中國包裝集團有限公司

China Packaging Group Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 572)

Annual Report 2012

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Director

Mr. He Jianhong *(Chairman)*
Mr. Zhang Zhantao

Independent Non-Executive Directors

Mr. Siu Siu Ling, Robert
Mr. Tam Tak Wah

AUDIT COMMITTEE

Mr. Tam Tak Wah *(Chairman)*
Mr. Siu Siu Ling, Robert

REMUNERATION COMMITTEE

Mr. Siu Siu Ling, Robert
Mr. Tam Tak Wah

NOMINATION COMMITTEE
(Established on 20 March 2012)

Mr. Siu Siu Ling, Robert
Mr. Tam Tak Wah

COMPANY SECRETARY

Mr. Lau Cheuk Pun

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 912, 9th Floor
New East Ocean Centre
9 Science Museum Road
Kowloon, Hong Kong

REGISTERED OFFICE

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

AUDITOR

ZHONGLEI (HK) CPA Company Limited
Suites 313-317, 3/F, Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

COMPANY WEBSITE

http://www.cpackaging.com.hk

Chairman's Statement

On behalf of the board of directors (the "**Board**"), of China Packaging Group Company Limited (the "**Company**"), I hereby present the annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2012.

REVIEW OF RESULTS

The Group recorded a consolidated net loss attributable to owners of the Company of approximately RMB85,690,000 for the year ended 31 December 2012.

BUSINESS REVIEW

The Company is an investment holding company. The Group is principally engaged in the manufacture and sale of tinplate cans for the packaging of beverage in Shanxi, the People's Republic of China (the "**PRC**") and the Group is also engaged in the trading of metal during the year ended 31 December 2012.

The year of 2012 was a challenging and difficult year for the Company's tinpate cans business. Slowing down of the economic growth of the PRC and deterioration of the PRC economy affected the demand for beverages and a number of customers of the Group fall into financial difficulties which had an impact on the performance of the Group for the year ended 31 December 2012.

For the year ended 31 December 2012, the Group's total revenue, which was generated from manufacture and sale of tinplate cans for the packaging of beverages, was approximately RMB74,085,000 (2011: RMB142,311,000), representing a decrease of approximately 47.94% as compared to last year which was due to a decrease in sales volume of tinplate cans. The Group's new business segment of metal trading had not yet generated any turnover to the Group during the year under review.

The Group recorded a decrease in gross profit margin to 12.43% for the year ended 31 December 2012 (2011: 18.71%) due to the average fixed cost of production per unit increased with a decrease in sales volume.

Compared with a consolidated net profit of approximately RMB157,518,000 for the year ended 31 December 2011 which included a gain from restructuring of approximately RMB161,733,000, the consolidated net loss attributable to owners of the Company ("**Shareholders**") amounted to approximately RMB85,690,000 for the year ended 31 December 2012. The loss of the Group for the year ended 31 December 2012 was mainly due to decrease in turnover, the Company did not record any gain from restructuring, increase in administrative expenses and overhead from approximately RMB3,439,000 in 2011 to approximately RMB15,933,000 in 2012, impairment loss on trade receivables of approximately RMB24,014,000 and impairment loss recognised in respect of property, plant and equipment of approximately RMB51,911,000.

Although the Group continued to be cautious in controlling its cost of production and overheads in the year ended 31 December 2012, after completion of the restructuring of the Group and the discharge of the provisional liquidators of the Company (the "**Provisional Liquidators**") in November 2011, the Company resumed its normal operation in Hong Kong and incurred increased overhead and administrative expenses in the year of 2012.

During the year ended 31 December 2012, a number of overdue debtors have financial difficulties and despite the Group's repeated requests for settlement in full, they have offered to settle their outstanding debts at a discount. The Group had followed up with the overdue debtors closely for settlement of the overdued trade receivables and negotiated on the payment schedule. After considering their requests and various possible actions that can be taken, the Group has provided specific provision of approximately RMB24,014,000 for the year ended 31 December 2012. The Group does not hold any collateral over these balances. Details of the trade and other receivables of the Group at the year end date are set out in note 19 to the consolidated financial statements. As at the date of this report, the overdue trade receivables remain outstanding.

For the year ended 31 December 2012, the directors of the Company (the "**Directors**"), after taking into account the economic condition and industrial development prospect, had considered that the significant decrease in revenue during the year indicated impairment loss for the Group's property, plant and equipment. In addition, some exterior structures of the Group's factory in Shanxi, the PRC collapsed and was demolished during the year. As such, the Company conducted an impairment review on the carrying amounts of the property, plant and equipment. The Company appointed an independent professional valuer to perform a valuation on the property, plant and equipment as at 31 December 2012, thus, a total impairment loss of approximately RMB51,911,000 has been made according to the excess of the aggregate carrying amounts of the property, plant and equipment as at 31 December 2012 over the recoverable amount based on the valuation report dated 22 March 2013.

Basic loss per ordinary share ("**Share**") was approximately RMB0.26 for the year ended 31 December 2012 (2011: profit RMB1.29 per Share).

FINANCIAL REVIEW

Liquidity, Financial Resources and Funding

At 31 December 2012, the Group had net current assets of approximately RMB45,592,000 (2011: RMB73,543,000) and liquid assets comprising bank balances and cash totaled approximately RMB11,217,000 (2011: RMB21,877,000).

At the year end, equity attributable to owners of the Company amounted to approximately RMB47,173,000, representing a decrease of approximately RMB82,460,000 compared to last year (31 December 2011: RMB129,633,000) and is equivalent to an attributable amount of approximately RMB0.14 per Share (2011: RMB0.41). The decrease in equity attributable to owners of the Company was mainly due to decrease in turnover, the Company did not record any gain from restructuring, increase in administrative expenses and overhead as the Company resumed its normal operations in Hong Kong after the discharge of the Provisional Liquidators in November 2011, impairment loss on trade receivables of approximately RMB24,014,000 and impairment loss recognised in respect of property, plant and equipment of approximately RMB51,911,000.

At 31 December 2012, the Group's total liabilities amounted to approximately RMB15,829,000 (2011: RMB26,611,000). At 31 December 2012, the Group's total borrowings comprised with the liabilities portion of convertible loan notes (the "**Convertible Notes**") amounted to approximately RMB8,508,000 (2011: RMB7,405,000). The Group's gearing ratio, calculated on the basis of total borrowings divided by total equity, was at 18.04% at the year end (31 December 2011: 5.7%).

The Convertible Notes were denominated in Hong Kong dollars and bore fixed interest rate at 2% per annum. Pursuant to a resolution passed by the Board on 1 November 2011 and a confirmation from the holders of the Convertible Notes, all the interests and repayment of the principal of the Convertible Notes in future shall be settled in RMB (ie: the functional currency of the Group) and notwithstanding any change in exchange rate between HKD and RMB in future, the exchange rate for conversion of any payment under the Convertible Notes from HKD to RMB has been fixed at 1.21, which was the exchange rate as at 1 November 2011. In terms of maturity, the Convertible Notes, if not converted into Shares, would be due for repayment in October 2016. The Group's finance costs for the year under review was approximately RMB1,380,000 (2011: RMB6,186,000).

Foreign Currency Management

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.

Pledge of Assets

As 31 December 2012, the Group did not have any pledged assets.

Contingent Liabilities

At 31 December 2012, the Group did not have any significant contingent liabilities (2011: Nil).

Capital Commitment

At 31 December 2012, the Group did not have any material capital commitment (2011: RMB4,068,000).

EMPLOYEES AND REMUNERATION POLICIES

At 31 December 2012, the Group had 85 employees including executive Directors (2011: 92) situated 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 2012, the total staff costs including remuneration of Directors and chief executive amounted to approximately RMB4,503,000 (2011: RMB1,627,000). During the year ended 31 December 2012, a new share option scheme had been adopted in place of the old share option scheme but no share option had been granted by the Company.

CHANGES IN SHARE CAPITAL AND CAPITAL STRUCTURE

During the year ended 31 December 2012, 27,454,709 Shares were issued at HKD0.15 per Share pursuant to the options granted to the Company's scheme creditors under its schemes of arrangement in Hong Kong and the Cayman Islands. As at 31 December 2012, the Company had 340,662,666 Shares in issue.

