



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

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

Interim Report 2009

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## **CORPORATE INFORMATION**

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

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

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

### **Executive Directors**

Mr. YANG Zongwang  
*(Retired on 18 September 2009)*

Mr. XUE De Fa  
*(Retired on 18 September 2009)*

Mr. XIE Xi  
*(Retired on 18 September 2009)*

Mr. SO Chiu  
*(Retired on 7 October 2009)*

Mr. LIU Zhi Qiang

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

Mr. NG Wai Man  
*(Retired on 9 March 2009)*

Mr. TONG Hing Wah  
*(Retired on 31 July 2009)*

Mr. LU Zheng  
*(Retired on 18 September 2009)*

Mr. SETO Man Fai  
*(Retired on 3 October 2009)*

Mr. CHAN Hoi Wan  
*(Retired on 7 October 2009)*

Mr. ORR Joseph Wai Shing  
*(Retired on 22 October 2009)*

Mr. CHONG Hoi Fung

### **Audit Committee**

Mr. TONG Hing Wah  
*(Resigned on 31 July 2009)*

Mr. NG Wai Man  
*(Resigned on 9 March 2009)*

Mr. CHONG Hoi Fong

Mr. LU Zheng  
*(Appointed on 9 June 2009 and  
resigned on 18 September 2009)*

Mr. SETO Man Fai  
*(Appointed on 18 September 2009 and  
resigned on 3 October 2009)*

Mr. CHAN Hoi Wan  
*(Appointed on 18 September 2009 and  
resigned on 7 October 2009)*

Mr. ORR Joseph Wai Shing  
*(Appointed on 18 September 2009 and  
resigned on 22 October 2009)*

### **Remuneration Committee**

Mr. TONG Hing Wah  
*(Resigned on 31 July 2009)*

Mr. NG Wai Man  
*(Resigned on 9 March 2009)*

Mr. CHONG Hoi Fong

Mr. LU Zheng  
*(Appointed on 9 June 2009 and  
resigned on 18 September 2009)*

Mr. SETO Man Fai  
*(Appointed on 18 September 2009 and  
resigned on 3 October 2009)*

Mr. CHAN Hoi Wan  
*(Appointed on 18 September 2009 and  
resigned on 7 October 2009)*

Mr. ORR Joseph Wai Shing  
*(Appointed on 18 September 2009 and  
resigned on 22 October 2009)*

**Company Secretary**

Mr. LI Yik Sang

*(Resigned on 14 July 2009)*

Mr. CHAN Yee Tak

*(Appointed on 14 July 2009 and*

*Resigned on 12 October 2009)*

**Authorised Representative**

Mr. YANG Zongwang

*(Resigned on 18 September 2009)*

Mr. LI Yik Sang

*(resigned on 14 July 2009)*

Mr. CHAN Yee Tak

*(Appointed on 14 July 2009 and*

*resigned on 12 October 2009)*

Mr. SO Chiu

*(Appointed on 18 September 2009 and  
resigned on 7 October 2009)*

**Share Registrar**

Computershare Hong Kong  
Investor Services Limited

Rooms 1806-7

18th Floor Hopewell Centre

183 Queen's Road East

Wan Chai

Hong Kong

**Principal Office**

c/o FTI Consulting (Hong Kong) Limited

14/F The Hong Kong Club Building

3A Chater Road

Central

Hong Kong

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

Standard Chartered Bank

Bank of China Fuqing Branch

China Construction Bank (Asia)

Corporation Limited

DBS Bank (Hong Kong) Limited

DBS Bank (China) Company Limited

PT. Bank Mandiri (Persero) TBK,

Hong Kong Branch

**Company Website**

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

**Registered Office**

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

**Auditors**

World Link CPA Limited

5th Floor, Far East Consortium Building

121 Des Voeux Road Central

Hong Kong

## **PROVISIONAL LIQUIDATORS' REPORT**

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

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

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

The Provisional Liquidators herein present their report together with the condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2009 based on the books and records made available to them. The Provisional Liquidators are responsible for the accuracy of the contents of this report and the financial statements for the six months ended 30 June 2009 in relation to the affairs of the Group after the appointment of the Provisional Liquidators.

### **BUSINESS REVIEW**

The Company is principally engaged in investment holding. The Group is principally engaged in the manufacture and sale of tinplate cans for the packaging of beverage in Shanxi, the PRC.

As the Provisional Liquidators were appointed on 2 October 2009, they do not have the same knowledge of the financial affairs of the Group as the directors of the Company would have, particularly in relation to the transactions entered into by the Group prior to the appointment date. Although the Group was principally engaged in the manufacture and sale of tinplate cans for the packaging of foods and beverage in the PRC and the provision of tinplate lacquering and printing services, due to the loss in control and winding up of the subsidiaries engaged in the lacquering and printing services, only the manufacture and sale of tinplate cans for the packaging of beverage business in Shanxi, PRC is maintained.

## **FINANCIAL RESULTS**

For the six months ended 30 June 2009, the Group's turnover was approximately RMB58.52 million (six months ended 30 June 2008: RMB410.24 million), representing a decrease of approximately 85.74% as compared to the corresponding period of last year. Respective state of affairs of the Group is set out in the condensed consolidated interim financial statements on pages 12 to 14. The consolidated profit attributable to shareholders of the Company amounted to approximately RMB47.25 million for the six months ended 30 June 2009 (six months ended 30 June 2008: RMB75.68 million). Basic earnings per share was approximately RMB7.5 cents for the six months ended 30 June 2009. (six months ended 30 June 2008: RMB12.5 cents) There will be no payment of interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

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

Bank balances and cash including escrow money as at 30 June 2009 was approximately HK\$9.09 million (31 December 2008: HK\$11.31 million). The Group's gearing ratio measured on the basis of the Group's total bank borrowings relative to the shareholders' funds was not applicable as the Group had shareholders' deficits as at 30 June 2009 and 31 December 2008.

## **CAPITAL STRUCTURE**

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

## **FOREIGN CURRENCY EXPOSURE**

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

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

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

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

Partners Capital International Limited has been appointed by the Provisional Liquidators as the financial advisor to the Company regarding the restructuring of the Group.

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

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

- demonstrate that the Company has a sufficient level of operations or has assets of sufficient value as required under Rules 13.24 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).
- publish all outstanding financial results and address any concerns that may be raised by the auditors of the Company.
- demonstrate that the Company has adequate financial reporting system and internal control procedures to enable the Company to meet its obligations under the Listing Rules.

- address certain issues raised by Deloitte Touche Tohmatsu, the former auditors of the Company, which details were set out in the announcement of the Company dated 30 April 2009, to the satisfaction of the Stock Exchange.
- withdrawal or dismissal of the winding-up petition and discharge of the Provisional Liquidators.

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

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

## **PROSPECTS**

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

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

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

### **PRE-EMPTIVE RIGHTS**

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

### **SIGNIFICANT INVESTMENT**

On the basis of the available books and records to the Provisional Liquidators, the Group did not have any significant investment throughout the period. Accordingly, the Provisional Liquidators are not aware of any significant discrepancy of the said item.

### **DIRECTORS' SERVICE CONTRACTS**

According to the available books and records, no director of the Company proposed for re-election at the forthcoming general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

As the books and records available to the Provisional Liquidators are either lost or incomplete, the Provisional Liquidators make no representation to the service contract entered by the Company with the directors prior to the appointment of the Provisional Liquidators.

### **CONTINGENT LIABILITIES**

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

## **PUBLIC FLOAT**

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

## **AUDIT COMMITTEE**

Following the resignations of the majority of the Company's independent non-executive directors in March and July 2009, there has been no replacement of members at the audit committee. No audit committee is therefore maintained as required by Rule 3.21 of the Listing Rules. As a result, the interim accounts of the Group for the six months ended 30 June 2009 have not been reviewed by the audit committee or the auditor.

## **NON-COMPLIANCE OF APPENDIX 16 "DISCLOSURE OF FINANCIAL INFORMATION" OF THE LISTING RULES**

Due to the failure to access the books and records of certain subsidiaries and the resignation of the majority of management personnel responsible for maintaining the books and records, the Provisional Liquidators do not have sufficient data to compile the interim report so as to comply with the Appendix 16 "Disclosure of financial information" to the Listing Rules. The following information has been omitted from this interim report.

1. A statement in respect of connected transactions and continuing connected transactions with the connected person as defined in Chapter 14A (or Chapter 14 prior to the coming into force of Chapter 14A) of the Listing Rules.
2. Details of the number and remuneration of employees, remuneration policies, and the retirement benefits scheme.
3. Details of related party transactions.
4. Details of management contracts.
5. Details of pledge of assets.

## **SHARE CAPITAL**

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

## **SHARE OPTION SCHEME**

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

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

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

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

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

The Provisional Liquidators are responsible for the accuracy and completeness of the contents of this report and the interim financial statements for the six months ended 30 June 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 condensed consolidated financial statements for the six months ended 30 June 2009 based on the books and records made available to the Provisional Liquidators.

## **INTERIM RESULTS AND DIVIDENDS**

The profit of the Group for the six months ended 30 June 2009 and the state of affairs of the Group as at that date are set out on pages 12 to 14.

There will not be a payment of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

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

Hong Kong, 29 November 2010

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months period ended 30 June 2009

	Notes	Six months ended 30 June	
		2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
<b>Turnover</b>	4	<b>58,518</b>	410,240
Costs of sales		<b>(47,548)</b>	(285,634)
<b>Gross profit</b>		<b>10,970</b>	124,606
Other income		<b>4</b>	4,735
Selling expenses		<b>(2,569)</b>	(11,684)
Administrative expenses		<b>(3,575)</b>	(12,188)
<b>Profit from operation</b>		<b>4,830</b>	105,469
Gain on termination of derivative financial instruments	16	<b>23,340</b>	–
Loss on change in fair value of derivative financial instruments		–	(7,578)
Impairment on amounts due from deconsolidated subsidiaries and amounts recovered from deconsolidated subsidiaries	12	<b>22,056</b>	–
Finance costs		<b>(1,803)</b>	(2,934)
<b>Profit before taxation</b>	5	<b>48,423</b>	94,957
Income tax expense	6	<b>(1,177)</b>	(19,282)
<b>Profit and total comprehensive income for the period attributable to equity holders of the Company</b>		<b>47,246</b>	75,675
Dividends recognised as distribution during the period	8	–	24,190
Earnings per share	9		
– Basic		<b>RMB0.075</b>	RMB0.125
– Diluted		<b>N/A</b>	RMB0.125

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

	<i>Notes</i>	<b>30 June 2009 RMB'000 (Unaudited)</b>	31 December 2008 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	<i>10</i>	<b>68,659</b>	55,426
Prepaid lease payments	<i>11</i>	–	–
		<b>68,659</b>	55,426
<b>Current assets</b>			
Inventories		<b>3,156</b>	4,341
Trade and other receivables	<i>13</i>	<b>74,651</b>	63,286
Pledged bank deposits		–	35,640
Bank balances and cash		<b>9,089</b>	11,313
		<b>86,896</b>	114,580
<b>Current liabilities</b>			
Trade and other payables	<i>14</i>	<b>10,858</b>	15,193
Amount due to a shareholder		<b>46,710</b>	42,544
Taxation payable		<b>3,723</b>	4,385
Bank borrowings	<i>15</i>	<b>58,527</b>	110,508
Provision for bank loans guarantee for a deconsolidated subsidiary	<i>18</i>	<b>29,000</b>	29,000
Other financial liabilities	<i>17</i>	<b>71,044</b>	–
Derivative financial instruments	<i>16</i>	–	96,198
		<b>219,862</b>	297,828
<b>Net current liabilities</b>		<b>(132,966)</b>	(183,248)
<b>Net liabilities</b>		<b>(64,307)</b>	(127,822)
<b>Capital and reserves</b>			
Share capital	<i>19</i>	<b>67,399</b>	64,260
Reserves		<b>(131,706)</b>	(192,082)
Deficit attributable to equity holders of the Company		<b>(64,307)</b>	(127,822)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months period ended 30 June 2009

	Share capital	Share premium	Special reserve	Share option reserve	Surplus reserve fund	Enterprise expansion fund	Retained profits/ (accumulated losses)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009 (audited)	64,260	198,618	-	18,381	6,251	-	(415,332)	(127,822)
Total comprehensive income for the period	-	-	-	-	-	-	47,246	47,246
Transfer	-	-	-	-	2,971	-	(2,971)	-
Recognition of equity-settled share-based payments	-	-	-	137	-	-	-	137
Exercise of share options	3,139	17,147	-	(4,154)	-	-	-	16,132
<b>At 30 June 2009 (unaudited)</b>	<b>67,399</b>	<b>215,765</b>	<b>-</b>	<b>14,364</b>	<b>9,222</b>	<b>-</b>	<b>(371,057)</b>	<b>(64,307)</b>
At 1 January 2008 (audited)	62,516	211,283	24,709	14,443	37,686	7,586	423,255	781,478
Dividend for 2007	-	(24,190)	-	-	-	-	-	(24,190)
Total comprehensive income for the period	-	-	-	-	-	-	75,675	75,675
Transfer	-	-	-	-	16,307	-	(16,307)	-
Recognition of equity-settled share-based payments	-	-	-	3,342	-	-	-	3,342
Exercise of share options	628	4,137	-	(793)	-	-	-	3,972
<b>At 30 June 2008 (unaudited)</b>	<b>63,144</b>	<b>191,230</b>	<b>24,709</b>	<b>16,992</b>	<b>53,993</b>	<b>7,586</b>	<b>482,623</b>	<b>840,277</b>

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

*For the six months period ended 30 June 2009*

### **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 Group is 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 condensed consolidated financial statements are presented in thousands of Renminbi (“RMB”), unless otherwise stated.

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

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34: “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the same accounting policies as those adopted in the annual financial statements for the year ended 31 December 2008 (the “2008 Annual Accounts”). These condensed consolidated financial statements should be read in conjunction with the 2008 Annual Report. The financial information relating to the financial year ended 31 December 2008 that is included in these condensed consolidated financial statements is derived from the 2008 Annual Accounts.

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

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

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

As at 30 June 2009, the Company and its subsidiaries (collectively the “Group”) had unaudited net current liabilities of approximately RMB132,966,000 (31 December 2008: RMB183,248,000) and unaudited net liabilities of RMB64,307,000 (31 December 2008: RMB127,822,000). These conditions indicate the existence of a fundamental uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

The Provisional Liquidators are responsible for the accuracy and completeness of the contents of this report and the condensed consolidated financial statements for the six months ended 30 June 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 condensed consolidated financial statements for the six months ended 30 June 2009 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 the condensed consolidated financial statements for the six months ended 30 June 2009.

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

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

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 financial statements. The Company is required to submit a viable resumption proposal to the Stock Exchange by 21 August 2010, to address the following issues:

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

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

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

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

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

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

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

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

### **2.2 Deconsolidation of subsidiaries**

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

- On 5 October 2009, Bloxworth Enterprises (HK) Limited (“Bloxworth HK”), a wholly owned subsidiary of the Company, which wholly owns Fujian Fuwang Metal Products Company Limited (福建福旺金屬製品有限公司) (“Fuwang”), was placed into creditors’ voluntary liquidation pursuant to section 228A of the Companies Ordinance (Chapter 32) of the Laws of Hong Kong. On 26 February 2010, Mr. Fok Hei Yu and Mr. Roderick John Sutton, both of FTI Consulting were appointed as Joint and Several Liquidators of Bloxworth HK.
- On 23 March 2010, Chinawinner Enterprises (HK) Limited (“Chinawinner HK”), Chinawinner Enterprises Limited (“Chinawinner BVI”) and Rich Victory Development Limited (“Rich Victory”), all direct wholly owned subsidiaries of the Company and the subsidiary of Chinawinner BVI, Sichuan Zhanwang Metal Products Company Limited (四川省展旺金屬製品有限公司) (“Zhanwang”) (collectively, the “Disposed Group”), were transferred to a special purpose vehicle controlled by the Provisional Liquidators for realisation for the benefit of the creditors of the Company and to facilitate the restructuring as proposed by the Investor.

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

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

The Provisional Liquidators are of the view that the results and assets and liabilities of Bloxworth HK, Fuwang and the Disposed Group should not be consolidated to the financial statements of the Group since 1 January 2008. The condensed consolidated financial statements as at and for the six months ended 30 June 2009 prepared on the aforementioned basis present more fairly the results and state of affairs of the Group as a whole in light of the aforesaid situations. The non-consolidation of Bloxworth HK, Fuwang and the Disposed Group is not in compliance with the requirements of Hong Kong Accounting Standards (“HKAS”) 27 “Consolidated and Separate Financial Statements”.

Any adjustment as a result of the abovementioned action may have a significant effect to the Group’s condensed consolidated financial statements for the six months ended 30 June 2009 and the relevant disclosures. Accordingly, the corresponding figures shown in the condensed consolidated financial statements may not be comparable with those figures for the six months period ended 30 June 2008.

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

Due to the failure of getting access to the books and records of certain subsidiaries and the resignation of the majority of management personnel responsible for maintaining the books and records, the Provisional Liquidators do not have sufficient data to compile the condensed consolidated financial statements of the Group for the six months ended 30 June 2009 so as to comply with the HKFRSs. The following information, among others, are not disclosed in the said condensed consolidated financial statements:

- (a) Condensed consolidated statement of cash flows for the six months ended 30 June 2009 as required by HKAS 7 “Statement of Cash Flows” issued by the HKICPA;
- (b) Details of the Group’s aging of debtors and creditors as required by the Listing Rules;
- (c) Details of related party disclosures as required by HKAS 24 “Related Party Disclosures” issued by HKICPA; and
- (d) Segment information disclosures as required by HKAS 14 “Segment Reporting” issued by the HKICPA and the Listing Rules.

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has applied for the first time the following new and revised Hong Kong Accounting Standards (“HKAS”s), amendments and interpretations (“INT”s) (hereinafter collectively referred to as “new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) which are effective for accounting period beginning on or after 1 January 2009.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial instruments
HKFRS 8	Operating Segments
HK(IFRIC)*-Int 9 and HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfer of Assets from Customers (adopted from 1 July 2009)
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

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

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

#### **Presentation of Financial Statements**

HKAS 1 (Revised) “Presentation of Financial Statements” affects certain disclosures and presentation of the financial statements. The balance sheet is renamed as the statement of financial position and the cash flow statement is renamed as the statement of cash flows. All income and expenses arising from transactions with non-owners are presented in the statement of comprehensive income, and the total carried to the statement of changes in equity. The owner changes in equity are presented in the statement of changes in equity. HKAS 1 (Revised) also requires disclosures of the reclassification adjustments and tax effects relating to each component of other comprehensive income for the year. HKAS 1 (Revised) has been applied retrospectively.

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>2</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2010 <sup>3</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>4</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>1</sup>
HKAS 32 (Amendment)	Classification of Rights Issues <sup>5</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>1</sup>
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters <sup>6</sup>
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>8</sup>
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions <sup>6</sup>
HKFRS 3 (Revised)	Business Combinations <sup>1</sup>
HKFRS 9	Financial Instruments <sup>7</sup>
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement <sup>4</sup>
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners <sup>1</sup>
HK(IFRIC)-Int 18	Transfers of Assets from Customers <sup>1</sup>
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>8</sup>
HK Interpretation 4 (Amendments)	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases <sup>6</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009.

<sup>2</sup> Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

<sup>3</sup> Amendments that are effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2011.

<sup>5</sup> Effective for annual periods beginning on or after 1 February 2010.

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2010.

<sup>7</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>8</sup> Effective for annual periods beginning on or after 1 July 2010.

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition dates are 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 the Group's ownership interest in a subsidiary that do not result in loss of control of the subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions. The Provisional Liquidators anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

#### 4. TURNOVER

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

#### 5. PROFIT BEFORE TAXATION

Six months ended 30 June	
2009	2008
RMB'000	RMB'000
(Unaudited)	(Unaudited)

Profit before taxation has been arrived at after charging:

Cost of inventories recognized as an expense	47,548	285,634
Depreciation of property, plant and equipment	2,786	15,143
Minimum lease payments in respect of:		
– Land and buildings	349	524
– Machinery and equipment	1,000	1,000
Release of prepaid lease payments	–	24

And after crediting:

Interest income on bank deposits	<u>4</u>	<u>1,474</u>
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#### 6. INCOME TAX EXPENSE

Six months ended 30 June	
2009	2008
RMB'000	RMB'000
(Unaudited)	(Unaudited)

The charge comprises:

Income tax calculated at the rates prevailing in the PRC	<u>1,177</u>	<u>19,282</u>
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No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

## 6. INCOME TAX EXPENSE (Continued)

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

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

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

## 7. 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:

	<b>Number of share options</b>
Outstanding at 1 January 2009	116,550,000
Granted during the period	3,100,000
Exercised during the period	<u>(35,600,000)</u>
Outstanding at 30 June 2009	<u><u>84,050,000</u></u>

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

The closing price of the Company's share immediately before 14 January 2009, the date of grant of options, was HK\$0.370 (equivalent to approximately RMB0.326).

The closing price of the Company's share immediately before 1 January 2009, 14 January 2009, 15 January 2009, 19 January 2009, 20 January 2009, 17 February 2009, 26 February 2009 and 16 March 2009, on which the share options were exercised at HK\$0.430, HK\$0.380, HK\$0.370, HK\$0.350, HK\$0.360, HK\$0.280, HK\$0.250 and HK\$0.190 respectively (equivalent to approximately RMB0.370, RMB0.330, RMB0.320, RMB0.310, RMB0.310, RMB0.240, RMB0.220 and RMB0.160 respectively).

## 7. SHARE-BASED PAYMENTS (Continued)

The estimated fair value of the share options granted on 14 January 2009 was HK\$155,678 (equivalent to approximately RMB137,000). Details of the fair value of the share options determined at the dates of grant on 14 January 2009 using the Black-Scholes option pricing model with the inputs are as follows:

	<b>14 January 2009</b>
Share price at date of grant	HK\$0.370
Exercise price	HK\$0.399
Expected volatility	56.54%
Expected life of options	1 year
Risk-free rate	0.3%
Expected dividend yield	<u>12.16%</u>

### *Notes:*

- (i) The volatility measured at the standard deviation of expected share price returns is based on a statistical analysis of daily share prices over certain periods immediately preceding the grant 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 RMB137,000 (six months ended 30 June 2008: RMB3,342,000) in relation to share options granted by the Company.

## 8. DIVIDEND

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Ordinary shares:		
Interim dividend – NIL per share	–	–
Final, paid for 2007 RMB0.042 per share	–	24,190
	<u>–</u>	<u>24,190</u>
	<b><u>–</u></b>	<b><u>24,190</u></b>

## 9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period for the purposes of basic and diluted earnings per share	<b><u>47,246</u></b>	<b><u>75,675</u></b>

	Six months ended 30 June	
	2009	2008
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>628,427,075</b>	604,898,773
Effect of dilutive potential ordinary shares:		
Share options	–	2,855,991
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b><u>628,427,075</u></b>	<b><u>607,754,764</u></b>

For the six months ended 30 June 2008 and 30 June 2009, 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 this period. All the issued and outstanding warrants had lapsed at the end of the subscription period, i.e. 18 May 2009.

## 10. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the current period the Group acquired property, plant and equipment of RMB16,020,000.

## 11. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent medium-term land use rights situated in Fujian, and deposits paid for compensation and land use rights in Shanxi and Sichuan, the PRC respectively.

	RMB'000
At 1 January 2008	82,916
Deconsolidation of subsidiaries	(70,516)
Impairment loss recognised during the year ( <i>Note</i> )	(12,400)
	<hr/>
At 31 December 2008, 1 January 2009 and 30 June 2009	<hr/> <hr/> <u>–</u>

### *Note:*

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 汾陽市 by a subsidiary, Zhanpen in 2007. Pursuant to the agreement 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 deposit prepaid, the prepaid deposit of RMB12,400,000 should be impaired in current year.

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.

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

	<b>30 June 2009 RMB'000 (Unaudited)</b>	30 June 2008 RMB'000 (Unaudited)
Impairment on amounts due from the deconsolidated subsidiaries	<b>(8)</b>	–
Amounts recovered from the deconsolidated subsidiaries	<b>22,064</b>	–
	<b>22,056</b>	–

*Note:*

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

**13. TRADE AND OTHER RECEIVABLES**

	<b>30 June 2009 RMB'000 (Unaudited)</b>	31 December 2008 RMB'000 (Audited)
Trade receivables	<b>73,747</b>	61,139
Other receivables, deposits and prepayments	<b>904</b>	2,147
	<b>74,651</b>	63,286

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

#### 14. TRADE AND OTHER PAYABLES

	<b>30 June 2009 RMB'000 (Unaudited)</b>	31 December 2008 RMB'000 (Audited)
Trade payables	4,615	8,314
Receipt in advance, other payables and accrued charges	<u>6,243</u>	<u>6,879</u>
	<b><u>10,858</u></b>	<b><u>15,193</u></b>

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

#### 15. BANK BORROWINGS

	<b>30 June 2009 RMB'000 (Unaudited)</b>	31 December 2008 RMB'000 (Audited)
Bank loans, secured	56,858	110,508
Bank overdrafts, secured	<u>1,669</u>	<u>–</u>
	<b><u>58,527</u></b>	<b><u>110,508</u></b>

  

	<b>30 June 2009 RMB'000 (Unaudited)</b>	31 December 2008 RMB'000 (Audited)
	<b><u>58,527</u></b>	<b><u>110,508</u></b>

The maturity of the secured bank borrowings,  
is as follows:

Within one year or on demand	<b><u>58,527</u></b>	<b><u>110,508</u></b>
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Bank borrowings of RMB58,527,000 (31 December 2008: RMB99,733,000) and RMB Nil (31 December 2008: RMB10,775,000) are denominated in Hong Kong dollars and United States dollars respectively, and arranged at floating rates from 2% to 3.5% over HIBOR (31 December 2008: 2% to 3.5% over HIBOR) per annum and Nil (31 December 2008: 1.75% over USD LIBOR) per annum.

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

## 16. DERIVATIVE FINANCIAL INSTRUMENTS

### Swaps derivatives

	<b>30 June 2009 RMB'000 (Unaudited)</b>	31 December 2008 RMB'000 (Audited)
At 1 January	<b>96,198</b>	109,337
Payments made during the year	<b>(2,028)</b>	(21,264)
Changes in fair value	–	8,125
Gain on termination	<b>(23,340)</b>	–
Derecognition upon termination ( <i>Note 17</i> )	<b>(70,830)</b>	–
	<hr/>	<hr/>
Structure interest rate swap at 30 June/31 December	<b>–</b>	<b>96,198</b>

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

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

## 16. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

### Swaps derivatives (Continued)

#### Notes:

- (i) n : Number of business days in the calculation period that HK\$ 10-years CMS<sup>#</sup> minus HK\$ 2-years CMS<sup>^</sup>  $\geq 0\%$ 
  - m: Total number of business days in the calculation period
  - # Mid-market quarterly swap rate expressed as a percentage for a HK\$ interest rate swap transaction with a term equal to 10 years which appears on the Reuters Screen ISDAFIX5 Page 11:00 a.m. Hong Kong time fixing on each day in the Accrual Period.
  - <sup>^</sup> Mid-market quarterly swap rate expressed as a percentage for a HK\$ interest rate swap transaction with a term equal to 2 years which appears on the Reuters Screen ISDAFIX5 Page 11:00 a.m. Hong Kong time fixing on each day in the Accrual Period.
- (ii) Index\* of YoY Return: The closing level of the Index five business days prior to the end of the relevant coupon payment period/closing level of the Index five business days prior to the payment date which is two coupon payment periods prior to the relevant coupon payment (or effective date in cash of the second coupon payment period) – 1.
  - \* *Index means the “Deutsche Bank Pan-Asian Forward Rate Bias Index” (the “Index”) as published on Bloomberg Page DBFRASI3 <Index>*

On 13 May 2009, the Swaps were early terminated by the Bank as a result of the Company not paying the interest payment under the Swaps on the due dates and the Company received a statement of demand dated 15 May 2009 for an early termination amount (the “Termination Amount”) of US\$10,319,033 (equivalent to approximately RMB70,830,000) and a gain of RMB23,340,000 was recognised upon termination of the Swaps on the same date. The Termination Amount is remained unsettled with the Bank as at 31 December 2009 and is included under “Other financial liabilities (see Note 17) in the condensed consolidated statement of financial position at the same date. The Provisional Liquidators had negotiated with Deutsche Bank the basis for calculation of the Termination Amount. In August 2010, both parties agreed the revised Termination Amount of US\$10,069,033.

## 16. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

### 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").

Pursuant to the terms of the Instrument, the Instrument, including any issued and outstanding Warrants, had lapsed at the end of the subscription period, i.e. 18 May 2009. To the best knowledge of the Provisional Liquidators, no Warrants has been issued or exercised during the period ended 30 June 2009.

## 17. OTHER FINANCIAL LIABILITIES

	<b>30 June 2009 RMB'000 (Unaudited)</b>	31 December 2008 RMB'000 (Audited)
Termination Amount ( <i>Note (i)</i> )	<b>70,830</b>	–
Accrued interest ( <i>Note (ii)</i> )	<b>214</b>	–
At 30 June	<b><u>71,044</u></b>	<b><u>–</u></b>

### Notes:

- (i) The balance represents the Termination Amount demanded by the bank as a result of the early termination of the Swaps (*see Note 16*).
- (ii) Interest is accrued on the Termination Amount for the period from 13 May 2009 to 30 June 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.

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

	<b>30 June 2009 RMB'000 (Unaudited)</b>	31 December 2008 RMB'000 (Audited)
Provision for bank loans guarantee for 福建福旺金屬製品有限公司	<b>29,000</b>	<b>29,000</b>

Details of the guarantee are set out below:

<b>Bank</b>	<b>Guarantee for</b>	<b>Status of subsidiary</b>	<b>Guaranteed Amount RMB'000</b>
Bank of China Fuqian Branch	Fuwang	Bloxworth HK, the 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 has executed corporate guarantee to the extent of RMB29,000,000 (31 December 2008: RMB29,000,000) to a bank in the PRC to secure the loans extended to a deconsolidated subsidiary. So far the Company does not receive any notice of demand for repayment under the guarantee. Based on the legal advice obtained 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 2008: RMB29,000,000) in the condensed consolidated financial statements.

Since the Provisional Liquidators lost control of certain subsidiaries and failed to get access to the complete books and records of the Company and its subsidiaries, the Provisional Liquidators made no representation as to the completeness and accuracy of the above mentioned corporate guarantee.

## 19. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2008, 31 December 2008 and 30 June 2009	<u>2,000,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 1 January 2008	601,791,081	60,179
Exercise of share options	<u>19,730,000</u>	<u>1,973</u>
At 31 December 2008 and 1 January 2009 (Audited)	621,521,081	62,152
Exercise of share options	<u>35,600,000</u>	<u>3,560</u>
At 30 June 2009 (Unaudited)	<u>657,121,081</u>	<u>65,712</u>
		RMB'000
Shown in the condensed consolidated financial statements		
At 30 June 2009		<u>67,399</u>
At 31 December 2008		<u>64,260</u>

*Note:*

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

## 20. RESERVES

### (a) Basis of appropriations to reserves

As stipulated by the relevant laws and regulations in the PRC, Fuwang, Zhanwang and 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.

## 21. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group had the following significant transactions carried out with related parties during the period.

### Balances with deconsolidated subsidiaries

	<b>30 June 2009 RMB'000 (Unaudited)</b>	31 December 2008 RMB'000 (Audited)
Amounts due from deconsolidated subsidiaries:		
– 福建福旺金屬製品有限公司	–	263,738
– Bloxworth Enterprises (HK) Limited	–	17,853
– Rich Victory Development Limited	–	17
– Chinawinner Enterprises Limited	<b>8</b>	5,468
– Chinawinner Enterprises (HK) Limited	–	9
	<b>8</b>	287,085
Less: Impairment losses	<b>(8)</b>	(287,085)
	<b>–</b>	<b>–</b>

## **21. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)**

The amounts due from deconsolidated subsidiaries are unsecured, interest-free and repayable on demand.

Since the Provisional Liquidators lost control of certain subsidiaries and failed to get access to the complete books and records of the Company and its subsidiaries, the Provisional Liquidators make no representation as to the completeness and accuracy of the balances and transactions with the deconsolidated subsidiaries.

## **22. CONTINGENT LIABILITIES**

Since the Provisional Liquidators lost control of certain subsidiaries and failed to get access to the complete books and records of the Company and its subsidiaries, the Provisional Liquidators make no representation as to the completeness and accuracy of the contingent liabilities for the six months ended 30 June 2009 (30 June 2008: Nil).

## **23. COMMITMENTS**

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

## **24. EVENTS AFTER THE REPORTING PERIOD**

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

On 5 October 2009, Bloxworth HK, a wholly owned subsidiary of the Company, which wholly owns the shareholding interest in Fuwang, was placed in creditors’ voluntary liquidation pursuant to section 228A of the Companies Ordinance (Chapter 32) of the Laws of Hong Kong. On 26 February 2010, Mr. Fok Hei Yu and Mr. Roderick John Sutton were appointed as Joint and Several Liquidators of Bloxworth HK.

Partners Capital International Limited has been appointed by the Provisional Liquidators as the financial advisor to the Company regarding the restructuring of the Group.

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

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

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

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

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

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

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

## ADDITIONAL INFORMATION

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

At 30 June 2009, the interests of the directors and the chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

<b>Beneficial interests</b>	<b>Position</b>	<b>Corporate interests</b>	<b>Total number of shares held</b>	<b>Percentage of total issued shares</b>
Fu Teng Global Limited	Long	236,610,000	236,610,000	36.01%
Ms. Yang Yunxian	Long	236,610,000	236,610,000	36.01%
Mr. Yang Zongwang	Long	236,610,000	236,610,000	36.01%
Mr. Xue De Fa ( <i>Note 1</i> )	Long			
Mr. Xie Xi ( <i>Note 1</i> )	Long			

*Note 1:* Mr. Xue De Fa and Mr. Xie Xi were retired as the executive directors of the Company on 18 September 2009.

To the best information and knowledge of the Provisional Liquidators, other than as disclosed above, none of the directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2009.

## Substantial Shareholders

As at 30 June 2009, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

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

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

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

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Provisional Liquidators make no representation as to whether the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2009.

## CORPORATE GOVERNANCE

As the Provisional Liquidators were appointed on 2 October 2009, the Provisional Liquidators are unable to comment as to whether the Company has complied with the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2009.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

As the Provisional Liquidators were appointed on 2 October 2009, the Provisional Liquidators are unable to comment on whether the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the directors of the Company for the six months ended 30 June 2009. The Provisional Liquidators make no representation as to whether the directors of the Company have complied with the required standard set out in the Model Code during the six months ended 30 June 2009.