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)

Annual Report 2010

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Corporate Information

JOINT AND SEVERAL PROVISIONAL LIQUIDATORS

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

BOARD OF DIRECTORS

Executive Directors

Mr. LIU Zhi Qiang

Independent Non-Executive Directors

Mr. CHONG Hoi Fung

AUDIT COMMITTEE

Mr. CHONG Hoi Fung

REMUNERATION COMMITTEE

Mr. CHONG Hoi Fong

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

ZHONGLEI (HK) CPA Company Limited
Unit 216-218, 2/F, Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Provisional Liquidators' Report

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

On 2 October 2009, DBS Bank (Hong Kong) Limited filed an application 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 (Hong Kong) Limited (formerly Ferrier Hodgson Limited), to act as provisional liquidators to the Company (the "**Provisional Liquidators**") on the same day.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as 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**").

FINANCIAL RESULTS

2010 was a challenging year for the Company to consolidate its core tinpate cans business. For the year ended 31 December 2010, the Group's revenue was approximately RMB124,812,000 (2009: RMB74,066,000), representing an increase of approximately 68.5% as compared to last year which was due to an increase in sales volume and average unit selling price of tinplate cans. The Group was turned around from a gross loss position for the year ended 31 December 2009 to a gross profit margin of 18.34% for the year ended 31 December 2010. The Group continued to be cautious in controlling its cost of production and overheads. Respective state of affairs of the Group is set out in the consolidated financial statements on pages 17 to 62 of this report. The consolidated profit attributable to shareholders of the Company amounted to approximately RMB9,247,000 for the year ended 31 December 2010 (2009: loss of RMB8,608,000). Basic earnings per share was approximately RMB0.0141 for the year ended 31 December 2010 (2009: loss per share RMB0.0133). There will be no payment of dividend for the year ended 31 December 2010 (2009: nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

Bank balances and cash including escrow money as at 31 December 2010 was approximately RMB3,537,000 (31 December 2009: RMB4,811,000). 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 has shareholders' deficit for the financial years ended 31 December 2009 and 2010.

CAPITAL STRUCTURE

Details of the capital structure of the Company are set out in note 28 to the 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 2 October 2009, Mr. Fok Hei Yu and Mr. Roderick John Sutton were appointed as the Provisional Liquidators of the Company. On 28 December 2009, the Provisional Liquidators, on behalf of the Company, FTI Consulting (Hong Kong) Limited ("**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 in the Group, and in turn, the Investor agreed to advance funds to the Company to meet the costs and expenses in relation to the implementation of the restructuring of the Company. Furthermore, the Investor acknowledges that the Company and its business in the PRC may require working capital for its normal operations during this period and agrees to make available a working capital facility to the Group, if necessary. On 24 December 2010, the Provisional Liquidators, on behalf of the Company, the Escrow Agent and the Investor entered into a supplemental agreement to extend the exclusivity period to 24-month up to 27 December 2011.

Up to the date of this report, in addition to the working capital to the Group as advanced by the Investor for the Group's daily operation, the Investor has also advanced a total sum of HKD7 million to the Company to meet the costs and expenses in relation to the implementation of the restructuring of the Company.

On 22 February 2010, the Stock Exchange issued a letter to the Company, inter alia, requested 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

– publish all outstanding financial results and address any concerns that may be raised by the auditors.

– demonstrate that the Company has adequate financial reporting system and internal control procedures to enable the Company to meet its obligations under the Listing Rules.

– address certain issues raised by Deloitte Touche Tohmatsu, the 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 and Rich Victory Development Limited, at a nominal consideration of HKD3 in aggregate. Chinawinner BVI is the holding company of Sichuan Zhanwang Metal Products Company Limited（四川展旺金屬製品有限公司）. The aforesaid transaction is primarily in furtherance of the Group's restructuring.

On 13 May 2009, the two structured five-year interest rate swaps entered by the Company on 31 December 2007 (the "**Swaps**") were early terminated by Deutsche Bank as a result of the Company not paying the interest payment under the Swaps on the due dates and the Company received a statement of demand dated 15 May 2009 for an early termination amount of USD10,319,033 (equivalent to approximately RMB70,830,000) and a gain of RMB23,340,000 was recognised upon termination of the Swaps on the same date. The 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 USD10,069,033.

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 might 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 turn around 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（山西展鵬金屬製品有限公司）, 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, MATERIAL ACQUISITION AND DISPOSAL

To the best knowledge and information of the Provisional Liquidators, save as disclosed in this report, if any, the Group did not have any significant investment, material acquisition and disposal throughout the year. The Provisional Liquidators are not aware of any significant discrepancy of the said item.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the five largest customers of the Group accounted for approximately 50% of the Group's total turnover for the year. In particular, sales to the largest customer of the Group accounted for approximately 11% of the Group's total turnover for the year.

Purchases from the five largest suppliers of the Group accounted for 93% of the Group's total purchase for the year. In particular, purchases from the Group's largest supplier accounted for approximately 27% of the Group's total purchases for the year.

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

DIRECTORS

To the best knowledge of the Provisional Liquidators, the directors of the Company during the year and up to the date of this report were:

Executive Directors
Mr. LIU Zhi Qiang

Independent Non-Executive Directors
Mr. CHONG Hoi Fung

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

To the best knowledge of the Provisional Liquidators, as at 31 December 2010, the interests of the directors and their associates in the shares, underlying shares and debentures of the Company, its subsidiaries and 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) (the "**SFO**"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**"), were as follows:

Long position in the shares of the Company

Name of directors	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 *(Note)*	236,610,000	–	236,610,000	36.01%

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, to the best knowledge of the Provisional Liquidators, none of the directors or chief executive or any of their associates, had any interests or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations at 31 December 2010.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of the directors and chief executive, the following shareholders had notified the Company that they were interested in 5% or more of the issued share capital of the Company.

Name of shareholder	Number of issued ordinary shares held	Approximate percentage of the issued shares capital of the Company
Fu Teng	236,610,000 *(Note a)*	36.01%
Ms. Yang Yunxian	236,610,000 *(Note b)*	36.01%
Mr. Yang	236,610,000 *(Note b)*	36.01%

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 236,610,000 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.

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 HKD0.10 each in the Company, subject to adjustments, at an initial subscription price of HKD0.88 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 HKD0.88 (equivalent to approximately RMB0.82) as at the date of issue of the Warrants until 18 May 2007, and thereafter will be HKD0.88 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 HKD0.71 (equivalent to approximately RMB0.66). As at 31 December 2010, 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 carried at fair value. Exercise in full of such Warrants would results in the issue of 38,000,000 additional ordinary shares of HKD0.10 each in the Company.

Save as disclosed above, the Provisional Liquidators were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as at 31 December 2010, which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' SERVICE CONTRACTS

To the best of the Provisional Liquidators' knowledge, 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) for the year ended 31 December 2010.

The Provisional Liquidators make no representation to the service contract entered by the Company with the directors up to 31 December 2009.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

To the best of the Provisional Liquidators' knowledge, there are no any rights to acquire shares or benefits by means of the acquisition of shares in or debentures of the Company were granted to any directors or their respective spouse or minor children, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement(s) to enable the directors to acquire such rights in any other body corporate during the year ended 31 December 2010.

The Provisional Liquidators make no representation on the directors to acquire such rights in any other body corporate up to 31 December 2009.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE AND CONNECTED PARTY TRANSACTIONS

To the best of the Provisional Liquidators' knowledge, the directors do not have a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2010.