PROSPECTS

In light of the uncertainties and challenges face by world major economies, slowing down of the PRC economy, tight credit control and inflationary pressure in the PRC, the Group will continue to manage its businesses in a prudent manner and exercise stringent financial control on the business of the Group. The new management of the Company formed by Mr. He Jianhong and Mr. Zhang Zhantao (the "**New Management**") has ample experience in the operation, corporate strategy and corporate management which shall help the Group to formulate comprehensive business strategy. The New Management will start the metal trading business of the Group, explore other business opportunities and to acquire any assets and/or business relating to the existing business of the Group in order to enhance the growth of the Group. The Company is considering conducting equity or debt fund raising exercises in order to strengthen its financial position.

APPRECIATION

I would like to take this opportunity to express the Board's sincere gratitude to all Shareholders, investors, bankers, business associates and customers for their continuous support to the Group, and to all staff members for their hard work and contributions during the past year.

On behalf of the Board
He Jianhong
Chairman

Hong Kong, 25 March 2013

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. He Jianhong

Mr. He, aged 42, is a Chinese entrepreneur engaging in the steel trading and manufacturing business. Mr. He has over 12 years' sales and marketing experience in steel and mould steel and over 10 years' production experience in mould steel. He has working experience in product development, business development, corporate strategy and corporate management. Mr. He is a director (理事) of the Shunde Young Entrepreneurs Association (順德青年企業家協會).

Mr. Zhang Zhantao

Mr. Zhang, aged 39, holder of a certificate in finance from the Guangdong Radio & TV University (廣東廣播電視大學) in September 2000. Mr. Zhang has over 10 years' working experience in a bank in the PRC. He has experience in bank finance business operations. Mr. Zhang was a chief financial controller of a Chinese enterprise for five years. He established working experience in corporate financial planning and corporate management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Siu Siu Ling, Robert

Mr. Siu, aged 60, has been appointed as independent non-executive Director with effect from 1 November 2011. He is a sole proprietor of the firm, Messrs. Robert Siu & Co., Solicitors. Mr. Siu has been appointed as a director of MBMI Resources Inc. as from November 2012, a company listed on the Toronto Stock Exchange. He is currently an independent non-executive director of Incutech Investments Limited (stock code: 356), a company listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of Kaisun Energy Group Limited (stock code: 8203) and Finet Group Limited (stock code: 8317), both of them are listed on the Growth Enterprise Market of the Stock Exchange. Mr. Siu holds a bachelor's degree in laws from University of London in the United Kingdom and a postgraduate certificate in laws from the University of Hong Kong. He has been admitted as a solicitor in Hong Kong since 1992 and has been admitted as a solicitor in England and Wales since 1993. His legal practice is mainly in the field of commercial and corporate finance.

Mr. Tam Tak Wah

Mr. Tam, aged 47, has been appointed as independent non-executive Director with effect from 1 November 2011. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. Mr. Tam has over 25 years of experience in accounting, corporate finance and corporate development. He is currently an executive director of New Smart Energy Group Limited (stock code: 91) and an independent non-executive director of Siberian Mining Group Company Limited (stock code: 1142) and an independent non-executive director of Tech Pro Technology Development Limited (stock code: 3823), all of these companies are listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of Goldenway, Inc (CIK#0001446210), a company the common stock of which are traded in the OTCQB of the USA.

SENIOR MANAGEMENT

Mr. Lau Cheuk Pun, aged 38, is the Company Secretary of the Company. Mr. Lau was graduated from University of Hertfordshire, United Kingdom with a Bachelor Degree. He is a member of the Hong Kong Institute of Certified Public Accountants. He has more than 10 years of experience in the field of finance and accounting including working in an international accounting firm.

Mr. Lin Wu, aged 43, is the general manager of Shanxi Zhanpen and is responsible for the daily operation and supervision of Shanxi Zhanpen. Mr. Lin obtained over 20 years of management experiences in packaging industry. Prior to joining the Group, Mr. Lin was the deputy general manager of Fuzhou Weili Metalware Company Limited from 2006 to 2009.

Mr. Chen Gui, aged 36, is the administrative manager of Shanxi Zhanpen and is responsible for the administration and human resources in Shanxi Zhanpen since April 2002. Mr. Chen gained over 14 years management experiences in administration and human resources.

Mr. Yao Gen Chen, aged 51, joined the Group in 2005 and is currently the sales manager of Shanxi Zhanpen. He is responsible for the sales management and planning and maintenance of customer relationship of the Group. Mr. Yao has more than 15 years of extensive experience in sales management in packaging industry of Shanxi province.

Mr. Wang Hongjiang, aged 34, joined the Group in 2010, is currently the manager of the production department of Shanxi Zhanpen. He is responsible for supervising the production function and quality control of the Group. He has over 14 years of experience in tinplate cans manufacturing industry.

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding. Details of the principal activities of its principal subsidiaries are set out in note 30 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income on page 24.

FINAL DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2012 (2011: Nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Company, is set out on page 92. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE NOTES

Details of movements in the Company's share capital, share options and Convertible Notes during the year are set out in notes 24, 25 and 22 to the consolidated financial statements, respectively.

PRE-EMPTIVE RIGHTS

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

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2012 had been reviewed by the Audit Committee of the Company before they were duly approved by the Board under the recommendation of the Audit Committee.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2012, none of the Directors had an interest in a business which competes or may compete with the business of the Group during the period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 34 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for approximately 54.46% of the total sales for the year and sales to the largest customer accounted for approximately 12.4%. Purchases from the Group's five largest suppliers accounted for approximately 92.61% of the total purchases for the year and purchases from the largest supplier accounted for approximately 52.75%.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers during the year.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. He Jianhong *(Chairman)*	(appointed on 1 February 2013)
Mr. Zhang Zhantao	(appointed on 1 February 2013)
Mr. Leung Heung Ying, Alvin	(resigned on 20 February 2013)
Mr. Wong Tat Wai, Derek	(resigned on 20 February 2013)

Independent Non-Executive Directors

Mr. Siu Siu Ling, Robert	
Mr. Tam Tak Wah	
Dr. Lam Andy Siu Wing *JP*	(resigned on 20 February 2013)

In accordance with Article 112 of the Company's Articles of Association, Mr. He Jianhong and Mr. Zhang Zhantao, being directors appointed by the Board, will hold office until the forthcoming annual general meeting (the "**AGM**") and, being eligible, offer themselves for re-election at the AGM.

In accordance with Article 108 of the Company's Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not a multiple of three, then the number nearest to, but not less than one-third, shall retire from office by rotation. Mr. Siu Siu Ling, Robert shall retire from office at the AGM and, being eligible, offer himself for re-election at the AGM.

Following the resignation of Dr. Lam Andy Siu Wing *JP*, the number of independent non-executive Directors falls below the minimum number required under Rule 3.10(1) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), and the number of audit committee members falls below the minimum number required under Rule 3.21 of the Listing Rules. The Board will appoint an appropriate person to fill the vacancy as soon as possible within three months from 20 February 2013 pursuant to the Rule 3.11 of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Details of the Directors' remuneration are set out in note 13 to the consolidated financial statements.

UPDATES ON DIRECTORS' INFORMATION

The following is updated information of Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

The Remuneration Committee had reviewed the duties and remuneration of the Directors at the meeting held on 20 March 2012 and approved to increase the monthly remuneration of Mr. Siu Siu Ling, Robert, Mr. Tam Tak Wah and Dr. Lam Andy Siu Wing *JP* to HKD10,000, HKD10,000 and HKD12,000, respectively, all with effect from 1 April 2012.

At early 2013, the Remuneration Committee had further reviewed the duties and remuneration of the Directors and approved to increase the remuneration of Mr. Siu Siu Ling, Robert and Mr. Tam Wak Wah to HKD12,000 with effect from 1 February 2013.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No Director had a material interest, either directly or indirectly, in any contract of significance to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2012, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in the Listing Rules, were as follows:

Long positions in shares and underlying shares of the Company:

Name of director	Capacity and nature of interest	Shares	Underlying Shares	Total interests	Approximate percentage of the Company's issued share capital
Mr. Leung Heung Ying, Alvin ("Mr. Leung") *(Note a)*	Interest in a controlled corporation	29,000,000 *(Note b)*	201,000,000 *(Note c)*	230,000,000	67.52

Notes:

a. The entire issued share capital of Business Giant Limited ("BGL") is beneficially owned by Mr. Leung. Mr. Leung is therefore deemed to be interested in the Shares and the underlying Shares owned by BGL under the SFO.

b. BGL held such 29,000,000 Shares via its trustee, Market Giant Investments Limited.

c. Among the 201,000,000 underlying Shares, 156,000,000 underlying Shares represented the 156,000,000 convertible preference shares owned by BGL which are convertible into 156,000,000 conversion Shares; and the remaining 45,000,000 underlying Shares represented the Convertible Notes in the principal amount of HKD5,400,000 owned by BGL which are convertible into conversion Shares at HKD0.12 per conversion Share (subject to adjustments).

