中國包裝集團有限公司

China Packaging Group Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 572)

Interim Report

2008

CONTENTS

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF CHINA PACKAGING GROUP COMPANY LIMITED
中國包裝集團有限公司
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 4 to 21, which comprises the condensed consolidated balance sheet of China Packaging Group Company Limited (the "Company") as of 30 June 2008 and the related condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
17 September 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

	NOTES	Six months ended 30 June 2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
Turnover	3	**410,240**	307,383
Cost of sales		**(285,634)**	(210,778)
Gross profit		**124,606**	96,605
Other income		**4,735**	1,969
Fair values adjustment on derivative financial instruments	13	**(7,578)**	(28,710)
Selling expenses		**(11,684)**	(8,953)
Administrative expenses		**(12,188)**	(12,186)
Finance costs		**(2,934)**	(3,265)
Profit before taxation	4	**94,957**	45,460
Income tax expense	5	**(19,282)**	(11,064)
Profit for the period		**75,675**	34,396
Dividends recognised as distribution during the period	7	**24,190**	22,726
Earnings per share	8		
- Basic		**RMB0.125**	RMB0.068
- Diluted		**RMB0.125**	RMB0.066

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2008

	NOTES	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	**292,508**	277,845
Deposits paid for acquisition of property, plant and equipment		**81,547**	81,253
Prepaid lease payments		**104,244**	82,868
Pledged bank deposits		**35,701**	4,678
		514,000	446,644
Current assets			
Inventories		**33,335**	29,170
Trade receivables	10	**258,282**	179,681
Other receivables, deposits and prepayments		**3,839**	3,452
Prepaid lease payments		**48**	48
Pledged bank deposits		**2,841**	12,283
Bank balances and cash		**413,160**	400,060
		711,505	624,694
Current liabilities			
Trade payables	11	**46,375**	32,470
Bills payable		**—**	14,080
Receipt in advance, other payables and accrued charges		**13,326**	20,350
Amounts due to directors		**117**	154
Taxation payable		**13,536**	9,853
Dividend payable		**24,190**	—
Bank loans - amount due within one year	12	**107,592**	88,382
Derivative financial instruments	13	**109,052**	113,656
		314,188	278,945
Net current assets		**397,317**	345,749
		911,317	792,393
Capital and reserves			
Share capital	14	**63,144**	62,516
Reserves	15	**777,133**	718,962
Equity attributable to equity holders of the parent		**840,277**	781,478
Non-current liabilities			
Bank loans - amount due after one year	12	**71,040**	10,915
		911,317	792,393

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Share options reserve RMB'000	Surplus reserve fund RMB'000	Enterprise expansion fund RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2007	52,287	122,988	24,709	2,424	37,686	7,586	330,453	578,133
Profit for the year and total recognised income	–	–	–	–	–	–	92,500	92,500
Recognition of equity-settled share-based payments	–	–	–	16,464	–	–	–	16,464
Dividend for 2006	–	(22,726)	–	–	–	–	–	(22,726)
Exercise of share options	4,385	32,147	–	(4,143)	–	–	–	32,389
Lapse of share options	–	–	–	(302)	–	–	302	–
Issue of new shares	5,844	81,699	–	–	–	–	–	87,543
Transaction costs attributable to issue of new shares	–	(2,825)	–	–	–	–	–	(2,825)
At 31 December 2007	62,516	211,283	24,709	14,443	37,686	7,586	423,255	781,478
Profit for the period and total recognised income	–	–	–	–	–	–	75,675	75,675
Recognition of equity-settled share-based payments	–	–	–	3,342	–	–	–	3,342
Dividend for 2007	–	(24,190)	–	–	–	–	–	(24,190)
Exercise of share options	628	4,137	–	(793)	–	–	–	3,972
Transfer	–	–	–	–	16,307	–	(16,307)	–
At 30 June 2008	63,144	191,230	24,709	16,992	53,993	7,586	482,623	840,277
At 1 January 2007	52,287	122,988	24,709	2,424	37,686	7,586	330,453	578,133
Profit for the period and total recognised income	–	–	–	–	–	–	34,396	34,396
Recognition of equity-settled share-based payments	–	–	–	4,705	–	–	–	4,705
Dividend for 2006	–	(22,726)	–	–	–	–	–	(22,726)
Exercise of share options	2,608	19,054	–	(2,901)	–	–	–	18,761
Lapse of share options	–	–	–	(302)	–	–	302	–
Issue of new shares	5,844	81,699	–	–	–	–	–	87,543
Transaction costs attributable to issue of new shares	–	(2,825)	–	–	–	–	–	(2,825)
At 30 June 2007	60,739	198,190	24,709	3,926	37,686	7,586	365,151	697,987

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	**10,294**	25,392
Net cash used in investing activities		
Increase in pledged bank deposits	**(21,581)**	—
Increase in prepaid lease payments	**(21,400)**	—
Deposits paid for acquisition of property, plant and equipment	**(16,717)**	(36,524)
Purchase of property, plant and equipment	**(13,383)**	(13,163)
Other investing cash flows	**1,474**	5,873
	(71,607)	(43,814)
Net cash from financing activities		
Bank loans raised	**127,142**	—
Proceeds from exercise of share options	**3,972**	18,761
Bank loans repaid	**(44,519)**	(10,125)
Payments for swaps derivatives	**(12,182)**	—
Proceeds from issue of new shares	**—**	87,543
Proceeds upon entering into swaps derivatives	**—**	78,000
Dividend paid	**—**	(22,726)
Expenses paid in connection with the issue of new shares	**—**	(2,825)
	74,413	148,628
Net increase in cash and cash equivalents	**13,100**	130,206
Cash and cash equivalents at beginning of the period	**400,060**	393,261
Cash and cash equivalents at end of the period, representing bank balances and cash	**413,160**	523,467

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair value, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2007.