MANAGEMENT CONTRACT

To the best of their knowledge and information, the Provisional Liquidators are unaware of any contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed for the year ended 31 December 2010.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

To the best of their knowledge and information, the Provisional Liquidators are unaware of any directors or the management shareholder of the Company had any interest in a business which competes or may compete with the business of the Group for the year ended 31 December 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

As at 31 December 2010, the Company has not yet adopted the Model Code. However, Company will, as soon as practicable, adopt such code of conduct on terms not less stringent than those in the required standard set out in the Model Code to be complied by all directors of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

To the best of the Provisional Liquidators' knowledge, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2010.

CONTINGENT LIABILITIES

Details are set out in note 32 to the financial statements.

RELATED PARTY TRANSACTIONS, CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Details are set out in note 33 to the 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, July and October 2009, there has been no replacement of members of the audit committee. No audit committee is therefore maintained as required by Rule 3.21 of the Listing Rules. As a result, the audited accounts of the Group for the year ended 31 December 2010 have not been reviewed by the audit committee.

PLEDGE OF ASSETS

To the best knowledge and information of the Provisional Liquidators, there is no any pledge of asset carried out for the year ended 31 December 2010.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2010, the Group had 95 employees situated mainly in the PRC and Hong Kong. The Group's emoluments policies are formulated based on industry practices and performance of individual employees. For the year ended 31 December 2010, the total staff costs amounted to approximately RMB1,974,000 and there were no payment to directors as remuneration.

During the year ended 31 December 2010, no share option has been granted by the Company.

Details of employees' remuneration are set out in note 11 to the consolidated financial statements.

DIVIDEND

No dividend was proposed or paid during the year ended 31 December 2010 nor any dividend has been proposed since the end of the reporting period (2009: nil).

RESERVE

Movements in reserves of the Group and the Company during the year are set out in the statement of changes in equity on page 20.

SHARE CAPITAL

Movements in share capital of the Company are set out in note 26 to the 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 HKD5,000,000 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 HKD1 per each grant of options. Options may be exercised at any time from the date of acceptance of the share option to such date as determined by the board of directors but in any event not exceeding 10 years. The exercise price is determined by the directors of the Company and will be not less than the higher of the closing price of the Company's shares on the date of grant, the average closing prices of the shares for the five business days immediately preceding the date of grant and the nominal value of the Company's shares.

To the best knowledge and information of the Provisional Liquidators, 68,250,000 share options were lapsed and no share option has been granted for the year ended 31 December 2010.

CORPORATE GOVERNANCE

The Company's code on corporate governance practices was adopted by reference to the provisions of the Code on corporate Governance Practices (the "**CG Code**") contained in Appendix 14 to the Listing Rules. However, due to the severe financial difficulties of the Group and the appointment of the Provisional Liquidators, the Provisional Liquidators are unable to comment as to whether the Company has complied with the CG Code contained in Appendix 14 of the Listing Rules for the year ended 31 December 2010.

SIGNIFICANT POST-BALANCE SHEET EVENTS

Details of the significant post-balance sheet events of the Group are set out in note 39 to the financial statements.

AUDITORS

The financial statements for the year ended 31 December 2010 were audited by ZHONGLEI (HK) CPA Company Limited ("**ZHONGLEI**").

ZHONGLEI were appointed as auditor to the Group on 14 February 2011 to fill the casual vacancy occasioned by the resignation of World Link CPA Limited. The reason for the change of auditor was the Provisional Liquidators and World Link CPA Limited could not reach a mutual agreement on the level of audit fees for the audit of the consolidated financial statements of the Group for the year ended 31 December 2010. ZHONGLEI will hold office until the conclusion of the next annual general meeting of the Company.

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 acts without personal liabilities

Hong Kong, 30 March 2011

Biographical Details of Directors

Based on the available information to the Provisional Liquidators, the biographical details of the directors of the Company are set out as follows:

EXECUTIVE DIRECTORS

Mr. Liu Zhi Qiang（劉志強）, aged 49, is responsible for the Group's administration. Mr. Liu joined the Group in September 2002. Mr. Liu graduated from the Guanghua School of Management in the Peking University with a Executive Master in Business Administration programme. Mr. Liu gained about 22 years of experience in corporate finance and project management. He has held various senior positions in a number of recognised financial institutions and companies in the PRC and Hong Kong, including 中國光大國際信託投資公司 (China Everbright Trust and Investment Company), 日本櫻花銀行 (Sakura Global Capital Co., Ltd.), 京華山一國際（香港）有限公司 (Core Pacific – Yamaichi International (H.K.) Limited) and 中國星火有限公司 (China Spark Co., Ltd.). He also previously worked in the statistics department of 中國人民銀行 (People's Bank of China).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chong Hoi Fong（庄海峰）, aged 40, joined the Group in June 2003 and has been a deputy general manager of a property development company in the PRC for 8 years. He has also held senior positions in other property development companies in Hong Kong and the PRC. Mr. Chong graduated from Xiamen University with a bachelor degree in Economics in 1993. He has about 11 years of experience in property development and 2 years of experience in international trading in the PRC.

TO THE SHAREHOLDERS OF CHINA PACKAGING GROUP COMPANY LIMITED
(Provisional Liquidators Appointed)
(incorporated in the Cayman Islands with limited liability)

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

DIRECTORS' AND PROVISIONAL LIQUIDATORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

As stated in Note 2.1 to the consolidated financial statements:

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

The Provisional Liquidators are responsible for the accuracy and completeness of the contents of the annual report and the audited consolidated financial statements for the year ended 31 December 2010 in relation to (i) the affairs of the Group after the appointment of the Provisional Liquidators; and (ii) the preparation of the contents of these audited consolidated financial statements for the year ended 31 December 2010 based on the books and records made available to the Provisional Liquidators."

AUDITOR'S RESPONSIBILITY

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

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

BASIS FOR DISCLAIMER OF OPINION

1. Going concern and basis of preparation

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

2. Lack of Provisional Liquidators, director and management representation

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

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

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

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

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

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

4. Gain on disposal of deconsolidation of subsidiaries

The Group has a gain on disposal of deconsolidated subsidiaries of HKD3 from the disposal of its entire equity interests in certain deconsolidated subsidiaries during the year ended 31 December 2010. Due to scope limitation as described in the 2009 Auditor's Report in respect of loss on deconsolidation of subsidiaries, impairment on investment costs and amount due from deconsolidated subsidiaries, amounts recovered from deconsolidated subsidiaries, we were unable to satisfy ourselves as to the accuracy of the carrying value of the deconsolidated subsidiaries as at the date of the disposal included in the calculation of the gain on disposal of deconsolidated subsidiaries during the year ended 31 December 2010 and as to whether the amount of gain on disposal of deconsolidated subsidiaries has been accurately recorded in the consolidated statement of comprehensive income. Any adjustments to the figure would have a consequential effect on the gain of the Group for the year ended 31 December 2010.

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

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

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

FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

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

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

DISCLAIMER OF OPINION

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

REPORT ON MATTERS UNDER SECTIONS 141 (4) AND 141 (6) OF THE HONG KONG COMPANIES ORDINANCE

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

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and

- we were unable to determine whether proper books of account had been kept.