Save as disclosed above, as at 31 December 2012, none of the Directors or chief executive of the Company had registered an interest or short positions in the Shares or underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Directors' interests and short positions in Shares, underlying Shares and debentures" above and in the "Share Option Scheme" disclosure in note 25 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

During the year ended 31 December 2012, a new share option scheme had been adopted in place of the old share option scheme. No share option had been granted by the Company during the year.

Details of the share option scheme of the Company are set out in note 25 to the consolidated financial statements.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2012, the following interests of more than 5% of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in shares and underlying shares of the Company:

Name of Shareholder	Capacity and nature of interest	Shares	Underlying Shares	Total interests	Approximate percentage of the Company's issued share capital
Able Success Asia Limited ("Able Success") *(Note a)*	Beneficial owner	201,000,000	469,000,000 *(Note b)*	670,000,000	196.67
Mr. He Jianhong ("Mr. He") *(Note a)*	Interest in a controlled corporation	201,000,000	469,000,000 *(Note b)*	670,000,000	196.67
BGL *(Note c)*	Beneficial owner	29,000,000 *(Note d)*	201,000,000 *(Note e)*	230,000,000	67.52

Notes:

a. The entire issued share capital of Able Success is beneficially owned by Mr. He. Mr. He is therefore deemed to be interested in the Shares and the underlying Shares held by Able Success under the SFO.

b. Among the 469,000,000 underlying Shares, 364,000,000 underlying Shares represented the 364,000,000 convertible preference shares owned by Able Success which are convertible into 364,000,000 conversion Shares; and the remaining 105,000,000 underlying Shares represented the Convertible Notes in the principal amount of HKD12,600,000 owned by Able Success which are convertible into conversion Shares at HKD0.12 per conversion Share (subject to adjustments).

c. The entire issued share capital of BGL is beneficially owned by Mr. Leung. Mr. Leung is therefore deemed to be interested in the Shares owned by BGL under the SFO.

d. BGL held such 29,000,000 Shares via its trustee, Market Giant Investments Limited.

e. Among the 201,000,000 underlying Shares, 156,000,000 underlying Shares represented the 156,000,000 convertible preference shares owned by BGL which are convertible into 156,000,000 conversion Shares; and the remaining 45,000,000 underlying Shares represented the Convertible Notes in the principal amount of HKD5,400,000 owned by BGL which are convertible into conversion Shares at HKD0.12 per conversion Share (subject to adjustments).

Save as disclosed above, the Company had not been notified of other relevant interests or short positions in the shares and underlying shares of the Company as at 31 December 2012 as required pursuant to section 336 of the SFO.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in the usual course of business are set out in note 27 to the consolidated financial statements. None of these related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules.

EMOLUMENT POLICY

The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits included provident fund scheme, share option scheme as well as discretionary bonuses. The determination of emoluments of the Directors had taken into consideration of their respective experience, responsibilities in the Company and the prevailing market conditions.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued ordinary share capital was held by the public as at the date of this report.

EVENTS AFTER THE REPORTING PERIOD

(i) Unconditional mandatory cash offers

Pursuant to the composite offer and response document of the Company dated 29 January 2013 (the "**Composite Document**") and announcement of the Company dated 12 December 2012, the Board was informed by Integrated Asset Management (Asia) Limited ("**IAM**") and BGL that IAM, BGL and Able Success (the "**Offeror**") entered into the sales and purchase agreement dated 23 November 2012 pursuant to which IAM and BGL agreed to sell and the Offeror agreed to purchase (i) an aggregate of 201,000,000 shares of the Company, (ii) the Convertible Notes in the principal amount of HKD12,600,000 and (iii) 364,000,000 convertible preference shares for an aggregate cash consideration of HKD81,271,000 (equivalent to HKD0.1213 per sale Share and per conversion Share). Completion took place on 26 November 2012 and the Offeror became the controlling Shareholder.

Upon completion, the Offeror is required to make the unconditional mandatory general offers in cash for all the issued shares and outstanding convertible securities of the Company other than those already owned by the Offeror and parties acting in concert with it at HKD0.1213 each ("**Share Offer**") and to cancel all outstanding share options at HKD0.0001 each (the "**Option Offer**").

On 19 February 2013, the Offeror had received valid acceptances in respect of a total of 131,644 shares under the Share Offer and no share options under the Option Offer.

(ii) Change of board composition

Mr. He has been appointed as the chairman of the Company and an executive Director and Mr. Zhang Zhantao has been appointed as an executive Director, both with effect from 1 February 2013. Mr. Leung and Mr. Wong Tat Wai, Derek resigned as executive Directors whereas Dr. Lam Andy Siu Wing *JP* resigned as an independent non-executive Director, all with effect from 20 February 2013.

(iii) Villagers' Committee letter dated 5 March 2013 in relation of the Land

A subsidiary of the Company, Shanxi Zhangen Metal Products Co., Ltd. received a notice from Fen Yang Wen Feng Street Nanguan Villagers' Committee(汾陽市文峰街道南關村民委員會 "**Villagers' Committee**") dated 5 March 2013 (the "**Notice**") relating to the Land Use Compensation Agreement(土地征用補償協議)dated 25 October 2007 (the "**Agreement**") in respect of the land (the "**Land**"). The Notice mentioned that as the approval procedures are complicated and the usage of the Land has not yet converted from collectively owned into industrial use. In view of the above, the Villagers' Committee notified the Company that the Agreement shall be cancelled with immediate effect and the deposit of RMB12,400,000 previously paid by the Group shall be treated as rental expenses for using the Land for the period from 26 October 2007 to 25 October 2014. While the Group is in the course of seeking legal advice in respect of the Agreement and the Notice, the Group is also negotiating with the Villagers' Committee simultaneously for the extension of usage period and/or a rental arrangement after 25 October 2014. During the year ended 31 December 2008, the Provisional Liquidators considered that it was uncertain about the recoverability of the aforesaid deposit, impairment of RMB12,400,000 had been recognised accordingly.

(iv) Change of Company Secretary

Mr. Leung has resigned and Mr. Lau Cheuk Pun has been appointed as Company Secretary of the Company both with effect from 20 March 2013.

AUDITOR

The consolidated financial statements for the year ended 31 December 2012 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. At the annual general meeting of the Company held on 6 October 2011, ZHONGLEI has been appointed as auditor of the Company for the financial year ended 31 December 2011 and will hold office until the conclusion of the next annual general meeting of the Company. Save for the aforesaid, there have been no change of auditors of the Company in the past three years.

A resolution will be proposed at the AGM to re-appoint ZHONGLEI as auditor of the Company.

On behalf of the Board
He Jianhong
Chairman

Hong Kong, 25 March 2013

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintain high standards of corporate governance practices at all times. The Board believes that good corporate governance helps the Company to safeguard the interests of its shareholders and to enhance the performance of the Group.

The Company has implemented and complied with all code provisions of the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code (the "**CG Code**") during the period from 1 April 2012 to 31 December 2012 as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, save as disclosed as follows:

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer ("**CEO**") should be separate and should not be performed by the same individual. During the year under review, the Company did not have any officer with chairman or CEO title. The roles and duties of chairman and CEO were shared by the Directors. In view of the size of operation of the Group, the Board considered that this structure is more suitable for the Company as it can promote the efficient formulation and implementation of the Company's strategies.

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The independent non-executive Directors are not appointed for a specific term but shall retire from office by rotation at least once every three years as referred to in the Company's articles of association which provides that at each annual general meeting one third of the directors of the Company for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry with the existing directors of the Company, all of them confirmed that they have complied with the required standards set out in the Model Code since their appointment as a Director during the year ended 31 December 2012.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Group, overseeing the Group's businesses, strategic decisions and performance, evaluating the performance of the Group and supervising the management. In addition, the Board reserves the authority to make final decisions for all major matters of the Company, including internal control and risk management, dividend payout, material transaction, preparation and release of financial information, appointment of Directors, and other significant financial matters. The Board is also responsible for performing the corporate governance duties set out in code provision D.3.1 of the CG Code. In order to enhance efficiency, the Board has delegated the day-to-day responsibilities and operations to the executive Directors and senior management.

During the year under review, the Board comprised five directors, two of which are Executive Directors, namely Mr. Leung Heung Ying, Alvin and Mr. Wong Tat Wai, Derek and three are independent non-executive Directors, namely Dr. Lam Andy Siu Wing *JP*, Mr. Siu Siu Ling, Robert and Mr. Tam Tak Wah. As at the date of this report, the Board comprised four Directors, two of which are executive Directors, namely Mr. He Jianhong (Chairman) and Mr. Zhang Zhantao and two are independent non-executive Directors, namely Mr. Siu Siu Ling, Robert and Mr. Tam Tak Wah. Following the resignation of Dr. Lam Andy Siu Wing *JP* on 20 February 2013, the number of independent non-executive Directors falls below the minimum number required under Rule 3.10(1) of Listing Rules, and the number of audit committee members falls below the minimum number required under Rule 3.21 of the Listing Rules. The Board will appoint an appropriate person to fill the vacancy as soon as possible within three months from 20 February 2013 pursuant to the Rule 3.11 of the Listing Rules.

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules.

The Company considers all the independent non-executive Directors are independent in accordance with the independence guidelines set out in the Listing Rules. Biographical details of the Directors are set out under the section headed "Biographical Details of Directors and Senior Management" on pages 7 to 8 of this annual report.

To the best knowledge of the Directors, the Board is not aware of any financial, business, family or other material/relevant relationships among members of the Board.

Directors are continually updated on the latest development and changes in the Listing Rules, the CG Code and other regulatory requirements in order to ensure the compliance with the same by the Directors. Directors are also encouraged to participate in professional development courses and seminars to develop and refresh their knowledge and skills. All Directors, namely Mr. Leung Heung Ying, Alvin, Mr. Wong Tat Wai, Derek, Dr Lam Andy Siu Wing *JP*, Mr. Siu SIu Ling, Robert and Mr. Tam Tak Wah, had provided a record of training they received during the year to the Company. They participated in continuous professional development mainly by attending seminars or reading various materials regarding directors' responsibilities, updates on the Listing Rules and disclosure of inside information, etc.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year under review, the Company did not have any officer with chairman or CEO title. The roles and duties of chairman and CEO were shared by the Directors. In view of the size of operation of the Group, the Board considered that this structure is more suitable for the Company as it can promote the efficient formulation and implementation of the Company's strategies. With the change of the composition of the Board and appointment of the New Management in February 2013, Mr. He was appointed as chairman of the Company on 1 February 2013 and took up the role and duties of chairman since then.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The independent non-executive Directors are not appointed for a specific term but shall retire from office by rotation at least once every three years as referred to in the Company's articles of association which provides that at each annual general meeting one third of the directors of the Company for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 1 November 2011 with specific written terms of reference as set out in the CG Code. Members of the Remuneration Committee of the Company during the year and up to the date of this report were:

Independent non-executive Directors

Mr. Siu Siu Ling, Robert
Mr. Tam Tak Wah
Dr. Lam Andy Siu Wing *JP (Note)*

Note: Dr. Lam Andy Siu Wing *JP* ceased to be a member and Chairman of the Remuneration Committee upon his resignation as an independent non-executive Director became effective on 20 February 2013.

The major roles and functions of the Remuneration Committee are as follows:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of the directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; and

2. to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

The Remuneration Committee discharged its duties by reviewing the remuneration packages of the Directors during 2012.

NOMINATION COMMITTEE

The nomination committee was established on 20 March 2012 with specific written terms of reference as set out in the CG Code. Members of the Nomination Committee of the Company during the year and up to the date of this report were:

Independent non-executive Directors

Mr. Siu Siu Ling, Robert
Mr. Tam Tak Wah
Dr. Lam Andy Siu Wing *JP (Note 1)*

Executive Director

Mr. Leung Heung Ying, Alvin *(Note 2)*

Notes:

1. Dr. Lam Andy Siu Wing *JP* ceased to be a member and Chairman of the Nomination Committee upon his resignation as an independent non-executive Director became effective on 20 February 2013.

2. Mr. Leung Heung Ying, Alvin ceased to be a member of the Nomination Committee upon his resignation as an executive Director became effective on 20 February 2013.

The major roles and functions of the Nomination Committee are as follows:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;

2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships;

3. to assess the independence of independent non-executive directors; and

4. to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors.

As the Nomination Committee was established on 20 March 2012 and all the Directors were appointed for a relatively short period of time, no Nomination Committee's meeting had been held during the year ended 31 December 2012.

AUDITOR'S REMUNERATION

An amount of approximately RMB471,000 and RMB61,000 in relation to the audit service and non-audit related services provided by the Company's auditor, ZHONGLEI, was charged to the Group's statement of comprehensive income for the year ended 31 December 2012.

AUDIT COMMITTEE

The Audit Committee was established on 1 November 2011. One of the independent non-executive Directors possesses appropriate professional qualifications, or accounting or related financial management expertise as required under the Listing Rules. Members of the Audit Committee of the Company during the year and up to the date of this report were:

Independent non-executive Directors

Mr. Siu Siu Ling, Robert
Mr. Tam Tak Wah *(Note 1)*
Dr. Lam Andy Siu Wing *JP (Note 2)*

Notes:

1. Mr. Tam Tak Wah has been appointed as Chairman of the Audit Committee with effect from 20 February 2013.

2. Dr. Lam Andy Siu Wing *JP* ceased to be a member and Chairman of the Audit Committee upon his resignation as an independent non-executive Director became effective on 20 February 2013.

The major roles and functions of the Audit Committee are:

1. to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor, to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of auditor;

2. to discuss with the external auditor before the audit commences, the nature and scope of the audit;

3. to review the interim and annual financial statements before submission to the Board;

4. to discuss problems and reservations arising from the review of interim results and audit of final results, and any matters the external auditor may wish to discuss; and

5. to review the Group's financial and accounting policies and practices.

During 2012, the Audit Committee discharged its duties by reviewing the financial matters, financial statements and internal control as well as discussing with executive Directors and the auditor of the Company, and making recommendations to the Board.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

Up to the date of this annual report, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE OF DIRECTORS AND COMMITTEE MEMBERS

The following table summaries the attendance of individual Director and committee member in 2012:

	Number of Board meetings attended/held	**Number of Audit Committee's meetings attended/held**	**Number of Remuneration Committee's meetings attended/held**	**Number of general meetings attended/held**
Mr. Leung Heung Ying, Alvin	9/9	–	–	2/2
Mr. Wong Tat Wai	5/9	–	–	2/2
Dr Lam Andy Siu Wing *JP (Note)*	9/9	2/2	2/2	2/2
Mr. Siu Siu Ling, Robert	9/9	2/2	2/2	2/2
Mr. Tam Tak Wah	8/9	2/2	2/2	2/2

Note: Dr Lam Andy Siu Wing *JP* was the chairman of the Audit Committee, Remuneration Committee and Nomination Committee in 2012.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other financial disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2012.

INTERNAL CONTROL

The Board recognises its responsibilities for maintaining an adequate system of internal control to safeguard the Group's assets and shareholders' interests. An internal control system, including a defined management structure with limits of authority, is designed to help achieving business objectives, safeguard assets against unauthorised use, maintain proper accounting records for the provision of reliable financial information for internal use and for publication. During the year, the Board has, through the Audit Committee, conducted annual review of the effectiveness of the internal control system of the Group. The internal control system is designed to provide reasonable, but not absolute, assurance of no material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievements of the Group's objectives.

SHAREHOLDERS' RIGHTS

One or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings can convene an extraordinary general meeting pursuant to Article 64 of the Company's Articles of Association. For proposing resolution at the general meeting, Shareholders should submit it in writing to the Directors or the Company Secretary with details. The Board welcomes views and questions from the Shareholders who may at any time send their enquiries and concerns to the Board by addressing them to Company Secretary by post to Unit 912, 9th Floor, New East Ocean Centre, 9 Science Museum Road, Kowloon, Hong Kong or by fax number: (852) 2311-7738. In addition, the Group maintains its own website at which the Shareholders can access to for the Company's information and communication with the Company.

INVESTOR RELATIONS

During the year, there was no change in the Company's Memorandum and Articles of Association. An up-to-date consolidated version of the Company's Memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange.

中磊（香港）會計師事務所有限公司
ZHONGLEI (HK) CPA Company Limited

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

We have audited the consolidated financial statements of China Packaging Group Company Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 24 to 91, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except as described in the Basis for Qualified Opinion paragraph, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

BASIS FOR QUALIFIED OPINION

Limitation of scope – prior year's scope limitation affecting corresponding figures

The auditor's opinion on the consolidated financial statements of the Group for the year ended 31 December 2011 (the "2011 Consolidated Financial Statements"), which formed the basis for the corresponding figures presented in the current year's consolidated financial statements, was qualified by us because of the significance of the possible effect of the limitations on the scope of the audit. Details of qualified audit opinion on 2011 Consolidated Financial Statements was set out in the independent auditor's report dated 20 March 2012 and included in the Company's annual report for the year ended 31 December 2011. Hence, our opinion on the current year's consolidated financial statements is also modified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures.

OPINION

In our opinion, except for the possible effects on the corresponding figures of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ZHONGLEI (HK) CPA Company Limited
Certified Public Accountants (Practising)
Lam Chik Tong
Practising Certificate Number: P05612

Suites 313-317, 3/F.
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

25 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	**2012 RMB'000**	2011 RMB'000
Revenue	7	**74,085**	142,311
Cost of sales		**(64,879)**	(115,690)
Gross profit		**9,206**	26,621
Other revenue	8	**141**	56
Selling and distribution expenses		**(4,047)**	(6,932)
Administrative expenses		**(15,933)**	(3,439)
Impairment loss recognised in respect of property, plant and equipment	17	**(51,911)**	–
Impairment loss on trade receivables	19	**(24,014)**	–
Operating (loss) profit		**(86,558)**	16,306
Gain on restructuring	9	**–**	161,733
Restructuring costs and expenses		**–**	(8,389)
Finance costs	10	**(1,380)**	(6,186)
(Loss) profit before income tax		**(87,938)**	163,464
Income tax credit (expense)	11	**2,248**	(5,946)
(Loss) profit for the year attributable to owners of the Company	12	**(85,690)**	157,518
Other comprehensive (expense) income			
Exchange differences arising on translation		**(124)**	150
Total comprehensive (expense) income for the year attributable to owners of the Company		**(85,814)**	157,668
(Loss) earnings per share attributable to owners of the Company	15		
– Basic		**(RMB0.26)**	RMB1.29
– Diluted		**(RMB0.26)**	RMB0.65

Consolidated Statement of Financial Position

At 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Prepaid lease payments	16	**–**	–
Property, plant and equipment	17	**10,089**	59,981
Deposit paid for acquisition of property, plant and equipment		**–**	6,102
		10,089	66,083
CURRENT ASSETS			
Inventories	18	**2,589**	3,294
Trade and other receivables	19	**39,107**	64,990
Bank balances and cash	20	**11,217**	21,877
		52,913	90,161
CURRENT LIABILITIES			
Trade and other payables	21	**4,911**	11,961
Receipt in advance		**324**	–
Tax payable		**2,086**	4,657
		7,321	16,618
NET CURRENT ASSETS		**45,592**	73,543
TOTAL ASSETS LESS CURRENT LIABILITIES		**55,681**	139,626
NON-CURRENT LIABILITIES			
Convertible loan notes	22	**8,508**	7,405
Deferred tax liabilities	23	**–**	2,588
		8,508	9,993
NET ASSETS		**47,173**	129,633

Consolidated Statement of Financial Position

At 31 December 2012

	Notes	**2012** **RMB'000**	2011 RMB'000
CAPITAL AND RESERVES			
Share capital	24	**720**	698
Reserves		**46,453**	128,935
TOTAL EQUITY		**47,173**	129,633

The consolidated financial statements on the pages from 24 to 91 were approved and authorised for issue by the board of directors on 25 March 2013 and are signed on its behalf by:

He Jianhong
Director

Zhang Zhantao
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Share capital RMB'000 *(Note 24)*	Share premium RMB'000 *(Note a)*	Share options reserve RMB'000 *(Note b)*	Convertible loan notes equity reserve RMB'000 *(Note 22)*	Translation reserve RMB'000	Surplus reserve fund RMB'000 *(Note c)*	(Accumulated losses) retained profits RMB'000	Total RMB'000
At 1 January 2011	67,399	215,765	938	–	–	9,222	(404,238)	(110,914)
Profit for the year	–	–	–	–	–	–	157,518	157,518
Exchange differences arising on translating foreign operations	–	–	–	–	150	–	–	150
Total comprehensive income for the year	–	–	–	–	150	–	157,518	157,668
Capital Reduction	(67,314)	–	–	–	–	–	67,314	–
Subscription of New Shares by investors	187	22,357	–	–	–	–	–	22,544
Subscription of Convertible Preference Shares by investors	425	50,546	–	–	–	–	–	50,971
Bonus Issue	1	(1)	–	–	–	–	–	–
Issuance of Scheme Creditors Options	–	–	1,735	–	–	–	–	1,735
Issuance of Convertible Loan Notes	–	–	–	7,629	–	–	–	7,629
At 31 December 2011 (as originally stated)	698	288,667	2,673	7,629	150	9,222	(179,406)	129,633
Prior year adjustment *(Note 3)*	–	(215,765)	–	–	–	–	215,765	–
At 31 December 2011 (as restated)	698	72,902	2,673	7,629	150	9,222	36,359	129,633
Loss for the year	–	–	–	–	–	–	(85,690)	(85,690)
Exchange differences arising on translating foreign operations	–	–	–	–	(124)	–	–	(124)
Total comprehensive expense for the year	–	–	–	–	(124)	–	(85,690)	(85,814)
Issuance of shares upon exercise of Scheme Creditors Options	22	4,183	(851)	–	–	–	–	3,354
Lapsed of Scheme Creditors Options	–	–	(884)	–	–	–	884	–
At 31 December 2012	**720**	**77,085**	**938**	**7,629**	**26**	**9,222**	**(48,447)**	**47,173**

Notes:

a) 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.

b) Share options reserve represents the portion of the grant date fair value of unexercised share options granted under the share option scheme or unexercised Scheme Creditors Options granted under the Debt Restructuring as mentioned in Note 2 to the consolidated financial statements adopted by the Company. For the Scheme Creditors Options, it was lapsed during the year ended 31 December 2012.

c) According to the relevant enterprises regulations in the People's Republic of China (the "PRC"), Shanxi Zhanpen Metal Products Co., Ltd. ("Zhanpen"), a subsidiary established in the PRC is required to transfer not less than 10% of their profit after taxation to surplus reserve until the balance reaches 50% of its registered capital, 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 the subsidiary.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
OPERATING ACTIVITIES		
(Loss) profit before tax	**(87,938)**	163,464
Adjustments for:		
Finance costs	**1,380**	6,186
Interest income	**(126)**	(56)
Depreciation of property, plant and equipment	**8,101**	7,294
Loss on written-off of inventories	**830**	–
Loss on written-off of property, plant and equipment	**2,576**	–
Impairment loss recognised in respect of property, plant and equipment	**51,911**	–
Impairment loss on trade receivables	**24,014**	–
Gain on restructuring	**–**	(161,733)
Operating cash flows before movements in working capital	**748**	15,155
Increase in inventories	**(125)**	(121)
Decrease (increase) in trade and other receivables	**1,869**	(16,165)
Increase in receipt in advance	**324**	–
Decrease in escrow money	**–**	888
(Decrease) increase in trade and other payables	**(7,050)**	891
Cash (used in) generated from operations	**(4,234)**	648
Income tax paid	**(2,911)**	(4,217)
Interest paid	**(277)**	(55)
NET CASH USED IN OPERATING ACTIVITIES	**(7,422)**	(3,624)
INVESTING ACTIVITIES		
Interest received	**126**	56
Purchase of property, plant and equipment	**(6,594)**	(3,028)
Deposit paid for acquisition of property, plant and equipment	**–**	(6,102)
NET CASH USED IN INVESTING ACTIVITIES	**(6,468)**	(9,074)
FINANCING ACTIVITIES		
Issuance of shares upon exercise of Scheme Creditors Options	**3,354**	–
Advancement of loan from Investors	**–**	9,097
Increase in amount due to an investor	**–**	222
Cash inflow from restructuring, net	**–**	22,457
NET CASH FROM FINANCING ACTIVITIES	**3,354**	31,776
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(10,536)**	19,078
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**21,877**	2,649
Effect of foreign exchange rates changes, net	**(124)**	150
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**11,217**	21,877

1. GENERAL

China Packaging Group Company Limited (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 Unit 912, 9th Floor, New East Ocean Centre, 9 Science Museum Road, Kowloon, Hong Kong. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Pursuant to a petition seeking the Company's winding up presented by Deutsche Bank Aktiengesellschaft on 8 July 2009, and a subsequent application on 2 October 2009, by DBS Bank (Hong Kong) Limited for a provisional liquidation order to be made against the Company, the High Court of Hong Kong (the "**HK Court**") appointed Mr. Roderick John Sutton and Mr. Fok Hei Yu, both of FTI Consulting (Hong Kong) Limited (formerly known as Ferrier Hodgson Limited) ("**Escrow Agent**"), to act as joint and several provisional liquidators (the "**Provisional Liquidators**") to the Company on the same date. At the HK Court hearing for petition for the sanction of the scheme of arrangement of the Company in Hong Kong (the "**Hong Kong Scheme**") held on 25 October 2011, the Hong Kong Scheme was sanctioned by the HK Court. On 1 November 2011, the HK Court granted order for the withdrawal of the winding up petition against the Company presented by Deutsche Bank Aktiengesellschaft on 8 July 2009 and for the discharge of the Provisional Liquidators.

As all of the resumption conditions as set out in the Stock Exchange's letter dated 26 May 2011 ("**Resumption Conditions**") have been satisfied and fulfilled on 1 November 2011, trading of the Company's shares on the Stock Exchange resumed on 4 November 2011 accordingly. The Company's shares 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**") and the Group is also engaged in the trading of metal during the year ended 31 December 2012.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Group.

2. RESTRUCTURING OF THE COMPANY

In order to satisfy the Resumption Conditions, the Company, the Provisional Liquidators, Integrated Asset Management (Asia) Limited and Business Giant Limited (hereinafter collectively known as the "**Investors**") and the Escrow Agent entered into the restructuring agreement dated 17 June 2011 (the "**Restructuring Agreement**"). Details of the Restructuring Agreement were set out in the circular of the Company dated 12 September 2011 (the "**Circular**"). The Hong Kong Scheme and scheme of arrangement of the Company in Cayman Islands (the "**Cayman Scheme**") (collectively known as the "**Schemes**") were passed by the creditors with an admitted claims (the "**Scheme Creditors**") on 21 September 2011 and the resolutions as set out in the notice of the extraordinary general meeting dated 12 September 2011 has been duly passed by way of poll on 6 October 2011. The Restructuring Agreement principally involved the following:

a) Capital Reorganisation

i) Capital Consolidation

Every eight shares of HKD0.10 each in the issued share capital of the Company was consolidated into one consolidated share with par value of HKD0.80 each (the "**Consolidated Share**").

2. RESTRUCTURING OF THE COMPANY *(Continued)*

a) Capital Reorganisation *(Continued)*

ii) Capital Reduction

Upon the Capital Consolidation becoming effective, the par value of each issued Consolidated Share was reduced from HKD0.80 to HKD0.001 by cancellation of HKD0.799 of the paid-up capital of each issued Consolidated Share (the "**Capital Reduction**").

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

iii) Partial Accumulated Loss Set-off

Upon the Capital Consolidation and the Capital Reduction becoming effective, the credit generated therefrom was applied in a manner consistent with the Cayman Companies Law, including but not limiting to setting off against part of the accumulated losses of the Company of approximately RMB67,314,000 (or equivalent to approximately HKD65,630,000).

In addition, as mentioned in Note 3 to the consolidated financial statements, at the time of completion of the Capital Consolidation and the Capital Reduction (the "**Completion**"), the existing share premium of RMB215,765,000 should have been off-set against the accumulated losses of the Company. As such, the consolidated financial statements for the year ended 31 December 2011 has been restated.

iv) Share Split

Following the Capital Consolidation and the Capital Reduction, the authorised unissued share capital of the Company of HKD134,287,891.9, comprised 1,342,878,919 shares each with a nominal value of HKD0.10, was altered so as to be comprised 134,287,891,900 new shares of HKD0.001 each ("**New Shares**").

b) The Subscription

Subject to the fulfillment of the conditions stated in the Restructuring Agreement ("**Conditions Precedent**"), the Investors subscribed for and the Company had on the completion of the transactions contemplated under the Restructuring Agreement ("**Completion**") alloted and/or issued:

i) 230,000,000 subscription shares with par value of HKD0.001 each at a subscription price of HKD0.12 per subscription share ("**Subscription Shares**") (Note 24f);

ii) 520,000,000 preference shares with par value of HKD0.001 each at a subscription price of HKD0.12 per preference share ("**Convertible Preference Shares**") (Note 24g); and

iii) 2% convertible loan notes in the aggregate principal amount of HKD18 million which are convertible into ordinary shares of the Company at a conversion price of HKD0.12 per conversion share ("**Convertible Loan Notes**") (Note 22).

2. RESTRUCTURING OF THE COMPANY *(Continued)*

c) Debt Restructuring

i) The Schemes

The Schemes were passed by the Scheme Creditors of the Company on 21 September 2011, pursuant to which:

– all claims against the Company would be compromised, discharged and/or settled;

– the Scheme Creditors would receive pro rata distribution of the cash consideration of HKD62,000,000 ("**Cash Consideration**");

– the Company had granted the 56,000,000 options ("**Scheme Creditors Options**") to Mr. Fok Hei Yu and Mr. Roderick John Sutton (collectively known as the "Scheme Administrators") to hold for the benefit of the Scheme Creditors pursuant to which, the Scheme Creditors were entitled to subscribe for 56,000,000 New Shares of the Company with an exercise price of HKD0.15 per New Shares ("**Option Shares**");

– the Investors would grant the put options ("**Put Options**") for purchasing the Scheme Creditors Options to the Scheme Administrators to hold for the benefit of the Scheme Creditors pursuant to which the Scheme Creditors were entitled to put the Scheme Creditors Options to the Investors in the ratio of 70% to 30% between Integrated Asset Management (Asia) Limited and Business Giant Limited ("**Relevant Ratio**") at the put option price of HKD0.02 per Scheme Creditors Options within two months from the date of granting the Scheme Creditors Options; and

– the Scheme Creditors were entitled to receive ratably all rights, titles and interests in the Company's subsidiaries and associated companies which do not form part of the Restructuring Agreement ("**Non-Core Subsidiaries**") transferred to Sino Gather Limited ("**Sino Gather**") by the Company on or about 23 March 2010 pursuant to the deed entered into between the Company and Sino Gather dated 23 March 2010 for disposal of the entire issued share capital of the Non-Core Subsidiaries, and any assets transferred by the Company to Sino Gather under the Schemes with effect from the 1 November 2011 ("**Completion Date**") which will be dealt with by the Scheme Administrators. Details of the Non-Core Subsidiaries are set out in the announcement of the Company dated 23 March 2010.

d) Bonus Issue

After Completion and on 2 November 2011, the Company effected the bonus issue to the qualifying shareholders whose names appear on the original register of members of the Company ("**Qualifying Shareholders**") on 20 October 2011 ("**Bonus Issue**"). The terms of the Bonus Issue was made by way of bonus on the basis of 13 bonus shares for every 1,000 New Shares held on 20 October 2011 by the Qualifying Shareholders.

3. PRIOR YEAR ADJUSTMENT

Subsequent to the issue of the consolidated financial statements for the year ended 31 December 2011, the directors of the Company discovered that there was an omission to set-off the existing share premium against the accumulated losses at the Completion as mentioned in Note 2 to the consolidated financial statements.

Pursuant to the Cayman Companies Law and the Circular, the existing share premium of approximately RMB215,765,000 at the Completion should be used to set-off the accumulated losses of the Company. However, the Company has omitted to set-off the accumulated losses for the year ended 31 December 2011. During the current year, the directors of the Company discovered such omission and have made the correction in the current year as follow:

	31 December 2011 RMB'000 (As originally stated)	Adjustment RMB'000	31 December 2011 RMB'000 (As restated)
Share premium	288,667	(215,765)	72,902
(Accumulated losses) retained profits	(179,406)	215,765	36,359

The effect of error described above has no effect on the consolidated profit for the year ended 31 December 2011 and the consolidated statement of financial position at 31 December 2010.

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND HONG KONG ACCOUNTING STANDARDS ("HKASs")

In the current year, the Group has applied the following new and revised HKFRSs and HKASs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Asset
Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

The application of the new and revised HKFRSs and HKASs in the current year has had no material impact on the Group's consolidated financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND HONG KONG ACCOUNTING STANDARDS ("HKASs") *(Continued)*

New and revised HKFRSs and HKASs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs and HKASs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvement to HKFRSs 2009 – 2011 Cycle[1]
Amendments to HKFRS 1	Government Loans[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKFRS 27 (2011)	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC*) – Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine[1]

* *IFRIC represents the International Financial Reporting Interpretations Committee*

1 *Effective for annual periods beginning on or after 1 January 2013.*
2 *Effective for annual periods beginning on or after 1 January 2014.*
3 *Effective for annual periods beginning on or after 1 January 2015.*
4 *Effective for annual periods beginning on or after 1 July 2012.*

Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in June 2012

The *Annual Improvements to HKFRSs 2009 – 2011 Cycle* include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 Property, Plant and Equipment and the amendments to HKAS 32 Financial Instruments: Presentation.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The directors anticipate that the amendments to HKAS 32 will have no material effect on the Group's consolidated financial statements.

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND HONG KONG ACCOUNTING STANDARDS ("HKASs") *(Continued)*

New and revised HKFRSs and HKASs issued but not yet effective *(Continued)*

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

– All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at 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 reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

– With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 recognition 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND HONG KONG ACCOUNTING STANDARDS ("HKASs") *(Continued)*

New and revised HKFRSs and HKASs issued but not yet effective *(Continued)*

HKFRS 9 Financial Instruments (Continued)

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC)-Int 12 *Consolidation – Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND HONG KONG ACCOUNTING STANDARDS ("HKASs") *(Continued)*

New and revised HKFRSs and HKASs issued but not yet effective *(Continued)*

New and revised Standards on consolidation, joint arrangements, associates and disclosures (Continued)

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors anticipate that the application of these five standards would not have significant impact on amounts reported in the consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

– obtain funds from one or more investors for the purpose of providing them with professional investment management services;

– commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

– measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The directors of the Company anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND HONG KONG ACCOUNTING STANDARDS ("HKASs") *(Continued)*

New and revised HKFRSs and HKASs issued but not yet effective *(Continued)*

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors of the Company anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2013 and that the application may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

HKAS 19 (as revised in 2011) Employee Benefits

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application. The directors anticipate that the application of the amendments to HKAS 19 would not have significant impact on amounts reported in the consolidated financial statements.

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND HONG KONG ACCOUNTING STANDARDS ("HKASs") *(Continued)*

New and revised HKFRSs and HKASs issued but not yet effective *(Continued)*

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

5. 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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

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

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

– deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

– liabilities or equity instruments related to share-based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

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 the goods are delivered and titles have passed, at which time 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 recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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 disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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 recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised 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 debt instrument 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 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 debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

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 and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified accumulated impairment losses (see accounting policy on impairment loss of financial assets below).

Impairment loss of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when 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.

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

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, 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 amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment loss of financial assets *(Continued)*

For financial assets measured at amortised 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 instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

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 (including all fees and 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and other payables and liabilities portion of convertible loan notes are subsequently measured at amortised cost, using the effective interest method.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Convertible loan notes

Convertible loan notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in convertible loan notes equity reserve.

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible loan notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible loan notes equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, 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 in other comprehensive income and accumulated in equity is recognised in profit or loss.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition (Continued)

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. 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

Bank and cash equivalents include cash at bank, cash in hand, time deposits with original maturities of three months or less.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 "(loss) profit before tax" as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profit will be available against which those 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 other 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 associated with 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.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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 period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

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

The Group as lessee

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

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

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. Income and expenses items 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 under the heading of translation reserve.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of the accumulated exchange differences is reattributed to non-controlling interests and are not recognised in profit or loss.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or construction) as a result of past event, and it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Share-based payment transactions

Share options granted to employees on or after 1 January 2005

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expenses in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (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 original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

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 after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Share options granted to employees on or before 1 January 2005

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in profit or loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Retirement benefit costs

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group; or
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group; or
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); or
- (iii) the entity and the Group are joint ventures of the same third party; or
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; or
- (vi) the entity is controlled or jointly controlled by a person identified in (a); or
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 5, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgements in applying accounting policies

The following is the critical judgements, apart from those involving estimates (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(i) Prepaid lease payments and ownership of buildings

Despite the Group has paid the first installment of RMB12,400,000 for acquiring the land use right from Fen Yang Wen Feng Street Nanguan Villagers' Committee (汾陽市文峰街道南關村民委員會 "Villagers' Committee") as detailed in Notes 16 and 17 to the consolidated financial statements, the relevant government authorities have not yet issued the land and building ownership certificates to the Group.

Although the Group has not yet obtained the relevant legal titles of the subject land and building, the directors of the Company determine to recognise these land and buildings in the consolidated statement of financial position as at 31 December 2012 on the grounds that i) Villagers' Committee confirmed that the application for changing the collectively owned land to industrial granted land was in process and the Villagers' Committee allowed the Group to occupy the subject land parcel gratuitously for its normal business operations; and ii) pursuant to a legal opinion issued by 山西汾州律師事務所 dated 30 August 2011, provided that the Group comply with the requirements of State and Local Government to submit the town planning master plan and all necessary information, there was no legal impediments in completing necessary applications and obtaining building ownership certificate.

At 31 December 2012, the directors of the Company considered that the legal titles would be obtained in future and the Group was in substance controlling the usage of these land and buildings. The absence of formal titles of these land use rights did not impair the value of the relevant buildings to the Group.

Key sources of estimation uncertainty

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

(i) Estimated impairment loss on trade receivables

The management of 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. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. During the current year, the Group recognised an impairment loss amounting to approximately RMB24,014,000 (2011: Nil) in respect of trade receivables. The movement of allowance for doubtful debts for trade receivables during the year is set out in Note 19.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(ii) Estimated written-off of inventories

Net realisable 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. During the current year, the Group recognised a written-off amounting to approximately RMB830,000 (2011: Nil) in respect of inventories.

(iii) Estimated impairment loss recognised in respect of property, plant and equipment

The carrying amount of property, plant and equipment are reviewed annually and adjusted for impairment in accordance with HKAS 36 Impairment of Assets whenever certain events or changes in circumstances indicate that the carrying amount may not be recoverable. The value-in-use calculation requires the Group to determine the recoverable amount of the assets based on the estimations of future expected cash flows from the usage of these assets and a suitable discount rate. Where the future cash flows are less than expected, a material impairment loss may arise. During the current year, by referencing to the valuation report issued by Asia Asset Limited, the Group recognised an impairment loss amounting to approximately RMB51,911,000 (2011: Nil) in respect of property, plant and equipment. Details of the recoverable amount calculation for property, plant and equipment are disclosed in Note 17.

(iv) 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 management of 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.

7. 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.

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reporting segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

– Manufacture and sale of tinplate cans packaging business

– Trading of metal

Trading of metal is a new reportable segment of the Group for the year ended 31 December 2012.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

	Manufacture and sale of tinplate cans packaging business		Trading of metal		Total	
	2012	2011	**2012**	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue						
External sales	**74,085**	142,311	**–**	–	**74,085**	142,311
Segment (loss) profit	**(75,480)**	18,334	**(189)**	–	**(75,669)**	18,334
Unallocated corporate gain or revenue					**123**	161,783
Unallocated corporate expenses					**(11,012)**	(10,467)
Finance costs					**(1,380)**	(6,186)
(Loss) profit before income tax					**(87,938)**	163,464

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 5. Segment (loss) profit represents the (loss from) profit earned by each segment without allocation of central administration costs, directors' emoluments, restructuring costs and expenses, gain on restructuring and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	2012 **RMB'000**	2011 RMB'000
Segment assets		
Manufacture and sale of tinplate cans packaging business	**51,843**	136,785
Trading of metal	**10,648**	–
Total segment assets	**62,491**	136,785
Unallocated corporate assets	**511**	19,459
Consolidated assets	**63,002**	156,244
Segment liabilities		
Manufacture and sale of tinplate cans packaging business	**7,089**	18,801
Trading of metal	**–**	–
Total segment liabilities	**7,089**	18,801
Unallocated corporate liabilities	**8,740**	7,810
Consolidated liabilities	**15,829**	26,611

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than certain other receivables and bank balances and cash; and

- all liabilities are allocated to operating segments other than certain other payables and convertible loan notes.

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information

	Manufacture and sale of tinplate cans packaging business		Trading of metal		Unallocated		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Amounts included in the measure of segment profit or loss or segment assets:								
Additions to non-current assets	**12,696**	3,028	**–**	–	**–**	–	**12,696**	3,028
Depreciation	**8,101**	7,294	**–**	–	**–**	–	**8,101**	7,294
Loss on written-off of property, plant and equipment	**2,576**	–	**–**	–	**–**	–	**2,576**	–
Impairment loss recognised in respect of property, plant and equipment	**51,911**	–	**–**	–	**–**	–	**51,911**	–
Impairment loss on trade receivables	**24,014**	–	**–**	–	**–**	–	**24,014**	–
Loss on written-off of inventories	**830**	–	**–**	–	**–**	–	**830**	–
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:								
Interest income	**3**	6	**1**	–	**122**	50	**126**	56
Interest expense	**–**	–	**–**	–	**1,380**	6,186	**1,380**	6,186
Income tax (credit) expense	**(2,248)**	5,946	**–**	–	**–**	–	**(2,248)**	5,946

Revenue from major products

The segment of manufacturing and sale of tinplate cans packaging business contributed 100% (2011: 100%) of the Group's revenue for the year ended 31 December 2012.

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations are located in PRC. Information about the Group's revenue from external customers is presented based on the location of customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC	**74,085**	142,311	**10,089**	66,083

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

Customer	**2012**	2011
	RMB'000	RMB'000
A[1]	**9,189**	20,479
B[1]	**N/A**[2]	16,819
C[1]	**N/A**[2]	16,589
D[1]	**N/A**[2]	16,508
E[1]	**N/A**[2]	15,981
F[1]	**N/A**[2]	15,897

1 *Revenue from manufacture and sale of tinplate cans packaging business.*

2 *The corresponding revenue did not contribute over 10% of the total revenue of the Group in the respective year.*

8. OTHER REVENUE

	2012	2011
	RMB'000	RMB'000
Interest income on bank deposits	**4**	6
Interest income on time deposit	**122**	50
Sundry income	**15**	–
	141	56

9. GAIN ON RESTRUCTURING

As part of the restructuring as detail in Note 2 to the consolidated financial statements, all the claims by the Scheme Creditors against the Company were discharged and waived by way of the Schemes under Section 166 of the Hong Kong Companies Ordinance (Cap 32) and Section 86 of the Companies Law of Cayman Islands. The Cayman Scheme was sanctioned by the Cayman Court on 11 October 2011 whereas the Hong Kong Scheme was sanctioned by the HK Court on 25 October 2011.

Pursuant to terms of the Schemes as included in the Restructuring Agreement, on the Completion Date, the Scheme indebtedness, indebtedness and liabilities (actual and contingent) of the Company was compromised, discharged and/or settled. For the details of the Schemes, please refer to Note 2 to the consolidated financial statements. The excess of the amount of liabilities over the amount of assets transferred to the Schemes was recognised as gain on restructuring in the profit or loss for the year ended 31 December 2011.

	2011 RMB'000
Liabilities of the Company released or discharged:	
Trade and other payables	2,420
Bank borrowings	64,144
Other borrowings	50,643
Provision for bank loans guarantee for a deconsolidated subsidiary	29,000
Other financial liabilities	68,533
Total liabilities of the Company released or discharged *(Note a)*	214,740
Satisfied by:	
Cash consideration *(Note b)*	(51,272)
Fair value of Scheme Creditors Options *(Note c)*	(1,735)
	(53,007)
Gain on restructuring	161,733

9. GAIN ON RESTRUCTURING *(Continued)*

Net cash inflow from restructuring is set out below:

	2011 RMB'000
Inflow from restructuring:	
Subscription of New Shares by Investors *(Note 24(f))*	22,544
Subscription of Convertible Preference Shares by Investors *(Note 24(g))*	50,971
Issuance of the Convertible Loan Notes to the Investors *(Note 22)*	14,876
	88,391
Less: Outflow from Restructuring	
Cash Consideration for Scheme Creditors *(Note b)*	(51,272)
Set-off against the loan from an investor	(14,175)
Set-off against the amount due to an investor	(487)
Cash inflow to the Group from restructuring, net	22,457

Notes:

a) The amount represents the aggregate Scheme indebtedness, indebtedness and liabilities (actual and contingent) of the Company compromised, discharged and/or settled at the Completion Date.

b) It represents the cash consideration of HKD62,000,000 (equivalent to approximately RMB51,272,000) received by the Scheme Creditors.

c) It represents the fair value of 56,000,000 Scheme Creditors Options to the Scheme Administrators to hold for the benefits of the Scheme Creditors pursuant to which, the Scheme Creditors were entitled to subscribe for 56,000,000 New Shares of the Company with an exercise price of HKD0.15 per New Shares. For details, please refer to Note 25(b) to the consolidated financial statements.

10. FINANCE COSTS

	2012 RMB'000	2011 RMB'000
Interests on:		
Overdue bank borrowings *(Note a)*	–	2,998
Overdue other borrowings *(Note a)*	–	2,017
Overdue other financial liabilities *(Note a)*	–	958
	–	5,973
Effective interest expense on Convertible Loan Notes	1,380	208
Others	–	5
	1,380	6,186

Note:

a) Upon the Sanction of the Schemes, the finance costs of bank borrowings, other borrowings and other financial liabilities incurred for the year ended 31 December 2011 have been discharged. The discharged amount formed part of the gain on restructuring for the year ended 31 December 2011.

11. INCOME TAX (CREDIT) EXPENSE

	2012 RMB'000	2011 RMB'000
Current tax:		
– PRC Enterprises Income Tax ("**EIT**")	340	4,571
Deferred tax *(Note 23)*:		
– Mainland China withholding tax *(Note d)*	(2,588)	1,375
	(2,248)	5,946

Other than the deferred tax provided for as above, the Group did not have any significant unprovided deferred tax as at 31 December 2012 and 2011.

Notes:

a) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No Hong Kong profits tax has been provided for as the Group did not generate any assessable profits in Hong Kong for both years.

b) At 31 December 2012, the Group has unused tax losses of approximately HKD4,165,000 (2011: HKD4,165,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

c) 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.

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. 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. As the PRC subsidiary incurred a loss for the year, a reversal of withholding tax, which was recognised as income tax expenses in prior years, of approximately RMB2,588,000 has been recognised during the year ended 31 December 2012.

11. INCOME TAX (CREDIT) EXPENSE *(Continued)*

The income tax (credit) expense for the year can be reconciled to the (loss) profit before income tax per the consolidated statement of comprehensive income as follows:

	2012 **RMB'000**	2011 RMB'000
(Loss) profit before income tax	**(87,938)**	163,464
Tax at domestic income tax rate of 25% (2011: 25%)	**(21,985)**	40,866
Tax effect of expenses not deductible for tax purpose	**20,982**	2,771
Tax effect of income not taxable for tax purpose	**(4)**	(54,528)
Effect of (reversal) withholding tax at 10% on the distributable profits of the subsidiary in PRC	**(2,588)**	1,375
Effect of different tax rates of subsidiaries in other jurisdictions	**1,347**	15,462
Income tax (credit) expense for the year	**(2,248)**	5,946

The domestic income tax rate represents the tax rate in the jurisdiction where the operation of the Group is substantially based.

12. (LOSS) PROFIT FOR THE YEAR

(Loss) profit for the year has been arrived at after charging:

	2012 **RMB'000**	2011 RMB'000
Directors' and chief executives' emoluments *(Note 13(a))*	**2,431**	368
Other staff costs	**1,661**	965
Contributions to retirement benefits scheme, other than directors and chief executives	**411**	294
Total staff costs	**4,503**	1,627
Auditor's remuneration:		
– Audit services	**471**	414
– Other services	**61**	190
Cost of inventories recognised as an expense	**53,255**	104,789
Depreciation of property, plant and equipment	**8,101**	7,294
Loss on written-off of property, plant and equipment	**2,576**	–
Loss on written-off of inventories	**830**	–
Minimum lease payments in respect of operating lease of:		
– Property, plant and machinery	**2,200**	2,050
– Premises	**887**	288

13. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS

a) Directors' and chief executives' emoluments

The emoluments paid or payable to each of five (2011: seven) directors and the chief executive were as follow:

2012

	Fees RMB'000	Salaries and allowances RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Executive directors				
Mr. Leung Heung Ying, Alvin *(Note a)*	–	1,755	205	1,960
Mr. Wong Tat Wai, Derek *(Note a)*	–	163	8	171
Sub-total	–	1,918	213	2,131
Independent non-executive directors				
Dr. Lam Andy Siu Wing *(Note a)*	114	–	–	114
Mr. Siu Siu Ling, Robert *(Note b)*	93	–	–	93
Mr. Tam Tak Wah *(Note b)*	93	–	–	93
Sub-total	300	–	–	300
Total	300	1,918	213	2,431

2011

	Fees RMB'000	Salaries and allowances RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Executive directors				
Mr. Leung Heung Ying, Alvin *(Note a)*	–	298	2	300
Mr. Wong Tat Wai, Derek *(Note a)*	–	28	1	29
Mr. Liu Zhi Qiang *(Note c)*	–	–	–	–
Sub-total	–	326	3	329
Independent non-executive directors				
Dr. Lam Andy Siu Wing *(Note a)*	13	–	–	13
Mr. Siu Siu Ling, