customers and suppliers of the Company.

Human resources

As at 31 December 2010 and 30 June 2011, the Group maintained same number of employees of 93 who were situated mainly in the PRC and Hong Kong. The Group's remuneration policies are formulated based on industry practices and performance of individual employees. Periodic appraisal is conducted to assess employees' performance, identify training needs, motivate employees and ensure employees to work align with the Group's objectives.

The Group's subsidiary in the PRC participates in a defined contribution retirement scheme organized by the PRC municipal government whereas the Group's staff in Hong Kong participates in mandatory provident fund scheme as required by the relevant rules and regulations in Hong Kong.

Other Information

Dividend

For the years ended 31 December 2008, 2009 and 2010 and six months ended 30 June 2011

There was no payment of any dividend for each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011.

Foreign exchange exposure

For the years ended 31 December 2008, 2009 and 2010 and six months ended 30 June 2011

The Group did not enter into any foreign currency hedging contract in respect of its foreign currency assets and liabilities for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011.

As most of the Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi, the Group has minimal exposure to foreign currency risks.

The Group currently does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities as the Company under provisional liquidation cannot incur liabilities resultant from hedging.

LETTER FROM THE PROVISIONAL LIQUIDATORS

Material acquisitions and disposals

For the years ended 31 December 2008, 2009 and 2010 and six months ended 30 June 2011

Based on published information and save for the disposal of each of the entire issued share capital of Bloxworth HK, Chinawinner Enterprises Limited and Chinawinner Enterprises (HK) Limited at a nominal consideration of HK\$3 in aggregate to Sino Gather, which is a special purpose vehicle controlled by Mr. Fok Hei Yu, one of the Provisional Liquidators, on 23 March 2010 for furtherance of the Restructuring Proposal (details of which were set out in the announcement of the Company dated 23 March 2010), the Group had not entered into any material acquisitions or disposals during the three years ended 31 December 2010 and the six months ended 30 June 2011.

PROSPECT AND FUTURE PLAN

Prospect

The Provisional Liquidators, the Investors and the proposed Directors believe that with the continuous support provided by the Investors, mainly in the form of working capital for the normal and daily operating expenses of the Group, the Group has been able to improve its manufacturing and selling tinplate cans business in upcoming financial years after the resumption of trading in the shares of the Company on the Stock Exchange.

Having considered the effects brought by (i) the successful implementation of the Restructuring Agreement; and (ii) the resumption of trading in the Shares on the Stock Exchange, the Investors, the proposed Directors and the Provisional Liquidators are of the view that the financial position of the Group will be substantially improved. The Investors, the proposed Directors and the Provisional Liquidators anticipate all existing liabilities owed to the creditors whose claims will be dealt under the Schemes and the creditors of its subsidiaries holding guarantees given by the Company will be compromised and discharged through the Schemes. Based on (i) the persistent growth of the PRC economy over the years and the historical trend of continuous growth in both beverage and tinplate can production industry; and (ii) the improved financial position upon the Completion, as illustrated in the unaudited pro forma statement of position of the Group as set out in Appendix IV to this circular, the Investors are optimistic about the future prospect of the Group.

Proposed Directors' intention

The proposed Directors intend to maintain the existing manufacturing and selling tinplate cans business for the Group for a period of at least one year after resumption of trading of the Shares. They do not have any intention to dispose of any of the material assets of the Group.

Business development plan

Having gone through those years of turbulence in 2009 and 2010 with the appointment of the Provisional Liquidators, the Company considers that its priority in 2011 as well as the next few years is building up customers' confidence and consolidation of its existing manufacture and sale of tinplate cans business. As such, the objective of the Group is to develop its tinplate cans manufacturing business and provide quality products to its PRC customers by organic growth and through market penetration. In view of the persistent growth in the food and beverage industry and consumption of canned beverages in the PRC as illustrated in the section "Industry Overview" of this letter, the Company believes that the demand for canned beverage products is expected to continue to increase.

LETTER FROM THE PROVISIONAL LIQUIDATORS

The Group intends to consolidate its position in the PRC. In view of that, the Group aims to achieve the goals by implementing the following strategies:

(i) Continue to strengthen relationship with the existing customers and acquire new customers

The Group will continue fostering business relationships with existing and potential customers. While solidifying its existing customer relationships, the Group aims to further strengthen and develop the customer base by (i) integrating available resources within and outside the Group; and (ii) leveraging the specialized capacities of the Group in production technology and product design. As for the key products of the Group, including three-piece beverage cans, the Group plans to strategically develop new medium-sized beverage customers. Meanwhile, the Group plans to develop marketing efforts which may involve building up a brand new website, launch marketing campaign in industry related websites and publications and producing marketing materials and corporate brochure to attract large and medium-sized customers and to cultivate smaller high-end customers.

(ii) Expand sales and marketing team

To improve utilization percentage of the Group's production capacity, the Group intends to focus on further utilizing the existing spare production capacity by focusing on expansion of client base through strengthening its sales and marketing team, advertisement in industry related websites, participating in major packaging exhibitions, visiting major food and beverage exhibitions; and enhancement of corporate image (setting up website and printing of corporate brochure). Hence, the Group plans to expand its sales team in order to cope with the expected increase in demand of tinplate cans.

(iii) Investment/maintenance in existing production facilities

While keeping the focus on three-piece beverage cans, the Group also intends to utilize its product development capability to improve product safety and quality. The Group plans to incur capital investment for the year ending 31 December 2011 in moulding equipment, tinplate cutting equipment and tin printing equipment for replacement of certain parts and components of existing machinery so as to ensure product quality and maintain production efficiency.

(iv) Enhance production efficiency and reduce costs

In order to improve production efficiency and reduce costs, the Group will continue to adopt measures such as leveraging technological improvement in the production processes and enhancing management reviews to reduce energy consumption and raw material cost.

(v) Engagement of industry experts to cope with technological changes

As the Group does not maintain its research and development team, the Group will engage industry experts and consultants to provide technical support whenever necessary so that the Group can cope with technological changes in the can making industry and upgrade its production facilities and improve its work process.

LETTER FROM THE PROVISIONAL LIQUIDATORS

USE OF PROCEEDS FROM THE SUBSCRIPTION

The Company will receive gross proceeds from the subscription of Subscription Shares, the Preference Shares and the Convertible Notes of HK\$27.6 million, HK\$62.4 million and HK\$18.0 million respectively, totalling HK\$108 million, payable from the Investors in the Relevant Ratio.

It is expected that:

- (i) HK\$62.0 million of the gross proceeds will be made available for distribution to the Scheme Creditors;
- (ii) approximately HK\$17 million will be used to set off against the Fee Advancement to the Company advanced by the Investors under the Exclusivity and Escrow Agreement; and
- (iii) the remaining balance of approximately HK\$29 million, after netting off any additional amounts advanced by the Investors to the Group as working capital under the Facility, will be applied towards the working capital requirements of the Group.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RESTRUCTURED GROUP

The unaudited pro forma financial information of the Group is set out in Appendix IV to this circular. Taking into account the financial effects of:

- (i) the Capital Reorganisation;
- (ii) the Subscription;
- (iii) the issue of the Options; and
- (iv) the Bonus Issue.

the unaudited pro forma total assets value and net assets value of the Group were approximately RMB143.6 million and RMB128.1 million respectively as if Completion had taken place on 31 December 2010.

FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company did not carry out any rights issue, open offer or other issue of equity securities for fund raising purpose or otherwise within the past 12 months immediately prior to the date of this circular.

LETTER FROM THE PROVISIONAL LIQUIDATORS

SHAREHOLDING STRUCTURE OF THE GROUP

The shareholding structures of the Company immediately before and after Completion are set out below:

	As at the Latest Practicable Date and before the Capital Reorganisation		Upon completion of the Capital Reorganisation		After Capital Reorganisation, Bonus Issue and immediately following completion of the subscription of the Subscription Shares		<i>(For illustrative purpose only)</i> After Capital Reorganisation, Bonus Issue, immediately following completion of the subscription of the Subscription Shares, conversion of the Preference Shares and the Convertible Notes in full and exercise of the Options in full <i>(Notes 3 and 4)</i>		<i>(For illustrative purpose only)</i> After Capital Reorganisation, Bonus Issue, immediately following completion of the subscription of the Subscription Shares, conversion of the Preference Shares and the Convertible Notes in full and exercise of the Put Options and the Options in full <i>(Notes 4 and 5)</i>	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
The Investors										
New Shares issued pursuant to the subscription of Subscription Shares	-	-	-	-	230,000,000	73.43	230,000,000	22.13	230,000,000	22.13
New Shares issued upon conversion of Preference Shares in full	-	-	-	-	-	-	520,000,000	50.04	520,000,000	50.04
New Shares issued upon conversion of Convertible Notes in full	-	-	-	-	-	-	150,000,000	14.43	150,000,000	14.43
New Shares issued upon exercise of the Put Options and the Options in full <i>(Note 2)</i>	-	-	-	-	-	-	-	-	56,000,000	5.40
Subtotal	-	-	-	-	230,000,000	73.43	900,000,000	86.60	956,000,000	92.0
Existing Shareholders										
Fu Teng Global Limited <i>(Note 1)</i>	236,610,000	36.01	29,576,250	36.01	29,960,741	9.57	29,960,741	2.88	29,960,741	2.88
Existing public shareholders	420,511,081	63.99	52,563,885	63.99	53,247,216	17.00	53,247,216	5.12	53,247,216	5.12
New Shareholders										
New Shares issued upon exercise of the Options in full <i>(Note 2)</i>	-	-	-	-	-	-	56,000,000	5.40	-	-
Total	657,121,081	100.00	82,140,135	100.00	313,207,957	100.00	1,039,207,957	100.00	1,039,207,957	100.00

LETTER FROM THE PROVISIONAL LIQUIDATORS

Notes:

1. Fu Teng Global Limited is a company wholly owned by Mr. Yang Zhongwang, the former Chairman and chief executive officer of the Company. The shareholding percentage of Fu Teng Global Limited in the Company will be diluted to less than 10% and Fu Teng Global Limited will become a public shareholder immediately following the completion of the subscription of the subscription Shares by the Investors.
2. 56,000,000 Options will be granted to the Scheme Administrators for the benefit of Scheme Creditors for partial settlement of the indebtedness under the Schemes.
3. Pursuant to the Restructuring Agreement, the Investors irrevocably agreed to grant the Put Options to the Scheme Administrators which entitle the Scheme Creditors the rights, but not the obligation, to require the purchase of the Options by the Investors upon and subject to the terms and conditions contained in the Put Option Deed. The above calculation illustrates the effect on the shareholding structures of the Company with the assumption that the Put Options are not exercised and the 56,000,000 New Shares are held by Shareholders other than the Investors.
4. This scenario illustrates the effect on the shareholding structures of the Company upon the full conversion of the Preference Shares and Convertible Notes by the Investors. However, according to the terms of the Convertible Notes and the Preference Shares, no conversion is allowed if the Company cannot maintain its public float after such conversion. As such, this scenario is for illustrative purpose only.
5. Pursuant to the Restructuring Agreement, the Investors irrevocably agreed to grant the Put Options to the Scheme Administrators which entitle the Scheme Creditors the rights, but not the obligation, to require the purchase of the Options by the Investors upon and subject to the terms and conditions contained in the Put Option Deed. This scenario illustrates the effect on the shareholding structures of the Company by assuming that the Put Options are exercised and the 56,000,000 New Shares are held by the Investors.

As aforementioned, the Group had consolidated net current liabilities and consolidated net liabilities of approximately RMB170.13 million and RMB109.01 million respectively as at 30 June 2011; while its total bank balances and cash, including unused balance of escrow money advanced by the Investors, amounted to RMB4.07 million as at the same date. The Group had audited consolidated net current liabilities and consolidated net liabilities of approximately RMB173.95 million and RMB110.91 million respectively as at 31 December 2010; while its total bank balances and cash amounted to RMB2.65 million as at the same date.

On 8 July 2009, a winding up petition was served by Deutsche Bank Aktiengesellschaft on the Company. Subsequently on 2 October 2009, DBS Bank (Hong Kong) Limited filed an application with the HK Court for the appointment of provisional liquidators to the Company and the HK Court appointed the Provisional Liquidators to the Company in Hong Kong. The Provisional Liquidators consider that the Group shall be unable to repay all of its existing outstanding indebtedness in the absence of the Restructuring Agreement. Should the creditors of the Company continue to take legal action against the Company for recovery of the amounts due and the Company thus be forced to wind up, Shareholders would only be entitled to the residual assets after realisation of the existing assets of the Group and distributions being made to the Scheme Creditors. In this regard, the Provisional Liquidators expect that there will not be any residual assets available for distribution to the Shareholders based on the existing net liabilities position and debt level of the Group and the Shareholders will have to write-off their investment in the Company.

LETTER FROM THE PROVISIONAL LIQUIDATORS

On the contrary, the Provisional Liquidators, the proposed directors of the Company and the Investors consider the financial position of the Group would likely to be substantially improved upon completion of the Restructuring Agreement as all claims against the Company shall be compromised, discharged and/or settled and the Group's net liabilities would improve to net assets upon Completion. The Provisional Liquidators, the proposed Directors and the Investors therefore consider that notwithstanding the dilution effect of the Subscription, the terms of the Restructuring Agreement including the Subscription is in the best interests of the Shareholders.

LISTING AND DEALINGS

The New Shares will be identical in all respects and rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid. Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second business day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

POSTING OF NEW SHARE CERTIFICATES OF THE NEW SHARES

Subject to completion of the Capital Reorganisation, the Company will post the new share certificates in pink colour for the New Shares, which include the New Shares consolidated from the Consolidated Shares, to the Shareholders at its expenses on or before Thursday, 27 October 2011.

Existing share certificates of the Shares, which are light grey in colour, will be void automatically upon despatch of the new share certificates.

CHANGE IN BOARD LOT AND ARRANGEMENT ON ODD LOT TRADING

The board lot size of the New Shares will be changed from 2,000 New Shares to 20,000 New Shares. In order to alleviate the difficulties arising from the existence of odd lots of New Shares, the Company will appoint an agent to provide matching services for the sale and purchase of odd lots of New Shares arising from the Capital Consolidation and change in the board lot size. Further announcement will be made when such arrangement is in place.

POSSIBLE ADJUSTMENT TO THE SHARE OPTIONS

As at the Latest Practicable Date, the Company had 11.3 million outstanding share options granted under its Share Option Scheme. The completion of the Capital Reorganisation may lead to adjustments to the subscription price and/or the number of Shares to be issued upon exercise of the outstanding share options granted under the Share Option Scheme. The Company will notify the holders of the share options and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms of the Share Option Scheme and Rule 17.03(13) of the Listing Rules and such adjustment will be reviewed and certified by the independent financial adviser or auditors of the Company (as the case may be).

LETTER FROM THE PROVISIONAL LIQUIDATORS

RISK FACTORS

Investing in the shares of the Company involves certain risks. Shareholders and potential investors should carefully consider each of the risks described below and all of the other information contained in this circular, including the Accountants' Report included in Appendix I to this circular, before deciding to make any investment relating to the Company's shares. Shareholders and potential investors should pay particular attention to the fact that the Group's principal operating subsidiary, Shanxi Zhanpen, and its business is located exclusively in the PRC, and Shanxi Zhanpen is governed by a legal and regulatory environment that in some respects differs significantly from that in other countries.

If any of the following risks occur, the Group's business, financial condition and results of operations could be materially and adversely affected. In that case, the trading price of the shares of the Company could decline and your investment in the Company, if any, could be adversely affected.

The Company believes that there are certain risks and uncertainties involved in its operations, some of which are beyond the Company's control. The Company has categorized these risks and uncertainties into:

- (i) risks relating to the Group's business;
- (ii) risks relating to the industry in which we operate;
- (iii) risks relating to business operations in the PRC; and
- (iv) other risks.

(i) **Risks relating to the Group's business**

The Group maintains limited insurance coverage which may not cover the Group's operations and losses

The Group does not maintain any business interruption insurance or environmental damage insurance. The Group cannot assure that in the course of its operations, it will not experience any major accidents which may cause significant property damage and personal injuries. The occurrence of any such accidents and the consequential losses may not be adequately covered, or at all, by its insurance policies. Losses incurred or payments the Group may be required to make, may have a material adverse effect on its financial condition. The Group has arranged insurance over its property, plant and machinery and will assess the risk faced by it from time to time in order to cope with this risk.

Potential product liability

As mentioned above, the Group only maintains limited insurance coverage which does not include any insurance against product liability. In addition, the Group may not be able to effect an insurance policy to cover all the risk exposures in connection with product liability on commercially reasonable terms. If the products manufactured and sold by the Group contain defects or errors, the Group may incur additional costs in correcting the defects or defending any legal proceedings and claims brought by its customers against the Group for damages. It may also affect the Group's relationship with such customers and result in negative publicity which may adversely affect the reputation of the Group. Therefore the Group is subject to a risk for being be against by any product liability claims. In order to minimize the risk faced by the Group in this area, the Group has adopted quality control procedures to ensure the quality of its products are up to standard before delivering them to customers.

LETTER FROM THE PROVISIONAL LIQUIDATORS

Lack of long-term purchase orders or commitments from customers

The Group's customers have not provided the Group with, and are not obliged to provide the Group with, any long-term purchase orders or commitments, nor are they obliged to purchase any minimum amount of the Group's products. At the beginning of each year, customers will enter into non-legally binding contracts with the Group stating the intended orders to be placed in a year. Purchase orders are placed by these customers with reference to the aforesaid contracts and according to their actual production plan and needs.

The Group does not have long-term purchase orders or commitments to protect it from the impact of a reduction in the demand for its products, which may result from a general economic downturn, changes in the food and beverage industry, the entry of new competitors into the market, the introduction of new technology, an unanticipated shift in the needs of its customers, etc. The Company cannot assure the number of orders placed by its customers in the future. If the orders placed by the Group's customers are reduced, there could be a material adverse effect on the Group's business, financial condition and results of operations. The Group's sales and marketing department will monitor customers' orders closely to detect any material change in customer demand/needs so that the Group can react swiftly.

Reliance on major suppliers

For the three years ended 31 December 2010 and the six months ended 30 June 2011, the Group's purchases from its top five suppliers represented approximately 78.2%, 76.3%, 83.7% and 93.7% of the Group's total cost of sales respectively, of which the largest supplier of the Group accounted for approximately 25.4%, 31.3%, 24.2% and 67.8% respectively of the Group's total cost of sales. The Group has not entered into any long-term procurement contracts with its top five suppliers and should these suppliers cease to supply raw materials within a short period of time, the Group's business and profitability may be adversely affected. As the Group has established years long stable relationships with majority of its suppliers and there are other suppliers in the market supplying the raw materials required by the Group, the Company will be to locate replacement suppliers within a short period of time.

Environmental regulations and enforcement

The Group's tinplate cans manufacturing operation is subject to environmental protection laws and regulations in the PRC. The Group's existing production plants have implemented certain facilities to control its pollutant emissions and to oversee compliance with the PRC environmental regulations. The PRC government may, however, take additional steps towards more rigorous enforcement of applicable laws and the adoption of more stringent environmental standards. If the PRC national or local authorities enact additional regulations or enforce current or new regulations in a more rigorous manner, the Group may be required to incur additional compliance costs, which could have an adverse impact on the Group's financial condition. The Group will review its facilities if there is any change in environment protection regulations so that its facilities can meet with the relevant requirements from time to time.

LETTER FROM THE PROVISIONAL LIQUIDATORS

The Group may not obtain the approval for its applications to the land use right certificate and building ownership certificates for its certain production facilities and hence may not be able to continue to occupy and use this current production facilities

Part of the Group's production facilities in Shanxi Province is situated on the Land, which is collectively-owned land owned by a villagers' committee, and part of the production facilities are leased from Shanxi Yiying. The Group has not obtained valid building ownership certificates of the production facilities erected on the Land. According to the PRC legal opinion obtained, the Group is the legal owner of the buildings and structures erected on the Land and upon obtaining the granted land use rights of the Land, Shanxi Zhanpen is eligible to apply for title certificate.

Although the Group has paid a deposit for acquiring the land, there is no assurance that the land use right will be granted to the Group by the relevant PRC government authorities and the Group can obtain the building ownership certificates subsequently. As Shanxi Zhanpen can only submit documents for application of the Building Ownership Certificate after obtaining the land use right, which however, according to the estimation of the villagers' committee, cannot be completed in the next two years, it is premature for the Company or its PRC legal adviser to opine/confirm now whether the Group can submit the necessary document in future especially in view of the changing rules and regulations in the PRC. However, to cater for this risk, the Group has entered into a long term lease with its landlord for a term of 5 years, which will expire in July 2016. In view that the Group has also entered into a long term lease of 5 years for the lease of certain production plants and facilities, if the Group cannot obtain the land use right for the Land or building ownership certificates for its certain production facilities, the Group can continue and maintain its operation with the leased production plants and facilities.

Reliance on leased properties in the course of business

Certain properties occupied by the Group in its course of business include production plants, production lines and warehouses situated at the PRC are leased by the Group from third parties for a term of five years. If the tenancies are not renewed for any reason upon their expiry, the Group may need to seek other premises to continue its operations. There is a possibility that the terms offered by other landlords may be less favourable than the existing terms and extra cost may be incurred. In addition, if the production plants were moved to a less convenient place due to its location or logistic arrangement, extra transportation cost may also be incurred. In such case, the operation of the Group may be adversely affected. However, to cater for this risk, the Group has entered into a long term lease with its landlord for a term of 5 years, which will expire in July 2016.

LETTER FROM THE PROVISIONAL LIQUIDATORS

The Group heavily relies on a single production base in Shanxi Province, the PRC. Any disruption to the Group's production at such production base could materially and adversely affect its business, financial condition and results of operations

The Group manufactures its products at a single production base in Shanxi Province, the PRC. The Group heavily relies on such production base. For the three years ended 31 December 2010 and the six months ended 30 June 2011, all sales of the Group's products were manufactured at its production base in Shanxi Province. Natural or other causes, such as floods, fires, earthquakes and typhoons, may cause significant damage to the Group's production base in Shanxi Province, which could be costly and time consuming to reinstate and could disrupt the Group's operations. The Group may incur additional costs and may experience a disruption in the supply of products until appropriate production facilities become available and operational. Any disruption in the Group's production could have an adverse impact on its ability to produce sufficient quantities of its products, which in turn could impair its ability to meet the demand of its customers. In such cases, the Group's business, financial condition and results of operations could be materially and adversely affected.

The Group does not hold large amount of inventory and may not meet the production deadline in the event of loss, damage or theft of its raw materials, semi-finished goods and finished goods

As most of the raw materials and components for the Group's products are sourced according to customers' confirmed orders, in the event that the relevant raw materials, semi-finished goods or finished goods are lost, stolen or damaged while being stored at its storage facilities, the Group may not be able to secure replacement to meet the production deadlines of its customers' orders. This may in turn adversely affect the Group's reputation, business, financial condition and results of operations. To cope with this risk, the Group has maintained an insurance over its inventory.

Potential impact of power supply shortage

Since the Group's production base in Shanxi Province highly relies on the machinery, which in turn relies on an adequate and stable supply of electricity. A power surge or outage could disrupt or even result in the halt of the Group's production process which may adversely affect the Group's production, in quantity or quality. As a result, the power surge or outage may also lead to a limit or delay of the Group's production and as a result the claim by its customers which would have an adverse impact on the Group's profitability.

Sustainability of the Group's profitability in the future

The Group's revenue and net profit margin fluctuated during the three years ended 31 December 2010 which was primarily attributable to adverse publicity of the Group in mass media since early 2009 and gradual regaining confidence of the customers on the Group in 2010. For the year ended 31 December 2010 and the six months ended 30 June 2011, the Group's gross profit margin maintained at around 18.4%. The sustainability of the Group's profitability in the future depends on various factors including the cost of its raw materials and its sales performance. In addition, the expansion of the Group's business has, and will continue to, put pressure on its managerial, technical, financial, production, operational and other resources. Therefore, there is no assurance of the sustainability of the Group's profitability in the future and if the Group is unable to effectively manage its expanding operations and controls over increasing costs, its profitability may be adversely affected.

LETTER FROM THE PROVISIONAL LIQUIDATORS

The Group's business development plan may not be materialised or successful

The future performance and the prospect of the Group, to certain extent, depend on the materialisation and succeed of the Group's business strategies, particularly those set out in the sub-section headed "Business development plan" in the section headed "Prospect and future plan" on page 65 of this circular. Nevertheless, the implementation of such strategies will incur certain amount of resources investment. There can be no assurance that those strategies will eventually be materialised or the implementation thereof will be successful. Failure to implement the development plan or the results thereof are unsatisfactory, the Group's business and results may be materially and adversely affected.

No assurance to declare future dividends

For each of the three years ended 31 December 2010, no dividends had been declared by the Company due to the accumulated loss of the Group. Although the Group's business has been improving and reserve of the Group will become positive after the Completion, there is no assurance that the Company will declare any dividend payment to the Shareholders in the future.

Payment terms

Currently, the Group generally allows an average credit period of 90 days to 120 days, depending on the past payment history and the length of business relationship with the relevant customers. New customers are usually required to pay deposit on the purchase price in cash. As at 31 December 2010 and 30 June 2011, trade receivables of the Group amounted to approximately RMB48.8 million and RMB55.5 million. The Group's future revenue, working capital and cashflow position may be adversely affected if its customers fail to settle and/or delay in making their payments. The Group conducts periodical review of the creditability of its customers and the payment status of its accounts receivables in order to control the risk to the Group in this regard.

Technological changes

Tinplate cans are improved and enhanced from time to time and new industry standards are being introduced continuously. The development of new technologies and introduction of new industry standards may render the Group's existing products and services obsolete. The Group's prospect may be adversely affected if it is unable to keep pace with the technological advances in a timely and cost-efficient manner by improving and enhancing its existing products and services and by introducing new products and services embodying the latest technologies.

(ii) Risks Relating to the industry in which the Group operates

The Group operates in a competitive industry

The barriers of entry to tinplate can manufacturing are relatively low as advanced technology and substantial capital investment are not necessary. Accordingly, it is considered that the Group faces competition from other can manufacturers in the PRC with similar or even larger production capacities and similar lines of services. The Group mainly competes with such tinplate can manufacturers on price and quality. There is no assurance that the competition within the industry will not further intensify which could result in price reduction, diminution of market share of the Group and an adverse impact on the profitability of the Group's business. Further, there is no assurance that the Group will be able to adapt to the changing market environment in a timely and adequately manner to keep up with competition in the industry.

LETTER FROM THE PROVISIONAL LIQUIDATORS

The Group's industry does not has a very high entry barrier

The industry in which the Group operates does not have a very high entry barrier, nor is there any heavy capital requirement or advanced technology for new competitors to participate in the relevant business. There may be change in the number of competitors in the industry which can manufacture tinplate cans for food and beverage with comparable or better quality or with lower pricing than that of the Group. If there is a significant increase in the number of competitors which leads to an intense competition, the Group's profitability could be adversely affected.

The Group's business may be affected by the outbreaks and recurrence of epidemics, natural disasters, acts of war, terrorist acts, political unrest and other events which are beyond the Group's control

Certain countries have experienced epidemics such as the severe acute respiratory syndrome, avian influenza and natural disasters such as fire, floods, droughts and earthquakes, which have had an adverse impact on the economies of the affected countries which in turn affect the business of the Group and its customers.

Where there is an outbreak or a recurrence of epidemics or natural disaster in any country, acts of war, terrorist acts, political unrest and other events which are beyond the control of the Group, this may result in the disruption to the business of the Group or its customers, which may also in turn adversely affect the Group's operations and financial results.

The Group may incur additional costs to comply with the more stringent laws and regulations as a result of the changes in existing PRC food safety laws, which may adversely affect the Group's operation and result

Manufacturers within the beverage industry in China are subject to compliance with PRC food safety laws and regulations. Such requirement of hygiene standards not only applicable to food and food additives but also extends to food packaging and containers. Failing to comply may result in legal liabilities such as warnings, fines, damages, or even criminal liabilities for serious violation. In the event that the PRC government increases the stringency of such laws, the Group's production may be affected and its result may also be affected adversely. Additional cost may also be incurred in order to comply with such stringent requirements. To cope with this risk, the Group has adopted quality control procedures to monitor the quality of its products before delivering them to customers.

Statistics

Facts and statistics in relation to the industry in this circular are derived from available publications. Although steps have been taken to ensure that the facts and statistics presented are accurately reproduced from their respective sources, they have not been independently verified by the Company and, therefore, the Company makes no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside Hong Kong. Due to the use of different collection methods and other problems, the statistics in this circular may be inaccurate or may not be comparable between themselves or to statistics produced for other economies, and therefore should not be unduly relied upon. There can be 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.

LETTER FROM THE PROVISIONAL LIQUIDATORS

(iii) Risks relating to business operations in the PRC

The industry is subject to economic and market conditions in the PRC

The Group's business depends substantially on economic and market conditions in the PRC. Slowing economic growth or a recession could have a material adverse effect on the business, financial condition and results of operations of the Group as well as affecting its expansion strategies. Periods of relatively slow economic growth, a recession or public perception that a slowdown or recession may occur, may decrease the demand for the products of the Group, thereby adversely affecting its sales and profitability. For example, during periods of slowing growth or recession, consumer spending power may drop as they are less willing to spend money. As the Group's products are ultimately sold to consumers in the retail market, a drop in consumer spending power could lead to a drop in the amount of purchases from its customers and, in turn, adversely affect the demand of its products thereby adversely affecting the results of operations and financial conditions of the Group.

Political and economic, political and social environment

Since the Group derives substantially all of its revenue from the wine distribution in the PRC and it also carries out other business operations, mainly production of tinplate cans, in the PRC, the Group's results of operations and prospects are subject, to a significant degree, to the economic, political and social conditions in the PRC. The economy of the PRC differs from the economies of most other developed countries in many aspects, including but not limited to:

- the extent of government involvement
- the growth rate of gross domestic product
- control of foreign control

The PRC is in the process of transforming its economy from a planned economy into a more market-oriented economy. Though the PRC government has implemented economic reform measures to emphasise the market forces, there is no assurance that the PRC government will continue to pursue a policy of economic reform or that the direction of reform will continue to be market-oriented. If the Group is unable to capitalise on the reform measures and the changes in economic, political and social conditions as a result of the reform measures, the Group's business operation and prospect may be adversely affected. In addition, although the economy in the PRC has grown significantly in recent years, there can be no assurance that such growth will continue in the future.

PRC legal system

Unlike the legal system in Hong Kong and most other countries, the PRC legal system is based on statutory law and prior court decisions which does not have any binding precedential effect. Although the PRC government has been developing a comprehensive legal system of commercial laws and has been promulgating rules and regulations concerning the economic matters such as corporate governance, commerce and trade, such legal system and rules and regulations are relatively new. As the volume of published cases is limited, there may be uncertainty in relation to the judicial interpretations and enforcements of such laws and regulations.

LETTER FROM THE PROVISIONAL LIQUIDATORS

Labour costs of the Group may increase for reasons such as the implementation of the Labour Contract Law of the PRC

The Labour Contract Law of the PRC (中華人民共和國勞動合同法) (the “**Labour Law**”) which became effective on 1 January 2008 in the PRC, has imposed more stringent requirements on employers in relation to entry into fixed term employment contracts and dismissal of employees. Under the Labour Law, when the term of their employment contract expires, the employer is required to make severance payment to fixed-term contract employees unless the employee does not agree to renew the contract even though the conditions offered by the employer for renewal are the same as or are better than those stipulated in the current employment contract. Such severance payment is generally equal to the monthly wage of the employee multiplied by the number of full years that the employee has worked for the employer. In addition, a requirement of minimum wage has also been incorporated into the Labour Law.

Under the “Regulations on Paid Annual Leave for Employees” (職工帶薪年休假條例) (the “**Regulation**”), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to a paid vacation ranging from 5 to 15 days, depending on the length of the employees’ work time. Employers should compensate their employees who consent the request by their employer to waive their vacation at an amount equal to three times their normal daily salaries for each vacation day being waived. As a result, the Group’s labour costs may increase.

Furthermore, under the Labour Law, when the Group terminates its PRC employees’ employment, it may be required to make a compensation to such employees based on their length of service. If the Group decides to significantly change or decrease the Group’s workforce, the Labour Law may adversely affect the Group’s ability to effect these changes cost-effectively, which may result in adverse impact to the Group’s business, operations or profitability.

(iv) **Other Risks**

Any disruption to the Group’s production at such production base could materially and adversely affect its business, financial condition and results of operations.

The Group’s operations are subject to uncertainties and contingencies beyond the management’s control that could result in material disruptions and adversely affect the Group’s results of operations. Natural or other causes, such as floods, fires, earthquakes and typhoons, may cause significant damage to the Group’s production base, which could be costly and time consuming to reinstate and could disrupt the Group’s operations. The Group may incur additional costs and may experience a disruption in the supply of products until appropriate production facilities become available and operational. Any disruption or delay in the Group’s production could have an adverse impact on its ability to produce sufficient quantities of its products, which in turn could impair its ability to meet the demand of its customers. In such cases, the Group’s business, financial condition and results of operations could be materially and adversely affected.

LETTER FROM THE PROVISIONAL LIQUIDATORS

RELATING LAWS AND REGULATIONS IN THE PRC

Set out below is a summary of those applicable PRC laws and regulations which the Company considers will have material implications on the Group's business and operation. Based on the information available, the Provisional Liquidators are not aware of any non-compliance of relevant laws and regulations by the Group which may have material impact as at the Latest Practicable Date.

Foreign currency exchange

The principal regulation governing foreign currency exchange in China is the Foreign Exchange Administration Rules of the PRC (《外匯管理條例》) (the “**Foreign Exchange Administration Rules**”). They were promulgated by the State Council of PRC (《中華人民共和國國務院》) on 29 January 1996 and took effect from 1 April 1996 and were amended on 14 January 1997 and 1 August 2008. Under these rules, RMB is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loans, unless with prior approval of the competent authorities for the administration of foreign exchange is obtained.

Under the Foreign Exchange Administration Rules, foreign-invested enterprises in PRC may purchase foreign exchange without the approval of SAFE for paying dividends by providing certain supporting documents (board resolutions, tax certificates, etc.), or for trade and services related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency to satisfy foreign exchange liabilities, subject to a cap approval by SAFE. In addition, foreign exchange transactions involving overseas direct investment or investment and trading in securities and derivative products abroad are subject to registration with the competent SAFE and approval or filings with the relevant governmental authorities (if necessary).

Dividend distribution

Before the promulgation of the new Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (“**New Tax Law**”), the principal regulations governing the distribution of dividends paid by WFOEs include the Wholly Foreign-owned Enterprise Law, the FIE Tax Law and their respective Implementation Regulations.

Under these laws and regulations, WFOEs in China may only pay dividends from accumulated after-tax profit, if any, determined in accordance with PRC accounting standards and regulations. Dividends paid to its foreign investors are exempt from withholding tax. However, this exemption is revoked by the New Tax Law which prescribes a standard withholding tax rate of 20% on dividends and other China-sourced passive income of non-resident enterprises. The Implementation Rules reduced the rate from 20% to 10%, effective from 1 January 2008.

PRC and the government of Hong Kong SAR signed the Arrangement between the Mainland of PRC and Hong Kong SAR for the Avoidance of Double Taxation and the 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稅避免雙重徵稅和防止偷漏稅的安排》) on 21 August 2006 (the “**Arrangement**”). According to the Arrangement, the withholding tax rate of 5% applies to dividends paid by a PRC company to a Hong Kong resident, provided that such Hong Kong resident directly holds at least 25% of the equity interests in PRC company. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if such Hong Kong resident holds less than 25% of the equity interests in PRC company.

LETTER FROM THE PROVISIONAL LIQUIDATORS

Furthermore, pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Treaty Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated and took effect from 2 February 2009, all of the following requirements should be satisfied where a fiscal resident of the other party to the tax treaty agreement needs to be entitled to such tax treaty agreement treatment as being taxed at a tax rate specified in the tax treaty agreement for the dividends paid to it by a Chinese resident company: (a) such a fiscal resident who obtains dividends should be a company as provided in the tax treaty agreement; (b) the equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (c) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the twelve months prior to the obtainment of the dividends, reached a percentage specified in the tax treaty agreement.

In addition, according to the Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (Trial) (《非居民享受稅收協定待遇管理辦法(試行)》) (the “**Administrative Measures**”) which came into force on 1 October 2009, where a non-resident enterprise (as defined under PRC tax laws) that receives dividends from a PRC resident enterprise wishes to enjoy the favourable tax benefits under the tax arrangements, it shall submit an application for approval to the competent tax authority. Without the approval, the non-resident enterprise may not enjoy the favourable tax treatments provided in the tax treaties.

Product Quality

The principal legal provisions governing product liability are set out in the Product Quality Law of PRC (《中華人民共和國產品品質法》) (the “**Product Quality Law**”), which was promulgated on 22 February 1993 and amended on 8 July 2000.

The Product Quality Law is applicable to all activities of production and sale of any product within PRC. The producers and sellers shall be liable for product quality in accordance with the Product Quality Law.

According to the Product Quality Law, consumers or other victims who suffer personal injury or property losses due to product defects may claim compensation from the producers as well as the sellers. Where the responsibility for product defects lies with the producer, the seller may, after settling the compensation, recover such compensation from the producer, and vice versa.

Violations of the Product Quality Law may result in the imposition of fines. In addition, the seller or producer may be ordered to suspend operation and its business license may be revoked. Criminal liability may be incurred in serious cases.

LETTER FROM THE PROVISIONAL LIQUIDATORS

Laws and regulations in relation to printing

On 2 August 2001, the Regulations on the Administration of Printing Industry (《印刷業管理條例》) (“**Printing Industry Regulations**”) promulgated by the State Council became effective. These regulations regulate the operations of printing publications, as well as the packaging and decorative materials on printed objects, such as paper, metal and plastic. No person may engage in printing business activity in the absence of a printing licence under the Printing Industry Regulations. A printing license which may not be leased, lent or transferred by any means.

According to the Administrative Regulations on Fulfilling Printing Orders (《印刷品承印管理規定》) (“**Printing Orders Regulations**”) issued by the General Administration of Press and Publication together with the Ministry of Public Security effective on 1 September 2003, companies engaged in the printing business are required to verify clients’ legal documents, such as business licenses and trademark registration certificates. Companies are required to file printing records kept by them with competent authorities.

Laws and regulations relating 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 28 February 2009 by the Standing Committee of the National People’s Congress and became effective on 1 June 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 20 July 2009 and became effective from the date of promulgation.

The Food Safety Law apply to the production 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 relating to labour protection

The PRC Labour Law (《中華人民共和國勞動法》) which came into effect on 1 January 1995 and amended on 27 August 2009 stipulates general provisions regarding, including but not limited to, the labour contracts, working hours, wages, occupational safety and health special protection and social insurance and welfare. Enterprises failing to comply with the PRC Labour Law may be subject to warnings, fines, order to pay compensation, and cancellation of business license. Criminal liabilities may also be imposed for serious violations.

On 1 January 2008, the PRC Labour Contract Law (《中華人民共和國勞動合同法》) took effect and on 18 September 2008, its Implementation Regulation (《中華人民共和國勞動合同法實施條例》) took effect.

The Labour Contract Law formalises, among others, workers’ rights concerning overtime hours, pensions and layoffs, the execution, performance, modification and termination of the labour contracts. In particular, it provides for specific standards and procedures for entering into non-fixed-term labour contracts. Both employer and employee are entitled to terminate the labour contract in circumstances as prescribed in the Labour Contract Law or if certain preconditions are fulfilled, and in certain cases, the employer is required to make a statutory severance payment upon the termination of the labour contract pursuant to the standards provided by the Labour Contract Law.

LETTER FROM THE PROVISIONAL LIQUIDATORS

Laws and regulations relating to environmental protection

Over the past two decades, the PRC government has enacted certain laws in respect of the environmental protection in the PRC which stipulate certain requirement in construction projects and waste treatments. The PRC Environmental Protection Law (《中華人民共和國環境保護法》) which became effective on 26 December 1989 and the Regulations on Administration of Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) which became effective on 29 November 1998, set out the legal framework on, among others, the design and construction requirements of production facilities of the processing facility in respect of pollution control and environmental protection. The PRC Law on the Prevention and Treatment of Air Pollution (《中華人民共和國大氣污染防治法》) which became effective on 1 September 2000, the PRC Law on the Prevention and Treatment of Water Pollution (《中華人民共和國水污染防治法》) which became effective on 1 June 2008 and the PRC Law on the Prevention and Treatment of Solid Waste Pollution (《中華人民共和國固體廢物污染環境防治法》) which became effective on 1 April 2005 together also impose the requirements relating to the discharge and treatment of waste by-products, including wastewater and chemical waste.

Enterprise failing to comply with the Environmental Protection Law may be subject to various penalties imposed by the 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 and orders to close down enterprises. Enterprises that cause air, water or solid waste pollution are also obligated to eliminate the pollution and are required to compensate the parties directly affected by the pollution for their losses. In case of serious violation, criminal liabilities may also be incurred.

INTERNAL CONTROLS

The Company has engaged an independent firm of professional advisor (the “**IC Expert**”), to perform a review of the procedure, systems and controls of the Group and an internal control review report was submitted to the Stock Exchange in August 2010. On 4 March 2011, IC Expert issued a follow-up review report (“**Follow-Up Review Report**”) to the Company, which was then submitted to the Stock Exchange in March 2011.

The internal control review is undertaken in accordance with Sponsoring Organizations of the Treadway Commission (the “**COSO**”) framework and “Internal Control and Risk Management – a Basic Framework” which are issued by the Hong Kong Institute of Certified Public Accountants as the criteria for their evaluation of the effectiveness of the internal control systems.

The scope of work of the IC Expert over Shanxi Zhanpen, the only operating subsidiary of the Group, includes six areas, namely (i) revenue cycle; (ii) expenditure cycle; (iii) purchase and inventory cycle; (iv) payroll cycle; (v) fixed asset cycle; (vi) treasury cycle; and (vii) financial reporting and disclosure cycle, while for the Company, which is under the control of the Provisional Liquidators, and Bloxworth BVI, an inactive company, the IC Expert conducted a review based on the compliance and operation manual for the Group. The IC Expert also conducted an internal control system evaluation under COSO framework over the Group. In performing the duty of internal control review, the IC Expert took the following procedures to evaluate and prioritize the significance of the risks and the related internal control deficiencies of the Group:

- (1) Conducting interviews with relevant management and staff in order to understand the existing internal control system of the Group;
- (2) Diagnose and analyze the detailed business operations, control systems and regulations for the procedures to identify the deficiencies by performing walkthrough and test of control of processes and systems;

LETTER FROM THE PROVISIONAL LIQUIDATORS

- (3) Identify findings based on any deficiencies in the design and operation of the internal controls based on the samples of transactions selected and develop recommendations for improvement, where appropriate; and
- (4) Submit a written report to summarise its findings, recommendations and management responses thereon.

In addition, the internal control review also covered the corporate governance and disclosure cycle of the Group pursuant to the requirement of the Listing Rules.

During the internal control review by the IC Expert, the Company and the senior management of the Group have rectified the weaknesses being identified in the internal control review and have made improvements to the Group's internal control systems.

Save for certain parts of internal control system which have not yet been in place due to the limitation of the Company in the current status, which include the appointment of sufficient number of independent non-executive Directors, the establishment of audit committee and the establishment of internal audit department, the Group has substantially completed the implementation of its internal control system with the recommendation of IC Expert.

According to the Follow-Up Review Report, except for social insurance which the IC Expert has relied on a PRC legal opinion, which details are set out in the section headed "Insurance" in this letter, nothing has come to the IC Expert's attention to indicate that there is significant deficiency in the financial reporting system and internal control procedures which enable Zhanpen to meet its obligations and requirement under the Listing Rules during the follow-up review period. While for the Company and Bloxworth BVI, save for those relating to the appointment of sufficient number of independent non-executive Directors, the establishment of audit committee and internal audit department, which are due to the limitation of the Company in the current status, nothing has come to the IC Expert's attention to indicate that there is significant deficiency in the financial reporting system and internal control procedures to enable the Company and Bloxworth BVI to meet its obligations and requirement under the Listing Rules if the Company and Bloxworth BVI could (i) properly implement and effectively maintain in accordance with the compliance and operation manual; and (ii) continuously monitor the internal control system of the Group after the resumption of trading.

To address the qualifications of the IC Expert as set out above, the Group will engage a PRC legal adviser to monitor the social insurance status of Shanxi Zhanpen on a regular basis, an audit committee will be formed upon the appointment of Dr. Lam Andy Siu Wing, JP, Mr. Siu Siu Ling, Robert and Mr. Tam Tak Wah as independent non-executive Directors become effective with all of them as members and Dr. Lam Andy Siu Wing, JP as the Chairman of the audit committee. The Company will engage an internal auditor to perform the role of internal audit. In addition, the Company will engage the IC Expert to conduct a review of internal control annually.

The Company has engaged the IC Expert to conduct a further follow up review in relation to the aforesaid rectification works before the Resumption in order to ensure that the qualifications are removed before the Resumption.

Based on the aforesaid opinion of the IC Expert and the subsequent rectification and improvement made and to be made by the Group before the Resumption, the Provisional Liquidators consider that the Group has adequate internal control systems to comply with the Listing Rules and other relevant rules and regulations and there is no major internal control deficiency of the Group that has given rise to material changes to the Group's operation after completion of the internal control review. Further announcement in relation to the internal control review will be made by the Company if and when necessary.

LETTER FROM THE PROVISIONAL LIQUIDATORS

INDUSTRY OVERVIEW

The Group is principally engaged in manufacturing and sale of tinsplate cans for the packaging of variety of beverages such as juice, protein drinks and congee in the PRC. The performance of the Group has a direct relationship with the PRC beverage industry which is primarily driven by the growth of the PRC economy, and among others, the increase in living expenditures and disposable income in the PRC population. The rapid economic growth, urbanisation and increase of living expenditures, disposable income and changing consumption pattern can be compelling fundamental stimulates for the growth of the beverage industry.

Source of information

National Bureau of Statistic of China is an agency directly under the State Council, the PRC which is in charge of statistics and economic accounting in the PRC in accordance with the Statistics Law of the People's Republic of China and relevant stipulations of the State Council.

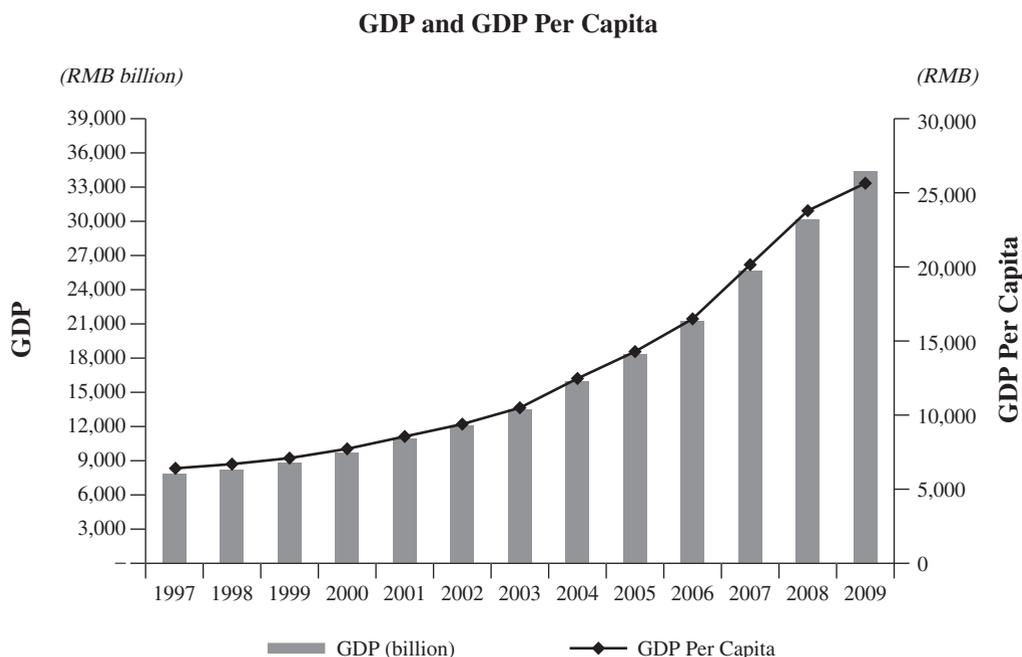
Shanghai Wind Information Co., Ltd is an integrated service provider of financial and economic data, information and software serving both domestic and overseas customers including securities firms, fund management firms, insurance companies, banks and investment companies.

China Packaging Federation Metal Container Association is a national industry-specific organization in the PRC. Affiliated with China Packaging Federation, this association is the only organization for the PRC metal packaging industry and it has members across the PRC. The function of this association includes exchanging information and technology with worldwide metal packaging industries and it also has publication circulated to all its members in the PRC metal packaging industry.

Bloomberg is a reputable financial and economic information provider which also provides financial software tools such as analytics and equity trading platform, data services and news to financial companies and organizations around the world.

The domestic economy

The overall PRC economy has shown a sustained growth over the past two decades. The PRC reported a gross domestic product (GDP) of approximately RMB34,346 billion in 2009, representing a compound annual growth rate (CAGR) of 13.1% for the 13 years spanning from 1997 to 2009, with figures obtained from the National Bureau of Statistics. The following diagram shows the GDP and the GDP per capita in the PRC from 1997 to 2009:



Source: National Bureau of Statistics of China

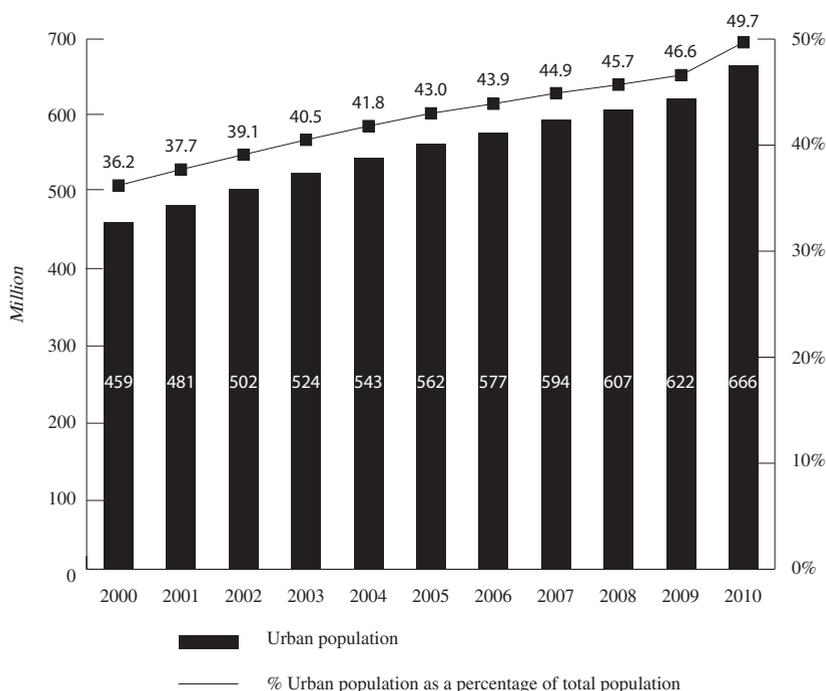
LETTER FROM THE PROVISIONAL LIQUIDATORS

According to the statistics from the National Bureau of Statistics of China, with over 1.33 billion people in 2010, the PRC is the most populated country in the world. This also laid a foundation for the PRC's large consumer market, and there has been an accompanying increase in consumer purchasing power.

Accelerating urbanisation trend and increasingly affluent urban residents

Urbanisation has accelerated in the PRC as a result of the country's rapid economic growth. Populations in large urban cities have increased with the influx of people from rural areas and less developed towns. According to the statistics from the National Bureau of statistics of China, during the period between 2000 and 2009, the total urban population in the PRC increased by approximately 162.8 million or approximately 35.5%. In 2010, the total urban population was approximately 666 million and accounted for around 49.7% of the total population.

The growth of the urban population and the proportion of the urban population to the total population in China during the period from 2000 to 2010 is set out in the following diagram:

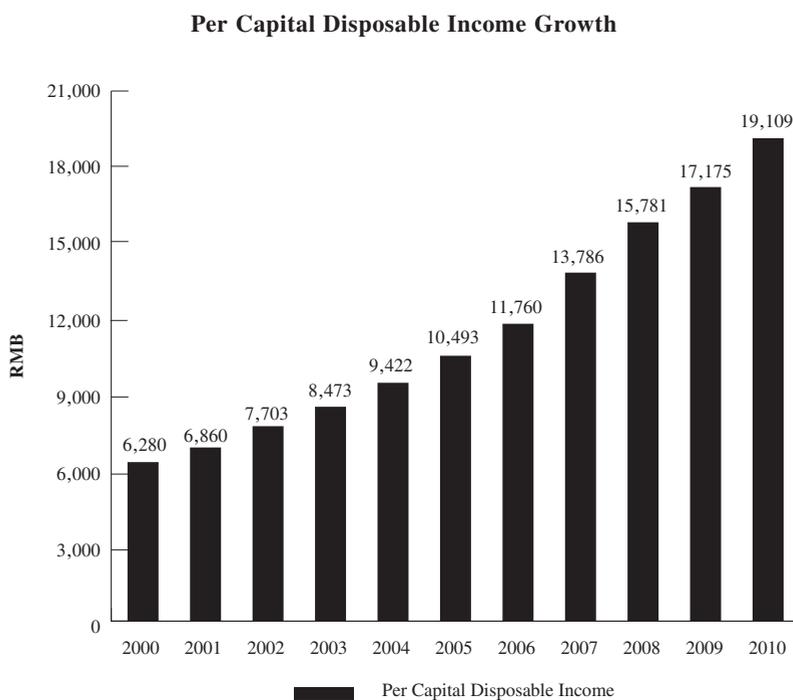


Source: National Bureau of Statistics of China

LETTER FROM THE PROVISIONAL LIQUIDATORS

Living standards and purchasing power have positive correlation with the growth in GDP and the rate of urbanization. Since 2000, there have been substantial increase in per capita annual disposable income levels of urban residents. Per capita annual disposable income of urban households in the PRC increased from RMB6,280 in 2000 to RMB19,109 in 2010 which represented a CAGR of 11.8%.

The following chart shows the per capita annual disposable income of urban households in China during the period from 2000 to 2010.

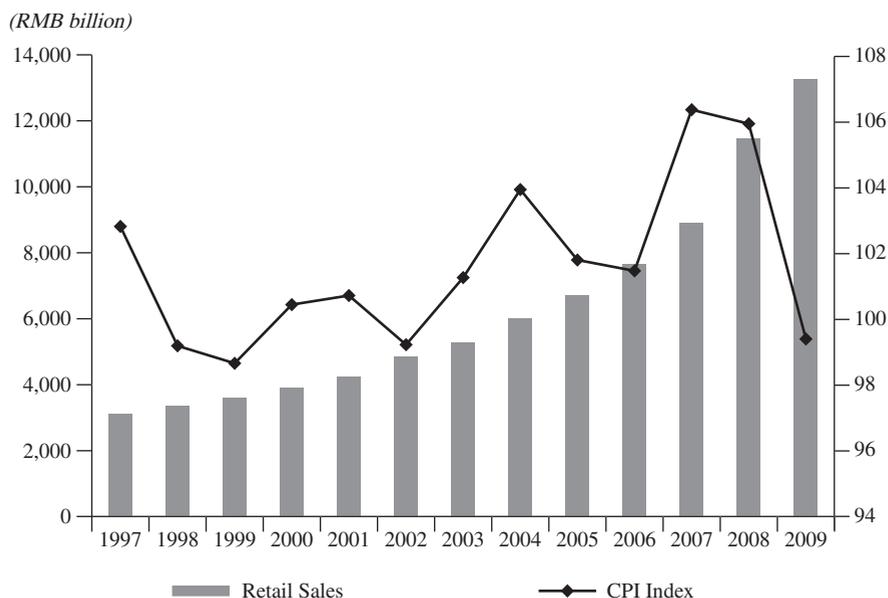


Source: National Bureau of Statistics of China

LETTER FROM THE PROVISIONAL LIQUIDATORS

The Domestic Consumption and Inflation

According to the statistics from the National Bureau of Statistics of China, in 2009, the domestic economy delivered record high overall retail sales. According to the National Bureau of Statistics of China, the total retail sales of consumer goods reached RMB13,268 billion in 2009. This figure represents a year-on-year growth of 15.5%. The following diagram illustrates the total retail sales of consumer goods and the consumer price index (CPI) in the PRC from 1997 to 2009:



Source: National Bureau of Statistics of China

LETTER FROM THE PROVISIONAL LIQUIDATORS

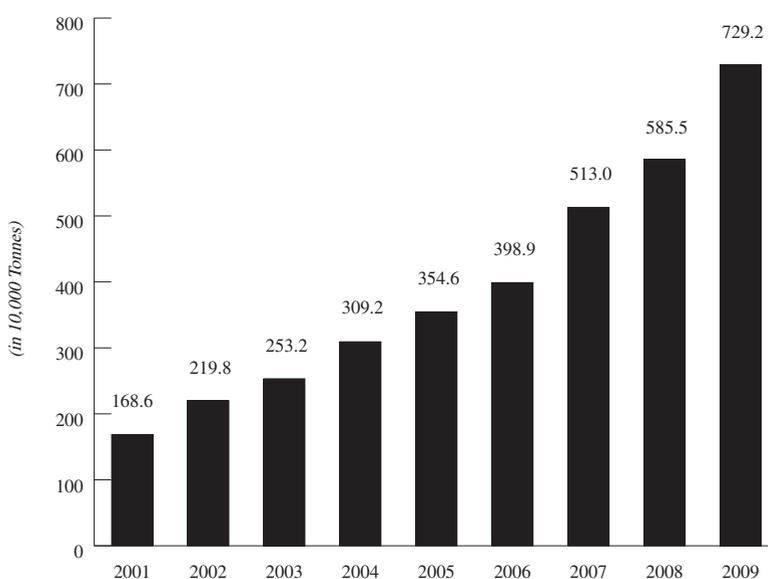
Metal container industry in the PRC

Metal containers generally include containers for the packaging of food, beverage, chemicals, medicines and cosmetic products etc. The food and beverage industry is the largest market for the PRC metal container industry. Tinplate is the most common type of materials to use for the production of metal containers. According to the China Packaging Federation Metal Container Association, the global production of metal containers are currently 410 billion units with over 78.0% of the containers for beverage packaging and 18.3% of the containers for the packaging of food.

Tinplate cans production

Tinplate is a sheet iron coated with tin which combined the advantages of high physical strength and the corrosion resistance of tin. In addition, it is able to resist insects, germs and bacteria, help to retain the aroma and flavour of food and beverage and withstand the poorest handling and transportation. Tinplate is decomposable and more than half of the materials in tinplate are recyclable, such as iron and tin. It is commonly used in production of containers in the form of cans for the packaging of food and beverage.

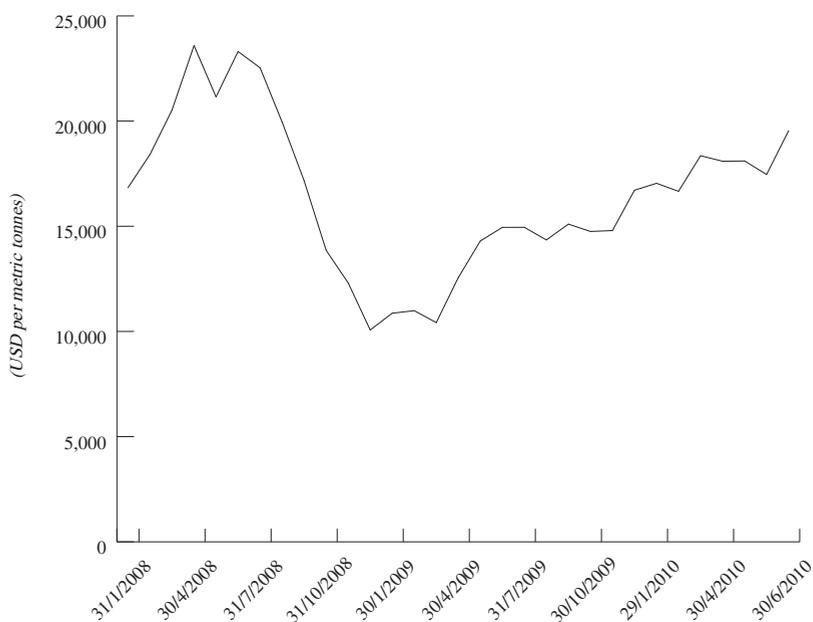
The production of tinplate cans in the PRC is growing rapidly. As illustrated in the table below, during 2001 to 2009, the production of tinplate cans in the PRC increased by 4.33 times from approximately 1,686,000 tonnes in 2001 to approximately 7,292,000 tonnes in 2009. The following chart sets forth the growth of tinplate cans production in the PRC from 2001 to 2009:



Source: Shanghai Wind Information Co., Ltd.

LETTER FROM THE PROVISIONAL LIQUIDATORS

According to table below, the price of tinplate fluctuates from USD10,070 per metric tonne to USD23,588 per metric tonne during the period from 1 January 2008 to 30 June 2010. The following chart sets forth the price of tinplate in London Metal Exchange from 1 January 2008 to 30 June 2010:



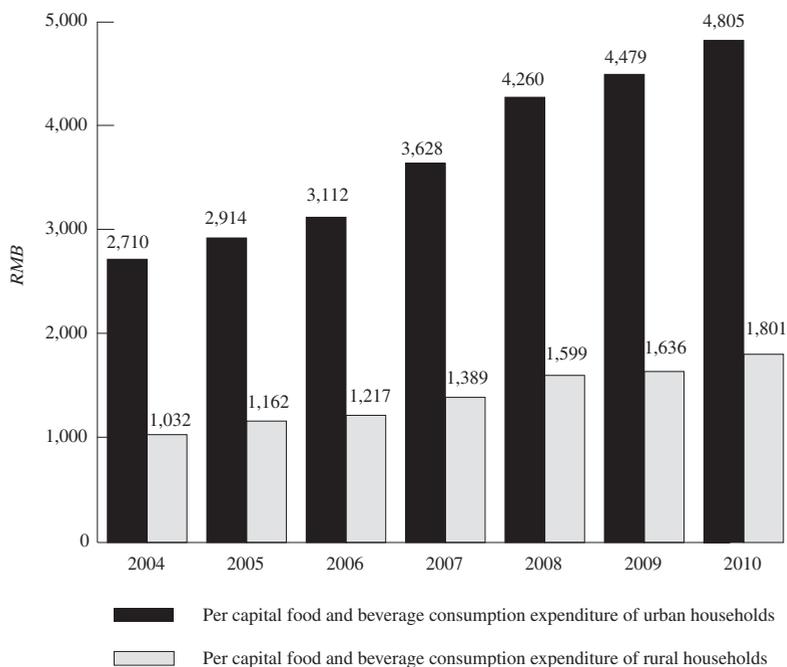
Source: Bloomberg

Growth in the PRC food and beverage industry

With the economic growth of the PRC in the past few years, the PRC market for consumer goods also expanded rapidly in the past few years. According to the statistics from the National Bureau of Statistics in China per capita food and beverage consumption expenditure of urban households in the PRC has increased from RMB2,710 to RMB4,805, which represented a CAGR of 10.0% for period from 2004 to 2010. The per capita food and beverage consumption expenditure of rural households in the PRC has increased, at a lower pace, from RMB1,032 in 2004 to RMB1,801 in 2010.

LETTER FROM THE PROVISIONAL LIQUIDATORS

Set out below is a chart on the per capita food and beverage consumption expenditure of urban and rural households in the PRC from 2004 to 2010.



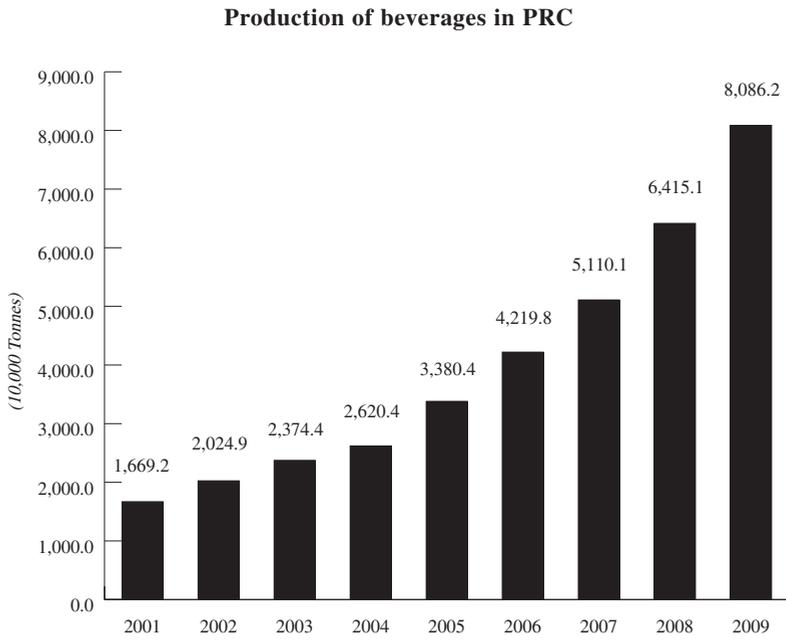
Source: National Bureau of Statistics of China

Consumption of canned beverages in the PRC

The demand of metal containers is significantly influenced by the consumption of beverages and canned food for packaging of these products. Tinplate cans are primarily used for the packaging of beverages such as fruit juice and processed food in the PRC. As the production of beverages and canned food increases, demand for tinplate cans will also increase.

LETTER FROM THE PROVISIONAL LIQUIDATORS

As illustrated in the table below, the production of beverages in the PRC grew from approximately 16,692,000 tonnes in 2001 to approximately 80,862,000 tonnes in 2009, representing an increase of approximately 4.84 times in 9 years. It is expected the demand of beverage tinplate cans, which are mainly used for non-carbonated fruit juice and drinks, will increase in line with the rapid growth of the production of beverages. The following table illustrates the increase in production of beverages in the PRC from 2001 to 2009:



Source: *Shanghai Wind Information Co., Ltd*

LETTER FROM THE PROVISIONAL LIQUIDATORS

AMENDMENT TO THE MEMORANDUM AND THE ARTICLES OF THE COMPANY

To enable the execution of the Capital Reorganisation, in particular the share capital increase, it is proposed that the existing memorandum will be amended. A table illustrating the effect of the Capital Reorganisation is set out on page 20 of this circular. The proposed amendment to the Memorandum is set out in the notice of the EGM to this circular.

To include the rights attached to the Preference Shares in the Memorandum and the Articles of the Company, it is proposed that the existing Article will be amended. A summary of the rights attached to the Preference Shares is set out in the sub-paragraph headed "Proposed issue of Preference Shares" above. The proposed amendments to the Articles to reflect the terms of the Preference Shares are set out in the notice of the EGM to this circular.

EGM

A notice convening the EGM at which resolutions will be proposed to consider, and if thought fit, to approve the Authorised Share Capital Increase, the Restructuring Agreement, the Capital Reorganisation, the Subscription, the grant of Options, the Bonus Issue, the Whitewash Waiver, and the amendment of the Memorandum and the Articles of the Company, to be held at Level 22, The Center, 99 Queen's Road Central, Central, Hong Kong on 6 October 2011 at 11:30 a.m. is set out on pages EGM-1 to EGM-22 of this circular. Whether or not you are able to attend the meeting in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time fixed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person in the EGM or any adjourned meeting should you so wish. In such event, the instrument appointing a proxy shall be deemed revoked.

Fu Teng Global Limited is a company wholly owned by Mr. Yang Zhongwang, the former Chairman and chief executive officer of the Company. Neither of them has been involved in the discussion of the transactions contemplated under the Restructuring Agreement (including the Whitewash Waiver) and the Authorised Share Capital Increase. To the best of the knowledge, information available to and belief of the Provisional Liquidators, as at the Latest Practicable Date, no creditors of the Group hold any Share and none of the Shareholders, including Fu Teng Global Limited and Mr. Yang Zhongwang, and creditors of the Group has direct or indirect material interest (other than solely as a Shareholder) nor any involvement in discussion of the Authorised Share Capital Increase, the Capital Reorganisation, the Subscription, the grant of Options, the Bonus Issue and the Whitewash Waiver and accordingly no Shareholder or creditor is required to abstain from voting in respect of the resolutions to be proposed at the EGM.

LETTER FROM THE PROVISIONAL LIQUIDATORS

RECOMMENDATIONS

The Provisional Liquidators, the Investors and the proposed Directors believe that the terms of the Authorised Share Capital Increase, the Restructuring Agreement, the Capital Reorganisation, the Subscription, the grant of Options, the Bonus Issue, the Whitewash Waiver, the amendment to the Memorandum and the Articles of the Company and the proposed appointment of Directors are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Provisional Liquidators, with the same recommendatory viewpoint of the Investors and the proposed Directors, recommend the Shareholders vote in favour of the relevant resolutions to be proposed in the EGM in relation to Authorised Share Capital Increase, the Restructuring Agreement, the Capital Reorganisation, the Subscription, the grant of Options, the Bonus Issue, the Whitewash Waiver, the amendment to the Memorandum and the Articles of the Company and the proposed appointment of Directors.

With the appointment of the Provisional Liquidators on 2 October 2009, the powers of the existing Directors have ceased since then. As such, no independent board committee has been established to advise the Independent Shareholders on the Restructuring Agreement and the Whitewash Waiver. Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Shareholders on the Restructuring Agreement and the Whitewash Waiver.

You are advised to read carefully the letter from Guangdong Securities as set out on pages 94 to 113 of this circular. Guangdong Securities considers that the terms of the Restructuring Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and the Restructuring Agreement and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole. Accordingly, Guangdong Securities recommends the Independent Shareholders to vote in favour of the proposed resolutions approving the Restructuring Agreement and the Whitewash Waiver at the EGM.

Shareholders should note that the despatch of this circular does not indicate that the Shares will resume trading and that the listing approval will be granted. Shareholders and investors are advised to exercise caution when dealing in the Shares.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours sincerely,
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*

LETTER FROM GUANGDONG SECURITIES

Set out below is the text of a letter received from Guangdong Securities, the Independent Financial Adviser to the Independent Shareholders in respect of the Restructuring Agreement and the Whitewash Waiver for the purpose of inclusion in this circular.



Units 2505-06, 25/F.
Low Block of Grand Millennium Plaza
181 Queen's Road Central,
Central
Hong Kong

12 September 2011

To: *The independent shareholders of
China Packaging Group Company Limited (Provisional Liquidators appointed)*

Dear Sirs,

**ENTERING INTO OF THE RESTRUCTURING AGREEMENT
INVOLVING
(1) PROPOSED CAPITAL REORGANISATION;
(2) PROPOSED SUBSCRIPTION FOR NEW SHARES;
(3) PROPOSED SUBSCRIPTION FOR PREFERENCE SHARES;
(4) PROPOSED SUBSCRIPTION FOR CONVERTIBLE NOTES;
(5) PROPOSED GRANT OF OPTIONS;
(6) PROPOSED BONUS ISSUE; AND
(7) PROPOSED APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Shareholders in respect of the Restructuring Agreement and the Whitewash Waiver, details of which are set out in the letter from the Provisional Liquidators (the “**Provisional Liquidators Letter**”) contained in the circular dated 12 September 2011 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 4 July 2011, the Company announced that the Company, the Provisional Liquidators, the Investors and the Escrow Agent entered into the Restructuring Agreement dated 17 June 2011 in order to satisfy the Resumption Conditions. The Restructuring Agreement provides for, among other things, the Capital Reorganisation, the Subscription for the Subscription Shares, the Preference Shares as well as the Convertible Notes, the implementation of the Schemes including the grant of the Options together with the Put Option, the Bonus Issue and the application for the Whitewash Waiver.

Pursuant to the Restructuring Agreement, the Investors shall subscribe for the Subscription Shares, the Preference Shares and the Convertible Notes. The beneficial shareholding interest of the Investors (and parties acting in concert with any of them) in the Company will increase from nil to (a) approximately 73.43% of the enlarged issued share capital of the Company in case of completion of the subscription for the Subscription Shares and the Bonus Issue; and (b) approximately 86.60% of the enlarged issued share capital of the Company in case of completion of the subscription for the Subscription Shares, the Bonus Issue, the full conversion of the Preference Shares and the Convertible Notes and the full exercise of the Options.

LETTER FROM GUANGDONG SECURITIES

Therefore, no matter under which circumstances described in the paragraph above, in the absence of the Whitewash Waiver, the Investors, their respective ultimate beneficial owner and parties acting in concert with any of them would be obliged to extend a mandatory general offer to all Shareholders under Rule 26 of the Takeovers Code. In this respect, the Investors have made an application to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted, will be subject to, among other things, the approval by the Independent Shareholders at the EGM.

To the best of the knowledge, information available to and belief of the Provisional Liquidators, as at the Latest Practicable Date, no creditor of the Group held any Share and none of the Shareholders, including Fu Teng Global Limited, Mr. Yang Zhongwang and creditors of the Group had direct or indirect material interest (other than solely as a Shareholder) or any involvement in discussion of the Capital Reorganisation, the Subscription, the grant of the Options together with the Put Option, the Bonus Issue and the Whitewash Waiver and accordingly, no Shareholder is required to abstain from voting in respect of the resolutions to approve the Capital Reorganisation, the Subscription, the grant of the Options together with the Put Option, the Bonus Issue and the Whitewash Waiver at the EGM.

With the appointment of the Provisional Liquidators on 2 October 2009, the power of the existing Directors have ceased since then. As such, no independent board committee has been established to advise the Independent Shareholders on the Restructuring Agreement and the Whitewash Waiver.

We, Guangdong Securities Limited, have been appointed as the Independent Financial Adviser to advise the Independent Shareholders on (i) whether the terms of the Restructuring Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Restructuring Agreement and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole; (iii) whether the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned; and (iv) how the Independent Shareholders should vote in respect of the relevant resolutions to approve the Restructuring Agreement and the transactions contemplated thereunder, and the Whitewash Waiver at the EGM, and such appointment has been approved by the Provisional Liquidators.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Provisional Liquidators and the Investors (if applicable). We have assumed that all information and representations that have been provided by the Provisional Liquidators and the Investors (if applicable), for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Provisional Liquidators, the Investors and the proposed Directors (if applicable) in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Provisional Liquidators and the Investors (if applicable), which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

LETTER FROM GUANGDONG SECURITIES

With the appointment of the Provisional Liquidators on 2 October 2009, the power of the existing Directors have ceased since then. The Provisional Liquidators jointly and severally accept full responsibility for the accuracy of the information (including the industry overview section) contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, the opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

The directors of the Investors, namely Mr. Yam Tak Cheung and Mr. Leung Heung Ying, Alvin, jointly and severally accept full responsibility for the accuracy of the information contained in the Circular other than that relating to the Company and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

The proposed Directors jointly and severally accept full responsibility for the accuracy of the information relating to the intention of the proposed Directors and their opinion on the Restructuring Agreement, working capital sufficiency, profit forecast and unaudited pro forma statement of financial position of the Group contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, the opinions relating to the aforesaid expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement relating to the aforesaid in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Non-Core Subsidiaries, the Provisional Liquidators, the Scheme Administrators, the Escrow Agent, Sino Gather, the Investors, the Scheme Creditors or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Restructuring Agreement and the Whitewash Waiver. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Guangdong Securities is to ensure that such information has been correctly extracted from the relevant sources.

LETTER FROM GUANGDONG SECURITIES

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Restructuring Agreement and the Whitewash Waiver, we have taken into consideration the following principal factors and reasons:

(1) Background of and reasons for the Restructuring Agreement

1.1 Background of the Restructuring Agreement

The Company is an investment holding company. The Group is principally engaged in the manufacture and sale of tins for the packaging of beverage products in the PRC. Trading in the Shares has been suspended since 28 April 2009 (the “**Suspension**”). The Stock Exchange has placed the Company in the first stage of the delisting procedures in accordance with Practice Note 17 to the Listing Rules and the Company remained to be in the first stage of the delisting procedures as at the Latest Practicable Date.

On 8 July 2009, a winding up petition was served by Deutsche Bank Aktiengesellschaft on the Company. On 2 October 2009, DBS Bank (Hong Kong) Limited filed an application with the HK Court for the appointment of provisional liquidators to the Company and the HK Court appointed Mr. Roderick John Sutton and Mr. Fok Hei Yu to act as provisional liquidators to the Company in Hong Kong on the same day. On 5 October 2009, Bloxworth Enterprise (HK) Limited, the then wholly-owned subsidiary of the Company which is interested in the entire shareholding in 福建福旺金屬製品有限公司 (Fujian Fuwang Metal Products Co., Ltd.*), was placed in creditors’ voluntary liquidation pursuant to Section 228A of the Companies Ordinance (Chapter 32) of the Laws of Hong Kong.

On 28 December 2009, the Provisional Liquidators, on behalf of the Company, and the Escrow Agent entered into the Exclusivity and Escrow Agreement with one of the Investors, Business Giant Limited (“**Business Giant**”). Pursuant to the Exclusivity and Escrow Agreement, a 12-month exclusivity (i.e. up to 27 December 2010) was granted for negotiation of the restructuring of the Company, certain of its subsidiaries and associated companies, and the Investors also agreed to advance funds (i.e. the Fee Advancement) to the Company to meet the costs and expenses in relation to the implementation of the restructuring of the Company.

On 23 March 2010, the Company and Sino Gather entered into a deed (the “**Disposal Deed**”), pursuant to which Sino Gather acquired for and the Company sold the entire share capital of three of its then wholly-owned subsidiaries (i.e. the Non-Core Subsidiaries), namely Chinawinner Enterprises Limited (being the holding company of 四川省展旺金屬製品有限公司 (Sichuan Zhanwang Metal Products Co., Ltd.*)), Chinawinner Enterprises (HK) Limited (a dormant company) and Rich Victory Development Limited (a dormant company). As confirmed by the Provisional Liquidators, 四川省展旺金屬製品有限公司 (Sichuan Zhanwang Metal Products Co., Ltd.*) has not yet commenced any operations since its establishment, and this transaction is primarily in furtherance of the Group’s restructuring.

* for identification purpose only

LETTER FROM GUANGDONG SECURITIES

Pursuant to an application of the Company, Mr. Roderick John Sutton and Mr. Fok Hei Yu, both of FTI Consulting, and Mr. G. James Cleaver, of Zolfo Cooper, Cayman Islands were appointed as joint provisional liquidators to the Company by an order of the Grand Court of the Cayman Islands dated 25 March 2010.

A resumption proposal was submitted to the Stock Exchange on 21 August 2010 and submissions in relation to, among other things, the proposed terms of the restructuring agreement and an update of the operation and performance of the Company and its subsidiaries since the Suspension, have been subsequently made to the Stock Exchange. On 24 December 2010, a supplemental agreement was entered into among the parties to the Exclusivity and Escrow Agreement to extend the aforesaid exclusivity period from 12 months to 24 months up to 27 December 2011.

It is expected that upon Completion, the Group shall consist of the Company and its remaining wholly-owned subsidiaries, namely Bloxworth BVI (being the holding company of Shanxi Zhanpen) and Shanxi Zhanpen, a company which is principally engaged in the manufacturing and sale of tinplate cans in the PRC, and those tinplate cans are mainly used for packaging of beverage products.

By a letter dated 26 May 2011, the Stock Exchange informed the Company that the Stock Exchange will allow resumption of trading in the New Shares if the Company fulfils the Resumption Conditions as set out in the sub-section headed "Resumption Conditions" in the Provisional Liquidators Letter by 31 December 2011. The Company should also comply with the Listing Rules, and the Stock Exchange may modify the Resumption Conditions if the situation of the Company changes.

On 17 June 2011, the Company, the Provisional Liquidators, the Investors and the Escrow Agent entered into the Restructuring Agreement in order to satisfy the Resumption Conditions. The Restructuring Agreement provides for, among other things, the Capital Reorganisation, the Subscription for the Subscription Shares, the Preference Shares as well as the Convertible Notes, the implementation of the Schemes including the grant of the Options together with the Put Option, the Bonus Issue and the application for the Whitewash Waiver.

LETTER FROM GUANGDONG SECURITIES

1.2 Information on the Group

Set out below are the consolidated financial information on the Group for the six months ended 30 June 2011 and the three years ended 31 December 2010 as extracted from the interim report of the Company for the six months ended 30 June 2011 (the “**2011 Interim Report**”), the annual report of the Company for the year ended 31 December 2010 (the “**2010 Annual Report**”) and the annual report of the Company for the year ended 31 December 2009:

	For the six months ended 30 June 2011 <i>RMB'000</i> (unaudited)	For the year ended 31 December 2010 <i>RMB'000</i> (audited)	For the year ended 31 December 2009 <i>RMB'000</i> (audited)	For the year ended 31 December 2008 <i>RMB'000</i> (audited)
Revenue	63,529	124,812	74,066	193,354
Gross profit/(loss)	11,677	22,895	(5,565)	44,092
Profit/(Loss) for the period/year attributable to owners of the Company	1,900	9,247	(8,608)	(836,413)
	As at 30 June 2011 <i>RMB'000</i> (unaudited)	As at 31 December 2010 <i>RMB'000</i> (audited)	As at 31 December 2009 <i>RMB'000</i> (audited)	As at 31 December 2008 <i>RMB'000</i> (audited)
Total assets	127,522	119,782	102,543	170,006
Bank balances and cash	1,557	2,649	411	11,313
Total liabilities	(236,536)	(230,696)	(222,704)	(297,828)
Net current liabilities	(167,527)	(173,948)	(185,690)	(183,248)
Net liabilities	(109,014)	(110,914)	(120,161)	(127,822)

Notwithstanding the Suspension, the Group has continued to generate revenue from the tinsplate cans manufacturing business. As depicted by the above table, for the year ended 31 December 2009, the Group’s audited revenue dropped to approximately RMB74.07 million from approximately RMB193.35 million in the prior year. As disclosed in the Provisional Liquidators Letter, such significant drop in revenue of the Group was a result of the decrease in sales volume because of (i) the unstable product quality; and (ii) the loss of customers’ confidence following various negative incidents which happened on the Group, such as the Suspension, the legal proceedings against the Company by the Creditors and the relevant adverse publicity in mass media since early 2009 and the subsequent appointment of Mr. Roderick John Sutton and Mr. Fok Hei Yu as the provisional liquidators to the Company in Hong Kong on 2 October 2009. For the year ended 31 December 2010, the Group’s audited revenue increased by approximately 68.51% to approximately RMB124.81 million. From the Provisional Liquidators Letter, we noted that the aforesaid increase in revenue of the Group was due to the gradual regaining confidence of customers and employees over the Group as notwithstanding the appointment of the Provisional Liquidators, the Group was able to operate as usual and fulfilled the sales orders placed by its customers.

LETTER FROM GUANGDONG SECURITIES

For the year ended 31 December 2008, the Group recorded an audited loss of approximately RMB800.40 million from discontinued operations (i.e. the Non-Core Subsidiaries and Bloxworth Enterprises (HK) Limited), being the main reason for a much substantial audited loss attributable to equity holders of the Company as compared to the 2009 financial year. Nevertheless, the Group turned to be profit making since the year ended 31 December 2010 after two consecutive loss making financial years.

As for the asset and liability position of the Group, although the Group's liquidity level improved as at the year end date of 2010, the Group had audited consolidated net current liabilities and consolidated net liabilities of approximately RMB173.95 million and RMB110.91 million respectively as at 31 December 2010, mainly comprising (i) other financial liabilities of approximately RMB67.58 million; (ii) bank borrowings of approximately RMB61.15 million; and (iii) other borrowings of approximately RMB48.63 million. The other financial liabilities represent the revised termination amount in relation to two structured five-year interest rate swaps which the Company had entered into but were early terminated by Deutsche Bank due to the Company's inability to pay the interests accrued thereto on due dates. The Company also had bank borrowings from (i) DBS Bank (China) Company Limited and DBS Bank (Hong Kong) Limited which had not been repaid in accordance with the relevant terms; and (ii) PT. Bank Mandiri (Persero) TBK, Hong Kong Branch which has been called on demand following the provisions of the respective loan agreements. The aforesaid bank borrowings are arranged at floating rates from 2% to 3.5% over Hang Seng Interbank Offered Rate per annum. As for the Group's other borrowings, they are unsecured, interest bearing at Hong Kong Prime Rate per annum and have no fixed repayment terms. We further noted from the 2011 Interim Report that the Group continued to record net liabilities and its liquidity level worsen as at 30 June 2011.

Shareholders should also note that according to the independent auditors' report (the "**Auditors' Report**") in respect of the consolidated financial statements of the Group issued by the auditors of the Company as contained in the 2010 Annual Report, because of the significance of the matters described in the section headed "Basis for disclaimer of opinion" of the Auditors' Report, the auditors of the Company do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 31 December 2010 and of the Group's gain and cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standards and as to whether they have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance (the "**Qualified Opinion**"). In addition, the consolidated financial statements of the Group were prepared on a going concern basis assuming that the Restructuring Proposal will be successfully implemented and the Group will continue to meet in full its obligations as they fall due in the foreseeable future.

LETTER FROM GUANGDONG SECURITIES

Given the Qualified Opinion, we are of the view that the consolidated financial statements of the Group may or may not give a true and fair view of the financial position of the Group in 2010. After reviewing the 2010 Annual Report and discussing with the Provisional Liquidators, we noted that the Group encountered net liabilities and tight liquidity. Furthermore, from the above disclaimer of opinion as contained in the Auditors' Report, we understand that the Group may face a "going concern" problem in the event that the Restructuring Proposal is not successfully implemented. Nonetheless, in view of that as being detailed in the section headed "Possible financial effects of the Restructuring Agreement" of this letter, the Restructuring Agreement is likely to improve the net assets and gearing position, and the earnings and liquidity level of the Group, we are of the opinion that the Restructuring Agreement would be essential to the Company.

1.3 Information on the Investors

As stated in the Provisional Liquidators Letter, the Investors are special purpose companies incorporated in the BVI with limited liability for the purpose of implementing the Restructuring Proposal. Integrated Asset Management (Asia) Limited, is wholly and beneficially owned by Mr. Yam Tak Cheung; whereas Business Giant is wholly and beneficially owned by Mr. Leung Heung Ying, Alvin. For the personal background and biography of Mr. Yam Tak Cheung and Mr. Leung Heung Ying, Alvin, please refer to the section headed "Information on the Investors" in the Provisional Liquidators Letter.

The obligations of the Investors to subscribe under the Subscription shall be the Relevant Ratio, i.e. the ratio of 70% and 30% between Integrated Asset Management (Asia) Limited and Business Giant provided that, if one of the Investors is in default to subscribe, the other Investor shall be obliged to honour the outstanding obligations.

1.4 Reasons for the Restructuring Agreement

As aforementioned, the Group had audited consolidated net current liabilities and consolidated net liabilities of approximately RMB173.95 million and RMB110.91 million respectively as at 31 December 2010; while its total bank balances and cash were amounted to approximately RMB2.65 million as at the same said date. On 8 July 2009, a winding up petition was served by Deutsche Bank Aktiengesellschaft on the Company. Subsequently on 2 October 2009, DBS Bank (Hong Kong) Limited filed an application with the HK Court for the appointment of provisional liquidators to the Company and the HK Court appointed Mr. Roderick John Sutton and Mr. Fok Hei Yu to act as provisional liquidators to the Company in Hong Kong. Pursuant to an application of the Company, Mr. Roderick John Sutton and Mr. Fok Hei Yu, both of FTI Consulting, and Mr. G. James Cleaver, of Zolfo Cooper, Cayman Islands were appointed as joint provisional liquidators to the Company by an order of the Grand Court of the Cayman Islands dated 25 March 2010. Upon our discussions with the Provisional Liquidators, we understand that the Provisional Liquidators consider that the Group shall be unable to repay all of its existing outstanding indebtedness in the absence of the Restructuring Agreement. Should the creditors of the Company continue to take legal action against the Company for recovery of the amounts due and the Company thus be forced to wind up, Shareholders would only be entitled to the residual assets after realisation of the existing assets of the Group and distributions being made to the Scheme Creditors. In this regard, we concur with the Provisional Liquidators that there will not be any residual assets available for distribution to the Shareholders based on the existing net liabilities position and debt level of the Group. In such event, Shareholders will have to write-off their investment in the Company.

LETTER FROM GUANGDONG SECURITIES

On the contrary, according to the Provisional Liquidators Letter, the Provisional Liquidators, the proposed Directors and the Investors consider that the financial position of the Group would likely to be substantially improved upon completion of the Restructuring Agreement to revive the Group. Based on the Statement (as being defined in the section headed “Possible financial effects of the Restructuring Agreement” of this letter), and as all claims against the Company shall be compromised, discharged and/or settled and the Group’s net liabilities would improve to net assets upon Completion (for details, please refer to the section headed “Possible financial effects of the Restructuring Agreement” of this letter), we concur with the Provisional Liquidators and the proposed Directors in this respect. Nevertheless, as the Independent Financial Adviser, we have not considered the profit forecast of the Group since under our scope, we are not in the position to review the profit forecast.

In addition, the Suspension has taken place since 28 April 2009. After the Company’s continuous discussions and liaison with the Stock Exchange, the Stock Exchange finally informed the Company on 26 May 2011 that the Stock Exchange will allow resumption of trading in the New Shares if the Company fulfils the Resumption Conditions by 31 December 2011. We noted that the entering into of the Restructuring Agreement can satisfy one of the Resumption Conditions. Consequently, the Restructuring Agreement is essential for resumption of trading in the New Shares on the Stock Exchange.

Having considered that (i) the Group encountered net liabilities and tight liquidity and it is therefore pressing for the Company to implement effective measures to restructure the Group’s existing debt liabilities and/or finance payment of its outstanding financial obligations; (ii) there will not be any residual assets available for distribution to the Shareholders in the event that the Company is forced to wind up due to its incapability to repay all of its outstanding financial obligations promptly; (iii) the Restructuring Agreement would compromise, discharge and/or settle all claims against the Company; and (iv) the Restructuring Agreement, being one of the Resumption Conditions, is essential for resumption of trading in the New Shares on the Stock Exchange, we are of the opinion that the Restructuring Agreement is in the interests of the Company and the Shareholders as a whole.

(2) Principal terms of the Restructuring Agreement

The Restructuring Agreement provides for, among other things, the Capital Reorganisation, the Subscription for the Subscription Shares, the Preference Shares as well as the Convertible Notes, the implementation of the Schemes including the grant of the Options together with the Put Option, the Bonus Issue and the application for the Whitewash Waiver. The Provisional Liquidators, the Investors and the proposed Directors believe that the terms of the Restructuring Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Completion shall be conditional upon the Conditions Precedent as detailed in the section headed “Conditions precedent” in the Provisional Liquidators Letter being fulfilled or waived (as the case may be).

LETTER FROM GUANGDONG SECURITIES

2.1 The Capital Reorganisation

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$200,000,000, comprising 2,000,000,000 Shares of HK\$0.10 each, of which 657,121,081 Shares have been issued and fully paid. As part of the Restructuring Agreement, the Capital Reorganisation includes the Capital Consolidation, the Capital Reduction and the Share Split as follows:

Under the Capital Consolidation, every eight Shares of HK\$0.10 each in the issued share capital of the Company will be consolidated into one Consolidated Share with par value of HK\$0.80 each.

Upon the Capital Consolidation becoming effective and under the Capital Reduction, the par value of each issued Consolidated Share will be reduced from HK\$0.80 to HK\$0.001 by cancellation of HK\$0.799 of the paid-up capital of each issued Consolidated Share. The Capital Reduction shall be implemented in accordance with the Cayman Companies Law, with the sanction of the Cayman Court.

Upon the Capital Consolidation and the Capital Reduction becoming effective, the credit generated therefrom of approximately RMB283,094,000 will be applied in a manner consistent with the Cayman Companies Law, including but not limited to the set off of part of the accumulated losses of the Company of approximately RMB404,238,000 as at 31 December 2010. As such, the Company will be able to declare dividends when it is profit making in the future.

Following the Capital Consolidation and the Capital Reduction and under the Share Split, the authorised unissued share capital of the Company of HK\$134,287,891.9, comprising 1,342,878,919 Shares each with a nominal value of HK\$0.10, shall be altered such that there will be 134,287,891,900 unissued New Shares of HK\$0.001 each.

Since Completion is conditional upon, among other things, the passing of the Capital Reorganisation Resolution at the EGM, the Capital Reorganisation forms an integral part of the Restructuring Agreement.

Moreover, as being detailed in the forthcoming section of this letter, the subscription prices of the Subscription Shares and the Preference Shares and the conversion price of the Convertible Notes of HK\$0.12 per New Share (altogether, the “**Issue Price**”) under the Subscription implies a theoretical subscription price of HK\$0.015 per Share, which is lower than the par value per Share of HK\$0.10 before the Capital Reorganisation but higher than the par value per New Share of HK\$0.001 after the Capital Reorganisation. Given the net liabilities and tight liquidity encountered by the Group, we concur with the Provisional Liquidators that it would be unrealistic for the Company to raise equity funds unless the relevant subscription/placing price is set at a level which is substantially below the par value per Share of HK\$0.10. As a result, the Capital Reorganisation shall facilitate the Subscription for the Subscription Shares, the Preference Shares as well as the Convertible Notes under the Restructuring Agreement and provide the Company with the flexibility for equity financing through the issuance of New Shares in the future.

In light of the foregoing reasons for the Capital Reorganisation, we consider that the terms of the Capital Reorganisation are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM GUANGDONG SECURITIES

2.2 *The Subscription*

Subject to the fulfilment of the Conditions Precedent, the Investors shall subscribe for and the Company shall at Completion allot and/or issue:

- (i) 230,000,000 Subscription Shares at a subscription price of HK\$0.12 per Subscription Share to the Investors in the Relevant Ratio free from any encumbrance or third party's rights and with all rights and benefits attached thereto as at the Completion Date;
- (ii) 520,000,000 Preference Shares at a subscription price of HK\$0.12 per Preference Share to the Investors in the Relevant Ratio free from any encumbrance or third party's rights and with all rights and benefits attached thereto as at the Completion Date; and
- (iii) the Convertible Notes in the aggregate principal amount of HK\$18 million at a conversion price of HK\$0.12 per Conversion Share to the Investors in the Relevant Ratio free from any encumbrance or third party's rights and with all rights and benefits attached thereto as at the Completion Date.

The Subscription Shares will rank *pari passu* in all respects with the New Shares in issue as at the date of allotment and issue of the Subscription Shares.

Since the date of issue, each holder of the Preference Shares shall have the right at any time and from time to time convert the Preference Shares at the initial rate of one New Share (subject to adjustments) for one Preference Share. On the other hand, the Convertible Notes carry a coupon rate of 2% per annum and have a maturity period of five years. Further details of the Preference Shares and the Convertible Notes are outlined in the sub-sections headed "Proposed issue of Preference Shares" and "Proposed issue of Convertible Notes" respectively in the Provisional Liquidators Letter.

The Issue Price was negotiated among the Provisional Liquidators and the Investors on an arm's length basis having taken into account the amount of funds required to be raised by the Company.

The Issue Price of HK\$0.12 per New Share represents:

- (i) a discount of approximately 94.83% to the theoretical closing price of HK\$2.32 per New Share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK\$0.29 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a discount of approximately 94.87% to the average theoretical closing price of approximately HK\$2.34 per New Share as adjusted for the effect of the Capital Reorganisation based on the average closing price of HK\$0.293 per Share for the five trading days up to and including the Last Trading Date;

LETTER FROM GUANGDONG SECURITIES

- (iii) a discount of approximately 94.83% to the average theoretical closing price of HK\$2.32 per New Share as adjusted for the effect of the Capital Reorganisation based on the average closing price of HK\$0.290 per Share for the ten trading days up to and including the Last Trading Date;
- (iv) a premium of approximately HK\$1.71 over the theoretical audited consolidated net liabilities per New Share of approximately RMB1.35 as at 31 December 2010 (based on the audited consolidated net liabilities of the Group as at 31 December 2010 of approximately RMB110.91 million and 82,140,135 New Shares upon the Capital Reorganisation becoming effective); and
- (v) a premium of approximately HK\$1.68 over the theoretical unaudited consolidated net liabilities per New Share of approximately RMB1.33 as at 30 June 2011 (based on the unaudited consolidated net liabilities of the Group as at 30 June 2011 of approximately RMB109.01 million and 82,140,135 New Shares upon the Capital Reorganisation becoming effective).

Given that the Shares have been suspended for trading for more than two years, we consider that the closing prices of the Shares prior to the Suspension shall be unable to reflect the current financial condition and value of the Company. Besides that, we noted that the coupon rate of the Convertible Notes of 2% is below the average interest rates charged to the Group's existing bank borrowings and other borrowings. Hence, the Convertible Notes may reduce the interest burden on the Group.

Since Completion is conditional upon, among other things, the passing of the Subscription Resolution at the EGM, the Subscription forms an integral part of the Restructuring Agreement.

As referred to in the Provisional Liquidators Letter, the Company will receive gross proceeds from the Subscription for the Subscription Shares, the Preference Shares as well as the Convertible Notes of HK\$27.6 million, HK\$62.4 million and HK\$18.0 million respectively, totalling HK\$108 million, payable from the Investors in the Relevant Ratio. It is expected that (i) HK\$62 million of the gross proceeds will be made available for distribution to the Scheme Creditors; (ii) approximately HK\$17 million will be used to set off against the Fee Advancement to the Company under the Exclusivity and Escrow Agreement; and (iii) the remaining balance of approximately HK\$29 million, after netting off any additional amounts advanced by the Investors to the Group as working capital under the Facility, will be applied towards the working capital requirements of the Group.

In light of that (i) the Group was in net liabilities position as at 31 December 2010 and 30 June 2011 and thus the Issue Price, which represents a premium over the theoretical net liabilities per New Share as at 31 December 2010 and 30 June 2011, is fair and reasonable; (ii) the Group has a pressing need to satisfy its outstanding financial obligations and the Subscription is a relatively efficient and feasible fund raising method currently available to the Group; (iii) the Convertible Notes may reduce the interest burden on the Group; (iv) the proceeds from the Subscription will provide working capital for the Group; and (v) the Subscription forms an integral part of the Restructuring Agreement which would compromise, discharge and/or settle all claims against the Company and is one of the Conditions Precedent for resumption of trading in the New Shares on the Stock Exchange, we consider that the terms of the Subscription are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM GUANGDONG SECURITIES

2.3 The Schemes

Pursuant to the Restructuring Agreement, the Company shall apply to the Courts for orders convening the Scheme Meeting to consider the Schemes pursuant to which:

- (i) all claims against the Company shall be compromised, discharged and/or settled;
- (ii) the Scheme Creditors shall receive pro rata distribution of the Cash Consideration;
- (iii) the Company shall grant the Options to the Scheme Administrators to hold for the benefit of the Scheme Creditors pursuant to which the Scheme Creditors shall be entitled to subscribe for the Option Shares at the Exercise Price;
- (iv) the Investors shall grant the Put Option to the Scheme Administrators to hold for the benefit of the Scheme Creditors pursuant to which the Scheme Creditors shall be entitled to put the Options to the Investors in the Relevant Ratio at the Put Option Price within two months from the date of granting the Options; and
- (v) the Scheme Creditors will be entitled to receive ratably (a) all rights, title and interest in the Non-Core Subsidiaries transferred to Sino Gather by the Company on or about 23 March 2010 pursuant to the Disposal Deed; and (b) any assets transferred by the Company to Sino Gather under the Schemes with effect from the Completion Date which will be dealt with by the Scheme Administrators.

As advised by the Provisional Liquidators, the total claims against the Company amounted to approximately HK\$247.08 million at the Latest Practicable Date.

The grant of the Options together with the Put Option

Under the Schemes, the Company will grant 56,000,000 Options to the Scheme Administrators for the benefit of the Scheme Creditors at Completion. 56,000,000 Option Shares shall be issued upon exercise of the Options at the Exercise Price of HK\$0.15 per Option during the one-year period commencing from the date of the Option Deed and expiring on the first anniversary of such commencement date. Under the Schemes, the Investors have also irrevocably agreed to grant the Put Option which entitles the holders of the Options, acting through the Scheme Administrators, the rights, but not the obligation, to sell the Options back to the Investors at the Put Option Price of HK\$0.02 per Option in the Relevant Ratio.

LETTER FROM GUANGDONG SECURITIES

Further details of the Options and the Put Option are set out in the sub-sections headed “Grant of Options” and “The issue of Put Options” respectively in the Provisional Liquidators Letter.

The Exercise Price was negotiated among the Investors and the Provisional Liquidators on an arm’s length basis.

The Exercise Price of HK\$0.15 per Option represents:

- (i) a discount of approximately 93.53% to the theoretical closing price of HK\$2.32 per New Share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK\$0.29 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a discount of approximately 93.59% to the average theoretical closing price of approximately HK\$2.34 per New Share as adjusted for the effect of the Capital Reorganisation based on the average closing price of HK\$0.293 per Share for the five trading days up to and including the Last Trading Date;
- (iii) a discount of approximately 93.53% to the average theoretical closing price of HK\$2.32 per New Share as adjusted for the effect of the Capital Reorganisation based on the average closing price of HK\$0.290 per Share for the ten trading days up to and including the Last Trading Date;
- (iv) a premium of approximately HK\$1.74 over the theoretical audited consolidated net liabilities per New Share of approximately RMB1.35 as at 31 December 2010 (based on the audited consolidated net liabilities of the Group as at 31 December 2010 of approximately RMB110.91 million and 82,140,135 New Shares upon the Capital Reorganisation becoming effective); and
- (v) a premium of approximately HK\$1.71 over the theoretical unaudited consolidated net liabilities per New Share of approximately RMB1.33 as at 30 June 2011 (based on the unaudited consolidated net liabilities of the Group as at 30 June 2011 of approximately RMB109.01 million and 82,140,135 New Shares upon the Capital Reorganisation becoming effective).

As aforesaid, given that the Shares have been suspended for trading for more than two years, we consider that the closing prices of the Shares prior to the Suspension shall be unable to reflect the current financial condition and value of the Company.

LETTER FROM GUANGDONG SECURITIES

We are of the view that the Schemes are key components of the Debt Restructuring which would allow the Company to settle its debt, liability or obligation owed to the Scheme Creditors together with the interest accrued thereto. Moreover, since Completion is conditional upon, among other things, the passing of the Option Resolution at the EGM, the Schemes form an integral part of the Restructuring Agreement. Taking into account also that the Non-Core Subsidiaries are either dormant or have not yet commenced any operations since its date of establishment, we consider that the terms of the Schemes are fair and reasonable so far as the Independent Shareholders are concerned.

2.4 The Bonus Issue

After Completion, the Company shall effect the Bonus Issue to the Qualifying Shareholders whose names appear on the Register of Members on the Record Date as soon as possible. The Bonus Issue shall be made on the basis of 13 Bonus Shares for every 1,000 New Shares held on the Record Date by the Qualifying Shareholders. For avoidance of doubt, holders of the Subscription Shares, the Preference Shares and the Convertible Notes shall not be entitled to the Bonus Issue.

Since Completion is conditional upon, among other things, the passing of the Bonus Issue Resolution at the EGM, the Bonus Issue forms an integral part of the Restructuring Agreement. Furthermore, the Bonus Issue may provide the Qualifying Shareholders a chance to participate in the possible future growth and development of the Company. Given the foregoing, we consider that the terms of the Bonus Issue are fair and reasonable so far as the Independent Shareholders are concerned.

Lastly, in formulating our view in respect of the Restructuring Agreement, we did not consider the restructuring proposals of other long-suspended companies which have resumed trading on the Stock Exchange. The circumstances faced by the long-suspended companies, including but not limited to, the reasons for the suspension, their principal business and scale of operations, the level of debt and market conditions as at the time of suspension/formulation of the relevant restructuring proposals, vary. For this reason, we consider that the terms of the restructuring proposals of other long-suspended companies will not affect our overall analysis of the terms of the Restructuring Agreement.

LETTER FROM GUANGDONG SECURITIES

(3) Dilution effect on the shareholding interests of the existing public Shareholders

The table below demonstrates the possible shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon Completion and before any (a) conversion of the Preference Shares and the Convertible Notes and (b) exercise of the Options (“**Scenario I**”); and (iii) upon Completion and assuming the conversion of the Preference Shares and the Convertible Notes and the exercise of the Options in full (“**Scenario II**”):

	As at		Scenario I		Scenario II (Note 3)	
	the Latest Practicable Date		Scenario I		Scenario II (Note 3)	
	Number of	%	Number of	%	Number of	%
	Shares		Shares		Shares	
The Investors						
New Shares issued pursuant to the subscription for the Subscription Shares	-	-	230,000,000	73.43	230,000,000	22.13
New Shares issued upon conversion of the Preference Shares in full	-	-	-	-	520,000,000	50.04
New Shares issued upon conversion of the Convertible Notes in full	-	-	-	-	150,000,000	14.43
Subtotal	-	-	230,000,000	73.43	900,000,000	86.60
Existing Shareholders						
Fu Teng Global Limited (Note 1)	236,610,000	36.01	29,960,741	9.57	29,960,741	2.88
Existing public Shareholders	420,511,081	63.99	53,247,216	17.00	53,247,216	5.12
New Shareholders						
New Shares issued upon exercise of the Options in full (Note 2)	-	-	-	-	56,000,000	5.40
Total	657,121,081	100.00	313,207,957	100.00	1,039,207,957	100.00

Note:

- Fu Teng Global Limited is a company wholly owned by Mr. Yang Zhongwang, the former chairman and chief executive officer of the Company. The shareholding percentage of Fu Teng Global Limited in the Company will be diluted to less than 10% and Fu Teng Global Limited will hence become a public Shareholder immediately following the completion of the subscription for the Subscription Shares.
- The above calculation illustrates the effect on the shareholding structure of the Company assuming that the Put Options are not exercised and the 56,000,000 New Shares are held by Shareholders other than the Investors.
- The above calculation illustrates the effect on the shareholding structure of the Company upon full conversion of the Preference Shares and the Convertible Notes by the Investors. However, according to the terms of the Convertible Notes and the Preference Shares, no conversion is allowed if the Company cannot maintain its public float after such conversion. As such, this scenario is for illustrative purpose only.

LETTER FROM GUANGDONG SECURITIES

As depicted by the table above, the shareholding interests of the existing public Shareholders in the Company would be diluted from approximately 63.99% to approximately 17.00% and 5.12% under Scenario I and Scenario II respectively.

Taking into account and as balanced by (i) the reasons for and possible benefits of the Restructuring Agreement as set forth in the sub-section headed “Reasons for the Restructuring Agreement” of this letter; (ii) the terms of the Restructuring Agreement being fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Subscription, the grant of the Options and the Bonus Issue being integral parts of the Restructuring Agreement, we are of the view that the aforementioned substantial levels of dilution to the shareholding interests of the existing public Shareholders are acceptable.

(4) Possible financial effects of the Restructuring Agreement

The possible financial effects of the Restructuring Agreement set out below are based on the unaudited pro forma statement of financial position of the Group as contained in Appendix IV to the Circular (the “**Statement**”) as well as the opinions of the Investors, the Provisional Liquidators and the proposed Directors with regard to the working capital sufficiency of the Group as contained in Appendix II to the Circular. Since the Statement is based on the audited consolidated statements of financial position of the Group as at 31 December 2010, the below possible financial effects of the Restructuring Agreement have not taken into account the unaudited interim results of the Group for the six months ended 30 June 2011. After studying the key interim figures, including profits, assets and liabilities, of the Group for the six months ended 30 June 2011/ as at 30 June 2011, we consider that those figures would not materially affect the possible financial effects of the Restructuring Agreement based on the Statement.

Effect on net assets and gearing

According to the 2010 Annual Report, the audited consolidated net liabilities and bank borrowings of the Group were approximately RMB110.91 million and RMB61.15 million respectively as at 31 December 2010. The gearing level of the Group (calculated on the basis of the Group’s total bank borrowings relative to the shareholders’ funds) was not applicable as the Group recorded shareholders’ deficit as at 31 December 2010. The net liabilities per New Share were approximately RMB1.35 (based on 82,140,135 New Shares upon the Capital Reorganisation becoming effective). Based on the Statement, assuming that the Restructuring Agreement was completed on 31 December 2010, the Group’s net liabilities would improve to net assets of approximately RMB128.13 million. The net liabilities per New Share would also improve to net assets per New Share of approximately RMB0.41 (based on 313,207,957 New Shares under Scenario I). Due to the fact that all claims against the Company shall be compromised, discharged and/or settled upon Completion, assuming that the Restructuring Agreement was completed on 31 December 2010, the Group’s bank borrowings would be reduced to nil according to the Statement. With these two effects being the case, the gearing level of the Group would improve upon Completion.

In view of the improvement in the net assets and gearing level of the Group, we consider that the Restructuring Agreement is in the interests of the Company and the Shareholders as whole.

LETTER FROM GUANGDONG SECURITIES

Effect on earnings and liquidity

As confirmed by the Provisional Liquidators and based on the Statement, the Group is expected to record a gain of approximately RMB157.19 million upon Completion, representing the difference between the claims of approximately RMB209.92 million against the Company under the Schemes and the Cash Consideration of HK\$62 million (equivalent to approximately RMB52.73 million).

As at 31 December 2010, the Group had audited bank balances and cash and consolidated net current liabilities of approximately RMB2.65 million and RMB173.95 million respectively, demonstrating the severe liquidity problem which the Group faces. Based on the Statement, the Group would have bank balances and cash of approximately RMB27.31 million and its net current liabilities would improve to net current assets of approximately RMB65.09 million, assuming that the Restructuring Agreement was completed on 31 December 2010. As also stated in Appendix II to the Circular, the Investors, the Provisional Liquidators and the proposed Directors are of the opinion that, upon completion of the proposed Subscription for the New Shares, the Preference Shares and the Convertible Notes, the settlement of the Scheme Creditors and in the absence of unforeseeable circumstances, the Group would have sufficient working capital to finance its own day to day operations for the 12 months from the date of the Circular and from the date of resumption of trading in the New Shares, whenever not later than 31 December 2012. Nonetheless, our scope as the Independent Financial Adviser does not include any review and/or comment on the working capital projections of the Remaining Group.

In view of the improvement in the earnings and liquidity level of the Group, we consider that the Restructuring Agreement is in the interests of the Company and the Shareholders as whole.

(5) Future prospects of the Group

As set out in the Provisional Liquidators Letter, the Board comprised one executive Director and one independent non-executive Director as at the Latest Practicable Date. It is intended that both of the existing Directors will retire at the annual general meeting of the Company to be held on the same date of the EGM pursuant to Article 108(A) of the Articles. The Investors intend to appoint two new executive Directors upon Completion. Three new independent non-executive Directors will be appointed upon Completion. For the personal background and biography of the proposed Directors, please refer to the section headed "Proposed change of board composition" in the Provisional Liquidators Letter and Appendix VI to the Circular.

As aforementioned, upon Completion, the Group shall consist of the Company and its remaining wholly-owned subsidiaries, namely Bloxworth BVI and Shanxi Zhanpen. Shanxi Zhanpen is principally engaged in the manufacturing and sale of tinplate cans in the PRC, and those tinplate cans are mainly used for packaging of beverage products. The manufacturing base of Shanxi Zhanpen is located in Shanxi province, the PRC and the major customers of the Group are mainly located in Shanxi, Shaanxi and Henan provinces, the PRC.

LETTER FROM GUANGDONG SECURITIES

A detailed overview of the tinplate cans and beverages industry and the current business operation of the Group are presented in the sub-sections headed “Industry overview” and “Information about the Group” of the Provisional Liquidators Letter respectively.

We noted from the Provisional Liquidators Letter that the proposed Directors intend to maintain the existing manufacturing and selling of tinplate cans business of the Group for a period of at least one year after resumption of trading of the New Shares. The proposed Directors do not have any intention to dispose of any of the material assets of the Group.

As also extracted from the Provisional Liquidators Letter, the Investors intend to maintain the existing manufacturing and selling of tinplate cans business of the Group for a period of at least one year after the resumption of trading in the New Shares. The Investors do not have any intention to (i) inject any new assets or businesses into the Group; (ii) dispose of any of the material assets (including deployment of fixed assets) of the Group; or (iii) discontinue employment of the employees of the Group. Following completion of the Restructuring Agreement, the Investors will conduct a further review on the business operations and financial position of the Group for the purpose of formulating appropriate business plans and strategies in order to enhance the long-term growth potential of the Group.

As further stated in the Provisional Liquidators Letter, the Provisional Liquidators, the Investors and the proposed Directors believe that with the continuous support provided by the Investors to the Group, the Group has been able to improve its business of tinplate cans manufacturing and selling in the upcoming financial years after the resumption of trading in the New Shares on the Stock Exchange. We have not however considered the profit forecast of the Group since under our scope as the Independent Financial Adviser, we are not in the position to review the profit forecast. Our recommendation on the Restructuring Agreement is based mainly on the factors and reasons as summarised in the section headed “Recommendation” of this letter and the profit forecast does not affect our opinion regarding the Restructuring Agreement.

Besides the above, we are of the view that Shareholders when considering the prospects of the Group after the Completion and the possible resumption of trading in the New Shares should bear in mind all the risk factors as set forth in the section headed “Risk factors” in the Provisional Liquidators Letter based on their own risk preference and risk toleration level.

(6) The Whitewash Waiver

As at the Latest Practicable Date, the Investors, their respective ultimate beneficial owner and parties acting in concert with any of them did not own any Shares.

Pursuant to the Restructuring Agreement, the Investors shall subscribe for the Subscription Shares, the Preference Shares and the Convertible Notes. The beneficial shareholding interest of the Investors (and parties acting in concert with any of them) in the Company will increase from nil to (a) approximately 73.43% of the enlarged issued share capital of the Company in case of completion of the subscription for the Subscription Shares and the Bonus Issue; and (b) approximately 86.60% of the enlarged issued share capital of the Company in case of completion of the subscription for the Subscription Shares, the Bonus Issue, the full conversion of the Preference Shares and the Convertible Notes and the full exercise of the Options.

LETTER FROM GUANGDONG SECURITIES

Therefore, no matter under which circumstances described in the above paragraph, in the absence of the Whitewash Waiver, the Investors, their respective ultimate beneficial owner and parties acting in concert with any of them would be obliged to extend a mandatory general offer to all Shareholders under Rule 26 of the Takeovers Code. In this respect, the Investors have made an application to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted, will be subject to, among other things, the approval by the Independent Shareholders at the EGM (altogether, the “**Whitewash Conditions**”). The Investors have indicated that they will not waive, amongst others, the Whitewash Conditions. As such, if the Whitewash Conditions are not fulfilled, the Restructuring Agreement will not proceed to Completion.

Moreover, as referred to in the Provisional Liquidators Letter, since the maximum potential holding of voting rights for the Investors, their respective ultimate beneficial owner, together with parties acting in concert with any of them upon completion of the Capital Reorganisation, the Bonus Issue and the subscription for the Subscription Shares will exceed 50% of the voting rights of the Company, the Investors may increase their holding without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer for the securities of the Company.

In light of the aforementioned reasons for and possible benefits of the Restructuring Agreement as set forth in the sub-section headed “Reasons for the Restructuring Agreement” of this letter and the terms of the Restructuring Agreement being fair and reasonable so far as the Independent Shareholders are concerned, we are of the opinion that the approval of the Whitewash Waiver, which is a prerequisite for Completion, is in the interests of the Company and the Shareholders as a whole and is fair and reasonable for the purpose of proceeding with the Restructuring Agreement.

RECOMMENDATION

Having considered the above factors and reasons, in particular that:

- (i) the Restructuring Agreement will enable the Group to deal with its claims in a formal and orderly manner by way of the Schemes which is essential to the Group’s survival given its existing net liabilities and tight liquidity;
- (ii) the Restructuring Agreement would compromise, discharge and/or settle all claims against the Company; and
- (iii) the Restructuring Agreement, being one of the Resumption Conditions, is essential for resumption of trading in the New Shares,

we are of the opinion that (i) the terms of the Restructuring Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) the Restructuring Agreement and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole; and (iii) the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Restructuring Agreement and the transactions contemplated thereunder, and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Guangdong Securities Limited
Graham Lam
Managing Director

1. SUMMARY OF PUBLISHED FINANCIAL INFORMATION

The following is a summary of the consolidated financial information of the Group for the three years ended 31 December 2010 and the six months ended 30 June 2011, details of which were extracted from the annual reports of the Company for each of the years ended 31 December 2010, 2009 and 2008 and the interim results of the Company for the six months ended 30 June 2011.

The interim results for the six months ended 30 June 2011 was reviewed by ZHONGLEI (HK) CPA Company Limited. The financial statements for the year ended 31 December 2010 were audited by ZHONGLEI (HK) CPA Company Limited. The financial statements for the years ended 31 December 2009 and 2008 were audited by World Link CPA Limited. Qualified opinions were issued by the auditors of the Company in relation to each of the financial years.

For each of the three years ended 31 December 2010 and the six months ended 30 June 2010 and 2011, no dividend was declared or paid.

Published results of the Group

	For the six months ended	For the year ended 31 December		
	30 June 2011 RMB '000 (Unaudited)	2010 RMB '000 (audited)	2009 RMB '000 (audited)	2008 RMB '000 (audited)
Revenue	63,529	124,812	74,066	193,354
Cost of sales	(51,852)	(101,917)	(79,631)	(149,262)
Gross profit (loss)	11,677	22,895	(5,565)	44,092
Other revenue	2,074	7,620	2,972	2,688
Selling and distribution expenses	(2,983)	(5,605)	(4,104)	(8,349)
Administrative expenses	(704)	(2,966)	(18,127)	(18,241)
Miscellaneous expenses	(58)	-	-	-
Restructuring costs and expenses	(2,745)	(3,507)	(797)	-
Operating profit (loss)	7,261	18,437	(25,621)	20,190
Gain on termination of derivative financial instruments	-	-	23,340	-
Waived of other financial liabilities	-	1,671	-	(3,806)
Loss on deconsolidation of subsidiaries, impairment on investment costs and amounts due from deconsolidated subsidiaries, amounts recovered from deconsolidated subsidiaries	-	-	(3,451)	(800,402)
Impairment loss on deposit for compensation	-	-	-	(12,400)
Provision for loss on bank loans guarantee for a deconsolidated subsidiary	-	-	-	(29,000)
Other exceptional item	-	-	-	-
Finance costs	(3,326)	(5,460)	(2,876)	(5,752)
Profit (loss) before tax	3,935	14,648	(8,608)	(831,170)
Income tax expense	(2,035)	(5,401)	-	(5,243)
Profit (loss) for the year	1,900	9,247	(8,608)	(836,413)
Other comprehensive expenses	-	-	-	(65,904)
Total comprehensive income (loss) for the year	<u>1,900</u>	<u>9,247</u>	<u>(8,608)</u>	<u>(902,317)</u>

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

	For the six months ended	For the year ended 31 December		
	30 June 2011 <i>RMB'000</i> <i>(Unaudited)</i>	2010 <i>RMB'000</i> <i>(audited)</i>	2009 <i>RMB'000</i> <i>(audited)</i>	2008 <i>RMB'000</i> <i>(audited)</i>
Profit (loss) for the year attributable to:				
Owners of the Company	1,900	9,247	(8,608)	(836,413)
Non-controlling interests	–	–	–	–
	<u>1,900</u>	<u>9,247</u>	<u>(8,608)</u>	<u>(836,413)</u>
Total comprehensive income (loss) for the year attributable to:				
Owners of the Company	1,900	9,247	(8,608)	(902,317)
Non-controlling interests	–	–	–	–
	<u>1,900</u>	<u>9,247</u>	<u>(8,608)</u>	<u>(902,317)</u>
Earnings (loss) per share attributable to the equity holders of the Company during the year				
– Basic	<u>RMB0.0029</u>	<u>RMB0.0141</u>	<u>(RMB0.0133)</u>	<u>(RMB1.366)</u>
– Diluted	<u>RMB0.0029</u>	<u>RMB0.0141</u>	<u>(RMB0.0133)</u>	<u>N/A</u>

Financial position of the Group

	At 30 June 2011 RMB'000	2010 RMB'000	At 31 December 2009 RMB'000	2008 RMB'000
Non-current assets				
Property, plant and equipment	59,726	64,247	65,529	55,426
	<u>59,726</u>	<u>64,247</u>	<u>65,529</u>	<u>55,426</u>
Current assets				
Inventories	5,651	3,173	3,557	4,341
Trade and other receivables	55,474	48,825	28,646	63,286
Escrow money	2,514	888	4,400	–
Deposit paid for acquisition of plant and machinery	2,600	–	–	–
Pledged bank deposits	–	–	–	35,640
Bank balances and cash	1,557	2,649	411	11,313
	<u>67,796</u>	<u>55,535</u>	<u>37,014</u>	<u>114,580</u>
Current liabilities				
Trade and other payables	(13,355)	13,490	7,898	15,193
Amounts due to shareholders	–	–	–	42,544
Tax payable	(4,446)	4,303	1,971	4,385
Bank borrowings	(62,298)	61,146	59,727	110,508
Other borrowings	(49,308)	48,626	48,255	–
Provision for bank loans guarantee for a deconsolidated subsidiary	(29,000)	29,000	29,000	29,000
Loan from an investor	(9,514)	5,078	4,400	–
Amount due to an investor	(389)	265	–	96,198
Other financial liabilities	(67,013)	67,575	71,453	–
	<u>(235,323)</u>	<u>229,483</u>	<u>222,704</u>	<u>297,828</u>
Net current liabilities	<u>(167,527)</u>	<u>(173,948)</u>	<u>(185,690)</u>	<u>(183,248)</u>
Non-current liabilities				
Deferred tax liabilities	(1,213)	1,213	–	–
Net liabilities	<u>(109,014)</u>	<u>(110,914)</u>	<u>(120,161)</u>	<u>(127,822)</u>
Capital and reserves				
Share capital	67,399	67,399	67,399	64,260
Reserves	(176,413)	(178,313)	(187,560)	(192,082)
Deficit attributable to owners of the Company	<u>(109,014)</u>	<u>(110,914)</u>	<u>(120,161)</u>	<u>(127,822)</u>

2. AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

Set out below is the auditor's report extracted from the annual report of the Company for the year ended 31 December 2008 in which the auditor expressed an adverse opinion. In this section, reference to the page numbers are those appeared in the annual report of the Company for the year ended 31 December 2008.

We were engaged to audit the consolidated financial statements of China Packaging Group Company Limited (Provisional Liquidators Appointed) (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 24 to 69, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' and Provisional Liquidators' responsibility for the consolidated financial statements

The Directors and the Provisional Liquidators since their appointment on 2 October 2009 are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Suspension of trading of the Company's shares and appointment of the joint and several Provisional Liquidators

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

As stated in Note 2.1 to the financial statements:

"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 (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 the annual report and the audited financial statements for the year ended 31 December 2008 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 audited financial statements for the year ended 31 December 2008 based on the books and records made available to the Provisional Liquidators."

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except for the limitation in the scope of our work as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. However, because of the matters described in the basis for disclaimer of opinion paragraphs, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion**1. *Going concern and basis of preparation***

As disclosed in Note 2.1 to the financial statements, the Provisional Liquidators are in the process of restructuring the Group's indebtedness and revitalizing the Group's business and that the financial statements have been prepared on a going concern basis. The ability of the Group as a going concern assumes that the restructuring proposal by the Investor will be successfully implemented and that, following the restructuring, the Group will continue to meet in full its obligations as they fall due in the foreseeable future. We are unable to obtain information that is necessary to satisfy ourselves that the restructuring proposal will be successfully implemented and how the Group will be able to operate as a going concern after the restructuring. We are therefore unable to form an opinion as to whether the assumptions used to prepare the Group's financial statements on a going concern basis are appropriate and the Group will be able to continue as a going concern. Should the liquidation basis of accounting have to be used, adjustments would have to be made to restate the value of the Group's assets to their recoverable amounts and the liabilities to their estimated settlement amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities of the Group as current assets and liabilities respectively.

2. *Changes of directors, appointment of Provisional Liquidators and lack of management representation*

Subsequent to 31 December 2008, there were changes in the composition of the board of directors of the Company. On 9 March 2009, Mr. Ng Wai Man resigned as independent non-executive director of the Company. On 9 June 2009, Mr. Lu Zheng was appointed as independent non-executive director of the Company. On 31 July 2009, Mr. Tong Hing Wah resigned as independent non-executive director of the Company. On 18 September 2009, Mr. Yang Zongwang resigned as executive director and chairman of the Company. Mr. Xue De Fa and Mr. Xie Xi resigned as executive directors of the Company and Mr. Lu Zheng resigned as independent non-executive director of the Company. On the same day, Mr. So Chiu was appointed as executive director of the Company, Mr. Seto Man Fai, Mr. Chan Hoi Wan and Mr. Orr Joseph Wai Shing were appointed as independent non-executive directors of the Company.

On 2 October 2009, the Provisional Liquidators were appointed. On 3 October 2009, Mr. Seto Man Fai resigned as independent non-executive director of the Company. On 7 October 2009, Mr. So Chiu and Mr. Chan Hoi Wan resigned as executive director and independent non-executive director of the Company respectively. On 22 October 2009, Mr. Orr Joseph Wai Shing resigned as independent non-executive director of the Company. We are unable to obtain representation from the former directors/directors/management whether these financial statements present a true and fair view of the state of affairs of the Group as at 31 December 2008 and the results of the Group for the year then ended.

As explained in Note 2.1 to the financial statements, the Provisional Liquidators prepared the consolidated financial statements for the year ended 31 December 2008 based on books and records made available to them. The Provisional Liquidators make no representation as to the completeness and accuracy of the information contained in these financial statements and, as a consequence, the Provisional Liquidators are not making any representation whether these financial statements of the Group present a true and fair view of the state of affairs of the Group as at 31 December 2008 and the results of the Group for the year then ended.

The lack of representation from the former directors/directors/management/Provisional Liquidators on the completeness and accuracy of the information contained in these financial statements constitutes a limitation of the scope of our audit.

3. Departure from the Hong Kong Financial Reporting Standards

As explained in Note 2.3 to the financial statements, a number of disclosures as required by the Hong Kong Financial Reporting Standards have not been made in these financial statements as the Provisional Liquidators did not have sufficient data and information as a result of unavailability of complete books and records of some of the subsidiaries of the Group. Accordingly, certain disclosures in these financial statements are not in full compliance with the relevant Hong Kong Financial Reporting Standards.

4. Loss on deconsolidation of subsidiaries, impairment on investment costs and amounts due from deconsolidated subsidiaries, amounts recovered from deconsolidated subsidiaries

As explained in Note 2.2 to the financial statements, the Provisional Liquidators consider that the control of the Company over certain subsidiaries has been lost subsequent to the year ended 31 December 2008. Therefore, such subsidiaries have not been consolidated in the Group's consolidated financial statements for the year ended 31 December 2008.

The resulting loss on deconsolidation of subsidiaries, impairment on the investment costs in deconsolidated subsidiaries, impairment on the amounts due from deconsolidated subsidiaries, amounts recovered from the deconsolidated subsidiaries of approximately RMB382,692,000, RMB153,194,000, RMB287,085,000 and RMB22,569,000 respectively, have been recognised in the consolidated income statement.

Whilst the Provisional Liquidators consider that the exclusion of these subsidiaries present more fairly the Group's financial position and the results for the year in the circumstances, the exclusion of the financial position and results of these subsidiaries in the consolidated financial statements is a departure from the requirements of Hong Kong Accounting Standard 27 "Separate and Consolidated Financial Statements".

Since the Provisional Liquidators consider that the control of the Company over these subsidiaries has been lost and accordingly failed to get access to their books and records, we have not been able to obtain sufficient appropriate audit evidence and explanations to assess the accuracy and completeness of the loss on deconsolidation of subsidiaries, the impairment on investment costs and amounts due from deconsolidated subsidiaries, amounts recovered from deconsolidated subsidiaries.

5. *Scope Limitation – Opening balances and comparative figures*

We were appointed auditors of the Group on 27 July 2009 by the Company to report on the consolidated financial statements for the year ended 31 December 2008 but our audit has not been completed. Subsequently we were appointed auditors of the Group on 25 January 2010 by the Provisional Liquidators to report on the consolidated financial statements for the year ended 31 December 2008. The comparative figures in the financial statements are based on the audited financial statements for the year ended 31 December 2007 which were audited by Deloitte Touche Tohmatsu, Certified Public Accountants.

However, as detailed in Note 2.1 to the financial statements, the preparation of the financial statements for the year ended 31 December 2008 are based on the books and records made available to the Provisional Liquidators and the Provisional Liquidators make no representation as to the completeness and accuracy of the books and records. Accordingly, we have not been provided with all the necessary books and records of certain subsidiaries to satisfy ourselves that the balances brought forward as at 1 January 2008 and the comparative figures in these consolidated financial statements do not contain misstatements which might materially affect the current year's consolidated financial statements.

6. *Scope Limitation – Transactions, income and expense items for the year/ lack of complete books and records of a subsidiary*

As detailed in Note 2.1 to the financial statements, the preparation of the consolidated financial statements for the year ended 31 December 2008 are based on the books and records made available to the Provisional Liquidators. The Provisional Liquidators considered that certain books and records of a subsidiary, Bloxworth Enterprises Limited, were not complete for the year ended 31 December 2008. Included in the Group's bank balances were amount of approximately RMB8,755,000 relating to the Company and a subsidiary, of which RMB7,832,000 was transferred to a deconsolidated subsidiary subsequent to the year end. We have been unable to obtain sufficient evidences to verify the accuracy and completeness of these balances and the related income and expenses to be recognised in the consolidated financial statements. No direct confirmation and other sufficient evidence have been received by us up to the date of this report. There are no other alternative audit procedures we could adopt to satisfy ourselves that these balances and the related income and expense items were properly accounted for in the consolidated financial statements for the year ended 31 December 2008 and these balances were free from material misstatement and were fairly stated.

7. Scope Limitation – Impairment of property, plant and equipment

Included in the consolidated balance sheet at 31 December 2008 were property, plant and equipment with an aggregate carrying amount of approximately RMB55,426,000. As set out in Note 2.1 to the financial statements, the Group incurred a loss of approximately RMB836,413,000 for the year ended 31 December 2008 and together with the fact that production activities in certain subsidiaries were not in full capacities subsequent to the balance sheet date, and accordingly, in our opinion it constituted an indicator of impairment of property, plant and equipment. However, no impairment loss was recognised for the year ended 31 December 2008. We were unable to satisfy ourselves as to the appropriateness of the assumptions made by the Company regarding the impairment review of the property, plant and equipment in the absence of their value-in-use calculation and accordingly, we were unable to assess whether the recoverable amounts of property, plant and equipment exceeded their carrying amounts as at 31 December 2008 and whether any impairment loss should be recognised in accordance with Hong Kong Accounting Standard 36 “Impairment of Assets”.

8. Scope Limitation – Impairment loss on deposit for compensation

As discussed in Note 14 to the financial statements, an impairment loss amounting RMB12,400,000 has been recognised in respect of a deposit for compensation paid to 汾陽市文峰街道南關村民委員會. We have not been provided with sufficient and appropriate evidence to verify the appropriateness of this impairment provision. There were no other alternative audit procedures that we could adopt to satisfy ourselves that the impairment provision was free from material misstatement and was fairly stated.

9. Scope Limitation – Inventories

As stated above, we were appointed as auditors subsequent to the Group’s financial year end. In consequence we were unable to attend the Company’s physical inventory count at 31 December 2008. We were invited to attend the inventory count which the Company further carried out on 5 May 2010. However, we have not been provided with sufficient evidence and detailed movements of inventories between the date of physical inventory count and the financial reporting date to verify the existence, completeness and valuation of the inventories at 31 December 2008. There were no other satisfactory alternative audit procedures that we could adopt to satisfy ourselves that the inventories as stated in the consolidated balance sheet as at 31 December 2008 were free from material misstatement and were fairly stated.

10. Scope Limitation – Provision for bank loans guarantee for a deconsolidated subsidiary

As disclosed in Note 23 to the financial statements, as at 31 December 2008, the Group had made full provision for bank loans guarantee for a deconsolidated subsidiary of approximately RMB29,000,000. Since no direct confirmation from third parties and other sufficient evidence have been received by us up to the date of this report, we were unable to assess the accuracy and completeness of this liability. There were no other satisfactory alternative procedures that we could perform to satisfy ourselves that the balance and related disclosures have been properly recorded and reflected in the consolidated financial statements as at 31 December 2008.

11. *Scope Limitation – Commitment, contingent liabilities and related party transactions*

As disclosed in Note 2, 28, 29, 30, and 32 to the financial statements, the Provisional Liquidators make no representation as to the completeness and accuracy of the information contained in these consolidated financial statements and the completeness of the disclosure of commitments, contingent liabilities and related party transactions and balances in the consolidated financial statements as at 31 December 2008. Therefore we were unable to satisfy ourselves as to the existence and completeness of the disclosures of commitment, contingent liabilities and related party transactions as at 31 December 2008.

12. *Scope Limitation – Post balance sheet events*

As disclosed in Note 2.1 to the financial statements, the preparation of the financial statements for the year ended 31 December 2008 are based on the books and records made available to the Provisional Liquidators and the Provisional Liquidators make no representation to the completeness and accuracy of the books and records. We were unable to perform the audit procedures that we consider necessary to complete our review of post balance sheet events from the balance sheet date up to the date of this report. Such procedures might result in the identification of adjustments to the amounts reported in the consolidated financial statements and/or additional disclosures in respect of post balance sheet events.

Any adjustments to the figures above might have a significant consequential effect on the Group's results for two years ended 31 December 2007 and 2008, the financial positions of the Group as at 31 December 2007 and 2008, and the related disclosures thereof in the consolidated financial statements.

Fundamental uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in Note 2.1 to the financial statements which explain the circumstances giving rise to the material uncertainty. The appropriateness of preparing the Group's consolidated financial statements on the going concern basis depends on the successful outcome of the conclusion of the resumption proposal and the scheme of arrangement.

We consider that appropriate disclosures have been made; however, we consider that this material uncertainty is so fundamental that we disclaim our opinion in respect of the appropriateness of the going concern basis. The financial statements of the Group do not include any adjustments that would be necessary if the Group failed to operate as a going concern. Had the going concern basis not been used, adjustments would have to be made to reduce the carrying values of the Group's asset to their recoverable amounts, to provide further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. Such adjustments may have a consequential significant effect on the net liabilities of the Group as at 31 December 2008 and the Group's loss attributable to the equity holders of the Company for the year then ended.

Disclaimer of opinion

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 31st December 2008 and of the Group's loss for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether they have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Report on matters under sections 141(4) and 141(6) of the Hong Kong Companies Ordinance

In respect alone of the limitation on our work relating to the matters described in the basis for disclaimer of opinion paragraphs:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper books of account had been kept.

World Link CPA Limited

Certified Public Accountants

Hong Kong, 22 October 2010

Fung Tze Wa

Practising Certificate Number: P01138

3. AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

Set out below is the auditor's report extracted from the annual report of the Company for the year ended 31 December 2009 in which the auditor expressed an adverse opinion. In this section, reference to the page numbers are those appeared in the annual report of the Company for the year ended 31 December 2009.

We were engaged to audit the consolidated financial statements of China Packaging Group Company Limited (Provisional Liquidators Appointed) (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 24 to 67, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' and Provisional Liquidators' responsibility for the consolidated financial statements

The Directors and the Provisional Liquidators since their appointment on 2 October 2009 are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Suspension of trading of the Company's shares and appointment of the joint and several Provisional Liquidators

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

As stated in Note 2.1 to the financial statements:

"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 (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 annual report and the audited financial statements for the year ended 31 December 2009 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 audited financial statements for the year ended 31 December 2009 based on the books and records made available to the Provisional Liquidators."

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except for the limitation in the scope of our work as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. However, because of the matters described in the basis for disclaimer of opinion paragraphs, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion**1. *Going concern and basis of preparation***

As disclosed in Note 2.1 to the financial statements, the Provisional Liquidators are in the process of restructuring the Group's indebtedness and revitalizing the Group's business and that the financial statements have been prepared on a going concern basis. The ability of the Group as a going concern assumes that the restructuring proposal by the Investor will be successfully implemented and that, following the restructuring, the Group will continue to meet in full its obligations as they fall due in the foreseeable future. We are unable to obtain information that is necessary to satisfy ourselves that the restructuring proposal will be successfully implemented and how the Group will be able to operate as a going concern after the restructuring. We are therefore unable to form an opinion as to whether the assumptions used to prepare the Group's financial statements on a going concern basis are appropriate and the Group will be able to continue as a going concern. Should the liquidation basis of accounting have to be used, adjustments would have to be made to restate the value of the Group's assets to their recoverable amounts and the liabilities to their estimated settlement amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities of the Group as current assets and liabilities respectively.

2. *Changes of directors, appointment of Provisional Liquidators and lack of management representation*

During the year, there were changes in the composition of the board of directors of the Company. On 9 March 2009, Mr. Ng Wai Man resigned as independent non-executive director of the Company. On 9 June 2009, Mr. Lu Zheng was appointed as independent non-executive director of the Company. On 31 July 2009, Mr. Tong Hing Wah resigned as independent non-executive director of the Company. On 18 September 2009, Mr. Yang Zongwang resigned as executive director and chairman of the Company. Mr. Xue De Fa and Mr. Xie Xi resigned as executive directors of the Company and Mr. Lu Zheng resigned as independent non-executive director of the Company. On the same day, Mr. So Chiu was appointed as executive director of the Company, Mr. Seto Man Fai, Mr. Chan Hoi Wan and Mr. Orr Joseph Wai Shing were appointed as independent non-executive directors of the Company.

On 2 October 2009, the Provisional Liquidators were appointed. On 3 October 2009, Mr. Seto Man Fai resigned as independent non-executive director of the Company. On 7 October 2009, Mr. So Chiu and Mr. Chan Hoi Wan resigned as executive director and independent non-executive director of the Company respectively. On 22 October 2009, Mr. Orr Joseph Wai Shing resigned as independent non-executive director of the Company. We are unable to obtain representation from the former directors/directors/management whether these financial statements present a true and fair view of the state of affairs of the Group as at 31 December 2009 and the results of the Group for the year then ended.

As explained in Note 2.1 to the financial statements, the Provisional Liquidators prepared the consolidated financial statements for the year ended 31 December 2009 based on books and records made available to them. The Provisional Liquidators make no representation as to the completeness and accuracy of the information contained in these financial statements and, as a consequence, the Provisional Liquidators are not making any representation that these financial statements of the Group present a true and fair view of the state of affairs of the Group as at 31 December 2009 and the results of the Group for the year then ended.

The lack of representation from the former directors/directors/management/Provisional Liquidators on the completeness and accuracy of the information contained in these financial statements constitutes a limitation of the scope of our audit.

3. *Departure from the Hong Kong Financial Reporting Standards*

As explained in Note 2.3 to the financial statements, a number of disclosures as required by the Hong Kong Financial Reporting Standards have not been made in these financial statements as the Provisional Liquidators did not have sufficient data and information as a result of unavailability of complete books and records of some of the subsidiaries of the Group. Accordingly, certain disclosures in these financial statements are not in full compliance with the relevant Hong Kong Financial Reporting Standards.

4. *Scope Limitation – Opening balances and comparative figures*

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2008 (the “2008 Financial Statements”), which form the basis for the corresponding figures presented in the current year’s consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit and the fundamental uncertainty in relation to going concern. Accordingly, we were then unable to form an opinion as to whether the 2008 Financial Statements gave a true and fair view of the state of affairs of the Group as at 31 December 2008 and of the Group’s results for the year then ended.

5. *Loss on deconsolidation of subsidiaries, impairment on investment costs and amounts due from deconsolidated subsidiaries, amounts recovered from deconsolidated subsidiaries*

As explained in Note 2.2 to the financial statements, the Provisional Liquidators consider that the control of the Company over certain subsidiaries has been lost subsequent to the year ended 31 December 2008. Therefore, such subsidiaries have not been consolidated in the Group's consolidated financial statements for the year ended 31 December 2008.

The impairment on the amounts due from deconsolidated subsidiaries of approximately RMB7,832,000, which were funds transferred from a subsidiary, Bloxworth Enterprises Limited, during the year and amounts recovered from deconsolidated subsidiaries of RMB4,381,000 have been recognized in the consolidated statement of comprehensive income.

Whilst the Provisional Liquidators consider that the exclusion of these subsidiaries present more fairly the Group's financial position and the results for the year in the circumstances, the exclusion of the financial position and results of these subsidiaries in the consolidated financial statements is a departure from the requirements of Hong Kong Accounting Standard 27 "Separate and Consolidated Financial Statements".

Since the Provisional Liquidators consider that the control of the Company over these subsidiaries has been lost and accordingly failed to get access to their books and records, we have not been able to obtain sufficient appropriate audit evidence and explanations to assess the accuracy and completeness of the impairment on amounts due from deconsolidated subsidiaries and amounts recovered from deconsolidated subsidiaries.

6. *Scope Limitation – Transactions, income and expense items for the year/ lack of complete books and records of the Company and a subsidiary*

As detailed in Note 2.1 to the financial statements, the preparation of the consolidated financial statements for the year ended 31 December 2009 are based on the books and records made available to the Provisional Liquidators. The Provisional Liquidators considered that certain books and records of the Company and a subsidiary, Bloxworth Enterprises Limited, was not complete for the year ended 31 December 2009.

- (a) Included in the Company's bank borrowings were amounts of approximately RMB2,472,000, which we have been unable to obtain sufficient evidences to verify the accuracy and completeness of these balances and the related income and expenses to be recognized in the consolidated financial statements.
- (b) Included in other income and administrative expenses in the consolidated statement of comprehensive income were sundry income of approximately RMB660,000 and other expenses of approximately RMB1,366,000 arising from unreconciled credit balance or debit balance of bank accounts of the Company and a subsidiary closed during the year respectively. We have been unable to obtain sufficient evidences to verify the nature, accuracy and completeness of these amounts.

There are no other alternative audit procedures we could adopt to satisfy ourselves that the bank borrowings and the related income and expense items, other income and administrative expenses of approximately RMB2,472,000, RMB660,000 and RMB1,366,000 respectively were properly accounted for in the consolidated financial statements for the year ended 31 December 2009 and these balances were free from material misstatement and were fairly stated.

7. *Scope Limitation – Impairment of property, plant and equipment*

Included in the consolidated statement of financial position at 31 December 2009 were property, plant and equipment with an aggregate carrying amount of approximately RMB65,529,000. As set out in Note 2.1 to the financial statements, the Group incurred a loss of approximately RMB8,608,000 for the year ended 31 December 2009 and together with the fact that production activities of certain of the Group's facilities were not in full capacities during the year, in our opinion this constituted an indicator of impairment of property, plant and equipment. However, no impairment loss was recognised for the year ended 31 December 2009. We were unable to satisfy ourselves as to the appropriateness of the assumptions made by the Company regarding the impairment review of the property, plant and equipment in the absence of their value-in-use calculation and accordingly, we were unable to assess whether the recoverable amounts of property, plant and equipment exceeded their carrying amounts as at 31 December 2009 and whether any impairment loss should be recognised in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets".

8. *Scope Limitation – Inventories*

We were appointed auditors of the Group on 2 February 2010 by the Provisional Liquidators to report on the consolidated financial statements for the year ended 31 December 2009. In consequence, we were unable to attend the Company's physical inventory count at 31 December 2009. We were invited to attend the inventory count which the Company further carried out on 5 May 2010. However, we had not been provided with sufficient evidence and detailed movements of inventories between the date of physical inventory count and the financial reporting date to verify the existence, completeness and valuation of the inventories at 31 December 2009. There were no other satisfactory alternative audit procedures that we could adopt to satisfy ourselves that the inventories as stated in the consolidated statement of financial position as at 31 December 2009 were free from material misstatement and were fairly stated.

9. *Scope Limitation – Provision for bank loans guarantee for a deconsolidated subsidiary*

As disclosed in Note 25 to the financial statements, as at 31 December 2009, the Group had made full provision for bank loans guarantee for a deconsolidated subsidiary of approximately RMB29,000,000. Since no direct confirmation from third parties and other sufficient evidence have been received by us up to the date of this report, we were unable to assess the accuracy and completeness of this liability. There are no other satisfactory alternative procedures that we could perform to satisfy ourselves that the balance and related disclosures have been properly recorded and reflected in the consolidated financial statements as at 31 December 2009.

10. *Scope Limitation – Commitment, contingent liabilities and related party transactions*

As disclosed in Note 2, 31, 32, 33 and 35 to the financial statements, the Provisional Liquidators make no representation as to the completeness and accuracy of the information contained in these consolidated financial statements and the completeness of the disclosure of commitments, contingent liabilities and related party transactions and balances in the consolidated financial statements as at 31 December 2009. Therefore we were unable to satisfy ourselves as to the existence and completeness of the disclosures of commitment, contingent liabilities and related party transactions as at 31 December 2009.

11. *Scope Limitation – Events after the reporting period*

As disclosed in Note 2.1 to the financial statements, the preparation of the financial statements for the year ended 31 December 2009 are based on the books and records made available to the Provisional Liquidators and the Provisional Liquidators make no representation to the completeness of the books and records. We were unable to perform the audit procedures that we consider necessary to complete our review of events after the reporting period from the end of the reporting period up to the date of this report. Such procedures might result in the identification of adjustments to the amounts reported in the consolidated financial statements and/or additional disclosures in respect of events after the reporting period.

Any adjustments to the figures above might have a significant consequential effect on the Group's results for two years ended 31 December 2008 and 2009, the financial positions of the Group as at 31 December 2008 and 2009, and the related disclosures thereof in the consolidated financial statements.

Fundamental uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in Note 2.1 to the financial statements which explain the circumstances giving rise to the fundamental uncertainty. The appropriateness of preparing the Group's consolidated financial statements on the going concern basis depends on the successful outcome of the conclusion of the resumption proposal and the scheme of arrangement.

We consider that appropriate disclosures have been made; however, we consider that this material uncertainty is so fundamental that we disclaim our opinion in respect of the appropriateness of the going concern basis. The financial statements of the Group do not include any adjustments that would be necessary if the Group failed to operate as a going concern. Had the going concern basis not been used, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. Such adjustments may have a consequential significant effect on the net liabilities of the Group as at 31 December 2009 and the Group's loss attributable to the equity holders of the Company for the year then ended.

Disclaimer of opinion

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 31st December 2009 and of the Group's loss for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether they have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Report on matters under sections 141(4) and 141(6) of the Hong Kong Companies Ordinance

In respect alone of the limitation on our work relating to the matters described in the basis for disclaimer of opinion paragraphs:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper books of account had been kept.

World Link CPA Limited

Certified Public Accountants

Hong Kong, 28 October 2010

Fung Tze Wa

Practising Certificate Number: P01138

4. AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

Set out below is the auditor's report extracted from the annual report of the Company for the year ended 31 December 2010 in which the auditor expressed an adverse opinion. In this section, reference to the page numbers are those appeared in the annual report of the Company for the year ended 31 December 2010.

We were engaged to audit the consolidated financial statements of China Packaging Group Company Limited (Provisional Liquidators Appointed) (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 17 to 61, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' and Provisional Liquidators' responsibility for the consolidated financial statements

The Directors and the Provisional Liquidators since their appointment on 2 October 2009 are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Suspension of trading of the Company's shares and appointment of the joint and several Provisional Liquidators

Trading of the Company's shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") has been suspended since 28 April 2009.

As stated in Note 2.1 to the consolidated financial statements:

"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 the annual report and the audited consolidated financial statements for the year ended 31 December 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 audited consolidated financial statements for the year ended 31 December 2010 based on the books and records made available to the Provisional Liquidators."

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except as described in the basis for disclaimer of opinion paragraphs, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement. However, because of the matters described in the basis for disclaimer of opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion**1. *Going concern and basis of preparation***

As disclosed in Note 2.1 to the consolidated financial statements, the Provisional Liquidators are in the process of restructuring the Group's indebtedness and revitalising the Group's business and that the consolidated financial statements have been prepared on a going concern basis. The ability of the Group as a going concern assumes that the restructuring proposal by Business Giant Limited (the "Investor") will be successfully implemented and that, following the restructuring, the Group will continue to meet in full its obligations as they fall due in the foreseeable future. We are unable to obtain information that is necessary to satisfy ourselves that the restructuring proposal will be successfully implemented and the Group will be able to operate as a going concern after the restructuring. We are therefore unable to form an opinion as to whether the assumptions used to prepare the Group's consolidated financial statements on a going concern basis are appropriate and the Group will be able to continue as a going concern. Should the liquidation basis of accounting have to be used, adjustments would have to be made to restate the value of the Group's assets to their recoverable amounts and the liabilities to their estimated settlement amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities of the Group as current assets and liabilities respectively.

2. *Lack of Provisional Liquidators, director and management representation*

We are unable to obtain representation from the Provisional Liquidators, directors and management whether these consolidated financial statements present a true and fair view of the state of affairs of the Group as at 31 December 2010 and the results of the Group for the year then ended.

As explained in Note 2.1 to the consolidated financial statements, the Provisional Liquidators prepared the consolidated financial statements for the year ended 31 December 2010 based on books and records made available to them. The Provisional Liquidators make no representation as to the completeness and accuracy of the books and records made available to us. Therefore, we cannot perform any audit procedure to assure (i) the completeness and accuracy of the information contained in these consolidated financial statements; (ii) the completeness of the disclosure of commitments, contingent liabilities and related party transactions and balances in the consolidated financial statements as at 31 December 2010; and (iii) the completeness of the disclosure of event after the reporting period from the end of the reporting period up to the date of this report. As a consequence, the Provisional Liquidators are not making any representation that these consolidated financial statements of the Group present a true and fair view of the state of affairs of the Group as at 31 December 2010 and the results of the Group for the year then ended.

The lack of representation from the Provisional Liquidators, directors and management on the completeness and accuracy of the information contained in these consolidated financial statements constitutes a limitation of the scope of our audit.

3. Limitation of scope affecting opening balances, comparative figures and related disclosures

The preceding auditor of the Company issued an auditor's report dated 28 October 2010 with a "disclaimer opinion" on the consolidated financial statements of the Group for the year ended 31 December 2009 (the "**2009 Auditor's Report**") with scope limitations based on reasons summarized in the basis for disclaimer of opinion paragraphs therein.

We were not able to obtain sufficient reliable evidence to enable us to assess the scope limitations for the year ended 31 December 2009. Any adjustments found to be necessary to the opening balances as at 1 January 2010 may affect the results and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 December 2010. The comparative figures for the year ended 31 December 2009 shown in these consolidated financial statements may not be comparable with the figures for the current year. Moreover, a number of disclosures as required by the Hong Kong Financial Reporting Standards have not been made in the 2009 Auditor's Report as the Provisional Liquidators did not have sufficient data and information as a result of unavailability of complete books and records of some of the subsidiaries of the Group. Accordingly, certain comparative information has not been disclosed in these consolidated financial statements which is not in full compliance with the relevant Hong Kong Financial Reporting Standards.

4. Gain on disposal of deconsolidation of subsidiaries

The Group has a gain on disposal of deconsolidated subsidiaries of HK\$3 from the disposal of its entire equity interests in certain deconsolidated subsidiaries during the year ended 31 December 2010. Due to scope limitation as described in the 2009 Auditor's Report in respect of loss on deconsolidation of subsidiaries, impairment on investment costs and amount due from deconsolidated subsidiaries, amounts recovered from deconsolidated subsidiaries, we were unable to satisfy ourselves as to the accuracy of the carrying value of the deconsolidated subsidiaries as at the date of the disposal included in the calculation of the gain on disposal of deconsolidated subsidiaries during the year ended 31 December 2010 and as to whether the amount of gain on disposal of deconsolidated subsidiaries has been accurately recorded in the consolidated statement of comprehensive income. Any adjustments to the figure would have a consequential effect on the gain of the Group for the year ended 31 December 2010.

5. *Limitation of scope affecting provision for bank borrowings guarantee for a deconsolidated subsidiary*

As disclosed in Note 24 to the consolidated financial statements, as at 31 December 2010, the Group had made full provision for bank borrowings guarantee for a deconsolidated subsidiary of approximately RMB29,000,000. Since no direct confirmation from third parties and other sufficient evidence have been received by us up to the date of this report, we were unable to assess the accuracy and completeness of this liability. There are no other satisfactory alternative procedures that we could perform to satisfy ourselves that the balance and related disclosures have been properly recorded and reflected in the consolidated financial statements as at 31 December 2010.

Any adjustments to the figures above might have a significant consequential effect on the Group's results for two years ended 31 December 2009 and 2010, the financial positions of the Group as at 31 December 2009 and 2010, and the related disclosures thereof in the consolidated financial statements.

Fundamental uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in Note 2.1 to the consolidated financial statements which explain the circumstances giving rise to the fundamental uncertainty. The appropriateness of preparing the Group's consolidated financial statements on the going concern basis depends on the successful outcome of the conclusion of the resumption proposal and the scheme of arrangement.

We consider that appropriate disclosures have been made. However, we consider that this material uncertainty is so fundamental that we disclaim our opinion in respect of the appropriateness of the going concern basis. The consolidated financial statements of the Group do not include any adjustments that would be necessary if the Group failed to operate as a going concern. Had the going concern basis not been used, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. Such adjustments may have a significant consequential effect on the net liabilities of the Group as at 31 December 2010 and the Group's profit attributable to the owners of the Company for the year then ended.

Disclaimer of opinion

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 31 December 2010 and of the Group's gain and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether they have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Report on matters under sections 141(4) and 141(6) of the Hong Kong companies ordinance

In respect alone of the limitation on our work relating to the matters described in the basis for disclaimer of opinion paragraphs:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper books of account had been kept.

ZHONGLEI (HK) CPA COMPANY LIMITED

Certified Public Accountants (Practising)

Chan Chi Kei Ronald

Practising Certificate Number: P04255

Hong Kong

30 March 2011

5. AUDITED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	<i>Notes</i>	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Revenue	6	124,812	74,066
Cost of sales		<u>(101,917)</u>	<u>(79,631)</u>
Gross profit (loss)		22,895	(5,565)
Other revenue	7	7,620	2,972
Selling and distribution expenses		(5,605)	(4,104)
Administrative expenses		(2,966)	(18,127)
Restructuring costs and expenses	19	<u>(3,507)</u>	<u>(797)</u>
Operating profit (loss)		18,437	(25,621)
Gain on termination of derivative financial instruments	25	–	23,340
Waived of other financial liabilities	25	1,671	–
Loss on deconsolidation of subsidiaries, impairment on investment costs and amounts due from deconsolidated subsidiaries, amounts recovered from deconsolidated subsidiaries	8	–	(3,451)
Finance costs	9	<u>(5,460)</u>	<u>(2,876)</u>
Profit (loss) before tax	10	14,648	(8,608)
Income tax expense	12	<u>(5,401)</u>	<u>–</u>
Profit (loss) for the year attributable to owners of the Company		9,247	(8,608)
Other comprehensive income		<u>–</u>	<u>–</u>
Total comprehensive profit (loss) for the year attributable to owners of the Company		<u><u>9,247</u></u>	<u><u>(8,608)</u></u>
Earnings (loss) per share attributable to the equity holders of the Company during the year			
– Basic	14	<u><u>RMB0.0141</u></u>	<u><u>(RMB0.0133)</u></u>
– Diluted	14	<u><u>RMB0.0141</u></u>	<u><u>(RMB0.0133)</u></u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP****CONSOLIDATED STATEMENT OF FINANCIAL POSITION***At 31 December 2010*

	<i>Notes</i>	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment	<i>15</i>	64,247	65,529
		<u>64,247</u>	<u>65,529</u>
Current assets			
Inventories	<i>17</i>	3,173	3,557
Trade and other receivables	<i>18</i>	48,825	28,646
Escrow money	<i>19</i>	888	4,400
Bank balances and cash	<i>20</i>	2,649	411
		<u>55,535</u>	<u>37,014</u>
Current liabilities			
Trade and other payables	<i>21</i>	13,490	7,898
Tax payable		4,303	1,971
Bank borrowings	<i>22</i>	61,146	59,727
Other borrowings	<i>23</i>	48,626	48,255
Provision for bank loans guarantee for a deconsolidated subsidiary	<i>24</i>	29,000	29,000
Loan from an investor	<i>19</i>	5,078	4,400
Amount due to an investor	<i>26</i>	265	–
Other financial liabilities	<i>27</i>	67,575	71,453
		<u>229,483</u>	<u>222,704</u>
Net current liabilities		<u>(173,948)</u>	<u>(185,690)</u>
Non-current liabilities			
Deferred tax liabilities		<u>1,213</u>	<u>–</u>
Net liabilities		<u>(110,914)</u>	<u>(120,161)</u>
Capital and reserves			
Share capital	<i>28</i>	67,399	67,399
Reserves		<u>(178,313)</u>	<u>(187,560)</u>
Deficit attributable to owners of the Company		<u>(110,914)</u>	<u>(120,161)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Share capital <i>RMB '000</i>	Share premium <i>RMB '000</i> <i>(Note 30(b))</i>	Share option reserve <i>RMB '000</i>	Surplus reserve fund <i>RMB '000</i> <i>(Note 30(a))</i>	Retained profits (accumulated losses) <i>RMB '000</i>	Total <i>RMB '000</i>
At 1 January 2009	64,260	198,618	18,381	6,251	(415,332)	(127,822)
Total comprehensive loss for the year	–	–	–	–	(8,608)	(8,608)
Transfer <i>(Note 30(a))</i>	–	–	–	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
Lapse of share options	–	–	(665)	–	665	–
At 31 December 2009 and 1 January 2010	67,399	215,765	13,699	9,222	(426,246)	(120,161)
Total comprehensive profit for the year	–	–	–	–	9,247	9,247
Lapse of share options	–	–	(12,761)	–	12,761	–
At 31 December 2010	<u>67,399</u>	<u>215,765</u>	<u>938</u>	<u>9,222</u>	<u>(404,238)</u>	<u>(110,914)</u>

CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended 31 December 2010

2010
RMB'000**OPERATING ACTIVITIES**

Profit before tax	14,648
Adjustments for:	
Finance costs	5,460
Depreciation of property, plant and equipment	6,220
Net foreign exchange gain	(7,415)
Waived of other financial liabilities	(1,671)
Gain on disposal of property, plant and equipment	(11)
Operating cash flows before movements in working capital	17,231
Decrease in inventories	384
Increase in trade and other receivables	(20,179)
Decrease in escrow money	3,385
Increase in trade and other payables	7,075
Cash generated from operations	7,896
Income tax paid	(1,856)
NET CASH FROM OPERATING ACTIVITIES	6,040
INVESTING ACTIVITIES	
Purchases of property, plant and equipment	(5,385)
Proceeds from disposal of property, plant and equipment	458
NET CASH USED IN INVESTING ACTIVITIES	(4,927)
FINANCING ACTIVITIES	
Proceeds from investor's loan	857
Increase in amount due to an investor	268
NET CASH FROM FINANCING ACTIVITIES	1,125
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,238
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	411
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	2,649

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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 the 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 Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) are principally engaged in the manufacture and sale of tinplate cans for the packaging of beverage in Shanxi, the People’s Republic of China (the “**PRC**”).

The consolidated financial statements are presented in RMB, unless otherwise stated.

2. Basis of presentation**2.1. Winding-up petitions, appointment of provisional liquidators, going concern and group restructuring**

As at 31 December 2010, the Group had net current liabilities of approximately RMB173,948,000 (2009: RMB185,690,000) and net liabilities of approximately RMB110,914,000 (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 the annual report and the audited consolidated financial statements for the year ended 31 December 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 audited consolidated financial statements for the year ended 31 December 2010 based on the books and records made available to the Provisional Liquidators.

Save as addressed above, the Provisional Liquidators make no representation as to the completeness and accuracy of the information contained in these consolidated financial statements.

The Company is in the first stage of the delisting procedures in accordance with Practice Note 17 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as at the date of these consolidated 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:

- (i) 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;
- (ii) publish all outstanding financial results and address any concerns that may be raised by the auditors;
- (iii) 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;
- (iv) 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; and
- (v) withdrawal or dismissal of the winding-up petition and discharge of the Provisional Liquidators.

If the Company failed to submit a viable resumption proposal to address the above conditions by 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 (the “**Exclusivity Period**”) 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 24-month 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 which is being processed by the Stock Exchange.

The 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 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. The effect of these adjustments has not been reflected in the consolidated financial statements.

2.2. Deconsolidation of subsidiaries

On 5 October 2009, the Company's then wholly-owned subsidiary, Bloxworth Enterprises (HK) Limited ("**Bloxworth HK**"), which wholly owns Fujian Fuwang Metal Products Company Limited* (福建福旺金屬製品有限公司) ("**Fuwang**"), was placed into creditors' voluntary liquidation pursuant to section 228A of 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.

On 23 March 2010, the Provisional Liquidators on behalf of the Company 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**") and Rich Victory Development Limited ("**Rich Victory**"), at a nominal consideration of HK\$3 in aggregate. Chinawinner BVI is the holding company of Sichuan Zhanwang Metal Products Company Limited* (四川省展旺金屬製品有限公司) ("**Zhanwang**"). The disposal of Chinawinner BVI, Chinawinner HK, Rich Victory and Zhanwang (collectively referred to as the "**Disposed Group**") is primarily in furtherance of the Group's restructuring. Upon the signing of the sale and purchase agreement on 23 March 2010, the disposal has been taken effect simultaneously on the same day.

The Provisional Liquidators are of the view that since the control over Bloxworth HK, Fuwang and the Disposed Group had been lost, the corresponding results and assets and liabilities should not be consolidated to the consolidated financial statements of the Group since 1 January 2008. The consolidated financial statements as at and for the years ended 31 December 2008, 2009 and 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 27 "Consolidated and Separate Financial Statements".

* *The English names are for identification only*

3. Application of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied the following new and revised Hong Kong Accounting Standards (“**HKASs**”), Hong Kong Financial Reporting Standards (“**HKFRS**”), amendments and interpretations (“**INTs**”) (hereinafter collectively referred to as “**news 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 (Amendments)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 (Amendments)	Additional Exemptions from First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK-Interpretation (“Int”) 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HK(IFRIC)-Int 17	Distributions of Non-Cash Assets to Owners

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28 ¹
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ³
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ⁵
HKFRS 7 (Amendments)	Disclosures-Transfers of Financial Assets ⁵
HKFRS 9	Financial Instruments ⁷
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ⁶
HKAS 24 (Revised)	Related Party Disclosures ⁴
HKAS 32 (Amendments)	Classification of Rights Issues ²
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement ⁴
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ³

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

² Effective for annual periods beginning on or after 1 February 2010.

³ Effective for annual periods beginning on or after 1 July 2010.

⁴ Effective for annual periods beginning on or after 1 January 2011.

⁵ Effective for annual periods beginning on or after 1 July 2011.

⁶ Effective for annual periods beginning on or after 1 January 2012.

⁷ Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 Financial Instruments

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

HKAS 24 Related Party Disclosure

HKAS 24 Related Party Disclosures (as revised in 2009) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's consolidated financial statements.

4. Summary of significant accounting policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statement have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in accounting policies set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed/deconsolidated of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal/deconsolidation, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than properties under construction as described below are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	5%
Leasehold improvements	10% – 20%
Plant and machinery	10%
Motor vehicles	20%
Office equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is determined as the difference between the sales proceeds and the carrying amount of the item and is recognised in profit or loss.

Impairment for tangible assets

Impairment tests on assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows).

Impairment charges are included in the administrative expenses line item in the consolidated income statement, except to the extent they reverse income previously recognized directly in equity.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other accounting standard.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighed average method.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are loans and receivable. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and basis points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instrument.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, escrow money and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, the objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 120 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, when the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

The Group's other financial liabilities includes trade and other payables, bank borrowings, other borrowings loan from an investor and amount due to an investor, and other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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 on the statement of financial position.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Borrowing costs

All borrowing costs are recognised in the profit or loss in the period in which they are incurred.

Provisions

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

Where 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 passage of time is recognised as interest expense.

Financial guarantees

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (i.e. the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract.

Contingent liability

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 notes to the 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.

Share-based payment transactions***Share options granted to employees***

The fair value of services received determined by reference to the fair value of share options granted at the grant date and is recognised as an expenses in full at the grant date when the share options granted vest immediately, with a corresponding increase in share options reserve.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited, the amount previously recognised in share options reserve will be transferred to accumulated losses.

Retirement benefit costs and short-term employee benefits***Retirement benefit costs***

Payments to the Mandatory Provident Fund Scheme (“MPF”) and state-managed retirement benefits schemes are charged as an expense when employees have rendered service entitling them to the contributions.

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 an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) 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 (d) or (e); or
- (g) 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.

5. Critical accounting judgements and key sources of estimation uncertainty

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 to 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.

Critical judgment in applying the entity's accounting policies

The following is the critical judgment, apart from those involving estimates (see below), that the Provisional Liquidators of the Company have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statement.

(i) Going concern basis

The assessment of the going concern assumption involves making a judgement by the Provisional Liquidators of the Company, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain.

As explained in Note 2.1 to the consolidated financial statements, the financial position of the Group indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Should the Group be unable to achieve a successful restructuring and to continue in business as a going concern, adjustments would be needed to reduce the carrying amounts of the assets of the Group to their recoverable amounts and, to provide for further liabilities which might arise.

(ii) Prepaid lease payments and ownership of buildings

Despite the fact that the Group has paid the first installment of compensation paid for acquiring the land use right as detailed in Note 16 to the consolidated financial statements, certain of the Group's building ownership certificates and rights to the use of the land were not granted formal titles from the relevant government authorities. Despite the fact that the Group has not obtained the relevant legal titles, the Provisional Liquidators determine to recognise these buildings on the grounds that they expect the legal titles being obtained in future and the Group is in substance controlling the usage of these buildings and land use rights. The absence of formal titles of these land use rights does not impair the value of the relevant properties to the Group.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Estimated useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets. The depreciation for future periods is adjusted if there are material changes from previous estimates.

(ii) *Net realizable value of inventories*

Net realizable value of inventories is the estimated selling prices in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in economic conditions in places where the Group operates and changes in customer taste and competitor actions in response to changes in market conditions. Management reassesses these estimates at the end of the reporting period.

The management of the Group reviews an aging analysis at the end of each reporting period, and makes allowance for obsolete and slowing-moving inventory items identified that are no longer suitable for sales.

(iii) *Impairment loss recognized in respect of trade receivable*

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customers' current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses.

(iv) *Impairment loss recognized in respect of property, plant and equipment*

The impairment loss for property, plant and equipment are recognized for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of estimates such as the future revenue and discount rates. No impairment provided for the year ended 31 December 2010.

(v) *Provision for financial guarantees*

The Group makes provision for financial guarantees in respect of banking facilities granted to a deconsolidated subsidiary, Fuwang. The determination of the provision for guarantees requires the use of judgment and estimates. Where the expectation is different from the original estimates, such difference will impact the carrying value of the provision and the results for the year in the period in which such estimates change.

6. Revenue and segment information

Revenue, which is also the Group's turnover, represents the net amounts received and receivable for goods sold during the year.

The management has been identified as the chief operating decision maker. Management has determined the operating segments based on the reports reviewed by the management that are used to make strategic decisions.

The management assesses the performance of the Group's manufacture and sale of tinplate cans packaging business from both geographic and product perspectives. Geographically, management considers the Group's business is primarily operated in the PRC and the Group's revenue from external customers is derived solely from the manufacture and sale of tinplate cans packaging in the PRC. All of the Group's business activities are included in a single reportable segment in accordance with HKFRS 8 "Operating segments". As such, no segment information is presented.

Revenue from customers of the year ended 31 December 2010 contributing over 10% of the total revenue of the Group as follows:

Customers	Revenue generated from	2010 <i>RMB'000</i>
A	Sale of tinplate cans	14,323
B	Sale of tinplate cans	13,663
C	Sale of tinplate cans	12,928

7. Other revenue

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Net foreign exchange gain	7,415	–
Interest income on bank deposits	–	5
Sales of scraped materials	–	1,704
Sundry income	194	1,263
Gain on disposal of property, plant and equipment	11	–
	<u>7,620</u>	<u>2,972</u>

8. Loss on deconsolidation of subsidiaries, impairment on investment costs and amounts due from deconsolidated subsidiaries, amounts recovered from deconsolidated subsidiaries

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Impairment on amounts due from the deconsolidated subsidiaries	–	7,832
Amounts recovered from the deconsolidated subsidiaries	–	(4,381)
	<u>–</u>	<u>(4,381)</u>
	<u>–</u>	<u>3,451</u>

As disclosed in Note 2.2 to the 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 consolidated financial statements of the Group since the financial year ended 31 December 2008.

9. Finance costs

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Interests on:		
Bank borrowings wholly repayable within five years	2,322	1,448
Other borrowings wholly repayable within five years	2,396	797
Other financial liabilities	740	623
	<u>5,458</u>	<u>2,868</u>
Bank charges	2	8
	<u>5,460</u>	<u>2,876</u>

10. Profit (loss) before tax

Profit (loss) before tax has been arrived at after charging:

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Directors' remuneration	–	607
Other staff costs	1,602	2,515
Retirement benefit cost, other than directors	161	43
Share-based payments	–	137
	<hr/>	<hr/>
Total staff costs	1,974	3,302
Auditor's remuneration	428	396
Cost of inventories recognised as an expense	101,917	79,631
Depreciation of property, plant and equipment	6,220	5,917
Bad debts written off on trade receivables	–	10,168
Bad debts written off on other receivables	413	–
Net foreign exchange loss	–	231
Minimum lease payments in respect of operating lease of:		
– land and buildings	–	349
– machinery and equipment	2,000	2,000
	<hr/> <hr/>	<hr/> <hr/>

11. Directors' emoluments and highest paid employees**(i) Directors' emoluments**

There is no emoluments paid to all of the directors for the year ended 31 December 2010.

No director had waived any emoluments during the two years ended 31 December 2010 and 2009.

(ii) Highest paid employees

For the year ended 31 December 2010, the five highest paid individuals in the Group included no directors. Details of the remuneration of these five highest paid individuals are as follows:

2010	Total <i>RMB'000</i>
Basic salaries, allowances and other benefits in kind	367
Contributions to retirement benefits scheme	14
Total	381

Their emoluments were within the following bands:

	Number of individuals 2010
Nil to Hong Kong Dollars (“ HK\$ ”) 1,000,000 (equivalent to RMB857,000)	5

During the year ended 31 December 2010, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

12. Income Tax Expense

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
The charge comprises:		
Current taxation		
– PRC Enterprises Income Tax (“ EIT ”)	4,188	–
Deferred taxation		
– Mainland China withholding tax (<i>Note (d)</i>)	1,213	–
	5,401	–

Other than the deferred tax provided for as above, the Group did not have any significant unprovided deferred taxation arising during the year or at 31 December 2010.

Notes:

- (a) No Hong Kong profits tax has been provided for as the Group did not generate any assessable profits in Hong Kong for both year.
- (b) At 31 December 2010, the Group has unused tax losses of approximately HK\$12,755,000 (2009: HK\$4,166,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profits stream. The tax losses may be carried forward indefinitely.
- (c) 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, Shanxi Zhanpen Metal Products Company Limited* (山西展鹏金屬製品有限公司) (“**Zhanpen**”), was approved by the relevant PRC tax authorities as enterprise with foreign investment and therefore, it is exempted from PRC EIT for two years starting from the first year of profit-making after offsetting prior year tax losses, followed by a 50% reduction for the next three consecutive years thereafter. 2009 is the fifth year after first profitable year. Pursuant 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 PRC local EIT of 3% is also exempted. Accordingly, the applicable tax rate of Zhanpen is 15% for the year ended 31 December 2009.

Under the Law of the PRC on EIT (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% from 1 January 2008 onwards. Therefore, Zhanpen is subject to standard EIT rate of 25% for the year ended 31 December 2010.

- (d) Pursuant to the PRC EIT Law which became effective on 1 January 2008, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax arrangement between the PRC and the jurisdiction of the foreign investors. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the tax authorities to specify that dividends declared and remitted out of the PRC from the retained profits as at 31 December 2007 are exempted from withholding tax.

* *The English name is for identification purpose only.*

The income tax expense for the year can be reconciled to the profit (loss) before tax per the consolidated statement of comprehensive income, based on the income tax rate of most of the Group's profit or loss under assessments as follows:

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Profit (loss) before tax	<u>14,648</u>	<u>(8,608)</u>
Tax at PRC corporate income tax rate of 25% (2009: 30%)	3,662	(2,582)
Tax effect of expenses that are not deductible in determining taxable profit	692	5,341
Tax effect of income that is not taxable in determining taxable profit	(1,725)	(8,409)
Temporary differences not recognised	–	3,050
Unrecognised tax loss	1,417	2,600
Effect of withholding tax at 10% on the distributable profits of the subsidiary in Mainland China	1,213	–
Effect of different tax rates of subsidiaries in other jurisdictions	<u>142</u>	<u>–</u>
Tax charge for the year	<u>5,401</u>	<u>–</u>

13. Dividend

No dividend was proposed or paid during the year ended 31 December 2010 nor any dividend has been proposed since the end of the reporting period (2009: nil).

14. Earnings (loss) per share

The calculation of the basic earnings (loss) per share attributable to the owners of the Company is based on the consolidated profit for the year attributable to the owners of the Company of approximately RMB9,247,000 (2009: loss of approximately RMB8,608,000) and the weighted average number of ordinary shares of the Company in issue during the year of 657,121,081 (2009: 646,373,376).

Trading in the shares of the Company was suspended since 28 April 2009 and no information of the average market price per share for the year is available. As the exercise price of the options is higher than the market price for shares immediately before the suspension of trading in the Company's shares, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options.

15. Property, plant and equipment

	Buildings <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Total <i>RMB'000</i>
COST						
At 1 January 2009	27,249	637	35,890	1,057	307	65,140
Additions	16,020	–	–	–	–	16,020
At 31 December 2009	43,269	637	35,890	1,057	307	81,160
Additions	–	–	5,385	–	–	5,385
Disposal	–	(110)	–	(596)	(188)	(894)
At 31 December 2010	<u>43,269</u>	<u>527</u>	<u>41,275</u>	<u>461</u>	<u>119</u>	<u>85,651</u>
ACCUMULATED DEPRECIATION						
At 1 January 2009	3,861	379	5,047	185	242	9,714
Provided for the year	2,224	15	3,554	106	18	5,917
At 31 December 2009	6,085	394	8,601	291	260	15,631
Provided for the year	2,590	14	3,538	66	12	6,220
Disposal	–	(110)	–	(168)	(169)	(447)
At 31 December 2010	<u>8,675</u>	<u>298</u>	<u>12,139</u>	<u>189</u>	<u>103</u>	<u>21,404</u>
CARRYING VALUES						
At 31 December 2010	<u>34,594</u>	<u>229</u>	<u>29,136</u>	<u>272</u>	<u>16</u>	<u>64,247</u>
At 31 December 2009	<u>37,184</u>	<u>243</u>	<u>27,289</u>	<u>766</u>	<u>47</u>	<u>65,529</u>

Buildings as at 31 December 2010 of approximately RMB34,594,000 (2009: RMB37,184,000) represented buildings situated in Shanxi, the PRC. The Group is in the process of obtaining the building ownership certificates in respect of buildings.

16. Prepaid lease payments

The Group's prepaid lease payments represent deposits paid for compensation for land use rights in Shanxi Province the PRC.

RMB'000

Cost

At 1 January 2009, 31 December 2009 and 2010 12,400

Accumulated impairment

At 1 January 2009, 31 December 2009 and 2010 12,400

Carrying values

At 31 December 2009 and 2010 —

The amount of RMB12,400,000 represented first installment of compensation paid to 汾陽市文峰街道南關村民委員會 (“村委會”) for acquiring the land use right of a piece of land situated in Fenyang City, Shanxi Province by a subsidiary, Zhanpen in 2007. Pursuant to the 土地征用補償協議 entered into by Zhanpen and 村委會 in 2007, Zhanpen is required to pay a total amount of RMB24,800,000 to 村委會 as deposit in two equal installments for 村委會 as compensation so that 村委會 would procure to obtain the land use right certificate to transfer to Zhanpen. As advised by 村委會, the application for the conversion of the land, currently in form of collectively owned, into state-owned, which will be ready for transfer to Zhanpen, is still in progress. 村委會 has also been unable to estimate the time required to go through and complete the aforesaid conversion. The Provisional Liquidators are therefore of a view that since it is highly uncertain about the completion and the recoverability of the prepaid deposit, the prepaid deposit of RMB12,400,000 was impaired in the year ended 31 December 2008.

According to the legal advice from a PRC lawyer, the Provisional Liquidators do not anticipate that the Company would incur any further penalty or other contingent liabilities which may arise, based on the aforesaid agreement, should eventually the application for conversion is rejected by the Land Office in the PRC.

17. Inventories

	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	2,424	1,734
Packing materials	51	54
Finished goods	698	1,769
	<u>3,173</u>	<u>3,557</u>

18. Trade and other receivables

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Trade receivables	46,857	23,782
Other receivables, deposits and prepayments	<u>1,968</u>	<u>4,864</u>
	<u><u>48,825</u></u>	<u><u>28,646</u></u>

At the end of each reporting period, the Group's trade and other receivables were individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific provision for impairment was recognised. The Group does not hold any collateral over these balances.

The Group generally allows an average credit period of 120 days to its customers. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	2010 <i>RMB'000</i>
0 – 30 days	10,869
31 – 60 days	13,185
61 – 90 days	12,655
91 – 120 days	<u>10,148</u>
	<u><u>46,857</u></u>

Aged analysis of trade receivables which are not impaired is as follows:

	2010 <i>RMB'000</i>
Neither past due nor impaired	46,857
Past due but not impaired	<u>–</u>
	<u><u>46,857</u></u>

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

19. Escrow money and loan from an Investor

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Professional fees	<u>888</u>	<u>4,400</u>

As set out in Note 2.1 to the consolidated financial statements, on 28 December 2009, the Provisional Liquidators, on behalf of the Company, and the Escrow Agent entered into an Escrow Agreement with the Investor. The Escrow 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 24-month up to 27 December 2011.

During the year ended 31 December 2010, the Investor provide HK\$1,000,000 (equivalent to approximately RMB846,000) (2009: 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. The loan from an investor is unsecured, non-interesting bearing and repayable on demand. During the year ended 31 December 2010, there is approximately RMB3,507,000 (equivalent to HK\$4,021,000) (2009: approximately RMB797,000, equivalent to HK\$930,000) had been used for the restructuring.

The balances of escrow money and loan from an investor are denominated in HK\$.

20. Bank Balances and Cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less at prevailing market interest rates which range from 0.01% to 0.36% per annum (2009: 0.01% to 0.36% per annum).

Included in bank balances and cash are the following accounts denominated in currency other than functional currency of the Group.

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
United State dollars ("USD")	–	73
HK\$	<u>2</u>	<u>105</u>

Approximately RMB2,647,000 as at 31 December 2010 (2009: RMB233,000) are denominated in RMB and deposited with banks in the PRC. 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 Company is permitted to exchange RMB for other currencies through authorized banks to conduct foreign exchange business.

21. Trade and other payables

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Trade payables	8,052	1,656
Interest payable	–	1,353
Other payables and accrued charges	5,438	4,889
	<u>13,490</u>	<u>7,898</u>

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2010 <i>RMB'000</i>
0 – 30 days	<u>8,052</u>

The average credit period on purchases of goods is 30 days. The Group has financial risk management policies in place to ensure that all trade payables would be settled within the credit timeframe.

22. Bank borrowings

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Bank loans, unsecured	54,751	56,858
Accrued interest	6,395	2,869
	<u>61,146</u>	<u>59,727</u>
	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>

The maturity of the unsecured bank borrowings, is as follows:

Within one year or on demand shown under current liabilities	<u>61,146</u>	<u>59,727</u>
--	---------------	---------------

Bank borrowings of RMB61,146,000 (2009: RMB59,727,000) are denominated in HK\$ and arranged at floating rates from 2% to 3.5% over HIBOR (2009: 2% to 3.5% over HIBOR) per annum.

As at 31 December 2010, bank borrowings from DBS Bank (China) Company Limited of approximately RMB19,747,000 (2009: RMB20,533,000) and DBS Bank (Hong Kong) Limited of approximately RMB24,765,000 (2009: RMB25,751,000) had not been repaid in accordance with the relevant terms. Bank borrowings from PT. Bank Mandiri (Persero) TBK, Hong Kong Branch of RMB10,239,000 (2009: 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 borrowings, the Provisional Liquidators classified all the bank borrowings as current liabilities accordingly.

23. Other borrowings

	2010 RMB'000	2009 RMB'000
Debts assigned	45,433	47,458
Accrued interest	3,193	797
	<u>48,626</u>	<u>48,255</u>
As at 31 December	<u>48,626</u>	<u>48,255</u>

Pursuant to a debt assignment agreement dated 21 September 2009 entered into between Fu Teng Global Limited (“**Fu Teng**”), the major shareholder of the Group, and Banyan Capital Management Inc (“**Banyan Capital**”), the amounts due from the Company to Fu Teng of HK\$50,220,000 (equivalent to approximately RMB44,150,000) was assigned to Banyan Capital at consideration of HK\$2,700,000.

Pursuant to another debt assignment agreement dated 21 September 2009 entered into between Mr. Yang Zongwang, the beneficial owner of Fu Teng, and Banyan Capital, the amounts due from the Company to Mr. Yang of HK\$3,763,100 (equivalent to approximately RMB3,308,000) were assigned to Banyan Capital at consideration of HK\$300,000.

Other borrowings are unsecured, interest bearing at Hong Kong Prime Rate per annum and have no fixed repayment terms.

24. Provision for bank loans guarantee for a deconsolidated subsidiary

	2010 RMB'000	2009 RMB'000
Provision for bank loans guarantee for Fuwang	<u>29,000</u>	<u>29,000</u>

Details of the guarantee are set out below:

Bank	Guarantee for	Status of subsidiary	Guaranteed Amount RMB'000
Bank of China Fuqing Branch	Fuwang	Bloxworth HK, being immediate holding company of Fuwang, was placed into creditors' voluntary liquidation pursuant to section 228A of the Hong Kong Companies Ordinance 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 (2009: RMB29,000,000) to a bank in the PRC to secure the loans extended to 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 (2009: RMB29,000,000) in the consolidated financial statements.

Since the books and records of certain subsidiaries available to the Provisional Liquidators were incomplete and the Provisional Liquidators have lost control of certain subsidiaries, the Provisional Liquidators make no representation as to the completeness and accuracy of the above mentioned corporate guarantee.

25. Derivative financial instruments

Swaps derivatives

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

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 (Notes i) The Company pays: 9.0% semi-annually
USD50,000,000	USD5,000,000	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%) (Notes ii) coupon capped at 13.0% and floored at 0%

Notes:

- (i) n: Number of business days in the calculation period that HK\$ 10-years CMS[#] minus HK\$ 2-years CMS[^] ≥ 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.
- ^ 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. The Company received a statement of demand dated 15 May 2009 for an early termination amount (the “**Termination Amount**”) of USD10,319,033 (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 Termination Amount is remained unsettled with the Bank as at 30 June 2010 and is included under “Other financial liabilities” (see Note 27) 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 (the “**Revised Termination Amount**”) of USD10,069,033 (equivalent to approximately RMB66,250,000). The difference between the Termination Amount and the Revised Termination Amount of USD250,000 (equivalent to approximately RMB1,671,000) was recognised as gain on waived of other financial liabilities for the year ended 31 December 2010.

26. Amount due to an Investor

The amount due to the Investor is unsecured, non-interest bearing, repayable on demand and denominated in HK\$.

27. Other financial liabilities

	2010 RMB'000	2009 RMB'000
Termination Amount (Note (i))	66,250	70,830
Accrued interest (Note (ii))	1,325	623
	<u>67,575</u>	<u>71,453</u>
At 31 December	<u><u>67,575</u></u>	<u><u>71,453</u></u>

Notes:

- (i) The balance represents the Termination Amount demanded by the bank as a result of the early termination of the Swaps as set out in Note 25 to the consolidated financial statements.
- (ii) Interest is accrued on the Termination Amount for the period from 13 May 2009 to 31 December 2010 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.
- (iii) The balance of other financial liabilities is denominated in USD.

28. Share capital

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

All the shares which were issued by the Company at year ended 31 December 2009 rank pari passu with each other in all respects.

29. 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 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.

APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

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 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.

The following table discloses details and movements of the Company's share options held by the former directors and employees during both years:

	Date of grant	Exercise price /HK\$	Exercisable period	Outstanding	Granted	Exercised	Lapsed	Outstanding	Granted	Exercised	Lapsed	Outstanding
				at 31.12.2008 and at 1.01.2009	during the year ended 31.12.2009	during the year ended 31.12.2009	during the year ended 31.12.2009	at 31.12.2009	during the year ended 31.12.2010	during the year ended 31.12.2010	during the year ended 31.12.2010	at 31.12.2010
Directors of the Company, including former director	25 May 2006	0.800	25 May 2006 to 24 May 2016	4,000,000	-	-	(4,000,000)	-	-	-	-	-
	17 July 2007	1.316	17 July 2007 to 16 July 2017	5,000,000	-	(5,000,000)	-	-	-	-	-	-
	30 January 2008	0.632	30 January 2008 to 29 January 2018	-	-	-	-	-	-	-	-	-
	14 January 2009	0.399	14 January 2009 to 13 January 2019	-	3,100,000	(3,100,000)	-	-	-	-	-	-
Senior management	10 February 2004	0.810	10 February 2004 to 9 February 2014	3,800,000	-	-	-	3,800,000	-	-	(3,800,000)	-
	2 January 2007	0.670	2 January 2007 to 1 January 2017	500,000	-	-	(500,000)	-	-	-	-	-
	2 May 2007	0.912	2 May 2007 to 1 May 2017	2,500,000	-	-	-	2,500,000	-	-	(1,000,000)	1,500,000
	17 July 2007	1.316	17 July 2007 to 16 July 2017	5,800,000	-	-	-	5,800,000	-	-	(5,800,000)	-
	30 January 2008	0.632	30 January 2008 to 29 January 2018	4,000,000	-	-	-	4,000,000	-	-	(4,000,000)	-
	9 December 2008	0.381	9 December 2008 to 8 December 2018	7,500,000	-	(7,500,000)	-	-	-	-	-	-
Employees	10 February 2004	0.810	10 February 2004 to 9 February 2014	7,600,000	-	-	-	7,600,000	-	-	(3,800,000)	3,800,000
	25 May 2006	0.800	25 May 2006 to 24 May 2016	2,280,000	-	-	-	2,280,000	-	-	(2,280,000)	-
	2 January 2007	0.670	2 January 2007 to 1 January 2017	700,000	-	-	-	700,000	-	-	(700,000)	-
	2 May 2007	0.912	2 May 2007 to 1 May 2017	8,000,000	-	-	-	8,000,000	-	-	(7,000,000)	1,000,000
	17 July 2007	1.316	17 July 2007 to 16 July 2017	38,870,000	-	-	-	38,870,000	-	-	(38,870,000)	-
	30 January 2008	0.632	30 January 2008 to 29 January 2018	6,000,000	-	-	-	6,000,000	-	-	(1,000,000)	5,000,000
	9 December 2008	0.381	9 December 2008 to 8 December 2018	20,000,000	-	(20,000,000)	-	-	-	-	-	-
					116,550,000	3,100,000	(35,600,000)	(4,500,000)	79,550,000	-	-	(68,250,000)

30. Reserves**(a) Surplus reserve**

Before 2010, according to the relevant enterprises regulations in the PRC, certain subsidiaries in PRC are required to transfer not less than 10% of their profit after taxation to surplus reserve, as determined under accounting principles generally accepted in the PRC. The surplus reserve fund can be used to make up for previous year's losses, expand the existing operations or convert into additions capital of those PRC subsidiaries.

(b) 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.

31. Operating lease commitments***The Group as lessee***

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancelable operating leases which fall due as follows:

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Within one year	1,166	834
In the second to the fifth year inclusive	—	1,166
	<u>1,166</u>	<u>2,000</u>

The lease payments represent the rental payable by the Group for certain of the 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.

32. Contingent Liabilities

The Provisional Liquidators make no representation as to the completeness and accuracy of the contingent liabilities for the year ended 31 December 2010.

33. Related Party Transactions and Disclosures***Compensation to key management personnel***

The Provisional Liquidators consider that the directors of the Company are the only key management personnel of the Group. Details of remuneration paid to the directors of the Company are set out in Note 11 to the consolidated financial statements.

The Provisional Liquidators make no representation as to the completeness and accuracy of the related party transactions, connected transactions and continuing connected transactions entered into by the Group as defined under HKAS 24 and the Listing Rules for the year ended 31 December 2010.

34. Capital commitments

The Provisional Liquidators make no representation as to the completeness and accuracy of the capital commitments.

35. Retirement benefits plans

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the respective employees' monthly salaries (up to a maximum contribution of HK\$1,000 (equivalent to approximately RMB880) to the Scheme, which contribution is matched by employees.

The employees of the Group's subsidiary in PRC are members of a state-managed retirement benefit scheme operated by the government of PRC. The subsidiary is required to contribute 18% of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to income of approximately RMB161,000 (2009: approximately RMB43,000) represents contributions payable to these schemes by the Group in respect of the current accounting period. As at 31 December 2010, contributions of approximately RMB456,000 (31 December 2009: approximately RMB319,000) due in respect of the reporting period had not been paid over to the schemes.

36. Investments in subsidiaries

Investments in subsidiaries

The following is a list of the subsidiaries at 31 December 2010 and 2009 which have been included in these consolidated financial statements:

Name of subsidiary	Place of incorporation or establishment/ operation	Paid-up share capital/ registered capital	Proportion of nominal value of ordinary issued capital/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
*Chinawinner Enterprises Limited	British Virgin Islands/ Hong Kong	USD1,000	100%	-	Investment holding
*Rich Victory Development Limited	Hong Kong	HK\$1	100%	-	Inactive
*Chinawinner Enterprises (HK) Limited	Hong Kong	HK\$1,000	100%	-	Inactive
Bloxworth Enterprises (HK) Limited	Hong Kong	HK\$1,000	100%	-	Inactive
福建福旺金屬製品有限公司	PRC - wholly owned foreign enterprise	USD20,100,000	-	100%	Manufacture and sale of tinplate cans for the packaging of food and beverage in the PRC, and provision of tinplate lacquering and printing services
*四川省展旺金屬製品有限公司	PRC - wholly owned foreign enterprise	USD5,000,000	-	100%	Manufacture and sale of foreign enterprise tinplate cans for the packaging of food and beverage in the PRC

* *Subsidiaries had been sold to Sino Gather Limited on 23 March 2010 at a normal consideration of HK\$3 in aggregate. Details please refer to Note 2.2 of the consolidation financial statement.*

37. Capital Risk Management

The Group manages its capital to ensure that entities in the Group can support the Group's stability and growth and can provide capital for the purpose of strengthening the Group's risk management capability.

The capital structure of the Group consists of net debt, which includes the borrowings and other financial liability, net of cash and cash equivalents and equity attributable to investor of the Group, comprising issued share capital, reserves and retained earnings.

The management of the Group reviews the capital structure on a annual basis. As part of this review, the management consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the management, The Group will balance its overall capital structure through new share issues as well as the redemption of existing debt.

38. Financial instruments*Categories of financial instruments**(i) Financial assets*

	2010
	<i>RMB'000</i>
Loans and receivables (including cash and cash equivalents):	
Trade and other receivables	47,325
Bank balances and cash	2,649
Escrow money	888
	<u>50,862</u>

(ii) Financial liabilities

	2010
	<i>RMB'000</i>
Financial liabilities at amortised cost:	
Trade and other payable	13,490
Other financial liabilities:	
Bank borrowings	61,146
Other borrowings	48,626
Provision for bank loans guarantee for a deconsolidated subsidiary	29,000
Loan from an investor	5,078
Amount due to an investor	265
Other financial liabilities	67,575
	<u>225,180</u>

39. Financial risk management objectives and policies

The Group's major financial instruments including trade and other receivables, escrow money, bank balances and cash, trade and other payables, bank borrowings, other borrowings, other financial liabilities, amount due to an investor and loan from an investor. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The Group has written risk management policies and guidelines. The management meets periodically to analyse and formulate strategies to manage the Group's exposure to market risk. The Group's exposure to market risk is kept to a minimum. The Group has not used any derivatives or other instruments for hedging purpose.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

Market Risk

(i) *Currency risk*

The Group's exposure to currency risk is attributable to the bank balances and cash, escrow money, loan from an investor, amount due to an investor, bank borrowing, other borrowings and other financial liabilities of the Group which are denominated in foreign currencies of USD and HK\$. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, the management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

	2010
	<i>RMB'000</i>
USD	
Monetary liability:	
Other financial liabilities	67,575
	<u><u>67,575</u></u>
HK\$	
Monetary asset:	
Bank balance and cash	2
Escrow money	888
	<u>890</u>
HK\$	
Monetary liabilities:	
Bank borrowings	61,146
Other borrowings	48,627
Loan from investor	5,078
Amount due to an investor	265
	<u>115,116</u>

Sensitivity analysis

The Group is mainly exposed to USD and HK\$. The following table details the Group's sensitivity analysis, the analysis assumes a 5% increase and decrease in USD and HK\$ against the RMB, with all other variable held constant. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates until the next reporting period. The sensitivity analysis includes only outstanding items denominated in foreign currencies other than the functional currencies of the group entities and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in the post-tax profit where RMB strengthens 5% against USD and HK\$. For a 5% weakening of RMB against USD and HK\$, there would be an equal and opposite impact on the post-tax profit.

Impact on profit before income tax	2010
	<i>RMB'000</i>
HK\$	5,622
USD	3,379

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to its variable-rate borrowings and bank deposits. To mitigate the impact of interest rate fluctuations, the Group continually assesses and monitors the exposure to interest rate risk.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the bank borrowings at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2010 would decrease/increase by approximately RMB616,000.

Credit risk

Credit risk arises from the possibility that the counterparty to a transaction is unwilling or unable to fulfill its obligation with the results that the Group thereby suffers financial loss.

The Group's concentration of credit risk by geographical locations is only in the PRC, which accounted for 100% (31 December 2009: 100%) of the total trade receivables as at 31 December 2010.

The carrying amounts of trade and other receivables represents the Group's maximum exposure to credit risk in relation to financial assets. The carrying amounts of these financial assets presented in the consolidated statement of financial position are net of impairment losses, if any. The Group has concentration of credit risk as 16% and 76% of the total trade receivable was due from the Group's largest customer and the five largest customers respectively.

The Group monitors trade and other receivables and only trades and deals with creditworthy third parties. Accordingly, the Group's exposure to bad debt is not significant.

The credit risk on liquid fund is limited because the counterparties are bank with high credit rating assigned by international credit-rating agencies.

Except for the bank loans guarantee given by the Company as set out in Note 24 to the consolidated financial statements, the Group does not provide any other guarantee which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respective of these financial guarantees at the end of the reporting period is disclosed in Note 24 to the consolidated financial statements.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 18 to the consolidated financial statements.

Liquidity risk***Liquidity management***

As at 31 December 2010, the Group did not maintain sufficient liquid funds and had net current liabilities of approximately RMB173,948,000 (2009: approximately RMB185,690,000). The net current liabilities as at 31 December 2010 include bank and cash balances of approximately RMB2,649,000 (2009: approximately RMB411,000) and escrow money of approximately RMB888,000 (2009: approximately RMB4,400,000) which was provided by the Investor. The bank and cash balances as at 31 December 2009 for the purposes of settling the Group's restructuring expenses to be incurred subsequent to the reporting date.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflow from operations to meet its debt obligations and to obtain financial supports from its Investor.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Carrying amount <i>RMB'000</i>	Total contractual undiscounted cash flow <i>RMB'000</i>	On demand or within one year <i>RMB'000</i>
2010			
Trade and other payables	13,490	13,490	13,490
Bank borrowings	61,146	61,146	61,146
Other borrowings	48,626	48,626	48,626
Provision for bank loans guarantee for a deconsolidated subsidiary	29,000	29,000	29,000
Loan from an investor	5,078	5,078	5,078
Amount due to an investor	265	265	265
Other financial liabilities	67,575	67,575	67,575
	<u>225,180</u>	<u>225,180</u>	<u>225,180</u>

40. Statement of financial position of the Company

	<i>Notes</i>	2010 <i>RMB'000</i>
Non-current assets		
Investment in a subsidiary		8
Current assets		
Amount due from a subsidiary	<i>(a)</i>	103,454
Escrow money		888
Bank balances and cash		2
		<u>104,344</u>
Current liabilities		
Other payables and accrued expenses		3,575
Bank borrowings		61,146
Other borrowings		48,627
Provision for bank loans guarantee for a deconsolidated subsidiary		29,000
Loan from an investor		5,078
Amount due to an investor		265
Other financial liabilities		67,575
		<u>215,266</u>
Net current liabilities		<u>(110,922)</u>
Net liabilities		<u>(110,914)</u>
Capital and reserves		
Share capital		67,399
Reserves	<i>(b)</i>	(178,313)
Total equity		<u>(110,914)</u>

Notes:

- (a) Amount due from a subsidiary is unsecured, interest free and repayable on demand.
- (b) Reserves

	Share premium RMB'000	Exchange reserve RMB'000	Employee share-based compensation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2010	215,765	–	13,699	(182,564)	46,900
Loss for the year	–	–	–	(232,628)	(232,628)
Total comprehensive expense for the year:					
Exchange differences arising from translation	–	7,415	–	–	7,415
Lapse of share options	–	–	(12,761)	12,761	–
At 31 December 2010	215,765	7,415	938	(402,431)	(178,313)

41. Events after the reporting period

On 21 January 2011, the amount of HK\$1,000,000 (equivalent to approximately RMB885,000) was injected to the Group as advanced by the Investor to meet the costs and expenses in relation to the implementation of the restructuring of the Company. The Provisional Liquidators make no representation as to the completeness and accuracy of the events after the reporting period for the year ended 31 December 2010.

42. Immediate and ultimate controlling party

According to the latest available information to the Provisional Liquidators, the immediate parent and ultimate controlling party of the Group was Fu Teng, which was incorporated in the British Virgin Islands and wholly-owned by Mr. Yang Zongwang (“**Mr. Yang**”). Ms. Yang Yunxian is the spouse of Mr. Yang and is deemed beneficially interested in the shares held by Fu Teng by virtue of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) This entity does not produce financial statements available for public use.

6. UNAUDITED FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED 31 JUNE 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months period ended 30 June 2011

	Notes	Six months ended 30 June	
		2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Turnover	4	63,529	58,108
Costs of sales		<u>(51,852)</u>	<u>(48,333)</u>
Gross profit		11,677	9,775
Other income		2,074	33
Restructuring costs and expenses		(2,745)	(3,112)
Selling expenses		(2,983)	(2,638)
Miscellaneous expenses		(58)	–
Administrative expenses		<u>(704)</u>	<u>(401)</u>
Profit from operations		7,261	3,657
Finance costs	8	<u>(3,326)</u>	<u>(407)</u>
Profit before tax	5	3,935	3,250
Income tax expense	6	<u>(2,035)</u>	<u>(1,717)</u>
Profit and total comprehensive income for the period attributable to equity holders of the Company		<u><u>1,900</u></u>	<u><u>1,533</u></u>
Dividend recognised as distribution during the period	7	<u><u>–</u></u>	<u><u>–</u></u>
Earnings per share – Basic	9	<u><u>RMB0.0029</u></u>	<u><u>RMB0.0023</u></u>

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2011

	<i>Notes</i>	30 June 2011 <i>RMB '000</i> (Unaudited)	31 December 2010 <i>RMB '000</i> (Audited)
Non-current assets			
Property, plant and equipment	<i>10</i>	59,726	64,247
Current assets			
Inventories		5,651	3,173
Trade and other receivables	<i>11</i>	55,474	48,825
Deposit paid for acquisition of plant and machinery		2,600	–
Escrow money	<i>12</i>	2,514	888
Bank balances and cash		1,557	2,649
		<u>67,796</u>	<u>55,535</u>
Current liabilities			
Trade and other payables	<i>13</i>	(13,355)	(13,490)
Tax payable		(4,446)	(4,303)
Bank borrowings	<i>14</i>	(62,298)	(61,146)
Other borrowings	<i>15</i>	(49,308)	(48,626)
Provision for bank loans guarantee for a deconsolidated subsidiary	<i>16</i>	(29,000)	(29,000)
Amount due to an investor		(389)	(265)
Loan from an investor		(9,514)	(5,078)
Other financial liabilities	<i>18</i>	(67,013)	(67,575)
		<u>(235,323)</u>	<u>(229,483)</u>
Net current liabilities		<u>(167,527)</u>	<u>(173,948)</u>
Non-current liabilities			
Deferred tax liabilities		<u>(1,213)</u>	<u>(1,213)</u>
Net liabilities		<u><u>(109,014)</u></u>	<u><u>(110,914)</u></u>
Capital and reserves			
Share capital	<i>19</i>	67,399	67,399
Reserves		<u>(176,413)</u>	<u>(178,313)</u>
Deficit attributable to equity holders of the Company		<u><u>(109,014)</u></u>	<u><u>(110,914)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i> <i>(Note 20(b))</i>	Share option reserve <i>RMB'000</i>	Surplus reserve fund <i>RMB'000</i> <i>(Note 20(a))</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2011	67,399	215,765	938	9,222	(404,238)	(110,914)
Total comprehensive income for the period	—	—	—	—	1,900	1,900
At 30 June 2011 (unaudited)	<u>67,399</u>	<u>215,765</u>	<u>938</u>	<u>9,222</u>	<u>(402,338)</u>	<u>(109,014)</u>
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	—
At 30 June 2010 (unaudited)	<u>67,399</u>	<u>215,765</u>	<u>12,899</u>	<u>9,222</u>	<u>(423,913)</u>	<u>(118,628)</u>

CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2011*

	2011 <i>RMB'000</i> (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(5,652)
NET CASH FROM FINANCING ACTIVITIES	<u>4,560</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,092)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	<u>2,649</u>
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	<u><u>1,557</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS	
CASH AND BANK BALANCES	<u><u>1,557</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 2011

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 22/F, The Center, 99 Queen’s Road Central, 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 Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) are principally engaged in the manufacture and sale of tinplate cans for the packaging of beverage in Shanxi, the People’s Republic of China (the “**PRC**”).

The consolidated financial statements are presented in RMB, unless otherwise stated.

2. Basis of presentation

This unaudited condensed consolidated interim 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 requirements of Appendix 16 to 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 2010 (the “**2010 Annual Report**”). These condensed consolidated interim financial statements do not included all the information and disclosure required for an annual financial statement and should be read in conjunction with the 2010 Annual Report.

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

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

As at 30 June 2011, the Group had unaudited net current liabilities of approximately RMB167,527,000 (31 December 2010: RMB173,948,000) and unaudited net liabilities of RMB109,014,000 (31 December 2010: RMB110,914,000). 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 8 July 2009, Deutsche Bank Aktiengesellschaft presented a winding up petition against the Company on the grounds that the Company was insolvent and unable to pay its debts as they fell due. On 2 October 2009, pursuant to the application of one of the Company’s major creditors, DBS Bank (Hong Kong) Limited, Mr. Roderick John Sutton and Mr. Fok Hei Yu were appointed Provisional Liquidators to 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 interim financial statements for the six months ended 30 June 2011 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 interim financial statements for the six months ended 30 June 2011 based on the book and records made available to the Provisional Liquidators.

Save as addressed above, the Provisional Liquidators make no representation as to the completeness and accuracy of the information contained in these condensed consolidated interim financial statements.

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:

- (i) 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;
- (ii) publish all outstanding financial results and address any concerns that may be raised by the auditors;
- (iii) 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;
- (iv) 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; and
- (v) withdrawal or dismissal of the winding-up petition, and discharge of the Provisional Liquidators.

If the Company failed to submit a viable resumption proposal to address the above conditions by 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 (“**BGL**”) (which was subsequently joined by Integrated Asset Management (Asia) Limited (“**IAM**”) 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 (Hong Kong) Limited (the “**Escrow Agent**”) and BGL (the “**Escrow Agreement**”). Pursuant to the Escrow Agreement, the Provisional Liquidators granted BGL an exclusive right up to 27 December 2010 (the “**Exclusivity Period**”) 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 BGL entered into a supplemental agreement to extend the Exclusivity Period to 24-month 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. By a letter dated 26 May 2011, the Stock Exchange informed the Company that the Stock Exchange allows trading resumption if the Company fulfils the following conditions by 31 December 2011:

- (1) completion of the bonus issue, subscription of new shares, preference shares and convertible bonds, issuance of the creditors' options and the scheme and all other transactions contemplated under the resumption proposal;
- (2) inclusion of the following in the circular to shareholders:
 - (a) detailed disclosure of the resumption proposal which is comparable to prospectus standards;
 - (b) a profit forecast for the year ending 31 December 2011 together with reports from the auditors and the financial adviser under paragraph 29(2) of Appendix 1b of the Listing Rules;
 - (c) a pro forma balance sheet upon completion of the resumption proposal and a comfort letter from an independent accounting firm under Rule 4.29 of the Listing Rules;
- (3) demonstrating that the Company has adequate financial reporting systems to meet its obligations under the Listing Rules; and
- (4) discharge of the winding-up petition and the Provisional Liquidators.

On 17 June 2011, the Company, the Provisional Liquidators, BGL and IAM (collectively “**the Investors**”) and the Escrow Agent entered into an agreement (the “**Restructuring Agreement**”) which provides for, inter alia, the proposed capital reorganisation, the proposed subscription of new shares, preference shares and convertible notes, the proposed grant of creditors' options, the proposed bonus issue, the proposed implementation of the schemes of arrangement in Hong Kong and the Cayman Islands (collectively referred to the “**Schemes**”) and the proposed application for the whitewash waiver. The credit arising from the capital reorganisation will be applied to set off part of the accumulated losses of the Company as at 31 December 2010.

The unaudited condensed consolidated interim 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 interim 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. The effect of these adjustments has not been reflected in the unaudited condensed consolidated interim financial statements.

2.2 *Deconsolidation of subsidiaries*

On 5 October 2009, the Company's then wholly-owned subsidiary, Bloxworth Enterprises (HK) Limited ("**Bloxworth HK**"), which wholly owns Fujian Fuwang Metal Products Company Limited (福建福旺金屬製品有限公司) ("**Fuwang**"), was placed into creditors' voluntary liquidation pursuant to section 228A of 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 (Hong Kong) Limited, were appointed as joint and several liquidators of Bloxworth HK.

On 23 March 2010, the Provisional Liquidators on behalf of the Company and Sino Gather Limited ("**Sino Gather**") (a special purpose vehicle controlled by Mr. Fok Hei Yu, one of 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**") and Rich Victory Development Limited ("**Rich Victory**"), at a nominal consideration of HK\$3 in aggregate. Chinawinner BVI is the holding company of Sichuan Zhanwang Metal Products Company Limited (四川省展旺金屬製品有限公司) ("**Zhanwang**"). The disposal of Chinawinner BVI, Chinawinner HK, Rich Victory and Zhanwang (collectively referred to as the "**Disposed Group**") is primarily in furtherance of the Group's restructuring. Upon the signing of the sale and purchase agreement on 23 March 2010, the disposal has been taken effect simultaneously on the same day.

The Provisional Liquidators are of the view that since the control over Bloxworth HK, Fuwang and the Disposed Group had been lost, the corresponding results and assets and liabilities should not be consolidated to the consolidated financial statements of the Group since 1 January 2008. The condensed consolidated interim financial statements as at and for the six months ended 30 June 2011 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 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 2011 and the relevant disclosures.

3. **Application of new and revised HKFRSs**

Principal Accounting Policies

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at their fair values.

The accounting policies used in these condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied the following new and revised standards, amendments and interpretations (“**new and revised HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK (IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

4. Revenue and segment information

Revenue, which is also the Group’s turnover, represents the net amounts received and receivable for goods sold during the period.

The management has been identified as the chief operating decision maker. Management has determined the operating segments based on the reports reviewed by the management that are used to make strategic decisions.

The management assesses the performance of the Group’s manufacture and sale of tinplate cans packaging business from both geographic and product perspectives. Geographically, management considers the Group’s business is primarily operated in the PRC and the Group’s revenue from external customers is derived solely from the manufacture and sale of tinplate cans packaging in the PRC. All of the Group’s business activities are included in a single reportable segment in accordance with HKFRS 8 “Operating segments”. As such, no segment information is presented.

Revenue from customers for the six months period ended 30 June 2011 contributing over 10% of the total revenue of the Group as follows:

Customers	Revenue generated from	30 June 2011 RMB’000
A	Sale of tinplate cans	9,078
B	Sale of tinplate cans	8,917
C	Sale of tinplate cans	7,413
D	Sale of tinplate cans	7,098
E	Sale of tinplate cans	6,971

5. Profit before tax

	Six months ended 30 June	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging:		
Cost of inventories recognized as an expense	51,852	48,333
Depreciation of property, plant and equipment	3,697	3,121
Minimum lease payments in respect of:		
– Machinery and equipment	1,000	1,000
And after crediting:		
Gain on disposal of property, plant and equipment	–	22
Interest income on bank deposits	–	1
	<u> </u>	<u> </u>

6. Income tax expense

	Six months ended 30 June	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
The charge comprises:		
Current taxation		
– PRC Enterprise Income Tax (“EIT”)	2,035	1,717
Deferred taxation		
– Mainland China withholding Tax	–	–
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profit in Hong Kong.

PRC EIT is calculated at the rates prevailing in relevant districts of the PRC.

10% withholding tax levied to dividends declared to foreign investors have not been provided in the condensed consolidated interim financial statements.

7. Dividend

The Company did not declare final dividend for the year ended 31 December 2010 and interim dividend for the period ended 30 June 2011 to its shareholders.

8. Finance costs

	2011 <i>RMB'000</i> (Unaudited)	2010 <i>RMB'000</i> (Unaudited)
Interests on:		
Bank loans wholly repayable within five years	1,821	–
Other borrowings wholly repayable within five years	1,215	407
Other financial liabilities	290	–
	<u>3,326</u>	<u>407</u>

The Investors and the Provisional Liquidators anticipate all existing liabilities owed to the creditors of the Company, including the finance costs, will be compromised and discharged through the Schemes upon completion of the Restructuring Agreement.

9. Earnings per share

(a) Basic

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

	Six months ended 30 June	
	2011 <i>RMB'000</i> (Unaudited)	2010 <i>RMB'000</i> (Unaudited)
Earnings:		
Profit for the period for the purposes of basic earnings per share	<u>1,900</u>	<u>1,533</u>
	Six months ended 30 June	
	2011	2010
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>657,121,081</u>	<u>657,121,081</u>

(b) Diluted

Trading in the shares of the Company was suspended since 28 April 2009 and no information of the average market price per share for the period is available. As the exercise price of the options is higher than the market price for shares immediately before the suspension of trading in the Company's shares, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options.

10. Property, plant and equipment

During the current period the Group did not acquire any property, plant and equipment (six months ended 30 June 2010: Nil).

11. Trade and other receivables

	30 June 2011	31 December 2010
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade receivables	54,388	46,857
Other receivables, deposits and prepayments	1,086	1,968
	<u>55,474</u>	<u>48,825</u>

The Group generally allows an average credit period of 120 days to its customers. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	30 June 2011	31 December 2010
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
0 – 30 days	14,251	10,869
31 – 60 days	13,467	13,185
61 – 90 days	12,302	12,655
91 – 120 days	8,638	10,148
More than 120 days	5,730	–
	<u>54,388</u>	<u>46,857</u>

Aged analysis of trade receivables which are not impaired is as follows:

	30 June 2011	31 December 2010
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Neither past due nor impaired	48,658	46,857
Past due but not impaired	5,730	–
	<u>54,388</u>	<u>46,857</u>

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default. No impairment is required for the past due balances based on the historical payment records and continuing subsequent settlement.

12. Escrow money

	30 June 2011	31 December 2010
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Professional fees	<u>2,514</u>	<u>888</u>

On 28 December 2009, the Provisional Liquidators, on behalf of the Company, and the Escrow Agent entered into an exclusivity and escrow agreement with BGL (which was subsequently joined by IAM). The said agreement granted BGL 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 BGL entered into a supplemental agreement to extend the Exclusivity Period to 24-month 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 Investors, the Investors have advanced a total sum of HK\$11.3 million to the Company to meet the costs and expenses in relation to the implementation of the restructuring of the Company.

The balances of escrow money and loan from an investor are denominated in HK\$.

13. Trade and other payables

	30 June 2011	31 December 2010
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade payables	7,965	8,052
Receipt in advance, other payables and accrued charges	<u>5,390</u>	<u>5,438</u>
	<u>13,355</u>	<u>13,490</u>

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

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	30 June 2011 <i>RMB'000</i> (Unaudited)	31 December 2010 <i>RMB'000</i> (Audited)
0 – 30 days	<u>7,965</u>	<u>8,052</u>

The average credit period on purchases of goods is 30 days. The Group has financial risk management policies in place to ensure that all trade payables would be settled within the credit timeframe.

14. Bank borrowings

	30 June 2011 <i>RMB'000</i> (Unaudited)	31 December 2010 <i>RMB'000</i> (Audited)
Bank loans, unsecured	54,151	54,751
Accrued interest	<u>8,147</u>	<u>6,395</u>
	<u>62,298</u>	<u>61,146</u>

The maturity of the unsecured bank borrowings, is as follows:

Within one year or on demand shown under current liabilities	<u>62,298</u>	<u>61,146</u>
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Bank borrowings of RMB62,298,000 (31 December 2010: RMB61,146,000) are denominated in Hong Kong dollars and arranged at floating rates from 2% to 3.5% over HIBOR (31 December 2010: 2% to 3.5% over HIBOR) per annum.

Bank borrowings from DBS Bank (China) Company Limited of approximately RMB19,531,000 (2010: 19,747,000) and DBS Bank (Hong Kong) Limited of RMB24,493,000 (2010: 24,765,000) had not been repaid in accordance with the relevant terms. Bank borrowings from PT. Bank Mandiri (Persero) TBK, Hong Kong Branch of RMB10,127,000 (2010: 10,239,000) 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

	30 June 2011	31 December 2010
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Debts assigned	48,626	45,433
Accrued interest	682	3,193
	<u>49,308</u>	<u>48,626</u>
As at 30 June/31 December	<u>49,308</u>	<u>48,626</u>

Note:

Pursuant to a debt assignment agreement dated 21 September 2009 entered into between Fu Teng Global Limited (“Fu Teng”), the major shareholder of the Group, and Banyan Capital Management Inc (“Banyan Capital”), the amounts due from the Company to Fu Teng of HK\$50,220,000 (equivalent to approximately RMB44,150,000) was assigned to Banyan Capital at consideration of HK\$2,700,000.

Pursuant to another debt assignment agreement dated 21 September 2009 entered into between Mr. Yang Zongwang, the beneficial owner of Fu Teng, and Banyan Capital, the amounts due from the Company to Mr. Yang of HK\$3,763,100 (equivalent to approximately RMB3,308,000) were assigned to Banyan Capital at consideration of HK\$300,000.

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

	30 June 2011	31 December 2010
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Provision for bank loans guarantee for Fuwang	29,000	29,000
	<u>29,000</u>	<u>29,000</u>

Details of the guarantee are set out below:

Bank	Guarantee for	Status of subsidiary	Guaranteed Amount RMB'000
Bank of China Fuqing Branch	Fuwang	Bloxworth HK, being 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 2010: RMB29,000,000) to a bank in the PRC to secure the loans extended to 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 2010: RMB29,000,000) in the condensed consolidated interim financial statements.

Since the books and records of certain subsidiaries available to the Provisional Liquidators were incomplete and the Provisional Liquidators have lost control of certain subsidiaries, the Provisional Liquidators make no representation as to the completeness and accuracy of the above mentioned corporate guarantee.

17. Derivative financial instruments

Swaps derivatives

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Structure interest rate swap	—	—

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 (Notes 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%) (Notes ii) coupon capped at 13.0% and floored at 0%

Notes:

- (i) n: Number of business days in the calculation period that HK\$ 10-years CMS[#] minus HK\$ 2-years CMS[^] ≥ 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.
- ^ 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 (equivalent to approximately RMB66,250,000). The difference between the Termination Amount and the Revised Termination Amount of USD250,000 (equivalent to approximately RMB1,671,000) was recognised as gain on waived of other financial liabilities for the year ended 31 December 2010.

18. Other financial liabilities

	30 June 2011	31 December 2010
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Termination Amount (<i>Note (i)</i>)	65,739	66,250
Accrued interest (<i>Note (ii)</i>)	1,274	1,325
	<hr/>	<hr/>
At 30 June/31 December	<u>67,013</u>	<u>67,575</u>

Notes:

- (i) The balance represents the Termination Amount demanded by the bank as a result of the early termination of the Swaps as set out in Note 17 to the condensed consolidated interim financial statements.
- (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.
- (iii) The balance of other financial liabilities is denominated in USD.

19. Share capital

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each		
<i>Authorised:</i>		
At 1 January 2010, 31 December 2010 and 30 June 2011	<u>2,000,000,000</u>	<u>200,000</u>
<i>Issued and fully paid:</i>		
At 1 January 2010, 31 December 2010 and 30 June 2011	<u>657,121,081</u>	<u>65,712</u>
		<i>RMB'000</i>
Shown in the condensed consolidated interim financial statements		
At 30 June 2011		<u>67,399</u>
At 31 December 2010		<u>67,399</u>

20. Reserves

(a) Surplus reserve

Before 2010, according to the relevant enterprises regulations in the PRC, certain subsidiaries in PRC are required to transfer not less than 10% of their profit after taxation to surplus reserve, as determined under accounting principles generally accepted in the PRC. The surplus reserve fund can be used to make up for previous year's losses, expand the existing operations or convert into additions capital of those PRC subsidiaries.

(b) 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

The Provisional Liquidators make no representation as to the completeness and accuracy of the related party transactions, connected transactions and continuing connected transactions entered into by the Group as defined under HKAS 24 and the Listing Rules for the period ended 30 June 2011.

22. Contingent liabilities

The Provisional Liquidators make no representation as to the completeness and accuracy of the contingent liabilities for the six months ended 30 June 2011.

23. Commitments***Operating lease commitment – the Group as lease***

At 30 June 2011, the Group had commitments for future minimum lease payments under noncancelable operating leases which fall due as follows:

	30 June 2011	31 December 2010
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Within one year	2,183	1,166
After one year but within five year	8,983	–
	<u>11,166</u>	<u>1,166</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 or 5 years and no arrangements have been entered into for contingent rental payments.

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 2011.

The Provisional Liquidators make no representation as to the completeness and accuracy of the capital commitments up to 30 June 2011.

24. Share option scheme

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:

	Number of Share options
Outstanding at 30 June 2011 and at 31 December 2010	<u>11,300,000</u>

To the best knowledge and information of the Provisional Liquidators, no share options were lapsed and no share option has been granted during the six months period ended 30 June 2011.

During the current period, no expenses was recognized by the Group (six months ended 30 June 2010: nil) in relation to share options granted by the Company.

25. Significant subsequent event

To the best of their knowledge and information, and save for the information disclosed in this report, the Provisional Liquidators are unaware of any other significant subsequent event that should be disclosed.

APPENDIX II ADDITIONAL FINANCIAL INFORMATION OF THE GROUP

The consolidated financial statement of the Group for the year ended 31 December 2010 was qualified by the auditors. Please refer to Appendix I to this circular for details.

1. INDEBTEDNESS

As the close of business on 31 July 2011, being the latest practicable date for the purposes of preparing this statement of indebtedness, the Group had in aggregate outstanding borrowings of approximately RMB218.23 million, which comprised of (i) provision for bank loans guarantee of approximately RMB29 million; and (ii) other financial liabilities of approximately RMB67.73 million. Save as aforesaid and apart from intra-group liabilities, normal trade payables in the ordinary course of business, other payables and tax payable, none of the entities of the Group had any debt securities which are issued and outstanding, or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness including bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits or hire purchase commitments, mortgage, charges, guarantees or other material contingent liabilities as at the close of business on 31 July 2011.

2. WORKING CAPITAL

The Investors, the Provisional Liquidators and the proposed Directors are of the opinion that, upon completion of the proposed Subscription of New Shares, Preference Shares, Convertible Notes and Bonus Issue, the settlement of the Scheme Creditors and in the absence of unforeseeable circumstances, the Group would have sufficient working capital to finance its own day to day operations for the twelve months from the date of this circular and from the date of resumption of trading in the shares of the Company, whenever not later than 31 December 2012.

3. MATERIAL CHANGE

As at the Latest Practicable Date, the Provisional Liquidators confirm that there is no material change in the financial or trading position or outlook of the Group since 31 December 2010, being the date to which the latest published audited financial statements of the Group were made up. The audited financial statements for the years ended 31 December 2008, 2009 and 2010 together with the auditors' qualified opinions have been disclosed in Appendix I to this circular.

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 31 July 2011 of the Properties held by the Group.



Asset Appraisal Limited
資產評值顧問有限公司

Rm 901, 9/F, On Hong Commercial Building,
145 Hennessy Road Wanchai HK
香港灣仔軒尼詩道145號
安康商業大廈9樓901室
Tel : (852) 2529 9448 Fax : (852) 3521 9591

12 September 2011

China Packaging Group Company Limited

(Provisional Liquidators Appointed)
c/o FTI Consulting (Hong Kong) Limited
Level 22, The Center
99 Queen's Road Central
Central,
Hong Kong

Dear Sirs,

Re: Valuation of various properties in the People's Republic of China (the "PRC")

In accordance with the instructions from **China Packaging Group Company Limited** (the "Company") to value the property interests (the "Properties") of the Company and its subsidiaries (hereinafter together referred to as the "Group") in the PRC, we confirm that we have carried out inspections of the Properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at 31 July 2011 (the "date of valuation").

BASIS OF VALUATION

Our valuation of the Properties 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".

TITLESHIP

We have been provided with copies of legal documents regarding the Properties. However, we have not verified ownership of the Properties and the existence of any encumbrances that would affect its ownership.

We have also relied upon the legal opinion provided by the PRC legal adviser, namely Shanxi Fen Zhou Law Firm (山西汾州律師事務所) (the "PRC Legal Adviser"), on the relevant laws and regulations in the PRC, on the nature of the Group's interests in the Properties. Its material content has been summarized in the valuation certificate attached herewith.

VALUATION METHODOLOGY

Due to the non-assignable nature of the property interests in Group I of the valuation certificate, the property interests have been valued by depreciation replacement cost method.

Depreciation replacement cost is defined as the current cost of replacement (reproduction) of a property of identical or closely similar utility with deductions for physical depreciation 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 portion plus the current costs of replacement (reproduction) of the land improvement erected thereon less physical deterioration and all relevant forms of obsolescence and optimization. We have ascribed no commercial value to the land portion of the concerned property as its land grant procedures (including land use right contract execution and land premium payment) have not yet been completed as at the Valuation Date. The depreciated replacement cost of the property interests is subject to adequate potential profitability of the concerned business underlying the property interests.

We have attributed no commercial value to the property interests in Group II of the valuation certificate, which are properties rented by the Group, due either to the short-term nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

ASSUMPTIONS

Our valuation has been made on the basis that the owner of the property in Group I shall not sell the property on the market by means of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangements which would serve to affect the value of the property.

LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on the Properties nor for any expenses or taxation which may be incurred in effecting a sale. Pursuant to PRC legal opinion, the Properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, tenancy and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the floor areas in respect of the Properties but have relied on the floor areas shown on the documents and official site plans. The floor areas adopted by us are consistent with the floor areas mentioned in the PRC legal opinion. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have inspected the exterior and, where possible, the interior of the buildings and structures of the Properties. However, no structural survey has been made for them. In the course of our inspection, we did not note any apparent defects. We are not, however, able to report whether the buildings and structures inspected by us are free of rot, infestation or any structural defect. No test was carried out on any of the building services and equipment.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Remarks

According to the information provided by the Company, the potential tax liabilities which would arise on the disposal of the Properties in the PRC are PRC business tax (approximately 5.5% on selling price), PRC land appreciation tax (approximately 30%-60% on capital gain) and PRC corporate income tax (25% on corporate's taxable profit). According to our established practice, in the course of our valuation, we have neither verified nor taken into account such tax liabilities. As advised by the Company, the Company has no intention to dispose of the properties and such tax liabilities shall not be material if the Properties are sold on the market at the amount of valuation.

In valuing the Properties, we have complied with all the requirements contained in Rule 11 of the Codes on Takeovers and Mergers and Share Repurchases of the Securities and Futures Commission, in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1st January 2005.

All monetary sums stated in this report are in Renminbi (RMB).

Our summary of valuation and valuation certificate are attached herewith.

Yours faithfully,
For and on behalf of
Asset Appraisal Limited
Tse Wai Leung
MFin MRICS MHKIS RPS(GP)
Director

Tse Wai Leung is a member of the Royal Institute of Chartered Surveyors, Hong Kong Institute of Surveyors and a Registered Professional Surveyor in General Practice. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Forum and has over 10 years' experience in valuation of properties in Hong Kong and in the PRC.

SUMMARY OF VALUATION

Property	Market value in existing state as at 31 July 2011	Interest Attributable to the Company	Value of property interest attributable to the Company as at 31 July 2011
Group I – Property interests held by the Group for self occupation			
1. A Factory Complex situated at the southern portion of No. 2 Ying Xiong Road South, Fen Yang City, Shanxi Province, the PRC	RMB33,096,000*	100%	RMB33,096,000
Group II – Property rented by the Group			
2. A Factory Complex situated at the northern portion of No. 2 Ying Xiong Road South, Fen Yang City, Shanxi Province, the PRC	No commercial value	100%	No commercial value
Grand Total:	RMB33,096,000		RMB33,096,000

* *The land use rights of the property are in the nature of collectively-owned land and are restricted from being transferred on the market. Given the non-assignable nature of the land parcel of the property, we have ascribed no commercial value to the land portion of the property. In addition to the values of building and structures of the factory complex, our opinion of value of the property also includes the power supply system (with a carrying value of approximately RMB4,047,000) installed within the property and the energy saving system (with a carrying value of approximately RMB2,803,000) installed within the property. These assets have been stated at their respective carrying values.*

VALUATION CERTIFICATE

Group I – Property interests held by the Group for self occupation

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 July 2011 RMB
1. A Factory Complex situated at the southern portion of No. 2 Ying Xiong Road South, Fen Yang City, Shanxi Province, the PRC (山西省汾陽市英雄南路2號南面部份工業廠房)	<p>The property comprises a single-storey workshop/warehouse building and a single-storey plant room erected on a parcel of land with an area of approximately 20,666.77 square metres. The subject buildings were completed in between 2005 and 2006. As confirmed by the PRC Legal Adviser, the subject buildings have a total gross floor area of approximately 7,098 square metres.</p> <p>In addition, the property also includes an access road which is linking the property to the traffic road nearby and a metal shed standing in between Property No. 1 and 2 which is currently used for storage purpose.</p> <p>The land use rights of the property which are in the nature of collectively-owned land are currently held by the villagers' committee of the local village. The Group has been authorized by the villagers' committee to occupy the land parcel until the relevant land grant procedures of the subject land parcel are completed.</p>	The property is occupied by the Group as its production base.	33,096,000 (see notes 4 & 5 below)

Notes:

- Pursuant to a Land Acquisition Agreement entered into between Shanxi Zhanpen Metal Products Co. Ltd. (山西展鵬金屬製品有限公司, referred to as "Zhanpen"), being a wholly owned subsidiary of the Company, and the Fen Yang Wen Feng Street Nanguan Villagers' Committee (汾陽市文峰街道南關村民委員會, referred to as the "Villagers' Committee") on 25 October 2007, the former agreed to acquire the collectively owned land use rights of subject land parcel (as agricultural land) from the latter at a total land acquisition compensation amount of RMB24,800,000 of which a sum of RMB12,400,000 has been settled as at the Valuation Date.

2. As confirmed by the Villagers' Committee through a written declaration issued on 13 August 2010, the application for changing the collectively owned to industrial granted land is in progress. Zhanpen is authorized by the Villagers' Committee to occupy the subject land parcel gratuitously for its normal business operations during the application period.
3. The subject buildings as mentioned above have been built by Zhanpen on its own costs. Building Ownership Certificate for the subject buildings has not yet been issued. In the course of our valuation, we have assumed that the subject buildings have been duly examined and approved by the relevant government authorities as safe for use and in compliance with all relevant requirements for industrial uses. In addition, we have assumed that the Building Ownership Certificate for the subject buildings shall be issued in the name of Zhanpen upon completion of land grant procedures as mentioned in note 1 above.
4. As the land use rights of the subject land parcel are in the nature of collectively-owned land and are restricted from being transferred on the market. Given the non-assignable nature of the subject land parcels, we have ascribed no commercial value to the land portion of the property.
5. In addition to the values of building and structures of the factory complex, our opinion of value of the property also includes the capital values of the power supply system (with a carrying value of approximately RMB4,088,000) installed within the property and the energy saving system (with a carrying value of approximately RMB2,831,000) installed within the property. These assets have been stated at their respective carrying values.
6. We have been provided with a legal opinion regarding the property interests by the PRC Legal Adviser, which contains, inter alia, the following:
 - 6.1 The subject land parcel, being a parcel of collectively-owned land with an area of 31 mus (approximately 20,667 square metres), is held by Fen Yang Wen Feng Street Nanguan Villagers' Committee.
 - 6.2 According to the Land Acquisition Agreement (土地徵用補償協議) entered into between Zhanpen and Villagers' Committee on 25 October 2007, the Villagers' Committee still agrees that Zhanpen is entitled to the rights to use the subject land parcel. The application for converting the collectively-owned land into industrial land is subject to Government approval and completion of relevant land grant procedures.
 - 6.3 Zhanpen have constructed structures on the subject land parcel with a total gross floor area of 7,098 square metres, a metal shed and an access road and those structures are currently occupied by Zhanpen as workshop and warehouse.
 - 6.4 Based on the confirmation from Zhanpen, the subject buildings are not subject to any mortgage, closure order and any third party rights.
 - 6.5 Zhanpen is the legal owner of the buildings and structures mentioned in note 6.3 above.
 - 6.6 Upon obtaining the granted land use rights of the subject land parcel, Zhanpen is eligible to apply for Title Certificate for the buildings and structures as mentioned in note 6.3 above.
 - 6.7 Provided that Zhanpen acts in accordance with the State and Local Government's requirements, to submit in compliance with town planning master plan and all necessary information, there is no legal impediments in completing necessary applications and obtaining Building Ownership Certificate.

VALUATION CERTIFICATE

Group II – Property rented by the Group

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 July 2011 RMB
2. A Factory Complex situated at the northern portion of No. 2 Ying Xiong Road South, Fen Yang City, Shanxi Province, the PRC (山西省汾陽市英雄南路2號北面部份工業廠房)	The property comprises a parcel of land with a site area of approximately 9,907.84 square metres on which a total of 7 major buildings and structures are erected. Those major buildings and structures comprise 3 workshop buildings, 1 office building, 1 staff canteen, 1 dormitory building and 1 warehouse building with a total gross floor area of 10,980.81 square metres. The property is rented by the Group under a tenancy for a lease term of 5 years commencing on 1 August 2011 and expiring on 31 July 2016 at an annual rental of RMB2,200,000 payable annually.	The property is occupied by the Group as a production base, administrative offices and staff dormitory.	No commercial value

Notes:

- Pursuant to a tenancy agreement entered into between Shanxi Yiyong Packaging Industry Co. Ltd. (山西義盈包裝工業有限公司, referred to as “Shanxi Yiyong”) as landlord and Shanxi Zhanpen Metal Products Co. Ltd. (山西展鵬金屬製品有限公司, referred to as “Zhanpen”), being a wholly owned subsidiary of the Company, as tenant on 12 May 2011, Zhanpen agreed to rent the property from the landlord for a term of 5 years expiring on 31 July 2016 at an annual rent of RMB2,200,000 payable annually inclusive of landlord’s provision of certain machineries placed within the property.
- According to the tenancy agreement, Zhanpen is prohibited from assigned, sublet or charge its leasehold interest to any third party. The landlord is responsible for the repairing of structural defects of the property during the unexpired term of the tenancy agreement.

3. We have been provided with a legal opinion regarding the property interests by the PRC Legal Adviser, which contains, inter alia, the following:
 - 3.1 the property with a total gross floor area of 10,980.81 square metres is rented by Zhanpen from Shanxi Yiyong through a tenancy agreement dated 12 May 2011 for industrial, ancillary office and dormitory uses for a term of 5 years from 1 August 2011 to 31 July 2016 at an annual rental of RMB2,200,000.
 - 3.2 Shanxi Yiyong is the legal owner of the property and has the legal rights to lease out the property.
 - 3.3 the renting of the property by Zhanpen through the aforesaid tenancy agreement does not contravene the PRC laws and regulations. The tenancy agreement is legally binding to both parties to the agreement.
 - 3.4 Zhanpen has been empowered, under the terms and conditions of the tenancy agreement, to use the property and its leasehold interests are confirmed and protected by the PRC laws.

PROPERTY VALUE RECONCILIATION

The table below shows the reconciliation of the net book value of the property interests held by the Group from the audited financial statement as of 31 December 2010 to the valuation of the property interests as of 31 July 2011:

	<i>RMB'000</i>	
Reference value (<i>Note i</i>)	33,096	(A)
Carrying value as of 31 December 2010 (<i>Note ii</i>)	34,594	(B)
Movements for the 7 months ended 31 July 2011 (<i>Note iii</i>)	1,511	(C)
Carrying value as of 31 July 2011	33,083	(B) – (C) = (D)
Valuation Surplus (<i>Note iv</i>)	13	(A) – (D)

Notes:

- (i) Reference value is extracted from the property valuation report set forth in Appendix III in this Circular.
- (ii) The carrying value of the property interests is extracted from the audited financial statement as at 31 December 2010, which is set out in Appendix I to this Circular.
- (iii) Movement of carrying value represents the depreciation charged for the 7 months period ended 31 July 2011 as revealed from the unaudited financial statement of the Company.
- (iv) The revaluation surplus will not be recorded in the Company's financial statement as the Group's buildings are stated at cost less depreciation and accumulated impairment losses.

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE
GROUP AS AT 31 DECEMBER 2010****A. Introduction to the Unaudited Pro Forma Consolidated Statement of Financial Position of the
Group**

The following is the unaudited pro forma consolidated statement of financial position of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the proposed restructuring of the Group pursuant to the Restructuring Agreement, involving the Capital Reorganisation, the Subscription, the issue of the Options and the Bonus Issue.

The unaudited pro forma consolidated statement of financial position of the Group is based on the audited consolidated statement of financial position of the Group as at 31 December 2010 as extracted from the latest published annual report of the Company for the year ended 31 December 2010 set out in Appendix I to this circular, as if the Completion had taken place on 31 December 2010. The unaudited pro forma consolidated statement of financial position of the Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the unaudited pro forma consolidated statement of financial position of the Group, it may not give a true picture of the actual financial position of the Group that would have been attained had the completion actually occurred on the dates indicated herein. Furthermore, the unaudited pro forma consolidated statement of financial position of the Group does not purport to predict the Group's future financial position.

The unaudited pro forma consolidated statement of financial position of the Group should be read in conjunction with the financial information of the Group as set out in Appendix I, "Financial Information of the Group", and other financial information included elsewhere in this circular.

APPENDIX IV
**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT
OF FINANCIAL POSITION OF THE GROUP**
B. Unaudited Pro Forma Consolidated Statement of Financial Position of the Group

	Pro forma adjustments										Unaudited Pro forma Consolidated Statement of Financial Position As at 31 December 2010
	<i>Note (1)</i>	<i>Note (2)</i>	<i>Note (3)</i>	<i>Note (4)</i>	<i>Note (5)</i>	<i>Note (6)</i>	<i>Note (7)</i>	<i>Note (8)</i>	<i>Note (9)</i>		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
NON-CURRENT ASSETS											
Property, plant and equipment	64,247									64,247	
	<u>64,247</u>									<u>64,247</u>	
CURRENT ASSETS											
Inventories	3,173									3,173	
Trade and other receivable	48,825									48,825	
Escrow money	888		9,115	(10,003)						-	
Bank balances and cash	2,649				9,015	53,070	15,309	(52,730)		27,313	
	<u>55,535</u>									<u>79,311</u>	
CURRENT LIABILITIES											
Trade and other payables	13,490							(3,575)		9,915	
Tax payable	4,303									4,303	
Bank borrowings	61,146							(61,146)		-	
Other borrowings	48,626							(48,626)		-	
Provision for bank loans guarantee for a deconsolidated subsidiary	29,000							(29,000)		-	
Loan from an investor	5,078		9,115		(14,193)					-	
Amount due to an investor	265				(265)					-	
Other financial liabilities	67,575							(67,575)		-	
	<u>229,483</u>									<u>14,218</u>	
NET CURRENT ASSETS/ (LIABILITIES)	<u>(173,948)</u>									<u>65,093</u>	
NON-CURRENT LIABILITIES	1,213									1,213	
NET ASSETS/(LIABILITIES)	<u>(110,914)</u>									<u>128,127</u>	
CAPITAL AND RESERVES											
Share Capital											
- Old	67,399	(67,329)								70	
- New	-			1	195					196	
- Preference shares	-					442				442	
Capital reduction reserve	-	67,329							(67,329)	-	
Share premium											
- Old	215,765								(215,765)	-	
- New	-				23,278					23,278	
- Preference shares	-					52,628				52,628	
Share option reserve	938									938	
Surplus reserve fund	9,222			(1)						9,221	
Retained profits/(Accumulated losses)	(404,238)		(10,003)					157,192	283,094	26,045	
	<u>(110,914)</u>									<u>112,818</u>	
NON-CURRENT LIABILITIES											
Convertible bonds	-						15,309			15,309	
	<u>(110,914)</u>									<u>128,127</u>	

C. Notes to the Unaudited Pro Forma Statement of Financial Position of the Group

1. Pursuant to the Capital Reorganisation, eight existing issued and unissued shares of the Company of HK\$0.10 each will be consolidated into one share of HK\$0.80 each (the “**Consolidated Share**”) and the par value of the Consolidated Share will be reduced from HK\$0.80 to HK\$0.001 each (the “**New Share**”) thereafter.

This adjustment reflects the financial effect of the Capital Reorganisation that approximately RMB67.329 million of the existing paid-up capital of the Company will be reduced to offset the accumulated losses of the Group.

2. This adjustment reflects the financial effect of RMB9.115 million (being HK\$17 million (equivalent to approximately RMB14.458 million) less a total amount of RMB5.343 million advanced by the Investor in 2010) (“**Escrow Money**”) for payment of professional fees and working capital.
3. This adjustment reflects the financial effect of the utilization of the Escrow Money as professional fees and working capital assuming the Escrow Money has been utilised in full at Completion.
4. This adjustment reflects the financial effect of the issuance of Bonus Shares on the basis of 13 Bonus Shares for every 1,000 New Shares to the existing Shareholders. HK\$1,068 (equivalent to approximately RMB908) represents 1,067,822 Bonus Shares with nominal value of HK\$0.001 per New Share.
5. This adjustment reflects the financial effect of the issuance of 230 million New Shares to the Investor at a subscription price of HK\$0.12 per New Share. HK\$230,000 (equivalent to approximately RMB195,000) and HK\$27.37 million (equivalent to approximately RMB23.278 million) represent the nominal value of the New Shares at HK\$0.001 per New Share and the share premium arising from the issuance of the New Shares respectively.

The Escrow Money of RMB14.193 million and the amount due to an investor of RMB0.265 million will be applied towards the off-set against the part of the subscription monies to be paid by the investor for the New Shares, resulting in net proceeds from the issuance of the New Shares of approximately RMB9.015 million.

6. This adjustment reflects the financial effect of the issuance of 520 million Preference Shares at a subscription price of HK\$0.12 per Preference Share. HK\$520,000 (equivalent to approximately RMB442,000) and HK\$61.88 million (equivalent to approximately RMB52.628 million) represent the nominal value of the Preference Shares at HK\$0.001 per Preference Share and the share premium arising from the issuance of the Preference Shares respectively.
7. This adjustment reflects the issuance of the convertible bond (“**CB**”) of HK\$18 million (equivalent to approximately RMB15.309 million) to the Investors. The CB is convertible into 150 million New Shares at a conversion price of HK\$0.12 per New Share.

8. This adjustment reflects the financial effect of the settlement of the Creditors by cash consideration of HK\$62 million (equivalent to approximately RMB52.730 million). The settlement of the Creditors will be conducted by way of Schemes of Arrangement in both Hong Kong and the Cayman Islands.

Included in the settlement of the Creditors there is a provision for bank loans guarantee for a deconsolidated subsidiary of RMB29 million. Based on the relevant loan document and a legal advice obtained, the guarantee provided to a bank in the PRC will expire in November 2011. So far no claim is received by the Company and the Company's liability in respect of the guarantee is uncertain. The liability, if any, arising from the bank loans guarantee if materialized is dealt with under the Schemes of Arrangement in both Hong Kong and the Cayman Islands.

9. This adjustment reflects the off-set of the capital reduction reserve of approximately RMB67.329 million arising from the Capital Reorganisation and the existing share premium of RMB215.765 million against the accumulated losses of the Company as at 31 December 2010. The off-set will be conducted by way of Capital Reduction.

ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF FINANCIAL
POSITION TO THE DIRECTORS

中磊 (香港) 會計師事務所有限公司
ZHONGLEI (HK) CPA Company Limited

12 September 2011

China Packaging Group Company Limited
(Provisional Liquidators Appointed)
c/o FTI Consulting (Hong Kong) Limited
Level 22,
The Center,
99 Queen's Road Central,
Central,
Hong Kong

Dear Sirs,

We report on the unaudited pro forma consolidated statement of financial position (the "**Unaudited Pro Forma Financial Information**") of China Packaging Group Company Limited (Provisional Liquidators Appointed) (the "**Company**") and its remaining subsidiaries (hereinafter collectively referred to as the "**Group**") set out in Appendix IV of the circular dated 12 September 2011 (the "**Circular**") in connection with (i) capital reorganization; (ii) proceeds from the proposed subscription of new shares, preference shares, convertible notes and bonus issue; and (iii) the settlement of the creditors conducted by way of Schemes of Arrangement in both Hong Kong and the Cayman Islands (collectively known as the "**Transactions**"), which has been prepared by the provisional liquidators of the Company (the "**Provisional Liquidators**") and the proposed Directors for illustrative purpose only, to provide information about how the Transactions might have affected the financial information presented.

Respective responsibilities of Provisional Liquidators, the proposed Directors and reporting accountants

It is the responsibility solely of the Provisional Liquidators and the proposed Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the Provisional Liquidators and the proposed Directors. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Provisional Liquidators and the proposed Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgments and assumptions of the Provisional Liquidators and the proposed Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2010 or any future date.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Provisional Liquidators and the proposed Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.
- (d) so far as the accounting policies and calculations are concerned, the estimated gain on restructuring has been properly compiled on the basis of preparation set out in note 8 on page IV-4 and second paragraph in the section headed “Financial Effects of the Restructuring” on page 34 of this Circular, and is presented on a basis consistent, in all material respects, with the accounting policies adopted by the Group in preparing the consolidated financial statements of the Company for the year ended 31 December 2010 and the six months ended 30 June 2011.

ZHONGLEI (HK) CPA Company Limited

Certified Public Accountants (Practising)

Chan Chi Kei, Ronald

Practising Certificate Number: P04255

Hong Kong

APPENDIX V PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2011

(A) PROFIT FORECAST

Unaudited estimated operational profit before restructuring related items, such as the restructuring cost, interests on bank and other borrowings and other financial liabilities and gain on debt restructuring for the year ending 31 December 2011 (<i>Note 1</i>)	Not less than RMB10.3 million
Unaudited estimated operational profit before restructuring related items, such as the restructuring cost, interests on bank and other borrowings and other financial liabilities and gain on debt restructuring per New Share for the year ending 31 December 2011 (<i>Note 2</i>)	Not less than RMB0.033
Unaudited consolidated profit for the year ending 31 December 2011 (<i>Note 3</i>)	Not less than RMB157.49 million
Unaudited consolidated profit per New Share for the year ending 31 December 2011 (<i>Note 2</i>)	Not less than RMB0.503

Notes:

1. The profit forecast for the year ending 31 December 2011 is prepared based on the assumptions summarized in the section below which excludes the restructuring related items, such as the restructuring cost, gain on debt restructuring, and interests on bank and other borrowings and other financial liabilities which will be settled by the Scheme for the financial year ending 31 December 2011.
2. The calculation of unaudited estimated earnings per New Share for the year ending 31 December 2011 is based on the unaudited estimated profit (operational or consolidated) attributable to equity holders of the Company in 2011 divided by 313,207,957, being the number of New Shares in issue upon the completion of the Capital Reorganisation, the issue of the Bonus Shares and the Subscription Shares.
3. The unaudited consolidated profit for the financial year ending 31 December 2011 includes restructuring related items, such as the restructuring cost, interests on bank and other borrowings and other financial liabilities amounting to approximately RMB10 million and a gain on debt restructuring amounting to approximately RMB157.19 million.

(B) BASES AND ASSUMPTIONS

1. The Provisional Liquidators, with the assistance of the proposed Directors, in reviewing the previous trading and financial information and opining on certain assumptions adopted according to the aforesaid information in preparing the forecast consolidated profit attributable to equity holders of the Company for the 12 months ending 31 December 2011 based on the audited consolidated accounts of the Group for the year ended 31 December 2010, the interim results for the six months ended 30 June 2011 and a forecast of the consolidated accounts for the six months ending 31 December 2011. The profit forecast for the year ending 31 December 2011 is prepared based on the assumptions summarized in the section below. The forecast has been prepared based on the accounting policies consistent in all material respects with those presently adopted by the Group as set out in the audited annual report of the Company for the year ended 31 December 2010.
2. There will be no material changes in the industry practice and market condition and Group's operations including primarily its supplies and procurement, manufacturing process, human resources and cost control and management.
3. There will be no material changes in the existing political, legal, fiscal, market or economic conditions in the PRC or Hong Kong in which the Group currently operates or which are otherwise material to the Group's business.

APPENDIX V PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2011

4. There will be no changes in legislation, regulations or rules in the PRC and Hong Kong in which the Group operates or with which the Group has any agreement, which may materially adversely affect the Group's business or operations.
5. There will be no material changes in inflation rates, interest rates or foreign exchange rates from those currently prevailing in the context of the Group's operations. Given that the Company conducts its business mainly in the PRC including procurement of raw materials, production and sale of finished goods, most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi. Thus the results of the Company are unlikely to be materially affected by the volatility in the foreign exchange market. Conversion of RMB to HK\$ is based on the approximate exchange rate of RMB0.85 to HK\$1.00 throughout the forecast period.
6. There will be no material changes in the bases or applicable rates of taxation, surcharges or other government levies in the PRC and Hong Kong in which the Group operates.
7. There will be no material variance between the market value and the carrying value of the Group's buildings situated at Shanxi, the PRC.
8. There will be no unforeseen circumstance, including primarily the occurrence of natural disasters or catastrophes (such as floods and typhoons), epidemics or serious accidents, beyond the control of the Group which will have a material adverse effect on the results of operations of the Group.
9. Given the series of events required for completion of the restructuring of the Company, the trading in the New Shares is expected to be resumed in or around November 2011 in this forecast.
10. It is assumed that sales volume of tinplate cans for the year ending 31 December 2011 will grow at 10% compare to the tinplate cans sales volume for the year ended 31 December 2010. It is also assumed that there will be no significant changes in the average selling price per tinplate can and the gross profit margin will remain steady at the 2010 level for the year ending 31 December 2011.
11. The Group normally received intended orders from its customers at the beginning of each calendar year. The timeframe that the customers normally sign contracts of intended orders and confirmed orders is approximately 20 days. The intended orders received from the Group's customers for the year ending 31 December 2011 are approximately 201,820,000 units. The actual orders for the six months ended 30 June 2011 were amounting to approximately 104,935,912 units. The forecast order for the six months ending 31 December 2011 is approximately 107,570,221 units.
12. After Completion, the Investors intend to maintain the existing manufacturing and selling tinplate cans business and will conduct a further review on the business operations and financial position of the Group for the purpose of formulating appropriate business plans and strategies in order to enhance the long term growth potential of the Group.
13. Under the Schemes and the Restructuring Agreement, the Group is expected to record an accounting gain of approximately RMB157.19 million for the year ending 31 December 2011 as disclosed in Note 8 to Part B in Appendix IV "Unaudited Pro Forma Statement of Financial Position of the Group".

(C) LETTER FROM THE REPORTING ACCOUNTANT ON THE PROFIT FORECAST



中磊 (香港) 會計師事務所有限公司
ZHONGLEI (HK) CPA Company Limited

12 September 2011

China Packaging Group Company Limited
(Provisional Liquidators Appointed)
c/o FTI Consulting (Hong Kong) Limited
Level 22, The Center,
99 Queen's Road Central,
Central,
Hong Kong

Dear Sirs,

CHINA PACKAGING GROUP COMPANY LIMITED

In accordance with the instructions of the provisional liquidators and the proposed Directors of China Packaging Group Company Limited (the “**Company**”), we have reviewed the profit forecast of the Company and its remaining subsidiaries (hereinafter collectively refer to as the “**Group**”) for the year ending 31 December 2011. In the course of our review we have taken into account the estimated gain on debt restructuring for the year ending 31 December 2011, the business prospects of the Group and internal resources of the Group in connection with the process of resumption of trading of shares of the Company.

On the basis that the provisional liquidators and the proposed Directors are satisfied that there are no further matters that should be brought to our attention, in our opinion, the profit projections (for which the provisional liquidators of the Company and the proposed Directors are solely responsible) and the estimated gain (including the restructuring gain) have been made after due and careful consideration and properly complied so far as the accounting policies and calculations are concerned and on the basis of the assumptions made.

However, in as much as the profit projection and the assumptions on which they are based relate to the future, we express no opinion on how closely the profit eventually achieved will correspond with the profit projection.

We make no representation as to the legal interpretation of the above information.

This letter is prepared solely for your information and must not be filed with, or referred to (either in whole or in part) any other document or otherwise quoted, circulated or used for any other purposes without our prior written consent.

Yours faithfully,
ZHONGLEI (HK) CPA Company Limited
Certified Public Accountants (Practising)
Chan Chi Kei, Ronald
Practising Certificate Number: P04255
Hong Kong

APPENDIX V PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2011

(D) LETTER FROM THE FINANCIAL ADVISER ON THE PROFIT FORECAST

The following is the text of a letter, prepared for inclusion in this circular, received by the Provisional Liquidators in connection with the consolidated profit forecast of the Company and its subsidiaries for the year ending 31 December 2011.



博大資本國際有限公司
Partners Capital International Limited

Partners Capital International Limited
Unit 3906, 39/F, COSCO Tower
183 Queen's Road Central
Central,
Hong Kong

12 September 2011

The Provisional Liquidators of
China Packaging Group Company Limited (Provisional Liquidators appointed)

Dear Sirs,

Profit forecast of China Packaging Group Company Limited (Provisional Liquidators Appointed) (the "Company", together with its subsidiaries, the "Group") for the year ending 31 December 2011 (the "Profit Forecast")

We refer to the Profit Forecast, which has been made by the Provisional Liquidators, with the assistance of the proposed Directors, as set out in the Appendix V "Profit Forecast for the year ending 31 December 2011" in the circular of the Company dated 12 September 2011 (the "Circular").

The Profit Forecast, for which the Provisional Liquidators (without personal liabilities) and the proposed Directors are solely responsible, has been prepared based on the audited consolidated accounts for the year ended 31 December 2010, the interim results for the six months ended 30 June 2011 and a forecast of the consolidated results of the Group for the six months ending 31 December 2011.

We have discussed with the Provisional Liquidators and the proposed Directors the bases and assumptions, as set out in the Part B of the Appendix V to the Circular and in particular the estimated gain on debt restructuring for the year ending 31 December 2011, upon which the Profit Forecast has been made. We have also considered the letter from ZHONGLEI (HK) CPA Company Limited ("ZHONGLEI"), the reporting accountants of the Company, dated 12 September 2011 addressed to the Company regarding their opinion on whether the Profit Forecast (including the estimated gain) has been properly compiled in accordance with the accounting policies, calculations, assumptions and bases set out therein and whether the Profit Forecast (including the estimated gain) was made by the Provisional Liquidators and the proposed Directors after due and careful consideration.

On the basis of the foregoing, the bases and assumptions of the Profit Forecast made by the Provisional Liquidators and the proposed Directors and taking into account the opinion of ZHONGLEI, we are satisfied that the Profit Forecast (including the estimated gain), for which the Provisional Liquidators and the proposed Directors are solely responsible, has been made after due and careful consideration.

Yours faithfully,
For and on behalf of
Partners Capital International Limited
Alan Fung
Managing Director

DETAILS OF DIRECTORS PROPOSED TO BE ELECTED AT THE EGM

The details of the Directors to be elected in the EGM are set out below:

Executive Directors***Mr. Leung Heung Ying, Alvin***

Mr. Leung, aged 48, is the managing director and shareholder of Proton Capital Limited. He was the managing director of Artfield Group Limited (now known as International Resources Enterprise Limited) (stock code: 1229), formerly an industrial group with principal operations and manufacturing plants in the PRC, which principal activity was manufacturing, marketing and trading of clocks and timepieces, gift, premium and other office related products, lighting products and trading of metals with extensive sales network in the United Kingdom, Germany and the USA. He also acted as executive director, vice-chairman and deputy chief executive officer of Espco Technology Holdings Limited (now known as Grand T G Gold Holdings Limited) (stock code: 8299), which principal business was manufacturing, processing, sale and distribution of desktop personal computer components in the PRC, Hong Kong, Macau and Singapore and mining and exploration of gold in the PRC. Mr. Leung is currently an independent non-executive director of Creative Energy Solutions Holdings Limited (stock code: 8109).

Mr. Leung is a member of the Listing Committee of the Stock Exchange, a Fellow Member of the Institute of Chartered Accountants in England and Wales, and the Hong Kong Institute of Certified Public Accountant, a Standing Committee member of the Political Consultative Committee of Wu Hua County of Guangdong Province and an arbitrator of the Panel of Arbitrators of China International Economic and Trade Arbitration Commission. Mr. Leung is also a member of the Energy Advisory Committee and the Public Affairs Forum of the Hong Kong Government. Mr. Leung graduated from the University of Bradford, United Kingdom with a Bachelor Degree. He received a Master Degree from London School of Economics and Political Science of University of London, United Kingdom and a Bachelor Degree in Chinese Laws from the Peking University, the PRC.

Mr. Leung is the sole beneficial owner of Business Giant Limited. He is therefore deemed to be interested in the securities of the Company held by Business Giant Limited under the SFO. As at the Latest Practicable Date, Business Giant Limited has a long position of 270,000,000 New Shares/ underlying New Shares under the Restructuring Agreement.

Save for the aforesaid, as at the Latest Practicable Date, Mr. Leung:

- (a) did not hold any position in the Company or other members of the Group;
- (b) did not hold any directorships in other listed company in the last three years;
- (c) did not enter into any written service contract with the Company but he will hold office until the next annual general meeting of the Company and is subject to retirement by rotation and re-election pursuant to the Memorandum and Articles of Association of the Company;
- (d) was not interested in and did not hold any short position in any shares, underlying shares or any debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO;

- (e) was not connected with any Directors, senior management or substantial Shareholders or controlling Shareholders (as defined in the Listing Rules); and
- (f) save for disclosed herein, there was no information to be disclosed pursuant to the requirements of Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules relating to his appointment as executive Director.

The remuneration of Mr. Leung will be determined by the Board with reference to his experience, responsibilities in the Company and the prevailing market conditions.

Mr. Wong Tat Wai, Derek

Mr. Wong, aged 41, studied in York University in Canada and has over 15 years of experience in the management and operation of textile and knitting business in the PRC. He also has substantial experience in the overall corporate strategic planning and management in PRC manufacturing business. Mr. Wong is the brother-in-law of Mr. Yam Tak Cheung, who is the sole shareholder and sole director of Integrated Asset Management (Asia) Limited.

Save for the aforesaid, as at the Latest Practicable Date, Mr. Wong:

- (a) did not hold any position in the Company or other members of the Group;
- (b) did not hold any directorships in other listed company in the last three years;
- (c) did not enter into any written service contract with the Company but he will hold office until the next annual general meeting of the Company and is subject to retirement by rotation and re-election pursuant to the Memorandum and Articles of Association of the Company;
- (d) was not interested in and did not hold any short position in any shares, underlying shares or any debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO;
- (e) was not connected with any Directors, senior management or substantial Shareholders or controlling Shareholders (as defined in the Listing Rules); and
- (f) save for disclosed herein, there was no information to be disclosed pursuant to the requirements of Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules relating to his appointment as executive Director.

The remuneration of Mr. Wong will be determined by the Board with reference to his experience, responsibilities in the Company and the prevailing market conditions.

Independent non-executive Directors***Dr. Lam Andy Siu Wing, JP***

Dr. Lam, aged 60, has been involving in strategic investment and planning for listed and unlisted companies for over 21 years. He holds a doctoral degree from the University of Bolton in the United Kingdom and a master degree in business administration from Oklahoma City University in the United States. Professionally, he is an American Certified Public Accountant, a Certified Fraud Examiner, a Chartered Secretary and a Chartered Marketer. Dr. Lam was the financial controller and business development manager of Whimsy Company Limited from 1984 to 1986. From 1987 to 1995, he was the managing director of an industrial group of company which was principally engaged in direct manufacturing industries investments in Hong Kong and the PRC. Dr. Lam was an executive director of Harmony Asset Limited (stock code: 428), a company dual-listed on the Stock Exchange and Toronto Stock Exchange, and has been redesignated as non-executive director since 1 January 2011. He is currently an independent non-executive director of Tanrich Financial Holdings Limited (stock code: 812). He has been appointed by Hong Kong Government as a Justice of the Peace and has sat on a number of committees, boards, and tribunals, included the Administrative Appeals Board, Urban Services Appeals Board, Board of Review (Inland Revenue Ordinance), Action Committee Against Narcotics, Immigration Tribunal, Registration of Persons Tribunal and Obscene Articles Tribunal. Currently, Dr. Lam is a member of the Hong Kong Housing Authority, including its Finance Committee, Commercial Properties Committee and Audit Sub-Committee, a member of the Chinese Medicine Practitioner Board of the Chinese Medicine Council of Hong Kong, and a member of the Appeal Board on Public Meetings and Processions.

Save for the aforesaid, as at the Latest Practicable Date, Dr. Lam:

- (a) did not hold any position in the Company or other members of the Group;
- (b) did not hold any directorships in other listed company in the last three years;
- (c) did not enter into any written service contract with the Company but he will hold office until the next annual general meeting of the Company and is subject to retirement by rotation and re-election pursuant to the Memorandum and Articles of Association of the Company;
- (d) was not interested in and did not hold any short position in any shares, underlying shares or any debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO;
- (e) was not connected with any Directors, senior management or substantial Shareholders or controlling Shareholders (as defined in the Listing Rules); and
- (f) save for disclosed herein, there was no information to be disclosed pursuant to the requirements of Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules relating to his appointment as independent non-executive Director.

The remuneration of Dr. Lam will be determined by the Board with reference to the prevailing market conditions.

Mr. Siu Siu Ling, Robert

Mr. Siu, aged 59, is a partner of the firm, Messrs. Robert Siu & Co., Solicitors. Mr. Siu has been an executive director of China Grand Pharmaceutical and Healthcare Holdings Limited (formerly known as Maxx Bioscience Holdings Limited) (stock code: 512) until 2006 and is now an independent non-executive director of Incutech Investments Limited (stock code: 356), both of them are listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of Kaisun Energy Group Limited (stock code: 8203) and Finet Group Limited (stock code: 8317), both of them are listed on the Growth Enterprise Market of the Stock Exchange. Mr. Siu holds a bachelor's degree in laws from University of London in the United Kingdom and a postgraduate certificate in laws from the University of Hong Kong. He has been admitted as a solicitor in Hong Kong since 1992 and has been admitted as a solicitor in England and Wales since 1993. His legal practice is mainly in the field of commercial and corporate finance.

Save for the aforesaid, as at the Latest Practicable Date, Mr. Siu:

- (a) did not hold any position in the Company or other members of the Group;
- (b) did not hold any directorships in other listed company in the last three years;
- (c) did not enter into any written service contract with the Company but he will hold office until the next annual general meeting of the Company and is subject to retirement by rotation and re-election pursuant to the Memorandum and Articles of Association of the Company;
- (d) was not interested in and did not hold any short position in any shares, underlying shares or any debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO;
- (e) was not connected with any Directors, senior management or substantial Shareholders or controlling Shareholders (as defined in the Listing Rules); and
- (f) save for disclosed herein, there was no information to be disclosed pursuant to the requirements of Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules relating to his appointment as independent non-executive Director.

The remuneration of Mr. Siu will be determined by the Board with reference to the prevailing market conditions.

Mr. Tam Tak Wah

Mr. Tam, aged 46, is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. Mr. Tam has over 20 years of experience in accounting, corporate finance and corporate development. He is currently an executive director of New Smart Energy Group Limited (stock code: 91) and an independent non-executive director of Siberian Mining Group Company Limited (stock code: 1142) and Tech Pro Technology Development Limited (stock code: 3823), all of these companies are listed on the Main Board of the Stock Exchange. He was an independent non-executive director of National Arts Holdings Limited (stock code: 8228), a company listed on the Growth Enterprise Market of the Stock Exchange, during the period from 2004 to 2009.

Save for the aforesaid, as at the Latest Practicable Date, Mr. Tam:

- (a) did not hold any position in the Company or other members of the Group;
- (b) did not hold any directorships in other listed company in the last three years;
- (c) did not enter into any written service contract with the Company but he will hold office until the next annual general meeting of the Company and is subject to retirement by rotation and re-election pursuant to the Memorandum and Articles of Association of the Company;
- (d) was not interested in and did not hold any short position in any shares, underlying shares or any debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO;
- (e) was not connected with any Directors, senior management or substantial Shareholders or controlling Shareholders (as defined in the Listing Rules); and
- (f) save for disclosed herein, there was no information to be disclosed pursuant to the requirements of Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules relating to his appointment as independent non-executive Director.

The remuneration of Mr. Tam will be determined by the Board with reference to the prevailing market conditions.

1. RESPONSIBILITY STATEMENT

With the appointment of the Provisional Liquidators on 2 October 2009, the power of the existing Directors have ceased since then. The Provisional Liquidators jointly and severally accept full responsibility for the accuracy of the information (including the industry overview section) contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, the opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The sole director of each of the Investors, namely Mr. Yam Tak Cheung and Mr. Leung Heung Ying, Alvin, accept full responsibility for the accuracy of the information contained in this circular other than that relating to the Company and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The proposed Directors jointly and severally accept full responsibility for the accuracy of the information relating to the intention of the proposed Directors and their opinion on the Restructuring Agreement, working capital sufficiency, profit forecast and unaudited pro forma statement of financial position of the Group contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, the opinions relating to the aforesaid expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement relating to the aforesaid in this circular misleading.

2. SHARE CAPITAL

The authorised share capital of the Company as at the Latest Practicable Date and following completion of the Authorised Share Capital Increase were and are expected to be as follows:

<i>Authorised:</i>	<i>HK\$</i>
<u>2,000,000,000</u> Shares	<u>200,000,000.00</u>
<u>250,000,000,000</u> New Shares upon completion of the Authorised Share Capital Increase	<u>250,000,000.00</u>

The issued share capital of the Company as at the Latest Practicable Date and following completion of Capital Reorganisation, Bonus Issue, the subscription of the Subscription Shares, conversion of the Preference Shares and the Convertible Notes in full and exercise of the Options in full were and are expected to be as follows:

<i>Issued and fully paid:</i>		<i>HK\$</i>
657,121,081	Shares in issue as at the Latest Practicable Date	65,712,108.10
(574,980,946)	Capital Reorganisation	(65,629,967.96)
82,140,135	New Shares in issue immediately upon completion of the Capital Reorganisation	82,140.14
1,067,822	New Shares to be issued under the Bonus Issue	1,067.82
230,000,000	New Shares to be issued and allotted pursuant to the subscription of the Subscription Shares	230,000.00
520,000,000	New Shares to be issued upon conversion of Preference Shares in full	520,000.00
150,000,000	New Shares to be issued upon conversion of Convertible Notes in full	150,000.00
56,000,000	New Shares to be issued upon exercise of the Options	56,000.00
<u>1,039,207,957</u>	New Shares	<u>1,039,207.96</u>

All of the Shares, New Shares, the Subscription Shares, the Conversion Shares, the New Shares to be issued upon the conversion of the Preference Shares, the Options Shares and the Bonus Shares in issue will rank pari passu in all aspects, including all rights as to dividend, voting and interest in capital, among themselves and with all other shares of the Company in issue on the date of issue.

As at the Latest Practicable Date, the Company had 11.3 million outstanding share options granted under its Share Option Scheme. Save for the above issued share options, no share, option, warrant, conversion right or any equity or debt securities of the Company is outstanding or is proposed to be issued for cash or otherwise.

The Company has not issued any new Shares since 31 December 2010, the end of last financial year. The Shares are listed on the Main Board of the Stock Exchange. No part of the equity or debt securities of the Company is listed or dealt in, nor is listing or permission to deal in the Shares or loan capital of the Company being, or proposed to be, sought on any other stock exchange.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors

To the best knowledge of the Provisional Liquidators, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under Section 352 of the SFO.

(b) Interests of Shareholders

To the best knowledge of the Provisional Liquidators, as at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company 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 a general meeting of any member of the Group.

Interest in the Shares and underlying Shares:***Long Position in the Shares/underlying Shares***

Name of substantial Shareholders	Capacity/Nature	No. of Shares/ underlying Shares interested	Approximate percentage shareholding
Integrated Asset Management (Asia) Limited (<i>Note a</i>)	Beneficial owner	630,000,000	95.87%
Mr. Yam Tak Cheung (<i>Note b</i>)	Interest in a controlled corporation	630,000,000	95.87%
Business Giant Limited (<i>Note a</i>)	Beneficial owner	270,000,000	41.09%
Mr. Leung Heung Ying, Alvin (<i>Notes c</i>)	Interest in a controlled corporation	270,000,000	41.09%
Fu Teng Global Limited	Beneficial owner	236,610,000	36.01%
Mr. Yang Zongwang (<i>Note d</i>)	Interest in a controlled corporation	236,610,000	36.01%
Ms. Yang Yunxian (<i>Note e</i>)	Interest of spouse	236,610,000	36.01%

Notes:

- a. Integrated Asset Management (Asia) Limited and Business Giant Limited are taken to be interested in 630,000,000 and 270,000,000 New Shares respectively after Capital Reorganisation, Bonus Issue and immediately following completion of the subscription of the Subscription Shares, conversion of the Preference Shares and the Convertible Notes in full and exercise of the Options in full. Their percentages of shareholding are calculated based on the total number of issued shares of the Company as at the Latest Practicable Date, i.e. before the Capital Consolidation. For details, please refer to page 68 of this circular.
- b. The entire issued share capital of Integrated Asset Management (Asia) Limited is beneficially owned by Mr. Yam Tak Cheung. Mr. Yam Tak Cheung is therefore deemed to be interested in the Shares/underlying Shares held by Integrated Asset Management (Asia) Limited under the SFO.

- c. The entire issued share capital of Business Giant Limited is beneficially owned by Mr. Leung Heung Ying, Alvin. Mr. Leung Heung Ying, Alvin is therefore deemed to be interested in the Shares/underlying Shares held by Business Giant Limited under the SFO.
- d. The entire issued share capital of Fu Teng Global Limited is beneficially owned by Mr. Yang Zongwang. Mr. Yang Zongwang is therefore deemed to be interested in the Shares held by Fu Teng Global Limited under the SFO.
- e. Ms. Yang Yunxian is the spouse of Mr. Yang Zongwang (the former Chairman and chief executive officer of the Company) and is therefore deemed to be interested in the Shares held or deemed to be held by Mr. Yang Zongwang under the SFO.

4. MARKET PRICES

The table below shows the closing prices of the Shares as recorded on the Stock Exchange on (i) the last trading day on which dealings took place in each of the calendar months during the period commencing six months immediately preceding the date of the Announcement and ending on the Latest Practicable Date; (ii) the Last Trading Date; and (iii) the Latest Practicable Date.

Date	Closing price of Shares HK\$
27 April 2009 (the Last Trading Date)	0.29
28 January 2011	suspended
28 February 2011	suspended
31 March 2011	suspended
29 April 2011	suspended
31 May 2011	suspended
30 June 2011	suspended
29 July 2011	suspended
30 August 2011	suspended
The Latest Practicable Date	suspended

Trading in the Shares has been suspended during the period commencing six months immediately preceding the date of the Announcement and that the last closing price before the suspension was HK\$0.29 on 27 April 2009.

5. ADDITIONAL DISCLOSURE OF INTERESTS

As at the Latest Practicable Date:

- (a) none of the Directors was given any benefit as compensation for loss of office or otherwise in connection with the Restructuring Agreement and/or the Whitewash Waiver;
- (b) none of the Directors has entered into any agreement or arrangement with any other person which is conditional on or dependent upon the outcome of the Restructuring Agreement and/or the Whitewash Waiver or otherwise connected with the Restructuring Agreement and/or the Whitewash Waiver; and
- (c) no material contract was entered into by any member of the Concert Group in which any Director has a material personal interest.

6. SHAREHOLDINGS AND DEALINGS

As at the Latest Practicable Date:

- (a) the Company and the Directors had no outstanding options, derivatives, warrant, other securities convertible or exchangeable into the shares or any share of the Investors;
- (b) no Shares, convertible securities, warrants, options and derivatives in the Company were owned, controlled, borrowed or lent by the Directors. Therefore, none of the Directors had voting right in the Company;
- (c) save for the disposal of each of the entire issued share capital of Bloxworth Enterprises (HK) Limited, Chinawinner Enterprises Limited and Chinawinner Enterprises (HK) Limited to Sino Gather Limited, which is a special purpose vehicle controlled by Mr. Fok Hei Yu, one of the Provisional Liquidators, on 23 March 2010 for furtherance of the Restructuring Proposal (details of which were set out in the announcement of the Company dated 23 March 2010), no Shares, convertible securities, warrants, options and derivatives in the Company were owned or controlled by a subsidiary of the Company or by a pension fund of any member of the Group or by Partners Capital or Guangdong Securities or by any advisor to the Company as specified in class (2) of the definition of associate under the Takeovers Code;
- (d) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Code with the Company, the Investors, their respective concert parties or with any person who is an associate (as defined in the Code) of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Code; and
- (e) no Shares, convertible securities, warrants, options or derivatives of the Company was managed on a discretionary basis by fund managers connected with the Company.

During the period beginning six months prior the date of the Announcement and up to the Latest Practicable Date, none of the Company or the Directors had dealt for value in shares, convertible securities, warrants, options and derivatives of the Investors or the Company.

7. MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business carried out or intended to be carried out by the Company or any of its subsidiaries) within the two years immediately preceding the date of the Announcement and up to the Latest Practicable Date, which are or may be material:

- (i) the Exclusivity and Escrow Agreement together with three supplemental agreements dated 25 November 2010, 24 December 2010 and 21 January 2011 respectively;
- (ii) the sale and purchase deed dated 23 March 2010 and entered into between Sino Gather Limited and the Company in respect of the disposal of the Non-Core Subsidiaries at the consideration of HK\$3; and
- (iii) the Restructuring Agreement (including a side letter dated 9 September 2011).

8. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors (including the proposed Directors) had entered into any service contract with the Company or any of its subsidiaries or associated companies, which:

- (i) (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the date of the Announcement;
- (ii) are continuous contracts with a notice period of 12 months or more; or
- (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

9. LITIGATION

On 8 July 2009, a winding up petition was served on the Company by Deutsche Bank Aktiengesellschaft. On 2 October 2009, an application was made by DBS Bank (Hong Kong) Limited and an order was granted by the HK Court appointing the Provisional Liquidators as provisional liquidators to the Company. Upon the appointment of Provisional Liquidators, no action or proceeding shall be proceeded with or commenced against the Company except by leave of the HK Court, and subject to such terms as the HK Court may impose. Claims and potential claims against the Company will be compromised under the Schemes to be implemented by the Company and sanctioned by the HK Court and the Cayman Court.

Save as disclosed above, the Provisional Liquidators, also acting as directors of certain subsidiaries, are not aware of any existing or potential legal proceedings of material importance against or initiated by the members of the Group as at the Latest Practicable Date.

10. EXPERTS AND CONSENTS

The following is the qualification of the experts who has given opinion or advice which is contained in this circular:

Name	Qualification
ZHONGLEI (HK) CPA Company Limited ("ZHONGLEI")	Certified Public Accountants
Partners Capital	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Guangdong Securities	a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Asset Appraisal Limited ("Asset Appraisal")	Independent professional property valuer

Each of ZHONGLEI, Partners Capital, Guangdong Securities and Asset Appraisal has given and has not withdrawn its consent to the issue of this circular with the inclusion of its report or letter, as the case may be, and reference to its name in the form and context in which they respectively appear. As at the Latest Practicable Date, each of ZHONGLEI, Partners Capital, Guangdong Securities and Asset Appraisal was not beneficially interested in the share capital of any member of the Group, nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did they have any interest, either direct or indirect, in any assets which had been since 31 December 2010 (being the date to which the latest published audited accounts of the Group were made up) acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

11. GENERAL

- (i) The registered address of Integrated Asset Management (Asia) Limited is situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The correspondence address of Integrated Asset Management (Asia) Limited is situated at Room 1501, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (ii) The registered address of Business Giant Limited is situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The correspondence address of Business Giant Limited is situated at Suite 06-07, 28th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.
- (iii) The sole director and sole shareholder of Integrated Asset Management (Asia) Limited is Mr. Yam Tak Cheung and his correspondence address is situated at Room 1501, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (iv) The sole director and sole shareholder of Business Giant Limited is Mr. Leung Heung Ying, Alvin and his correspondence address is situated at Suite 06-07, 28th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.

- (v) The registered address of Partners Capital is situated at Units 3906, 39th Floor, COSCO Tower, 183 Queen's Road Central, Central, Hong Kong.
- (vi) The registered address of Proton Capital Limited is situated at Suite 06-07, 28th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.
- (vii) The registered address of Guangdong Securities is situated at Unit 2505-06, 25/F., Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Central, Hong Kong.
- (viii) No agreement, arrangement or understanding has been entered into by any member of the Concert Group for the transfer, charge or pledge by any of them to any other person of any New Shares to be subscribed under the Restructuring Agreement.
- (ix) If there is any inconsistency between the Chinese names of PRC entities, departments, facilities or titles mentioned in this circular and their English translation, the Chinese version shall prevail. Other than that, the English text of this circular shall prevail over the Chinese text in the case of inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:30 a.m. to 5:30 p.m. on any weekday (except public holiday with prior notice) at the principal office of business in Hong Kong of the Company at FTI Consulting, Level 22, the Center, 99 Queen's Road Central, Central, Hong Kong from the date of this circular up to and including the date of the EGM in accordance with Note 1 to Rule 8 of the Takeovers Code and will be displayed on the websites of the SFC (www.sfc.hk) and on the Company's website (www.cpackaging.com.hk):

- (i) memorandum and articles of association of the Company;
- (ii) the annual reports of the Company for the two financial years ended 31 December 2009 and 31 December 2010 and the interim report of the Company for the six months ended 30 June 2011;
- (iii) the letter from Guangdong Securities as set out in this circular;
- (iv) the unaudited pro forma financial statement of financial position of the Group as at 31 December 2010 as set out in Appendix IV to this circular;
- (v) the report from ZHONGLEI on unaudited pro forma financial statement of financial position of the Group dated 12 September 2011, the text of which is set out in Appendix IV to this circular;
- (vi) the letters in relation to the profit forecast for the year ending 31 December 2011 issued by ZHONGLEI and Partners Capital both on 12 September 2011, the texts of which are set out in Appendix V to this circular;
- (vii) the written consent referred to in the paragraph headed "Experts and Consents" in this appendix;
- (viii) memorandum and articles of associations of the Investors;
- (ix) all material contracts referred to in the paragraph headed "Material Contracts" in this appendix; and
- (x) the report relating to the property valuation prepared by Asset Appraisal.

NOTICE OF EGM



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)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of China Packaging Group Company Limited (Provisional Liquidators Appointed) (the “**Company**”) will be held at Level 22, The Center, 99 Queen’s Road Central, Central, Hong Kong on Thursday, 6 October 2011, at 11:30 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions of the Company:

SPECIAL RESOLUTIONS

Implementation of the Company’s Restructuring Proposal

1. “**THAT**, conditional upon (i) resolution numbered 5 as set out in this notice being passed; (ii) the grant of the listing of and permission to deal in the New Shares (as defined below) by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”); and (iii) upon the Share Consolidation (as defined in resolution numbered 5 as set out in this notice) becoming effective:
 - (a) the par value of each issued Consolidated Share (as defined in resolution number 5 as set out in this notice) be reduced from HK\$0.80 to HK\$0.001 (the “**New Shares**”) and the credit arising from such cancellation and reduction will be applied to eliminate the accumulated losses of the Company (the “**Capital Reduction**”);
 - (b) the amount which shall arise as a result of the Capital Reduction be applied in such manner consistent with the Companies law (2010 Revision) of the Cayman Islands;
 - (c) the Fok Hei Yu and Roderick John Sutton in their capacity as joint and several provisional liquidators of the Company in Hong Kong (the “**Provisional Liquidators**”) and/or the directors of the Company (the “**Directors**”) be and are hereby authorised generally to take all necessary steps and to do all other things and execute all documents (including the affixation of the common seal of the Company where execution under seal is required) which may be necessary or desirable for the purpose of giving effect to or implementing any of the foregoing.”

NOTICE OF EGM

Amendments to the Company's Memorandum of Association and Articles of Association

2. **“THAT**, conditional upon (i) the condition precedents set out in the Restructuring Agreement (as defined in resolution numbered 4 as set out in this notice) being fulfilled; and (ii) resolutions numbered 1, 5 and 8 as set out in this notice being passed, the Memorandum of Association of the Company be and are hereby amended in the following manners:
- (a) by deleting the existing Memorandum No.8 in its entirety and substituting therefor the following new Memorandum:
8. The share capital of the Company is HK\$250,000,000 divided into 250,000,000,000 shares of a nominal or par value of HK\$0.001 each, with power for the Company insofar as is permitted by law to redeem or purchase any of its shares and to increase or reduce the said capital subject to the provisions of the Companies Law (Revised) and the Articles of Association and to issue any part of its capital, whether original, redeemed or increased with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that unless the conditions of issue shall otherwise expressly declare every issue of shares whether stated to be preference or otherwise shall be subject to the powers hereinbefore contained.”
3. **“THAT**, conditional upon the condition precedents set out in the Restructuring Agreement (as defined in resolution numbered 4 as set out in this notice) being fulfilled, the Articles of Association of the Company be and are hereby amended in the following manners:
- (a) by inserting the following definition immediately after the definition of “the Board” in Article 1(A):
- “Business Day” means any day (excluding Saturdays, Sundays and public holidays in Hong Kong) on which banks generally are open for business in Hong Kong;”
- (b) by inserting the following definition immediately after the definition of “holding company” in Article 1(A):
- ““Listing Rules” means the Rules Governing the Listing of Securities on the Stock Exchange;”
- (c) by inserting the following definition immediately after the definition of “Newspapers” in Article 1(A):
- ““Ordinary Shares” means the Company’s ordinary Shares of a par value of HK\$0.001 each;”
- (d) by inserting the following definition immediately after the definition of “paid” in Article 1(A):
- ““Preference Shares” means the Company’s preference Shares of a par value of HK\$0.001 each;”

NOTICE OF EGM

- (e) by inserting the following definition immediately after the definition of “Statutes” in Article 1(A):

““Stock Exchange” means The Stock Exchange of Hong Kong Limited;”

- (f) by inserting a new Article 6A immediately after Article 6 as follows:

“6A Share Capital

Unless otherwise determined by the Members in accordance with these Articles, the authorised share capital of the Company shall be divided into two classes:

- (a) Ordinary Shares of par value HK\$0.001 each; and
- (b) Preference Shares of par value HK\$0.001 each.

- (g) by inserting a new Article 6B immediately after the new Article 6A as follows:

“6B Rights of Ordinary Shares

The holders of Ordinary Shares shall, subject to the provision of these Articles:

- (a) be entitled to one vote per shares;
- (b) be entitled to such dividends as the Board may from time to time declare;
- (c) in the event of a winding-up or dissolution of the Company, whether voluntary or involuntary or for the purpose of a reorganisation or otherwise or upon any distribution of capital, be entitled to the surplus assets of the Company; and
- (d) generally be entitled to enjoy all of the rights attaching to the shares.

NOTICE OF EGM

(h) by inserting a new Article 6C immediately after the new Article 6B as follows:

“6C Rights of Preference Shares

Notwithstanding anything else to the contrary in these Articles, the Preference Shares shall have the following special rights and restrictions and, as between themselves, shall carry equal rights and rank pari passu with one another:

(A) AS REGARDS TERMS OF PREFERENCE SHARES AND CONVERSION

- (a) From the date of the issue of the Preference Shares (the “**Date of Issues**”), each holder of Preference Shares shall have the right at any time and from time to time to convert all or part (any conversion in part being in the amounts or integral multiples of a board lot of Ordinary Shares on the Stock Exchange) of his holding of such Preference Shares into fully paid Ordinary Shares (subject as provided below) in accordance with the formula set out in sub-Article (A)(c) below).
- (b) The right to convert shall be exercisable on any date by completing the notice of conversion endorsed on the certificate relating to the Preference Shares to be converted (a “**Conversion Notice**”) and delivering it (together with the certificate relating to the Preference Shares and such other evidence (if any) as the Directors may reasonably require to prove the title of the person exercising such right) to the registrars for the time being of the Company during normal business hours, such conversion shall become effective on the date immediately following the date of surrender of the certificate in respect of the Preference Shares and delivery of a Conversion Notice (the “**Conversion Date**”) Provided that if any Conversion Date would otherwise fall on a Saturday, Sunday or other day which is a public holiday in Hong Kong or a day on which a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9 a.m. and 5 p.m. and on which banks are open in Hong Kong for general banking business, such Conversion Date shall be the next day which is not such a day as aforesaid Saturday, Sunday or other public holiday. A Conversion Notice once given may not be withdrawn without the consent in writing of the Company.

NOTICE OF EGM

- (c) The number of Ordinary Shares to be issued and allotted to any holder of Preference Shares on the exercise of his conversion rights will be calculated as follows:

$$X = Y \times \frac{A}{B}$$

where:

- X = the number of Ordinary Shares that may be allotted and issued upon conversion of the relevant Preference Shares
- Y = the number of the Preference Shares to be converted
- A = the issue price of the Preference Shares, i.e. HK\$0.12 per Preference Shares
- B = the initial conversion price of the Preference Shares (subject to adjustment)(being initially HK\$0.12 per Preference Shares) (“**Conversion Price**”)
- (d) The Company shall not later than the expiration of 10 Business Days after receipt of a conversion notice, despatch certificates for the Ordinary Shares resulting from conversion and, if appropriate, certificates for, any balance of the Preference Shares remaining unconverted.
- (e) The Ordinary Shares resulting from conversion shall carry the right to receive all dividends and other distributions declared, made or paid on the Ordinary Share capital of the Company by reference to a record date on or after the relevant Conversion Date and shall rank pari passu in all other respects and form one class with the Ordinary Share capital of the Company then in issue and fully paid.
- (f) The Company shall use its reasonable endeavours to ensure that the listing approval granted by the Listing Committee of the Stock Exchange for dealing in and listing of all the Ordinary Shares arising on conversion shall be maintained and not be revoked provided that such obligations shall cease upon any privatization scheme as may be permitted under the Hong Kong Code on Takeovers and Mergers having become effective.
- (g) The right to convert Preference Shares by holders into Ordinary Shares shall be subject to these Articles and all other applicable laws and regulations. No conversion of Preference Shares will be permitted by the Company if such conversion will render the Company fails to comply with Rule 8.08 of the Listing Rules.

NOTICE OF EGM

(B) AS REGARDS ADJUSTMENT

(a) The Conversion Price shall from time to time be adjusted in accordance with the following relevant provisions and so that if the event giving rise to any such adjustment shall be such as would be capable of falling within more than one of sub-Articles (B)(a)(i) to (viii) inclusive of this sub-Article it shall fall within the first of the applicable sub-Articles to the exclusion of the remaining sub-Articles:

(i) If the Company shall issue Ordinary Shares at a price (including both cash consideration and non-cash consideration) per Ordinary Share (the “**Issue Price**”) which is less than the prevailing Conversion Price or (ii) if the Company or any other company shall issue (for cash or non-cash consideration) securities convertible into (or any other right to acquire) new Ordinary Shares, at a conversion price or subscription price (the “**Strike Price**”) which is less than the prevailing Conversion Price, the Conversion Price shall be adjusted downwards to such Issue Price or Strike Price (as the case may be) (prior to deduction of any fees or commissions) PROVIDED THAT the adjusted Conversion Price shall not be less than the par value of the Ordinary Shares on the Conversion Date unless permitted by law and in compliance with the Listing Rules.

The adjustment to the Conversion Price made pursuant to this condition shall become effective immediately on the same date as the date of (i) the issue of the Ordinary Shares at the Issue Price or (ii) the issue of the securities or rights carrying the Strike Price.

For the avoidance of doubt, any adjustments to the Conversion Price made pursuant to this condition shall only be downward adjustments and shall not be retroactive.

(ii) If and whenever the Ordinary Shares by reason of any consolidation or sub-division become of a different nominal amount, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount. Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or sub-division becomes effective.

NOTICE OF EGM

- (iii) If and whenever the Company shall issue (other than in lieu of a cash dividend) any Ordinary Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the aggregate nominal amount of the issued Ordinary Shares immediately before such issue and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Ordinary Shares issued in such capitalisation. Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for such issue.
- (iv) If and whenever the Company shall make any Capital Distribution (as defined in sub-Article (B)(b) below) to holders (in their capacity as such) of Ordinary Shares (whether on a reduction of capital or otherwise) or shall grant to such holders rights to acquire for cash assets of the Company or any of its subsidiaries, the Conversion Price in force immediately prior to such distribution or grant shall be reduced by multiplying it by the following fraction:

$$\frac{A - B}{A}$$

where:

A = the market price (as defined in sub-Article (B)(b) below) on the date on which the Capital Distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) the date next preceding the date of the Capital Distribution or, as the case may be, of the grant; and

B = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by an approved firm of accountants or approved merchant bank, of the portion of the Capital Distribution or of such rights which is attributable to one Ordinary Share,

NOTICE OF EGM

Provided that:

- (aa) if in the opinion of the relevant approved firm of accountants or approved merchant bank, the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine (and in such event the above formula shall be construed as if B meant) the amount of the said market price which should properly be attributed to the value of the Capital Distribution or rights; and
- (bb) the provisions of this sub-Article (B)(a)(iv) shall not apply in relation to the issue of Ordinary Shares paid out of profits or reserves and issued in lieu of a cash dividend.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the Capital Distribution or the grant.

- (v) If and whenever the Company shall offer to holders of Ordinary Shares new Ordinary Shares for subscription by way of rights, or shall grant to holders of Ordinary Shares any options or warrants to subscribe for new Ordinary Shares, at a price which is less than eighty per cent. (80%) of the market price at the date of the announcement of the terms of the offer or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer or grant by a fraction of which the numerator is the number of Ordinary Shares in issue immediately before the date of such announcement plus the number of Ordinary Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Ordinary Shares comprised therein would purchase at such market price and the denominator is the number of Ordinary Shares in issue immediately before the date of such announcement plus the aggregate number of Ordinary Shares offered for subscription or comprised in the options or warrants (such adjustment to become effective (if appropriate retroactively) from the commencement of the day next following the record date for the offer or grant) Provided however that no such adjustment shall be made if the Company shall make a like offer or grant (as the case

NOTICE OF EGM

may be) at the same time to the Preference Shares holder (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong) as if it had exercised the conversion rights in full on the day immediately preceding the record date for such offer or grant.

- (vi) (aa) If and whenever the Company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Ordinary Shares, and the total Effective Consideration (as defined below) per Ordinary Share initially receivable for such securities is less than ninety per cent. (90%) of the market price at the date of the announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by a fraction of which the numerator is the number of Ordinary Shares in issue immediately before the date of the issue plus the number of Ordinary Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price and the denominator is the number of Ordinary Shares in issue immediately before the date of the issue plus the number of Ordinary Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price. Such adjustment shall become effective (if appropriate retrospectively) from the close of business in Hong Kong on the business day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price.

NOTICE OF EGM

- (bb) If and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in part (aa) of this sub-Article (B)(a)(vi) are modified so that the total Effective Consideration per Ordinary Share initially receivable for such securities shall be less than ninety per cent. (90%) of the market price at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by a fraction of which the numerator is the number of Ordinary Shares in issue immediately before the date of such modification plus the number of Ordinary Shares which the total Effective Consideration receivable for the securities issued at the modified conversion or exchange price would purchase at such market price and of which the denominator is the number of Ordinary Shares in issue immediately before such date of modification plus the number of Ordinary Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price. Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustment of conversion or exchange terms.

For the purposes of this sub-Article (B)(a)(vi), the “**total Effective Consideration**” receivable for the securities issued shall be deemed to be the consideration receivable by the Company for any such securities plus the additional minimum consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange thereof or the exercise of such subscription rights, and the Effective Consideration per Ordinary Share initially receivable for such securities shall be such aggregate consideration divided by the number of Ordinary Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange rate or the exercise of such subscription rights at the initial subscription price, in each case without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue.

NOTICE OF EGM

- (vii) If and whenever the Company shall issue wholly for cash any Ordinary Shares at a price per Ordinary Share which is less than ninety per cent. (90%) of the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by a fraction of which the numerator is the number of Ordinary Shares in issue immediately before the date of such announcement plus the number of Ordinary Shares which the aggregate amount payable for the issue would purchase at such market price and the denominator is the number of Ordinary Shares in issue immediately before the date of such announcement plus the number of Ordinary Shares so issued. Such adjustment shall become effective on the date of the issue.
- (viii) If and whenever the Company shall issue Ordinary Shares for the acquisition of asset at a total Effective Consideration (as defined below) per Ordinary Share which is less than ninety per cent. (90%) of the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying it by a fraction of which the numerator shall be the total Effective Consideration per Ordinary Share and the denominator shall be such market price. Each such adjustment shall be effective (if appropriate retroactively) from the close of business in Hong Kong on the business day next preceding the date on which the Company determines the issue price for such Ordinary Shares. For the purpose of this sub-Article (B)(a)(viii) “**total Effective Consideration**” shall be the aggregate consideration credited as being paid for such Ordinary Shares by the Company on acquisition of the relevant asset without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the “**total Effective Consideration per Ordinary Share**” shall be the total Effective Consideration divided by the number of Ordinary Shares issued as aforesaid.

NOTICE OF EGM

- (b) For the purposes of this sub-Article (B):

“**announcement**” shall include the release of an announcement to the press or the delivery or transmission by telephone, facsimile or otherwise of an announcement to the Stock Exchange and “**date of announcement**” shall mean the date on which the announcement is first so released, delivered or transmitted;

“**approved firm of accountants**” means an accountant firm of repute in Hong Kong selected by the Company for the purpose of providing a specific opinion or calculation or determination hereunder;

“**approved merchant bank**” means a merchant bank of repute in Hong Kong selected by the Company for the purpose of providing a specific opinion or calculation or determination hereunder;

“**Capital Distribution**” shall (without prejudice to the generality of that phrase) include distributions in cash or specie. Any dividend charged or provided for in the accounts for any financial period shall (whenever paid and however described) be deemed to be a Capital Distribution provided that any such dividend shall not automatically be so deemed if:

- (i) it is paid out of the aggregate of the net profits (less losses) attributable to the holders of Ordinary Shares for all financial periods after that ended 31 December as shown in the audited consolidated profit and loss account of the Company and its subsidiaries for each such financial period; or
- (ii) to the extent that (i) above does not apply, the rate of that dividend, together with all other dividends on the class of capital in question charged or provided for in the accounts for the financial period in question, does not exceed the aggregate rate of dividend on such class of capital charged or provided for in the accounts for the last preceding financial period. In computing such rates, such adjustments may be made as are in the opinion of the auditors of the Company for the time being appropriate to the circumstances and shall be made in the event that the lengths of such periods differ materially;

NOTICE OF EGM

“**issue**” shall include allot;

“**market price**” means the average of the closing prices of one Ordinary Share dealing on the Stock Exchange for each of the last five Stock Exchange dealing days on which dealings in the Ordinary Shares on the Stock Exchange took place ending on the last such dealing day preceding the day on or as of which the market price is to be ascertained;

“**Ordinary Shares**” includes, for the purposes of Ordinary Shares comprised in any issue, distribution or grant pursuant to sub-Articles (i), (iii), (v), (vi), (vii) or (viii) of sub-Article (B)(a) above, any such ordinary shares of the Company as, when fully paid, will be Ordinary Shares;

“**reserves**” includes unappropriated profits;

“**rights**” includes rights in whatsoever form issued.

- (c) The provisions of sub-Articles (i), (iii), (iv), (v), (vi), (vii) and (viii) of sub-Article (B)(a) above shall not apply to:
- (i) the bonus issue of Ordinary Shares on the basis of 13 Ordinary Shares for every 1,000 Ordinary Shares to those qualifying shareholders of the Company whose names appear in the register of members of the Company on the record date as approved by the shareholders of the Company on 6 October 2011;
 - (ii) an issue of fully paid Ordinary Shares upon the exercise of any conversion rights attached to securities convertible into Ordinary Shares or upon exercise of any rights (including any conversion of the Preference Shares) to acquire Ordinary Shares provided that an adjustment has been made under this section in respect of the issue of such securities or granting of such rights (as the case may be);
 - (iii) an issue of Ordinary Shares or other securities of the Company or any subsidiary of the Company wholly or partly convertible into, or rights to acquire, Ordinary Shares to officers or employees of the Company or any of its subsidiaries pursuant to any employee or executive share scheme;

NOTICE OF EGM

- (iv) an issue by the Company of Ordinary Shares or by the Company or any subsidiary of the Company of securities wholly or partly convertible into or rights to acquire Ordinary Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business provided that an adjustment has been made (if appropriate) under this section in respect of the issue of such securities or granting of such rights (as the case may be);
 - (v) an issue of fully paid Ordinary Shares by way of capitalisation of all or part of any subscription right reserve, or any similar reserve which has been or may be established pursuant to the terms of any securities wholly or partly convertible into or rights to acquire Ordinary Shares; or
 - (vi) an issue of Ordinary Shares pursuant to a scrip dividend scheme where an amount not less than the nominal amount of the Ordinary Shares so issued is capitalised and the market value of such Ordinary Shares is not more than 110 per cent. of the amount of dividend which holders of the Ordinary Shares could elect to or would otherwise receive in cash, for which purpose the “**market value**” of one Ordinary Share shall mean the average of the closing prices for such Stock Exchange dealing days on which dealings in the Ordinary Shares took place (being not less than five such dealing days) as are selected by the Directors in connection with determining the basis of allotment in respect of the relevant scrip dividend and which fall within the period of one month ending on the last day on which holders of Ordinary Shares may elect to receive or (as the case may be) not to receive the relevant dividend in cash.
- (d) Any adjustment to the Conversion Price shall be made to the nearest one-tenth of a cent so that any amount under one-twentieth of a cent shall be rounded down and any amount of one-twentieth of a cent or more shall be rounded up and in no event shall any adjustment (otherwise than upon the consolidation of Ordinary Shares into Ordinary Shares of a larger nominal amount) involve an increase in the Conversion Price. In addition to any determination which may be made by the directors of the Company every adjustment to the Conversion Price shall be certified (at the option of the Company) either by the auditors of the Company for the time being or by an approved firm of accountants or approved merchant bank.

NOTICE OF EGM

- (e) Notwithstanding anything contained herein, no adjustment shall be made to the Conversion Price in any case in which the amount by which the same would be reduced in accordance with the foregoing provisions of this section would be less than one-tenth of a cent and any adjustment that would otherwise be required then to be made shall not be carried forward.
- (f) If the Company or any subsidiary of the Company shall in any way modify the rights attached to any share or loan capital so as wholly or partly to convert or make convertible such share or loan capital into, or attach thereto any rights to acquire, Ordinary Shares, the Company shall appoint an approved firm of accountants or approved merchant bank to consider whether any adjustment to the Conversion Price is appropriate (and if such approved firm of accountants or approved merchant bank shall certify that any such adjustment is appropriate the Conversion Price shall be adjusted accordingly and the provisions of sub-Articles (B)(d), (e) and (h) of this section shall apply).
- (g) Notwithstanding the provisions of sub-Article (B)(a), in any circumstances where the Directors shall consider that an adjustment to the Conversion Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Conversion Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or with a different time from that provided for under the provisions, the Company may appoint an approved firm of accountants or approved merchant bank to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such approved firm of accountants or approved merchant bank shall consider this to be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner including without limitation, making an adjustment calculated on a different basis) and/or the adjustment shall take effect from such other date and/or time as shall be certified by such approved firm of accountants or approved merchant bank to be in its opinion appropriate.

NOTICE OF EGM

- (h) Whenever the Conversion Price is adjusted as herein provided the Company shall give notice to the Preference Shares holder by way of announcement or otherwise that the Conversion Price has been adjusted (setting forth the event giving rise to the adjustment, the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date thereof) and shall at all times thereafter so long as there remains Preference Shares make available for inspection at its registered office in Hong Kong a signed copy of the said certificate of the auditors of the Company or (as the case may be) of the relevant approved firm of accountants or approved merchant bank and a certificate signed by a Director setting forth brief particulars of the event giving rise to the adjustment, the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date thereof and shall, on request, send a copy thereof to the Preference Shares holder.
- (i) If application of any of the provisions of this sub-Article (B) would but for this sub-Article (B)(i) result in the Conversion Price being reduced so that on conversion Ordinary Shares shall fall to be issued at a discount to their nominal value, then the Conversion Price shall be adjusted to an amount equal to the nominal value of one Ordinary Share.

(C) AS REGARDS DIVIDEND

The holders of Preference Shares shall not be entitled to any dividend or distribution.

(D) AS REGARDS REDEMPTION

The Preference Shares are non-redeemable.

(E) AS REGARDS CAPITAL

Subject to the rights and restrictions relating to the Preference Shares, on a return of capital on liquidation, the assets of the Company available for distribution among the members shall be applied in repaying to the holders of the Preference Shares the nominal amount paid up on the Preference Shares. The paid-up Preference Shares shall rank for return of capital on liquidation in priority to all other shares in the capital of the Company for the time being in issue while the non-paid-up Preference Shares shall rank *pari passu* with the Ordinary Shares for the time being in issue.

NOTICE OF EGM

(F) AS REGARDS FURTHER PARTICIPATION

The Preference Shares shall not carry any right to participate in profits or assets of the Company beyond such rights as are expressly set out in the terms of the Preference Shares.

(G) AS REGARDS VOTING

The Preference Shares shall not confer on the holders thereof the right to receive notices of general meetings and shall not entitle the holders:–

- (i) to attend and to vote upon any resolution (other than a resolution for winding up the Company or a resolution varying or abrogating any of the special rights attached to such shares) at a general meeting of the Company; or
- (ii) for, varying or, abrogating the rights or privileges of the holders of the Preference Share.

Subject as aforesaid on a show of hands every holder of Preference Shares who is present in person or (being a corporation) by a representative shall have one vote and on a poll every holder of Preference Shares who is present in person or (being a corporation) by a representative or (in either such case) by proxy shall have one vote for each Preference Share held.

(H) AS REGARDS RESTRICTIONS ON THE COMPANY

Notwithstanding any other provisions of the Articles, except with the consent or sanction of the holders of the Preference Shares given in accordance with the provisions of the Articles, so long as any Preference Shares remain outstanding, the Company shall at all times maintain sufficient unissued Ordinary Shares available in order to implement conversion in full of all shares and other securities for the time being capable of being converted then or thereafter into Ordinary Shares.

(I) AS REGARDS DOCUMENTS

While any of the Preference Shares remain outstanding the Company shall send to the holders of Preference Shares a copy of every document sent to the holders of other shares of the Company at the same time as it is sent to such holders.

(J) AS REGARDS VARIATION OF RIGHTS

Subject to as provided in the Articles and the applicable laws, the Company shall not alter the rights attached to the Preference Shares without both the prior consent of a majority of the holders of the Ordinary Shares and a separate consent of a majority of the Preference Shares holders (i.e. not less than 50% of the outstanding Preference Shares for the time being).

NOTICE OF EGM

(K) AS REGARDS DEALINGS BY CONNECTED PERSON

Subject to the connected transaction requirements of the Listing Rules, the Preference Shares may be issued to any connected person of the Company (as defined in the Listing Rules). The Company will notify the Stock Exchange in relation to any dealings by such connected persons of the Company in the Preference Shares from time to time immediately upon the Company becoming aware of it.

(L) AS REGARDS PRE-EMPTIVE RIGHTS

In the event that the Company shall at any time issue to holders of new Ordinary Shares securities convertible into Ordinary Shares, the Company shall not be obliged to offer such shares/securities to the holders of Preference Shares.

(M) AS REGARDS LISTING

The Preference Shares will not be listed on any stock exchange.

(N) AS REGARDS TRANSFERABILITY

The Preference Shares are freely transferable by the holders thereof after the Date of Issue, subject to the requirements of the Listing Rules.”

ORDINARY RESOLUTIONS

Implementation of the Company’s Restructuring Proposal

4. “**THAT**, conditional upon (i) the proposed scheme of arrangement to be effected under section 166 of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong being sanctioned by the High Court of Hong Kong Special Administrative Region (“**Hong Kong**”); (ii) the proposed scheme of arrangement to be effected under section 86 of the Companies law (2010 Revision) of the Cayman Islands being sanctioned by the Grand Court of the Cayman Islands; (iii) passing of the resolutions numbered 1 to 3 and 5 set out in this notice of EGM (the “**Notice**”); (iv) the grant of the listing of and permission to deal in the Subscription Shares, Conversion Shares, Preference Shares and Option Shares (all such terms as defined hereinafter) by the Stock Exchange; and (v) upon the Share Consolidation (as defined in resolution numbered 5 as set out in this notice) and Share Split (as defined in resolution numbered 5 as set out in this notice) and Capital Reduction (as defined in resolution numbered 1 as set out in this notice) becoming effective:
 - (a) the entering into of the restructuring agreement dated 17 June 2011 between the Company, the Provisional Liquidators (as defined in resolution numbered 1 as set out in this notice), Integrated Asset Management (Asia) Limited and Business Giant Limited (collectively, the “**Investors**”) and FTI Consulting (Hong Kong) Limited in respect of the restructuring of the Company (as supplemented and amended by a supplemental agreement made between the same parties on 9 September 2011) (the “**Restructuring Agreement**”, a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for identification purposes) and the transactions contemplated thereunder and the performance thereof by the Company, be and are hereby approved, confirmed and ratified;

NOTICE OF EGM

- (b) the allotment and issue of 230,000,000 New Shares (as defined in resolution numbered 1 as set out in this notice) (the “**Subscription Shares**”) pursuant to the terms of the Restructuring Agreement be and is hereby approved;
- (c) the creation and issue by the Company of convertible notes (the “**Convertible Notes**”) in the aggregate principal amount of HK\$18,000,000 due on the date falling on the expiry of five years from the date on which the Convertible Notes is issued, convertible into New Shares in the capital of the Company on and subject to the terms and conditions (the “**CN Conditions**”) contained in the Restructuring Agreement be and is hereby generally and unconditionally approved in all respects;
- (d) the Provisional Liquidators and/or the directors of the Company (the “**Directors**”) be and are hereby generally and specifically authorised to issue the Convertible Notes and to allot and issue such number of New Shares (the “**Conversion Shares**”) as may be required to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Notes on and subject to the terms and conditions of the Restructuring Agreement and the CN Conditions;
- (e) the allotment and issue of 520,000,000 preference shares (the “**Preference Shares**”), with the Preference Shares having the rights and restrictions as set out in the circular of the Company dated 12 September 2011 (the “**Circular**”) of which this notice forms part, be and is hereby approved;
- (f) the Provisional Liquidators and/or the Directors be and are hereby authorised to allot and issue such number of new ordinary shares in the capital of the Company as may be allotted and issued upon the exercise of the conversion rights attaching to the Preference Shares;
- (g) the grant of 56,000,000 options (the “**Options**”) to subscribe for the New Shares of the Company (the “**Option Shares**”) at the exercise price of HK\$0.15 per Option Share in accordance with the terms and conditions of the Options be and is hereby approved;
- (h) the allotment and issue of the Option Share(s) upon the exercise of the subscription rights attaching to the Options to the relevant holder of the Options be and is hereby approved;
- (i) the Provisional Liquidators and/or the Directors be and are hereby authorised generally to take all necessary steps and to do all other things and execute all documents (including the affixation of the common seal of the Company where execution under seal is required) which may be necessary or desirable for the purpose of (i) giving effect to or implementing or (ii) amending, varying or modifying, any of the foregoing upon such terms and conditions as the Provisional Liquidators and/or the Directors may think fit.”

NOTICE OF EGM

5. “**THAT**, conditional upon (i) resolution numbered 1 as set out in this notice being passed; (ii) the relevant sanction from the Grand Court of the Cayman Islands in relation to the Capital Reduction (as defined in resolution numbered 1 as set out in this notice) having been obtained; and (iii) the grant of the listing of and permission to deal in the New Shares (as defined in resolution numbered 1 as set out in this notice) by The Stock Exchange of Hong Kong Limited:
- (a) every eight ordinary issued shares of the Company of HK\$0.10 each (“**Shares**”) be consolidated into one ordinary issued share of HK\$0.80 each (“**Consolidated Shares**”) (“**Share Consolidation**”);
 - (b) subject to the Share Consolidation and the Capital Reduction (as defined in resolution numbered 1 as set out in this notice) having become effective, the authorised unissued share capital of the Company of HK\$134,287,891, comprised of 1,342,878,919 shares each with a nominal value of HK\$0.10 be altered so as to be comprised of 134,287,891,900 shares of HK\$0.001 each (“**Share Split**”);
 - (c) fractional entitlements as a result of the capital restructuring as set out in the foregoing paragraphs of this resolution will be aggregated and sold for the benefit of the Company;
 - (d) all of the New Shares in the capital of the Company after completion of the capital restructuring as set out in the foregoing paragraphs of this resolution shall rank *pari passu* in all respects with each other and have the same rights and privileges and be subject to the restrictions contained in the memorandum and articles of association of the Company; and
 - (e) the Provisional Liquidators and/or the directors of the Company be and are hereby authorised generally to take all necessary steps and to do all other things and execute all documents (including the affixation of the common seal of the Company where execution under seal is required) which may be necessary or desirable for the purpose of giving effect to or implementing any of the foregoing.”
6. “**THAT**, conditional upon (i) the grant of the listing of and permission to deal in the Bonus Shares (as defined hereinafter) by The Stock Exchange of Hong Kong Limited; and (ii) upon the Share Consolidation (as defined in resolution numbered 5 as set out in this notice), Share Split (as defined in resolution numbered 5 as set out in this notice) and Capital Reduction (as defined in resolution numbered 1 as set out in this notice) becoming effective:
- (a) the bonus issue (“**Bonus Issue**”) of shares of the Company (“**Bonus Share(s)**”), credited as fully paid, to the shareholders of the Company whose names appear on the registers of members of the Company on 19 October 2011 or a date to be further announced by the Company (the “**Record Date**”) on the basis of 13 Bonus Shares for every 1,000 existing ordinary issued shares of the Company held by them respectively on the Record Date, be and is hereby approved;
 - (b) the Provisional Liquidators and/or the directors of the Company (the “**Director**”) be and are hereby authorised to exclude shareholders, who are residents outside the Hong Kong Special Administrative Region of the People’s Republic of China, on account of prohibitions or requirements under overseas laws or regulations or for some other reasons which the board of Directors considers expedient, from being allotted the Bonus Shares;
 - (c) the Provisional Liquidators and/or the Directors be and are hereby authorised to issue and allot the Bonus Shares pursuant to the Bonus Issue;

NOTICE OF EGM

- (d) no fractional Bonus Shares shall be allotted to members of the Company and fractional entitlements (if any) will be aggregated and sold for the benefit of the Company;
- (e) the Bonus Shares to be issued and allotted pursuant to this resolution shall be subject to the memorandum and articles of association of the Company and shall rank *pari passu* in all respects with the existing shares in the capital of the Company in issue as at the date of allotment and issue of the Bonus Shares, including all future dividends and distributions which are declared, made or paid after the date on which the Bonus Shares are allotted and issued; and
- (f) the Provisional Liquidators and/or the Directors be authorised to do all acts and things as may be necessary and expedient in connection with Bonus Issue, including, but not limited to, the allotment and issue of the Bonus Shares.”

Whitewash Waiver

- 7. “**THAT**, the waiver (the “**Whitewash Waiver**”), granted or to be granted by the Executive Director (the “**Executive**”) of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong pursuant to Note 1 on Dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers waiving any obligation on the part of the Integrated Asset Management (Asia) Limited and Business Giant Limited and parties acting in concert with them, to make a general offer for all the issued shares of the Company not already owned or agreed to be acquired by them pursuant to the Restructuring Agreement and the transactions contemplated therein, be and is hereby approved, and the Provisional Liquidators (as defined in resolution numbered 1 as set out in this notice) and/or the directors of the Company be and are hereby authorised generally to take all necessary steps and to do all other things and execute all documents (including the affixation of the common seal of the Company where execution under seal is required) as they may consider to be necessary or desirable to give effect to any of the matters relating to, or incidental to, the Whitewash Waiver.”

Increase of the Company’s Authorised Share Capital

- 8. “**THAT**, conditional upon (i) resolutions numbered 1, 2 and 5 as set out in this notice being passed; and (ii) the relevant sanctions from the Grand Court of the Cayman Islands in relation the Capital Reduction (as defined in resolution numbered 1 as set out in this notice) having been obtained, the authorised share capital of the Company be increased from HK\$134,370,032.04, divided into 134,370,032,035 shares of HK\$0.001 each to HK\$250,000,000 divided into 250,000,000,000 shares of HK\$0.001 each by the creation of an additional 115,629,967,965 shares of HK\$0.001 each with effect from the date of the passing of this resolution.”

Appointment of Directors

- 9. “**THAT**, upon completion (“**Completion**”) of the Restructuring Agreement (as defined in resolution numbered 5 as set out in this notice):
 - (a) Mr. Leung Heung Ying, Alvin be appointed as an executive director of the Company with effect from the time of Completion;
 - (b) Mr. Wong Tat Wai Derek be appointed as an executive director of the Company with effect from the time of Completion;
 - (c) Dr. Lam Andy Siu Wing, *JP* be appointed as an independent non-executive director of the Company with effect from the time of Completion;

NOTICE OF EGM

- (d) Mr. Siu Siu Ling, Robert be appointed as an independent non-executive director of the Company with effect from the time of Completion;
- (e) Mr. Tam Tak Wah be appointed as an independent non-executive director of the Company with effect from the time of Completion; and
- (f) the board of directors of the Company shall be authorised to fix the remuneration of each of Mr. Leung Heung Ying, Alvin, Mr. Wong Tat Wai Derek, Dr. Lam Andy Siu Wing, JP, Mr. Siu Siu Ling, Robert and Mr. Tam Tak Wah, and that the register of directors of the Company be amended to note such appointments of directors as set out above, and that the Cayman Islands Registrar of Companies be notified of the same.

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, 12 September 2011

Notes:

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. In case of a recognised clearing house (or its nominee(s) and in each case, being a corporation), it may authorise such persons as it thinks fit to act as its representative of the meeting and vote in its stead.
2. A form of proxy for the use in connection with the EGM is enclosed with this Circular. To be valid, the form of proxy, and (if required by the Board) the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority must be deposited at the branch share registrars of the Company, Computershare Hong Kong Investor Services Ltd., at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
3. Where there are joint holders of any Ordinary Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Ordinary Share as if he were solely entitled thereto, but if more than one of such joint holders be present at the EGM, the vote of the senior member who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the registrar of members of the Company in respect of the joint holding.
4. Resolutions numbered 1 and 4 to 7 shall be voted by way of a poll of the Independent Shareholders (as defined in the Circular).