In the current interim period, the Group has applied, for the first time some new Interpretations ("HK(IFRIC) - INT") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2008.

The adoption of the new Interpretations had no material effect on how the results and financial position of the Group for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new and revised Hong Kong Accounting Standards ("HKAS"s) and Hong Kong Financial Reporting Standards ("HKFRS"s) or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements [1]
HKAS 23 (Revised)	Borrowing costs [1]
HKAS 27 (Revised)	Consolidated and separate financial statements [2]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation [1]
HKFRS 2 (Amendment)	Vesting conditions and cancellations [1]
HKFRS 3 (Revised)	Business combinations [2]
HKFRS 8	Operating segments [1]
HK(IFRIC)* - INT 13	Customer loyalty programmes [3]
HK(IFRIC) - INT 15	Agreements for the construction of real estate [1]
HK(IFRIC) - INT 16	Hedges of a net investment in a foreign operation [4]

1 Effective for annual periods beginning on or after 1 January 2009.
2 Effective for annual periods beginning on or after 1 July 2009.
3 Effective for annual periods beginning on or after 1 July 2008.
4 Effective for annual periods beginning on or after 1 October 2008.

* IFRIC represents the International Financial Reporting Interpretations Committee.

The adoption of HKFRS 3 (Revised) may affect the accounting treatment for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results or financial position of the Group.

3. SEGMENT INFORMATION

Business segments

For management reporting purposes, the Group is currently organised into two divisions - (a) manufacture and sale of tinplate cans; and (b) provision of tinplate lacquering and printing services in the People's Republic of China (the "PRC"). These divisions are the basis on which the Group reports its primary segment information.

The Group's operation by business segment is as follows:

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Turnover - external		
Manufacture and sale of tinplate cans	**376,668**	276,317
Tinplate lacquering and printing services	**33,572**	31,066
	410,240	307,383
Segment results		
Manufacture and sale of tinplate cans	**93,197**	70,629
Tinplate lacquering and printing services	**16,492**	15,413
	109,689	86,042
Interest income	**1,474**	1,969
Fair values adjustment on derivative financial instruments	**(7,578)**	(28,710)
Unallocated corporate expenses, net	**(5,694)**	(10,576)
Finance costs	**(2,934)**	(3,265)
Profit before taxation	**94,957**	45,460
Income tax expense	**(19,282)**	(11,064)
Profit for the period	**75,675**	34,396

4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**15,143**	7,764
Minimum lease payments in respect of:		
– land and buildings	**524**	528
– machinery and equipment	**1,000**	1,180
Release of prepaid lease payments	**24**	24
and after crediting:		
Interest income	**1,474**	1,969

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
The charge comprises:		
Income tax calculated at the rates prevailing in the PRC		
– current period	**19,282**	11,064

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Tax Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law.

The enactment of the New Tax Law and Implementation Regulations has changed the preferential tax rate of a PRC subsidiary, which is located in a coastal city economic development zone of the Fujian province, from 15% in 2007 to 18% starting from 1 January 2008. The existing preferential tax rate is expected to gradually increase to the applicable PRC Enterprise Income Tax rate of 25% over a five-year transition period starting from 2008 to 2012. The New Tax Law has set out the increment of preferential tax rate at 2% annually from 2008 to 2011, and gradually increases to the standard rate of 25% in 2012.

Another PRC subsidiary operating in the Shanxi province was subject to PRC Enterprise Income Tax at a preferential rate of 15%, after the exemption under PRC Foreign Enterprise Income Tax commenced in 2005 for its first two profit-making years and thereafter a 50% tax relief for its next three profit-making years since 2007. The applicable PRC Enterprise Income Tax rate of this subsidiary is 30% after exemption for 3% local enterprise tax rate, and gradually decreases to the standard rate of 25% after the tax relief period under the New Tax Law.

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

6. SHARE-BASED PAYMENTS

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 1 January 2008	79,280,000
Granted during the period	29,500,000
Exercised during the period	(7,000,000)
Outstanding at 30 June 2008	101,780,000

The Company received notional consideration for options granted during the period.

The closing price of the Company's shares immediately before 30 January 2008, the date of grant of the options during the period, was HK$0.63 (equivalent to approximately RMB0.58).

The closing prices of the Company's shares immediately before 17 April 2008, 23 April 2008 and 13 May 2008, on which share options were exercised, were HK$0.66, HK$0.73 and HK$0.75 respectively (equivalent to approximately RMB0.59, RMB0.66 and RMB0.67 respectively).

The estimated fair value of the share options granted during the period was HK$3,623,000 (equivalent to approximately RMB3,342,000). Fair value of the share options at the date of grant on 30 January 2008 was determined using the Black-Scholes option pricing model with inputs as follows:

	30 January 2008
Grant date share price	HK$0.630
Exercise price	HK$0.632
Expected volatility	50.29%
Expected life of options	2 years
Risk-free interest rate	1.651%
Expected dividend yield	7.274%

Notes:

(i) The volatility measured at the standard deviation of expected share price returns is based on a statistical analysis of daily average share prices of the Company over 250 trading days prior to the valuation date.

(ii) The above calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the options and the historical volatility of the shares in the Company set out above.

(iii) As the Black-Scholes model requires the input of highly subjective assumptions based on the directors' best estimate, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

During the current period, the Group recognised an expense of RMB3,342,000 (six months ended 30 June 2007: RMB4,705,000) in relation to share options granted by the Company.

7. DIVIDENDS

At the annual general meeting of the Company held on 13 June 2008, a final dividend of HK$0.045 (equivalent to approximately RMB0.042) per share in respect of the year ended 31 December 2007, amounting to RMB24,190,000 was approved.

At the annual general meeting of the Company held on 5 June 2007, a final dividend of HK$0.045 (equivalent to approximately RMB0.044) per share in respect of the year ended 31 December 2006, amounting to RMB22,726,000, was approved.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008. No interim dividend was declared by the directors for the six months ended 30 June 2007.

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Earnings:		
Profit for the period for the purposes of basic and diluted earnings per share	**75,675**	34,396

	Six months ended 30 June	
	2008	2007
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**604,898,773**	506,878,915
Effect of dilutive potential ordinary shares: Share options	**2,855,991**	12,828,165
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**607,754,764**	519,707,080

For the six months ended 30 June 2007 and 30 June 2008, the computation of diluted earnings per share did not assume the exercise of the Company's outstanding warrants since their exercise price was higher than the average market price of the Company's shares during those periods.

9. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the current period, the Group acquired property, plant and equipment of RMB29,806,000 (six months ended 30 June 2007: RMB25,273,000).

10. TRADE RECEIVABLES

The Group allows an average credit period of three months to its trade customers. The following is an aged analysis of trade receivables at the balance sheet date:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Not yet due	**241,600**	176,237
Over due within 30 days	**16,682**	3,444
	258,282	179,681

11. TRADE PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Within 3 months	**46,092**	32,343
Over 3 months but not more than 6 months	**204**	20
Over 6 months	**79**	107
	46,375	32,470

12. BANK LOANS

Bank loans are denominated in Hong Kong dollars, United States dollars and Renminbi. They are arranged at floating rates from 2% to 3.5% over HIBOR (2007: 2% to 2.75% over HIBOR) per annum, 1.75% over USD LIBOR (2007: 1.75% over USD LIBOR) per annum, and at fixed interest rate of 5.85% to 7.29% (2007: 5.85% to 7.29%) per annum respectively.

During the period, the Group obtained new bank loans amounting to HK$127,142,000. The loans are repayable in instalments over a period of 5 years. The proceeds were used to finance the acquisition of property, plant and equipment.

At the balance sheet date, the Group had no undrawn banking facilities.

13. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2008 RMB'000	31 December 2007 RMB'000
Warrants	**1,016**	4,319
Swaps derivatives	**108,036**	109,337
	109,052	113,656

Warrants

As announced by the Company on 9 May 2006, the Company entered into a warrant instrument dated 4 May 2006 (the "Instrument") with an independent subscriber (the "Subscriber"). Pursuant to the Instrument, the Company agreed to issue and the Subscriber agreed to subscribe for the warrants conferring rights to subscribe up to 38,000,000 new ordinary shares of HK$0.10 each in the Company, at an initial subscription price of HK$0.88 per share, subject to adjustments, at any time from 21 May 2006 to 18 May 2009, both dates inclusive (the "Warrants").

The initial subscription price per share is HK$0.88 (equivalent to approximately RMB0.82) as at the date of issue of the Warrants until 18 May 2007, and thereafter will be HK$0.88 as adjusted downward by the Company on the first anniversary of the date of issue of the Warrants. The adjusted subscription price will be such price in Hong Kong dollars as equals the market price of shares determined on the first anniversary of the date of issue of the Warrants, but in no case will be less than HK$0.71 (equivalent to approximately RMB0.692). There is no adjustment in subscription price after the first anniversary of the date of issue of warrants.

No Warrants have been exercised since the date of issue and the Warrants are carried at fair value. Exercise in full of the outstanding Warrants would result in the issuance of 38,000,000 additional ordinary shares of HK$0.10 each in the Company. During the period, a gain on change in fair value of RMB3,303,000 (six months ended 30 June 2007: a loss on change in its fair value of RMB13,241,000) was recognised in the condensed consolidated income statement.

Swaps derivatives

During the year ended 31 December 2007, the Company entered into two structured five-year interest rate swaps (the "Swaps") as 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 balance sheet date is provided by the Bank. Major terms of the Swaps are set out below:

Notional amount	Upfront payments	Effective date	Maturity date	Swaps	Fair value At 30.6.2008	Fair value At 31.12.2007
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 (Note i), The Company pays: 9.0% semi-annually	RMB50,856,000	RMB48,830,000
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%) (Note ii) coupon capped at 13.0% and floored at 0%	RMB57,180,000	RMB60,507,000

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 am 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 am 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>

During the period, a loss on change in fair value of RMB10,881,000 (six months ended 30 June 2007: a loss of RMB15,469,000) was recognised in the condensed consolidated income statement.

The Group has to make payments under the Swaps with the Bank semi-annually. During the period, total amount of RMB12,182,000 were settled with the Bank.

14. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2007, 31 December 2007 and 30 June 2008	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2007	496,761,081	49,676
Exercise of share options	45,030,000	4,503
Issue of new shares for cash (Note)	60,000,000	6,000
At 31 December 2007	601,791,081	60,179
Exercise of share options	7,000,000	700
At 30 June 2008	608,791,081	60,879

Shown in the condensed consolidated financial statements as:

	RMB'000
At 30 June 2008	63,144
At 31 December 2007	62,516

Note: As announced by the Company on 14 June 2007, the Company entered into a placing and subscription agreement dated 12 June 2007 (the "2007 Agreement") with Fu Teng Global Limited ("Fu Teng"), a substantial shareholder of the Company in which a director of the Company has entire interest, and an independent placing agent (the "Placing Agent"). Pursuant to the 2007 Agreement, Fu Teng agreed to place a total of 60,000,000 existing shares of HK$0.10 each in the share capital of the Company at a price of HK$1.498 per share (the "Placing Price") to five independent institutional investors, through the Placing Agent, and Fu Teng also agreed to subscribe for 60,000,000 new shares of HK$0.10 each of the Company at a price of HK$1.498 per share, which is equal to the Placing Price. The directors of the Company are authorised to issue these new shares pursuant to the general mandates granted by the shareholders of the Company on 5 June 2007.

The Placing Price represents a discount of approximately 9.76% to the closing price of the Company's shares as quoted on the Stock Exchange on 12 June 2007, being the date of the 2007 Agreement. The placing became unconditional on 26 June 2007. The new shares subscribed by Fu Teng, representing approximately 11.5% of the then existing issued share capital of the Company and approximately 10.3% of the enlarged share capital of the Company, were issued and allotted on 12 June 2007. Fu Teng's equity interest in the Company was reduced from approximately 42.5% immediately before the placing and the subscription to approximately 38.1% immediately thereafter.

All the shares which were issued by the Company during the current and prior periods rank pari passu with each other in all respects.

15. RESERVES

(a) Basis of appropriations to reserves

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

(b) Special reserve

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

(c) Share premium

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

The Company declared and paid its dividends in 2006 and 2007 from its share premium as there were accumulated losses resulted in the Company.

16. CAPITAL COMMITMENTS

	30 June 2008 RMB'000	31 December 2007 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted but not provided for in the condensed consolidated financial statements	**58,250**	65,507

17. RELATED PARTY DISCLOSURES

Related party transactions

(i) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Short-term benefits	**1,371**	1,328
Post-employment benefits	**23**	29
Share-based payments	**1,190**	1,486
	2,584	2,843

The remuneration of directors and key executives is determined by the remuneration committee and management respectively having regard to the performance of individuals and market trends.

(ii) On 1 November 2005, the Group entered into a tenancy agreement with a director of the Company for the lease of an office unit for a term of three years commencing from 1 December 2005 to 30 November 2008. Rental paid by the Group under the tenancy agreement during the period amounted to RMB22,500 (six months ended 30 June 2007: RMB22,500).

(iii) As at 30 June 2008, a short-term bank loan of RMB13,125,000 (2007: RMB9,360,000) of the Group is secured by a pledged bank deposit of RMB1,385,000 (2007: RMB936,000) given by a director of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2008, the unaudited turnover of the Group was approximately RMB410.2 million (30 June 2007: RMB307.4 million), representing a growth of 33.5% as compared to that of the last corresponding period.

The operating profit for the six months ended 30 June 2008 increased by approximately 36% to approximately RMB105.5 million (30 June 2007: RMB77.4 million) as compared to that of the last corresponding period. The net profit and net profit margin for the six months ended 30 June 2008 increase by approximately 120% and approximately 64% to approximately RMB75.7 million and approximately 18.4% respectively as compared to that of the last corresponding period.

BUSINESS REVIEW

With the rapid growth of China's economy underway, there emerge more extensive uses of packaging products, which facilitate a rapid growth in the packaging industry at a compound annual growth rate in double digits with continued vibrant expansion in market demand. The rapid growth of the industry has been driving the Group forward in a sustained and rapid manner. In the first half of 2008, apart from actively expanding its businesses for existing products, the Group strove to increase the sales volumes of new product businesses, while internal management was subdivided to result in effective cost control. Meanwhile, the Group strengthened its establishment of sales networks and started a new round of capacity expansion. The steady progression as planned of each work ensured solid growth in revenue from operations.

I. Overview of industrial development:

China's food industry staged a growth of 32% with a value exceeding RMB3 trillion, accounting for 12.5% of GDP, in 2007, and was going to grow with a value over RMB4 trillion by 2010. In 2007, the packaging industry saw sales revenue of RMB510 billion, representing an annual growth rate of 21%, in which, sales revenue of RMB46.3 billion with a year-on-year increase of 18% was realized by metal packaging industry.

China's beverage market, in turn, has been continuing its expansion. During January to June 2008, the production volume of soft drinks in China amounted to 52.0351 million tonnes, representing a year-on-year increase of 13.83%. The expected production volume of soft drinks in China for 2008 would amount to over 60 million tonnes, a growth rate of about 17% compared with last year. On the other hand, the aggregate growth rate of soft drinks packaging products would be maintained at about 15%. The sales growth in traditional carbonated drinks had significantly slowed down, while non-carbonated drinks, natural, low-sugar and healthy functional drinks were increasingly sought after. From 2003 to 2007, sales revenue from three-piece drink cans recorded an annual growth of 35.8%. However, in terms of either gross volume or consumption per capita, there remained a relatively large gap between China's consumption volume for soft drinks and that of developed countries in the world. As China's food production industry and beverage production industry continue to thrive, the use value in metal packaging products will be further enhanced with enormous room for market development.

Benefited from the driving forces from deep processing of packaged farm products and small packaged instant consumption food, the consumption demand for three-piece food cans in 2007 already amounted to 6.5 billion cans, representing a year-on-year increase of 14.9%. From 2003 to 2007, sales revenue from ordinary three-piece food cans had an annual growth rate of 23%. During January to May 2008, the aggregate can production volume nationwide amounted to 2.2 million tonnes, an increase of 16% compared with the same period of last year.

II. Business analysis

1. Production capacity of easy-open cans enhancing greater competitive advantage

The Group began its another period of production capacity expansion, which kept pace with the rapid growth of sales volume of three-piece easy-open can products. Fujian Fuwang Metal Products Co., Ltd. ("Fujian Fuwang") commenced operation of two new high-speed automatic beverage can production lines in 2007. During the first half year, their smooth operation enabled annual production capacity of three-piece easy-open can products to increase by more than 50%. Utilization of such production lines further improved the quality of our products and lifted our level of production technology. Meanwhile, business relationship between the Group and its clients was strengthened, as evidenced by a year-on-year increase of around 30% in clients' purchase orders for our products. In the beginning of 2008, a moderate increase in product prices by the Group lifted the consolidated gross profit margin of the Group to an above average level within the industry.

2. Continuous launching of new two-piece can products adding vigor to profit growth

The great demand for the high-end two-piece food cans in the canned food industry presented the Group with new market opportunities and room for technological development. The newly acquired two-piece food can production line of Fuqing Plant with various new can shape moulds, which commenced operation in July 2007, greatly enriched our variety in types of two-piece can products. As a result, an annual production capacity of over 200 million two-piece cans elevated the Group to a leading enterprise among its domestic peers. Thus, our results of the two-piece cans underwent a period of rapid growth, in which our competitive advantages and benefit from economy of scale were further highlighted.

In the first half of 2008, the year-on-year increase in two-piece can production volume and sales revenue were 80% and 25% respectively, mainly driven by the continuous new products launches and simultaneous expansion of production capacity, as well as cost saving and reduction in administration, and improved product quality and production yield. The enhanced sales revenue and consolidated gross profit level of the Group's two-piece can products had thus become new profit drivers of the Group, which led to a steady increase in our overall profitability. At the same time, the Group made greater marketing efforts, particularly towards clients who might bring about high revenue. As a result, we steadily gained market share. In the first half of 2008, we acquired a new two-piece can product client, which was a major and leading farming produce canned food company, mainly including aquaculture food such as tuna and sardine, with great business development potential in the future.

3. Solid improvement in results of Shanxi production base

The Group strengthened its management over the Shanxi production base to fully enhance its sales and production capabilities. Sales of Shanxi Zhanpen Metal Products Co., Ltd. ("Shanxi Zhanpen") benefited from the commencement of a new three-piece easy-open can production line, while its production scale and efficiency enjoyed overall improvement. Sales volume was up by about 20% on year-on-year basis, and about 10 new customers were procured.

4. Three-piece food cans

In the first half of 2008, sales volume of three-piece food cans increased by approximately 50%, while sales revenue grew by 18%, compared with the same period of last year. Such increases were mainly attributable to our stable product quality. The Group amassed a certain extent of competitive advantage in respect of brand recognition and technical expertise over the previous years. Moreover, the Group was the first in the industry to apply a new environmental-friendly coating technology, making the most of our first-mover advantage in terms of market competitiveness.

5. Color printing processing

The innovative and ever-improving technologies in the Group's color printing processing business had provided increased added value to the products of our clients, therefore stabilizing the results of our external color printing businesses compared with the same period of 2007.

III. Actively preparing the construction of the new processing base in Southwestern region

Sichuan Zhanwang Metal Products Co., Ltd. (四川省展旺金屬製品有限公司) ("Sichuan Zhanwang"), a subsidiary incorporated in Chengdu, formally signed State-owned Land Use Right Grant Contract (《國有土地使用權出讓合同》) with the Land Resources Bureau of Guanghan City, Sichuan Province (廣漢市國土資源局) in May for acquisition of a parcel of land, which significantly expanded the Group's production bases again. Presently, a professional firm has been engaged to perform preliminary geological exploration work for the parcel of land. Planning designs of the plants and application processes with government authorities are in progress. Meanwhile, we are actively preparing land formation and wall building works. The land is planned to be constructed as a complex of 30,000 sq.m. in floor area including office, production, sales and servicing facilities. Upon completion, the complex will be the largest modern three-piece drink cans processing plant in the Southwestern region.

The Group has already moved a three-piece easy-open cans production line and other ancillary equipment from the production base of Fujian Fuwang to a new production base we leased in Chengdu. Technological modifications of such equipment are now under intensive adjustment and testing. That production base has abundant customer resources mainly due to branches of the Group's long-term customers located in Southwestern region. We have already indicated our intention to cooperate with these companies. The commencement of our new bases in Southwestern region has greatly reduced the transportation time required for our products to reach customers, as a result boosting our delivery efficiency.

IV. Upgrade of infrastructure

To coordinate with overall project implementation of the Group, we have, on one hand, enhanced our division of work in supply chain management to lower procurement costs. On the other hand, we accelerated the process of product and equipment technological advancement, in order to achieve greater added value to our products. During the first half of 2008, we made continuous efforts in upgrading our infrastructure by:

1) rectifying environmental exhaust treatment facilities in the production base of Fujian Fuwang, and

2) purchasing a solvent recovery processing system (溶劑再生機處理系統) to recycle used waste solvent, thus achieving the aim of recycling to lower production costs and better conserve energy for environmental protection purpose.

PROSPECTS

In the second half of 2008, the Group will implement progressively its operation plans developed in the beginning of the year. We will explore new product markets, enrich our production lines, and strengthen risk management capabilities of the Group. In the meantime, we will actively and closely follow up on merger and acquisition opportunities within the industry, and will carry out the following important plans with the ultimate aim of expanding and strengthening our core businesses:

I. Establishing the construction of a new processing base in Southwestern region with a view to strengthening the competitiveness of our core businesses

In the second half of 2008, as modifications and testing of the production line in our new Sichuan processing base are still ongoing, and while we are conducting all kinds of preparation work and staff trainings prior to formal operation, we aim to fully reap the benefits of the new production line as soon as possible, so that a solid foundation is laid for the rapid business growth in our new processing base. At the same time, we will commence Phase I of construction works, which mainly include ancillary works such as land formation, production workshops for can manufacturing and color printing, warehouses, environmental protection facilities, and roads, etc. Phase II of construction works will be performed in 2009, which mainly consist of planning and construction of the office buildings, staff quarters, interior decorations, utility facilities, etc., as well as comprehensive ancillary work for the whole project.

This new processing base project is a major investment in the Group's history. Commencement of the new base would mean a relatively substantial improvement in our production capability, efficiency and scale, technological level of equipment and product quality. In the long-run, this would significantly boost our growth.

II. A new round of acquisitions and new construction plans

Our production expansion for three-piece easy-open can and two-piece can products will be completed during 2008-09. To cater to our long-term development, the Group is making early preparation for a new phase of acquisitions together with new construction plans. Our proposed new land acquisitions in the Fuqing Xia Cao and Shanxi Fenyang production bases are in progress. We expect the relevant approval procedures to be completed this year. It is also worth mentioning that upon commencement of operation, the Sichuan Guanghan and Fuqing Xia Cao production bases will substantially expand the Group's overall production capacity and further strengthen our competitiveness.

III. Acceleration of improvement of production and equipment technologies for greater added value to our products

1) Acquiring environmental protection facilities

In order to adapt the commencement of color printing businesses and new businesses, our Fuqing plant area engaged a professional technology company to rectify and convert the environmental exhaust treatment facilities inside the production bases of Fujian Fuwang in June during the year. This new environmental protection system makes use of a new HT-type high-efficiency desulphurization technology. When compared with the traditional technology, this system uses simplified technological processes, optimizes output performance and lowers operational costs, and ultimately creates a clean environment for working and living.

2) Equipment modification and technological upgrade

In response to the continued expansion of Fujian Fuwang's businesses and the diversified needs of groups of clients, the Group modified the equipment of, and upgraded the technologies for, among other things, the color printing processing production line, bottom cover production line, iron rolling machines and sealing machines so as to ensure stability and reliability in the precision, performance and product quality of our equipment and enhanced its utilization rate.

Our management believes that with steady progression in each of the abovementioned plans and sound developments of our businesses, the Group is confident to maintain solid growth in our 2008 results.

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group financed its operations by internally generated cashflows and banking facilities provided by its bankers.

As at 30 June 2008, the Group had cash and cash equivalents of approximately RMB413.2 million (31 December 2007: RMB400.1 million) and had total borrowings of approximately RMB178.6 million (31 December 2007: RMB99.3 million). Where, RMB29 million were fixed rate debts with interest rate at 5.85% to 7.29% per annum and the remaining RMB149.6 million of bank loan was subject to floating rate ranging from 2% to 3.5% over HIBOR (2007: 2% to 2.75% over HIBOR) per annum and 1.75% over LIBOR (2007: 1.75% over LIBOR) per annum. As at 30 June 2008, RMB107.6 million are repayable in instalments within one year and the remaining RMB71.0 million are repayable in instalment more than one year. All of the aforementioned bank loans were guaranteed by either corporate guarantees, pledged bank deposit from the Company or pledged bank deposit given by a director of the Company.

The Group's current ratio (current assets to current liabilities) was approximately 2.3 (31 December 2007: 2.2) and the Group's gearing ratio (total interest-bearing borrowings to total assets) was approximately 14.6% (31 December 2007: 9.3%).

Since the Group's transactions are mostly settled in Hong Kong dollars and Renminbi, the exposure to foreign exchange fluctuations is minimal, therefore no use of financial instruments for hedging purpose is considered necessary.

CAPITAL STRUCTURE

During the six months period ended 30 June 2008, a total of 7,000,000 ordinary shares were issued upon exercise of share options by the option holders of the Company.

As a result, the total number of issued share capital was 608,791,081 ordinary shares as at 30 June 2008.

PLEDGE OF ASSETS

As at 30 June 2008, bank deposit of approximately RMB38.5 million (31 December 2007: RMB17.0 million) was pledged to a bank for banking facilities granted to the Group to the extent of the amount of deposits placed with the banks.

SIGNIFICANT INVESTMENTS

During the six months ended 30 June 2008, the Group did not have any significant investment (2007: Nil).

CONTINGENT LIABILITIES

As at 30 June 2008, the Group did not have any material contingent liabilities (2007: Nil).

CAPITAL COMMITMENTS

As at 30 June 2008, the Group had capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements amounting to approximately RMB58 million (31 December 2007: RMB66 million).

SEGMENT INFORMATION

Segment information of the Group is set out in note 3 to the condensed consolidated financial statements.

MATERIAL ACQUISITIONS/DISPOSALS

During the six months ended 30 June 2008, the Group made no material acquisition and disposal of subsidiaries and associated companies (2007: Nil).

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2008, the Group had 468 employees (31 December 2007: 450 employees) situated mainly in the PRC and Hong Kong. The Group's emoluments policy is formulated based on industry practices and performance of individual employees. During the six months ended 30 June 2008, the total staff costs (including Directors' emoluments) amounted to approximately RMB6.5 million (30 June 2007: RMB5.1 million).

The Group operates a share option scheme for the purpose of providing incentives and rewards to the eligible participants for their contributions to the Group. There were totalling 29,500,000 share options were granted during the six months ended 30 June 2008.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2008, the interests and short positions of the Directors and Chief Executive in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long positions in the shares and underlying shares of the Company

Name of director	Type of interests	Number of issued ordinary shares held	Number of underlying Shares held pursuant to share options	Total	Approximate percentage of the issued share capital of the Company
Mr. Yang Zongwang ("Mr. Yang")	Corporate	228,510,000 (note)	5,000,000	233,510,000	38.36%
Mr. Xue De Fa	Beneficial owner	–	2,000,000	2,000,000	0.33%
Mr. Xie Xi	Beneficial owner	–	2,000,000	2,000,000	0.33%

Note:

These shares are registered in the name of and beneficially owned by Fu Teng Global Limited ("Fu Teng"), a company incorporated in the British Virgin Islands, and its entire issued share capital is owned by Mr. Yang.

Other than as disclosed above, none of the Directors or chief executive or any of their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at 30 June 2008.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above and "Share option scheme" below, at no time during the period were given rights to acquire benefits by mean of the acquisition of shares in or debentures of the Company granted to any director or chief executive, or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries and fellow subsidiaries, a party to any arrangement to enable the directors, chief executives, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

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

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

Details of the movements in the share options granted and exercised during the six months ended 30 June 2008 under the Scheme are as follows:

	Name or category of participant	Date of grant	Exercise price HK$	Exercisable period	Outstanding at 1 January 2008	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2008
a)	Directors of the Company, including ex-Director								
	Yang Zongwang	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	–	1,000,000	(1,000,000)	–	–
	Xue De Fa	25 May 2006	0.800	25 May 2006 to 24 May 2016	2,000,000	–	–	–	2,000,000
	Xie Xi	25 May 2006	0.800	25 May 2006 to 24 May 2016	2,000,000	–	–	–	2,000,000
b)	Senior management	10 February 2004	0.810	10 February 2004 to 9 February 2014	3,800,000	–	–	–	3,800,000
		2 January 2007	0.670	2 January 2007 to 1 January 2017	730,000	–	–	–	730,000
		2 May 2007	0.912	2 May 2007 to 1 May 2017	2,500,000	–	–	–	2,500,000
		17 July 2007	1.316	17 July 2007 to 16 July 2017	5,800,000	–	–	–	5,800,000
		30 January 2008	0.632	30 January 2008 to 29 January 2018	–	18,500,000	(6,000,000)	–	12,500,000
c)	Employees	10 February 2004	0.810	10 February 2004 to 9 February 2014	7,600,000	–	–	–	7,600,000
		25 May 2006	0.800	25 May 2006 to 24 May 2016	2,280,000	–	–	–	2,280,000

		Date of grant	Exercise price HK$	Exercisable period	Outstanding at 1 January 2008	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2008
c)	Employees (continued)	2 January 2007	0.670	2 January 2007 to 1 January 2017	700,000	–	–	–	700,000
		2 May 2007	0.912	2 May 2007 to 1 May 2017	8,000,000	–	–	–	8,000,000
		17 July 2007	1.316	17 July 2007 to 16 July 2017	38,870,000	–	–	–	38,870,000
		30 January 2008	0.632	30 January 2008 to 29 January 2018	–	10,000,000	–	–	10,000,000
					79,280,000	29,500,000	(7,000,000)	–	101,780,000

SUBSTANTIAL SHAREHOLDERS

So far as the Directors and chief executives of the Company are aware, as at 30 June 2008, other than the interests and short positions of the Directors or chief executives of the Company disclosed above, persons or companies who had interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or substantial shareholders as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

LONG POSITIONS IN SHARES OF THE COMPANY

Name of shareholder	Type of interests	Capacity	Number of issued ordinary shares held	Percentage of the issued shares capital of the Company
Fu Teng	Corporate	Beneficial owner	228,510,000 (note a)	37.54%
Ms. Yang Yunxian	Corporate	Interest of spouse	233,510,000 (note b)	38.36%
Citigroup Inc.	Corporate	Person having a security interest in shares	700,000	0.11%
		Interest of corporation controlled by the substantial shareholder	43,878,000	7.21%
Concordia Advisors (Bermuda) Ltd	Corporate	Investment manager	61,252,000	10.06%

Notes:

a. Mr. Yang is the owner of the entire issued share capital of Fu Teng.

b. Mr. Yang is the owner of the entire issued share capital of Fu Teng. Mr. Yang and his spouse, Ms. Yang Yunxian, are taken to be interested in these 228,510,000 shares held by Fu Teng by virtue of the SFO. In addition, 5,000,000 share options owned by Mr. Yang are also taken to be interested by Ms. Yang by virtue of the SFO.

On 4 May 2006, the Company entered into the warrant instrument with ABN AMRO Bank N.V., pursuant to which the Company agreed to issue and ABN AMRO Bank N.V. agreed to subscribe for the warrants conferring rights to subscribe up to 38,000,000 new ordinary shares of HK$0.10 each in the Company, subject to adjustments, at an initial subscription price of HK$0.88 per share, subject to adjustments, at any time from 21 May 2006 to 18 May 2009, both dates inclusive (the "Warrants").

The initial subscription price per share is HK$0.88 (equivalent to approximately RMB0.82) as at the date of issue of the Warrants until 18 May 2007, and thereafter will be adjusted downward by the Company on the first anniversary of the date of issue of the Warrants. The adjusted subscription price will be such price in Hong Kong dollars as equals the market price of shares determined on the first anniversary of the date of issue of the Warrants, but in no case will be less than HK$0.71 (equivalent to approximately RMB0.692). As at 30 June 2008, there is no adjustment in subscription price after the first anniversary of the date of issue of warrants.

At 30 June 2008, no Warrants were exercised since the date of issue and carried at fair value. Exercise in full of such Warrants would result in the issuance of 38,000,000 additional ordinary shares of HK$0.10 each in the Company.

Save as disclosed above, the Directors or chief executives of the Company are not aware of any other person who had an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or substantial shareholders as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at 30 June 2008.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2008, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities (2007: Nil).

MODEL CODE

The Company has adopted the model code set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors (the "Model Code"). Having made specific enquiry to all Directors, the Company confirmed that all the Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2008.

CORPORATE GOVERNANCE PRACTICES

The Board considers that the Company has complied throughout the six months ended 30 June 2008 with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, except that (i) there is no division of roles of chairman and chief executive officer that both offices are held by Mr. Yang Zongwang; and (ii) the independent non-executive Directors are not appointed for specific terms. The reasons for such deviation from the code provisions had been stated in the Company's 2007 Annual Report.

REMUNERATION COMMITTEE

The remuneration committee was established on 21 September 2005 with written terms of reference. The remuneration committee consists of three independent non-executive directors, namely Mr. Tong Hing Wah, Mr. Chong Hoi Fung and Mr. Ng Wai Man, is responsible for reviewing and evaluating the remuneration polices of directors and senior management and making recommendations to the Board from time to time.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive directors, namely Mr. Tong Hing Wah, Mr. Chong Hoi Fung and Mr. Ng Wai Man. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2008.

The written terms of reference of the audit committee was revised on 21 September 2005 to ensure compliance with the CG Code.

As at this date of report, the Board comprises of:

Executive Directors
Yang Zongwang
(Chairman and Chief Executive Officer)
Xue De Fa
Xie Xi
Liu Zhi Qiang

Independent Non-Executive Directors
Tong Hing Wah
Chong Hoi Fung
Ng Wai Man

By order of the Board
Yang Zongwang
Chairman

Hong Kong , 17 September 2008