ZHONGLEI (HK) CPA COMPANY LIMITED
Certified Public Accountants (Practising)
Chan Chi Kei Ronald
Practising Certificate Number: P04255

Hong Kong
30 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

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

The notes on page 22 to 61 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2010

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

Consolidated Statement of Financial Position

At 31 December 2010

	Notes	**2010 RMB'000**	2009 RMB'000
Capital and reserves			
Share capital	28	**67,399**	67,399
Reserves		**(178,313)**	(187,560)
Deficit attributable to owners of the Company		**(110,914)**	(120,161)

The consolidated financial statements on the pages from 17 to 61 were approved and authorised for issue by the Joint and Several Provisional Liquidators on 30 March 2011 and are signed on its behalf by:

Fok Hei Yu
Joint and Several Provisional Liquidator
who acts without personal liability

Roderick John Sutton
Joint and Several Provisional Liquidator
who acts without personal liability

The notes on page 22 to 61 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Share capital RMB'000	Share premium RMB'000 *(Note 30(b))*	Share option reserve RMB'000	Surplus reserve fund RMB'000 *(Note 30(a))*	Retained profits (accumulated losses) RMB'000	Total RMB'000
At 1 January 2009	64,260	198,618	18,381	6,251	(415,332)	(127,822)
Total comprehensive loss for the year	–	–	–	–	(8,608)	(8,608)
Transfer *(Note 30(a))*	–	–	–	2,971	(2,971)	–
Recognition of equity-settled share-based payments	–	–	137	–	–	137
Exercise of share options	3,139	17,147	(4,154)	–	–	16,132
Lapse of share options	–	–	(665)	–	665	–
At 31 December 2009 and 1 January 2010	67,399	215,765	13,699	9,222	(426,246)	(120,161)
Total comprehensive profit for the year	–	–	–	–	9,247	9,247
Lapse of share options	–	–	(12,761)	–	12,761	–
At 31 December 2010	67,399	215,765	938	9,222	(404,238)	(110,914)

The notes on page 22 to 61 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flow

For the year ended 31 December 2010

	2010 RMB'000
OPERATING ACTIVITIES	
Profit before tax	**14,648**
Adjustments for:	
Finance costs	**5,460**
Depreciation of property, plant and equipment	**6,220**
Net foreign exchange gain	**(7,415)**
Waived of other financial liabilities	**(1,671)**
Gain on disposal of property, plant and equipment	**(11)**
Operating cash flows before movements in working capital	**17,231**
Decrease in inventories	**384**
Increase in trade and other receivables	**(20,179)**
Decrease in escrow money	**3,385**
Increase in trade and other payables	**7,075**
Cash generated from operations	**7,896**
Income tax paid	**(1,856)**
NET CASH FROM OPERATING ACTIVITIES	**6,040**
INVESTING ACTIVITIES	
Purchases of property, plant and equipment	**(5,385)**
Proceeds from disposal of property, plant and equipment	**458**
NET CASH USED IN INVESTING ACTIVITIES	**(4,927)**
FINANCING ACTIVITIES	
Proceeds from investor's loan	**857**
Increase in amount due to an investor	**268**
NET CASH FROM FINANCING ACTIVITIES	**1,125**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,238**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**411**
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**2,649**

The notes on page 22 to 61 are an integral part of these consolidated financial statements.

1. GENERAL

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

The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") are principally engaged in the manufacture and sale of tinplate cans for the packaging of beverage in Shanxi, the People's Republic of China (the "**PRC**").

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

2. BASIS OF PRESENTATION

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

As at 31 December 2010, the Group had net current liabilities of approximately RMB173,948,000 (2009: RMB185,690,000) and net liabilities of approximately RMB110,914,000 (2009: RMB120,161,000). These conditions indicate the existence of a fundamental uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

The Provisional Liquidators are responsible for the accuracy and completeness of the contents of the annual report and the audited consolidated financial statements for the year ended 31 December 2010 in relation to (i) the affairs of the Group after the appointment of the Provisional Liquidators; and (ii) the preparation of the contents of these audited consolidated financial statements for the year ended 31 December 2010 based on the books and records made available to the Provisional Liquidators.

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

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

(i) demonstrate that the Company has a sufficient level of operations or has assets of sufficient value as required under Rule 13.24 of the Listing Rules;

(ii) publish all outstanding financial results and address any concerns that may be raised by the auditors;

(iii) demonstrate that the Company has adequate financial reporting system and internal control procedures to enable the Company to meet its obligations under the Listing Rules;

(iv) address certain issues raised by Deloitte Touche Tohmatsu, the then auditors of the Company, which details were set out in the announcement of the Company dated 30 April 2009, to the satisfaction of the Stock Exchange; and

(v) withdrawal or dismissal of the winding-up petition and discharge of the Provisional Liquidators.

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

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

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

2. BASIS OF PRESENTATION *(continued)*

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

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

Should the Group be unable to achieve a successful restructuring and to continue its business as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

2.2. Deconsolidation of subsidiaries

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

On 23 March 2010, the Provisional Liquidators on behalf of the Company and Sino Gather Limited ("**Sino Gather**") (a special purpose vehicle controlled by the Provisional Liquidators) entered into a sale and purchase agreement where Sino Gather agreed to acquire and the Provisional Liquidators (on behalf of the Company) agreed to sell the entire share capital of Chinawinner Enterprises Limited ("**Chinawinner BVI**"), Chinawinner Enterprises (HK) Limited ("**Chinawinner HK**") and Rich Victory Development Limited ("**Rich Victory**"), at a nominal consideration of HKD3 in aggregate. Chinawinner BVI is the holding company of Sichuan Zhanwang Metal Products Company Limited*（四川省展旺金屬製品有限公司）("**Zhanwang**"). The disposal of Chinawinner BVI, Chinawinner HK, Rich Victory and Zhanwang (collectively referred to as the "**Disposed Group**") is primarily in furtherance of the Group's restructuring. Upon the signing of the sale and purchase agreement on 23 March 2010, the disposal has been taken effect simultaneously on the same day.

The Provisional Liquidators are of the view that since the control over Bloxworth HK, Fuwang and the Disposed Group had been lost, the corresponding results and assets and liabilities should not be consolidated to the consolidated financial statements of the Group since 1 January 2008. The consolidated financial statements as at and for the years ended 31 December 2008, 2009 and 2010 prepared on the aforementioned basis present more fairly the results and state of affairs of the Group as a whole in light of the aforesaid situations. The non-consolidation of Bloxworth HK, Fuwang and the Disposed Group is not in compliance with the requirements of Hong Kong Accounting Standards 27 "Consolidated and Separate Financial Statements".

* *The English names are for identification only*

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

In the current year, the Group has applied the following new and revised Hong Kong Accounting Standards ("**HKASs**"), Hong Kong Financial Reporting Standards ("**HKFRS**"), amendments and interpretations ("**INTs**") (hereinafter collectively referred to as "**news and revised HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") which are effective for accounting period beginning on or after 1 January 2010.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 (Amendments)	Additional Exemptions from First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK-Interpretation ("Int") 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HK(IFRIC)-Int 17	Distributions of Non-Cash Assets to Owners

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

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

1 *Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.*
2 *Effective for annual periods beginning on or after 1 February 2010.*
3 *Effective for annual periods beginning on or after 1 July 2010.*
4 *Effective for annual periods beginning on or after 1 January 2011.*
5 *Effective for annual periods beginning on or after 1 July 2011.*
6 *Effective for annual periods beginning on or after 1 January 2012.*
7 *Effective for annual periods beginning on or after 1 January 2013.*

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKFRS 9 Financial Instruments

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

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

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

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

HKAS 24 Related Party Disclosure

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation

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

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

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

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

Revenue recognition

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

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

– the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

– the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

– the amount of revenue can be measured reliably;

– it is probable that the economic benefits associated with the transaction will flow to the Group; and

– the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Property, plant and equipment

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

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

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

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

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

Impairment for tangible assets

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

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

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

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

Leasehold land and building

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasehold land and building *(continued)*

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

Inventories

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

Loans and receivables

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets *(continued)*

Impairment of financial assets

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

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

– significant financial difficulty of the issuer or counterparty; or

– breach of contract, such as default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

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

Financial liabilities and equity

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets *(continued)*

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Other financial liabilities

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

Equity instruments

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

Derecognition

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

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

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

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Taxation

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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

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

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

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

Lease

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

The Group as lessee

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

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

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

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

Borrowing costs

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

Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial guarantees

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

Contingent liability

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

Share-based payment transactions

Share options granted to employees

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

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

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

Retirement benefit costs and short-term employee benefits

Retirement benefit costs

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical judgment in applying the entity's accounting policies

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

(i) Going concern basis

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Critical judgment in applying the entity's accounting policies *(continued)*

(ii) Prepaid lease payments and ownership of buildings

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

Key sources of estimation uncertainty

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

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

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

(ii) Net realizable value of inventories

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

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

(iii) Impairment loss recognized in respect of trade receivable

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

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

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

(v) Provision for financial guarantees

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

6. REVENUE AND SEGMENT INFORMATION

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

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

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

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

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

7. OTHER REVENUE

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

8. LOSS ON DECONSOLIDATION OF SUBSIDIARIES, IMPAIRMENT ON INVESTMENT COSTS AND AMOUNTS DUE FROM DECONSOLIDATED SUBSIDIARIES, AMOUNTS RECOVERED FROM DECONSOLIDATED SUBSIDIARIES

	2010 **RMB'000**	2009 RMB'000
Impairment on amounts due from the deconsolidated subsidiaries	**–**	7,832
Amounts recovered from the deconsolidated subsidiaries	**–**	(4,381)
	–	3,451

As disclosed in Note 2.2 to the consolidated financial statements, the Provisional Liquidators considered that the control over certain subsidiaries had been lost since 1 January 2008. The results, assets and liabilities of these subsidiaries were therefore deconsolidated from the consolidated financial statements of the Group since the financial year ended 31 December 2008.

9. FINANCE COSTS

	2010 **RMB'000**	2009 RMB'000
Interests on:		
Bank borrowings wholly repayable within five years	**2,322**	1,448
Other borrowings wholly repayable within five years	**2,396**	797
Other financial liabilities	**740**	623
	5,458	2,868
Bank charges	**2**	8
	5,460	2,876

10. PROFIT (LOSS) BEFORE TAX

Profit (loss) before tax has been arrived at after charging:

	2010 RMB'000	2009 RMB'000
Directors' remuneration	–	607
Other staff costs	1,602	2,515
Retirement benefit cost, other than directors	161	43
Share-based payments	–	137
Total staff costs	1,974	3,302
Auditor's remuneration	428	396
Cost of inventories recognised as an expense	101,917	79,631
Depreciation of property, plant and equipment	6,220	5,917
Bad debts written off on trade receivables	–	10,168
Bad debts written off on other receivables	413	–
Net foreign exchange loss	–	231
Minimum lease payments in respect of operating lease of:		
– land and buildings	–	349
– machinery and equipment	2,000	2,000

11. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES

(i) Directors' emoluments

There is no emoluments paid to all of the directors for the year ended 31 December 2010.

No director had waived any emoluments during the two years ended 31 December 2010 and 2009.

(ii) Highest paid employees

For the year ended 31 December 2010, the five highest paid individuals in the Group included no directors. Details of the remuneration of these five highest paid individuals are as follows:

2010	Total RMB'000
Basic salaries, allowances and other benefits in kind	367
Contributions to retirement benefits scheme	14
Total	381

Their emoluments were within the following bands:

	Number of individuals 2010
Nil to Hong Kong Dollars ("**HKD**") 1,000,000 (equivalent to RMB857,000)	5

During the year ended 31 December 2010, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

12. INCOME TAX EXPENSE

	2010 RMB'000	2009 RMB'000
The charge comprises:		
Current taxation		
– PRC Enterprises Income Tax ("**EIT**")	**4,188**	–
Deferred taxation		
– Mainland China withholding tax *(Note (d))*	**1,213**	–
	5,401	–

Other than the deferred tax provided for as above, the Group did not have any significant unprovided deferred taxation arising during the year or at 31 December 2010.

Notes:

(a) No Hong Kong profits tax has been provided for as the Group did not generate any assessable profits in Hong Kong for both year.

(b) At 31 December 2010, the Group has unused tax losses of approximately HKD12,755,000 (2009: HKD4,166,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profits stream. The tax losses may be carried forward indefinitely.

(c) PRC corporate income tax is calculated at the applicable tax rates in accordance with the relevant law and regulations in the PRC. A PRC subsidiary, Shanxi Zhanpen Metal Products Company Limited*（山西展鵬金屬製品有限公司）("**Zhanpen**"), was approved by the relevant PRC tax authorities as enterprise with foreign investment and therefore, it is exempted from PRC EIT for two years starting from the first year of profit-making after offsetting prior year tax losses, followed by a 50% reduction for the next three consecutive years thereafter. 2009 is the fifth year after first profitable year. Pursuant to the letter issued by Fenyang State Tax Bureau on 24 February 2006, Zhanpen was approved as an enterprise with foreign investment and thus the PRC local EIT of 3% is also exempted. Accordingly, the applicable tax rate of Zhanpen is 15% for the year ended 31 December 2009.

Under the Law of the PRC on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% from 1 January 2008 onwards. Therefore, Zhanpen is subject to standard EIT rate of 25% for the year ended 31 December 2010.

(d) Pursuant to the PRC EIT Law which became effective on 1 January 2008, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax arrangement between the PRC and the jurisdiction of the foreign investors. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the tax authorities to specify that dividends declared and remitted out of the PRC from the retained profits as at 31 December 2007 are exempted from withholding tax.

* The English name is for identification purpose only.

12. INCOME TAX EXPENSE *(continued)*

The income tax expense for the year can be reconciled to the profit (loss) before tax per the consolidated statement of comprehensive income, based on the income tax rate of most of the Group's profit or loss under assessments as follows:

	2010 **RMB'000**	2009 RMB'000
Profit (loss) before tax	**14,648**	(8,608)
Tax at PRC corporate income tax rate of 25% (2009: 30%)	**3,662**	(2,582)
Tax effect of expenses that are not deductible in determining taxable profit	**692**	5,341
Tax effect of income that is not taxable in determining taxable profit	**(1,725)**	(8,409)
Temporary differences not recognised	**–**	3,050
Unrecognised tax loss	**1,417**	2,600
Effect of withholding tax at 10% on the distributable profits of the subsidiary in Mainland China	**1,213**	–
Effect of different tax rates of subsidiaries in other jurisdictions	**142**	–
Tax charge for the year	**5,401**	–

13. DIVIDEND

No dividend was proposed or paid during the year ended 31 December 2010 nor any dividend has been proposed since the end of the reporting period (2009: nil).

14. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to the owners of the Company is based on the consolidated profit for the year attributable to the owners of the Company of approximately RMB9,247,000 (2009: loss of approximately RMB8,608,000) and the weighted average number of ordinary shares of the Company in issue during the year of 657,121,081 (2009: 646,373,376).

Trading in the shares of the Company was suspended since 28 April 2009 and no information of the average market price per share for the year is available. As the exercise price of the options is higher than the market price for shares immediately before the suspension of trading in the Company's shares, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machinery	Motor vehicles	Office equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2009	27,249	637	35,890	1,057	307	65,140
Additions	16,020	–	–	–	–	16,020
At 31 December 2009	43,269	637	35,890	1,057	307	81,160
Additions	–	–	5,385	–	–	5,385
Disposal	–	(110)	–	(596)	(188)	(894)
At 31 December 2010	43,269	527	41,275	461	119	85,651
ACCUMULATED DEPRECIATION						
At 1 January 2009	3,861	379	5,047	185	242	9,714
Provided for the year	2,224	15	3,554	106	18	5,917
At 31 December 2009	6,085	394	8,601	291	260	15,631
Provided for the year	2,590	14	3,538	66	12	6,220
Disposal	–	(110)	–	(168)	(169)	(447)
At 31 December 2010	8,675	298	12,139	189	103	21,404
CARRYING VALUES						
At 31 December 2010	34,594	229	29,136	272	16	64,247
At 31 December 2009	37,184	243	27,289	766	47	65,529

Buildings as at 31 December 2010 of approximately RMB34,594,000 (2009: RMB37,184,000) represented buildings situated in Shanxi, the PRC. The Group is in the process of obtaining the building ownership certificates in respect of buildings.

16. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent deposits paid for compensation for land use rights in Shanxi Province the PRC.

	RMB'000
Cost	
At 1 January 2009, 31 December 2009 and 2010	12,400
Accumulated impairment	
At 1 January 2009, 31 December 2009 and 2010	12,400
Carrying values	
At 31 December 2009 and 2010	–

The amount of RMB12,400,000 represented first installment of compensation paid to 汾陽市文峰街道南關村民委員會 ("**村委會**") for acquiring the land use right of a piece of land situated in Fenyang City, Shanxi Province by a subsidiary, Zhanpen in 2007. Pursuant to the 土地征用補償協議 entered into by Zhanpen and 村委會 in 2007, Zhanpen is required to pay a total amount of RMB24,800,000 to 村委會 as deposit in two equal installments for 村委會 as compensation so that 村委會 would procure to obtain the land use right certificate to transfer to Zhanpen. As advised by 村委會, the application for the conversion of the land, currently in form of collectively owned, into state-owned, which will be ready for transfer to Zhanpen, is still in progress. 村委會 has also been unable to estimate the time required to go through and complete the aforesaid conversion. The Provisional Liquidators are therefore of a view that since it is highly uncertain about the completion and the recoverability of the prepaid deposit, the prepaid deposit of RMB12,400,000 was impaired in the year ended 31 December 2008.

According to the legal advice from a PRC lawyer, the Provisional Liquidators do not anticipate that the Company would incur any further penalty or other contingent liabilities which may arise, based on the aforesaid agreement, should eventually the application for conversion is rejected by the Land Office in the PRC.

17. INVENTORIES

	2010 **RMB'000**	2009 RMB'000
Raw materials	**2,424**	1,734
Packing materials	**51**	54
Finished goods	**698**	1,769
	3,173	3,557

18. TRADE AND OTHER RECEIVABLES

	2010 RMB'000	2009 RMB'000
Trade receivables	**46,857**	23,782
Other receivables, deposits and prepayments	**1,968**	4,864
	48,825	28,646

At the end of each reporting period, the Group's trade and other receivables were individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific provision for impairment was recognised. The Group does not hold any collateral over these balances.

The Group generally allows an average credit period of 120 days to its customers. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	2010 RMB'000
0 – 30 days	**10,869**
31 – 60 days	**13,185**
61 – 90 days	**12,655**
91 – 120 days	**10,148**
	46,857

Aged analysis of trade receivables which are not impaired is as follows:

	2010 RMB'000
Neither past due nor impaired	**46,857**
Past due but not impaired	**–**
	46,857

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

19. ESCROW MONEY AND LOAN FROM AN INVESTOR

	2010	2009
	RMB'000	RMB'000
Professional fees	**888**	4,400

As set out in Note 2.1 to the consolidated financial statements, on 28 December 2009, the Provisional Liquidators, on behalf of the Company, and the Escrow Agent entered into an Escrow Agreement with the Investor. The Escrow Agreement granted the Investor a 12-month exclusivity to negotiate the restructuring of the Company, certain subsidiaries and associated companies, if any, in the Group. On 24 December 2010, the Provisional Liquidators, on behalf of the Company, the Escrow Agent and the Investor entered into a supplemental agreement to extend the Exclusivity Period to 24-month up to 27 December 2011.

During the year ended 31 December 2010, the Investor provide HKD1,000,000 (equivalent to approximately RMB846,000) (2009: HKD5,000,000, equivalent to approximately RMB4,400,000) to the Provisional Liquidators for the cost and expenses of the Company to proceed with the restructuring. The loan from an investor is unsecured, non-interesting bearing and repayable on demand. During the year ended 31 December 2010, there is approximately RMB3,507,000 (equivalent to HKD4,021,000) (2009: approximately RMB797,000, equivalent to HKD930,000) had been used for the restructuring.

The balances of escrow money and loan from an investor are denominated in HKD.

20. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less at prevailing market interest rates which range from 0.01% to 0.36% per annum (2009: 0.01% to 0.36% per annum).

Included in bank balances and cash are the following accounts denominated in currency other than functional currency of the Group.

	2010	2009
	RMB'000	RMB'000
United State dollars ("**USD**")	**–**	73
HKD	**2**	105

Approximately RMB2,647,000 as at 31 December 2010 (2009: RMB233,000) are denominated in RMB and deposited with banks in the PRC. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for other currencies through authorized banks to conduct foreign exchange business.

21. TRADE AND OTHER PAYABLES

	2010 RMB'000	2009 RMB'000
Trade payables	**8,052**	1,656
Interest payable	**–**	1,353
Other payables and accrued charges	**5,438**	4,889
	13,490	7,898

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2010 RMB'000
0 – 30 days	**8,052**

The average credit period on purchases of goods is 30 days. The Group has financial risk management policies in place to ensure that all trade payables would be settled within the credit timeframe.

22. BANK BORROWINGS

	2010 RMB'000	2009 RMB'000
Bank loans, unsecured	**54,751**	56,858
Accrued interest	**6,395**	2,869
	61,146	59,727

	2010 RMB'000	2009 RMB'000
The maturity of the unsecured bank borrowings, is as follows:		
Within one year or on demand shown under current liabilities	**61,146**	59,727

22. BANK BORROWINGS *(continued)*

Bank borrowings of RMB61,146,000 (2009: RMB59,727,000) are denominated in HKD and arranged at floating rates from 2% to 3.5% over HIBOR (2009: 2% to 3.5% over HIBOR) per annum.

As at 31 December 2010, bank borrowings from DBS Bank (China) Company Limited of approximately RMB19,747,000 (2009: RMB20,533,000) and DBS Bank (Hong Kong) Limited of approximately RMB24,765,000 (2009: RMB25,751,000) had not been repaid in accordance with the relevant terms. Bank borrowings from PT. Bank Mandiri (Persero) TBK, Hong Kong Branch of RMB10,239,000 (2009: RMB10,574,000) has been called on demand according to the respective loan agreements. Due to the default in repayment and consequential litigations following the default arisen against the bank borrowings, the Provisional Liquidators classified all the bank borrowings as current liabilities accordingly.

23. OTHER BORROWINGS

	2010 **RMB'000**	2009 RMB'000
Debts assigned	**45,433**	47,458
Accrued interest	**3,193**	797
As at 31 December	**48,626**	48,255

Pursuant to a debt assignment agreement dated 21 September 2009 entered into between Fu Teng Global Limited ("**Fu Teng**"), the major shareholder of the Group, and Banyan Capital Management Inc ("**Banyan Capital**"), the amounts due from the Company to Fu Teng of HKD50,220,000 (equivalent to approximately RMB44,150,000) was assigned to Banyan Capital at consideration of HKD2,700,000.

Pursuant to another debt assignment agreement dated 21 September 2009 entered into between Mr. Yang Zongwang, the beneficial owner of Fu Teng, and Banyan Capital, the amounts due from the Company to Mr. Yang of HKD3,763,100 (equivalent to approximately RMB3,308,000) were assigned to Banyan Capital at consideration of HKD300,000.

Other borrowings are unsecured, interest bearing at Hong Kong Prime Rate per annum and have no fixed repayment terms.

24. PROVISION FOR BANK LOANS GUARANTEE FOR A DECONSOLIDATED SUBSIDIARY

	2010 **RMB'000**	2009 RMB'000
Provision for bank loans guarantee for Fuwang	**29,000**	29,000

24. PROVISION FOR BANK LOANS GUARANTEE FOR A DECONSOLIDATED SUBSIDIARY *(continued)*

Details of the guarantee are set out below:

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

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

Since the books and records of certain subsidiaries available to the Provisional Liquidators were incomplete and the Provisional Liquidators have lost control of certain subsidiaries, the Provisional Liquidators make no representation as to the completeness and accuracy of the above mentioned corporate guarantee.

25. DERIVATIVE FINANCIAL INSTRUMENTS

Swaps derivatives

	31 December 2010 RMB'000	31 December 2009 RMB'000
At 1 January	–	96,198
Payments made during the year	–	(2,028)
Gain on termination	–	(23,340)
Derecognition upon termination	–	(70,830)
Structure interest rate swap at 31 December	–	–

25. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Swaps derivatives *(continued)*

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 HKD78,000,000 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
HKD390,000,000	HKD39,000,000	28 February 2007	28 February 2012	The Company receives: 7.0% semi-annually for first 6 months; thereafter: 7.0% * n/m *(Notes i)* The Company pays: 9.0% semi-annually
USD50,000,000	USD5,000,000	23 April 2007	23 April 2012	The Company receives: 8.0% semi-annually The Company pays: 10.0% semi-annually for first 6 months; thereafter: 10.0% minus 5* (Index of YoY Return – 1.0%) *(Notes ii)* coupon capped at 13.0% and floored at 0%

Notes:

(i) n: Number of business days in the calculation period that HKD 10-years CMS# minus HKD 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 HKD interest rate swap transaction with a term equal to 10 years which appears on the Reuters Screen ISDAFIX5 Page 11:00 a.m. Hong Kong time fixing on each day in the Accrual Period.

^ Mid-market quarterly swap rate expressed as a percentage for a HKD interest rate swap transaction with a term equal to 2 years which appears on the Reuters Screen ISDAFIX5 Page 11:00 a.m. Hong Kong time fixing on each day in the Accrual Period.

(ii) Index* of YoY Return: The closing level of the Index five business days prior to the end of the relevant coupon payment period/closing level of the Index five business days prior to the payment date which is two coupon payment periods prior to the relevant coupon payment (or effective date in cash of the second coupon payment period) – 1.

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

On 13 May 2009, the Swaps were early terminated by the Bank as a result of the Company not paying the interest payment under the Swaps on the due dates. The Company received a statement of demand dated 15 May 2009 for an early termination amount (the "**Termination Amount**") of USD10,319,033 (equivalent to approximately RMB70,830,000) and a gain of RMB23,340,000 was recognised upon termination of the Swaps on the same date. The Termination Amount is remained unsettled with the Bank as at 30 June 2010 and is included under "Other financial liabilities" *(see Note 27)* in the consolidated statement of financial position at the same date. The Provisional Liquidators had negotiated with the Bank the basis for calculation of the Termination Amount. In August 2010, both parties agreed the revised Termination Amount (the "Revised Termination Amount") of USD10,069,033 (equivalent to approximately RMB66,250,000). The difference between the Termination Amount and the Revised Termination Amount of USD250,000 (equivalent to approximately RMB1,671,000) was recognised as gain on waived of other financial liabilities for the year ended 31 December 2010.

26. AMOUNT DUE TO AN INVESTOR

The amount due to the Investor is unsecured, non-interest bearing, repayable on demand and denominated in HKD.

27. OTHER FINANCIAL LIABILITIES

	2010 RMB'000	2009 RMB'000
Termination Amount *(Note (i))*	**66,250**	70,830
Accrued interest *(Note (ii))*	**1,325**	623
At 31 December	**67,575**	71,453

Notes:

(i) The balance represents the Termination Amount demanded by the bank as a result of the early termination of the Swaps as set out in Note 25 to the consolidated financial statements.

(ii) Interest is accrued on the Termination Amount for the period from 13 May 2009 to 31 December 2010 at a rate per annum equal to the cost to the Bank if it were to fund the relevant amount plus 1% per annum in accordance with the ISDA 2002 Master Agreement dated 14 February 2007. The Provisional Liquidators used the overnight USD London Interbank Offered Rates plus 1% per annum to estimate the accrued interest.

(iii) The balance of other financial liabilities is denominated in USD.

28. SHARE CAPITAL

	Number of shares	**Amount HKD'000**
Ordinary shares of HKD0.10 each		
Authorised:		
At 1 January 2009, 31 December 2009 and 31 December 2010	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2009	621,521,081	62,152
Exercise of share options	35,600,000	3,560
At 31 December 2009, at 1 January 2010 and 31 December 2010	657,121,081	65,712

28. SHARE CAPITAL *(continued)*

	RMB'000
Shown in the consolidated financial statements	
At 31 December 2010	67,399
At 31 December 2009	67,399

All the shares which were issued by the Company at year ended 31 December 2009 rank pari passu with each other in all respects.

29. SHARE OPTION SCHEME

Pursuant to the written resolutions passed by all of the shareholders of the Company on 2 June 2003, the Company adopted a share option scheme (the "Scheme"). The purpose of the Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. Under the Scheme, the directors may, at their absolute discretion, invite any employee (whether full-time or part time, including any executive director), any non-executive director (including independent non-executive director), any supplier of goods or services, any customer, any person or entity that provides research, development or other technological support, any shareholder, any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or its investee companies to take up options to subscribe for shares in the Company representing up to a maximum 10% of the shares in issue as at the date of commencement of listing of shares of the Company on the Stock Exchange and subject to renewal with shareholders' approval. The number of shares in respect of which options may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of the shares of the Company in issue, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in any one year exceeding the higher of 0.1% of the Company's shares in issue and with a value in excess of HKD5,000,000 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 HKD1 per each grant of options. Options may be exercised at any time from the date of acceptance of the share option to such date as determined by the board of directors but in any event not exceeding 10 years. The exercise price is determined by the directors and will be not less than the higher of the closing price of the Company's shares on the date of grant, the average closing prices of the shares for the five business days immediately preceding the date of grant and the nominal value of the Company's shares.

29. SHARE OPTION SCHEME *(continued)*

The following table discloses details and movements of the Company's share options held by the former directors and employees during both years:

	Date of grant	Exercise price HKD	Exercisable period	Outstanding at 31.12.2008 and at 1.01.2009	Granted during the year ended 31.12.2009	Exercised during the year ended 31.12.2009	Lapsed during the year ended 31.12.2009	Outstanding at 31.12.2009	Granted during the year ended 31.12.2010	Exercised during the year ended 31.12.2010	Lapsed during the year ended 31.12.2010	Outstanding at 31.12.2010
Directors of the Company, including former director	25 May 2006	0.800	25 May 2006 to 24 May 2016	4,000,000	–	–	(4,000,000)	–	–	–	–	–
	17 July 2007	1.316	17 July 2007 to 16 July 2017	5,000,000	–	(5,000,000)	–	–	–	–	–	–
	30 January 2008	0.632	30 January 2008 to 29 January 2018	–	–	–	–	–	–	–	–	–
	14 January 2009	0.399	14 January 2009 to 13 January 2019	–	3,100,000	(3,100,000)	–	–	–	–	–	–
Senior management	10 February 2004	0.810	10 February 2004 to 9 February 2014	3,800,000	–	–	–	3,800,000	–	–	(3,800,000)	–
	2 January 2007	0.670	2 January 2007 to 1 January 2017	500,000	–	–	(500,000)	–	–	–	–	–
	2 May 2007	0.912	2 May 2007 to 1 May 2017	2,500,000	–	–	–	2,500,000	–	–	(1,000,000)	1,500,000
	17 July 2007	1.316	17 July 2007 to 16 July 2017	5,800,000	–	–	–	5,800,000	–	–	(5,800,000)	–
	30 January 2008	0.632	30 January 2008 to 29 January 2018	4,000,000	–	–	–	4,000,000	–	–	(4,000,000)	–
	9 December 2008	0.381	9 December 2008 to 8 December 2018	7,500,000	–	(7,500,000)	–	–	–	–	–	–
Employees	10 February 2004	0.810	10 February 2004 to 9 February 2014	7,600,000	–	–	–	7,600,000	–	–	(3,800,000)	3,800,000
	25 May 2006	0.800	25 May 2006 to 24 May 2016	2,280,000	–	–	–	2,280,000	–	–	(2,280,000)	–
	2 January 2007	0.670	2 January 2007 to 1 January 2017	700,000	–	–	–	700,000	–	–	(700,000)	–
	2 May 2007	0.912	2 May 2007 to 1 May 2017	8,000,000	–	–	–	8,000,000	–	–	(7,000,000)	1,000,000
	17 July 2007	1.316	17 July 2007 to 16 July 2017	38,870,000	–	–	–	38,870,000	–	–	(38,870,000)	–
	30 January 2008	0.632	30 January 2008 to 29 January 2018	6,000,000	–	–	–	6,000,000	–	–	(1,000,000)	5,000,000
	9 December 2008	0.381	9 December 2008 to 8 December 2018	20,000,000	–	(20,000,000)	–	–	–	–	–	–
				116,550,000	3,100,000	(35,600,000)	(4,500,000)	79,550,000	–	–	(68,250,000)	11,300,000

30. RESERVES

(a) Surplus reserve

Before 2010, according to the relevant enterprises regulations in the PRC, certain subsidiaries in PRC are required to transfer not less than 10% of their profit after taxation to surplus reserve, as determined under accounting principles generally accepted in the PRC. The surplus reserve fund can be used to make up for previous year's losses, expand the existing operations or convert into additions capital of those PRC subsidiaries.

(b) Share premium

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

31. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancelable operating leases which fall due as follows:

	2010 RMB'000	2009 RMB'000
Within one year	**1,166**	834
In the second to the fifth year inclusive	**–**	1,166
	1,166	2,000

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

32. CONTINGENT LIABILITIES

The Provisional Liquidators make no representation as to the completeness and accuracy of the contingent liabilities for the year ended 31 December 2010.

33. RELATED PARTY TRANSACTIONS AND DISCLOSURES

Compensation to key management personnel

The Provisional Liquidators consider that the directors of the Company are the only key management personnel of the Group. Details of remuneration paid to the directors of the Company are set out in Note 11 to the consolidated financial statements.

The Provisional Liquidators make no representation as to the completeness and accuracy of the related party transactions, connected transactions and continuing connected transactions entered into by the Group as defined under HKAS 24 and the Listing Rules for the year ended 31 December 2010.

34. CAPITAL COMMITMENTS

The Provisional Liquidators make no representation as to the completeness and accuracy of the capital commitments.

35. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the respective employees' monthly salaries (up to a maximum contribution of HKD1,000 (equivalent to approximately RMB880) to the Scheme, which contribution is matched by employees.

The employees of the Group's subsidiary in PRC are members of a state-managed retirement benefit scheme operated by the government of PRC. The subsidiary is required to contribute 18% of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

35. RETIREMENT BENEFITS PLANS *(continued)*

The total cost charged to income of approximately RMB161,000 (2009: approximately RMB43,000) represents contributions payable to these schemes by the Group in respect of the current accounting period. As at 31 December 2010, contributions of approximately RMB456,000 (31 December 2009: approximately RMB319,000) due in respect of the reporting period had not been paid over to the schemes.

36. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries

The following is a list of the subsidiaries at 31 December 2010 and 2009 which have been included in these consolidated financial statements:

Name of subsidiary	Place of incorporation or establishment/ operation	Paid-up share capital/ registered capital	Proportion of nominal value of ordinary issued capital/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
*Chinawinner Enterprises Limited	British Virgin Islands/ Hong Kong	USD1,000	100%	–	Investment holding
*Rich Victory Development Limited	Hong Kong	HKD1	100%	–	Inactive
*Chinawinner Enterprises (HK) Limited	Hong Kong	HKD1,000	100%	–	Inactive
Bloxworth Enterprises (HK) Limited	Hong Kong	HKD1,000	100%	–	Inactive
福建福旺金屬製品有限公司	PRC – wholly owned foreign enterprise	USD20,100,000	–	100%	Manufacture and sale of tinplate cans for the packaging of food and beverage in the PRC, and provision of tinplate lacquering and printing services
*四川省展旺金屬製品有限公司	PRC – wholly owned foreign enterprise	USD5,000,000	–	100%	Manufacture and sale of foreign enterprise tinplate cans for the packaging of food and beverage in the PRC

* Subsidiaries had been sold to Sino Gather Limited on 23 March 2010 at a normal consideration of HKD3 in aggregate. Details please refer to Note 2.2 of the consolidation financial statement.

37. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group can support the Group's stability and growth and can provide capital for the purpose of strengthening the Group's risk management capability.

The capital structure of the Group consists of net debt, which includes the borrowings and other financial liability, net of cash and cash equivalents and equity attributable to investor of the Group, comprising issued share capital, reserves and retained earnings.

The management of the Group reviews the capital structure on a annual basis. As part of this review, the management consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the management, The Group will balance its overall capital structure through new share issues as well as the redemption of existing debt.

38. FINANCIAL INSTRUMENTS

Categories of financial instruments

(i) *Financial assets*

	2010 RMB'000
Loans and receivables (including cash and cash equivalents):	
Trade and other receivables	**47,325**
Bank balances and cash	**2,649**
Escrow money	**888**
	50,862

(ii) *Financial liabilities*

	2010 RMB'000
Financial liabilities at amortised cost:	
Trade and other payable	**13,490**
Other financial liabilities:	
Bank borrowings	**61,146**
Other borrowings	**48,626**
Provision for bank loans guarantee for a deconsolidated subsidiary	**29,000**
Loan from an investor	**5,078**
Amount due to an investor	**265**
Other financial liabilities	**67,575**
	225,180

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments including trade and other receivables, escrow money, bank balances and cash, trade and other payables, bank borrowings, other borrowings, other financial liabilities, amount due to an investor and loan from an investor. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The Group has written risk management policies and guidelines. The management meets periodically to analyse and formulate strategies to manage the Group's exposure to market risk. The Group's exposure to market risk is kept to a minimum. The Group has not used any derivatives or other instruments for hedging purpose.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

Market Risk

(i) *Currency risk*

The Group's exposure to currency risk is attributable to the bank balances and cash, escrow money, loan from an investor, amount due to an investor, bank borrowing, other borrowings and other financial liabilities of the Group which are denominated in foreign currencies of USD and HKD. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, the management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

	2010 **RMB'000**
USD	
Monetary liability:	
Other financial liabilities	**67,575**
HKD	
Monetary asset:	
Bank balance and cash	**2**
Escrow money	**888**
	890
HKD	
Monetary liabilities:	
Bank borrowings	**61,146**
Other borrowings	**48,627**
Loan from investor	**5,078**
Amount due to an investor	**265**
	115,116

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Market Risk *(continued)*

(i) Currency risk (continued)

Sensitivity analysis

The Group is mainly exposed to USD and HKD. The following table details the Group's sensitivity analysis, the analysis assumes a 5% increase and decrease in USD and HKD against the RMB, with all other variable held constant. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates until the next reporting period. The sensitivity analysis includes only outstanding items denominated in foreign currencies other than the functional currencies of the group entities and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in the post-tax profit where RMB strengthen 5% against USD and HKD. For a 5% weakening of RMB against USD and HKD, there would be an equal and opposite impact on the post-tax profit.

Impact on profit before income tax	**2010** **RMB'000**
HKD	**5,622**
USD	**3,379**

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to its variable-rate borrowings and bank deposits. To mitigate the impact of interest rate fluctuations, the Group continually assesses and monitors the exposure to interest rate risk.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the bank borrowings at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2010 would decrease/increase by approximately RMB616,000.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

Credit risk arises from the possibility that the counterparty to a transaction is unwilling or unable to fulfill its obligation with the results that the Group thereby suffers financial loss.

The Group's concentration of credit risk by geographical locations is only in the PRC, which accounted for 100% (31 December 2009: 100%) of the total trade receivables as at 31 December 2010.

The carrying amounts of trade and other receivables represents the Group's maximum exposure to credit risk in relation to financial assets. The carrying amounts of these financial assets presented in the consolidated statement of financial position are net of impairment losses, if any. The Group has concentration of credit risk as 16% and 76% of the total trade receivable was due from the Group's largest customer and the five largest customers respectively.

The Group monitors trade and other receivables and only trades and deals with creditworthy third parties. Accordingly, the Group's exposure to bad debt is not significant.

The credit risk on liquid fund is limited because the counterparties are bank with high credit rating assigned by international credit-rating agencies.

Except for the bank loans guarantee given by the Company as set out in Note 24 to the consolidated financial statements, the Group does not provide any other guarantee which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respective of these financial guarantees at the end of the reporting period is disclosed in Note 24 to the consolidated financial statements.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 18 to the consolidated financial statements.

Liquidity risk

Liquidity management

As at 31 December 2010, the Group did not maintain sufficient liquid funds and had net current liabilities of approximately RMB173,948,000 (2009: approximately RMB185,690,000). The net current liabilities as at 31 December 2010 include bank and cash balances of approximately RMB2,649,000 (2009: approximately RMB411,000) and escrow money of approximately RMB888,000 (2009: approximately RMB4,400,000) which was provided by the Investor. The bank and cash balances as at 31 December 2009 for the purposes of settling the Group's restructuring expenses to be incurred subsequent to the reporting date.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflow from operations to meet its debt obligations and to obtain financial supports from its Investor.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

Liquidity management (continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	On demand or within one year RMB'000
2010			
Trade and other payables	**13,490**	**13,490**	**13,490**
Bank borrowings	**61,146**	**61,146**	**61,146**
Other borrowings	**48,626**	**48,626**	**48,626**
Provision for bank loans guarantee for a deconsolidated subsidiary	**29,000**	**29,000**	**29,000**
Loan from an investor	**5,078**	**5,078**	**5,078**
Amount due to an investor	**265**	**265**	**265**
Other financial liabilities	**67,575**	**67,575**	**67,575**
	225,180	**225,180**	**225,180**

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2010 RMB'000
Non-current assets		
Investment in a subsidiary		**8**
Current assets		
Amount due from a subsidiary	*(a)*	**103,454**
Escrow money		**888**
Bank balances and cash		**2**
		104,344
Current liabilities		
Other payables and accrued expenses		**3,575**
Bank borrowings		**61,146**
Other borrowings		**48,627**
Provision for bank loans guarantee for a deconsolidated subsidiary		**29,000**
Loan from an investor		**5,078**
Amount due to an investor		**265**
Other financial liabilities		**67,575**
		215,266
Net current liabilities		**(110,922)**
Net liabilities		**(110,914)**
Capital and reserves		
Share capital		**67,399**
Reserves	*(b)*	**(178,313)**
Total equity		**(110,914)**

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Notes:

(a) Amount due from a subsidiary is unsecured, interest free and repayable on demand.

(b) Reserves

	Share premium RMB'000	**Exchange reserve** RMB'000	**Employee share-based compensation reserve** RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000
At 1 January 2010	215,765	–	13,699	(182,564)	46,900
Loss for the year	–	–	–	(232,628)	(232,628)
Total comprehensive expense for the year:					
Exchange differences arising from translation	–	7,415	–	–	7,415
Lapse of share options	–	–	(12,761)	12,761	–
At 31 December 2010	**215,765**	**7,415**	**938**	**(402,431)**	**(178,313)**

41. EVENTS AFTER THE REPORTING PERIOD

On 21 January 2011, the amount of HKD1,000,000 (equivalent to approximately RMB885,000) was injected to the Group as advanced by the Investor to meet the costs and expenses in relation to the implementation of the restructuring of the Company. The Provisional Liquidators make no representation as to the completeness and accuracy of the events after the reporting period for the year ended 31 December 2010.

42. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

According to the latest available information to the Provisional Liquidators, the immediate parent and ultimate controlling party of the Group was Fu Teng, which was incorporated in the British Virgin Islands and wholly-owned by Mr. Yang Zongwang ("**Mr. Yang**"). Ms. Yang Yunxian is the spouse of Mr. Yang and is deemed beneficially interested in the shares held by Fu Teng by virtue of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) This entity does not produce financial statements available for public use.

Financial Summary

RESULTS

	For the Year Ended 31 December					
	2010	2009	2008	2007	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**124,812**	74,066	193,354	668,641	518,093	470,789
Profit/(loss) before taxation	**14,648**	(8,608)	(831,170)	120,641	114,096	107,832
Income tax expense	**(5,401)**	–	(5,243)	(28,141)	(17,594)	(14,491)
Profit/(loss) for the year	**9,247**	(8,608)	(836,413)	92,500	96,502	93,341

ASSETS AND LIABILITIES

	At 31 December					
	2010	2009	2008	2007	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**119,782**	102,543	170,006	1,071,338	756,928	611,465
Total liabilities	**(230,696)**	(222,704)	(297,828)	(289,860)	(178,795)	(176,986)
Total (deficit)/equity	**(110,914)**	(120,161)	(127,822)	781,478	578,133	434,479

The Provisional Liquidators make no representation as to the completeness and accuracy of financial summary up to 31 December 2010.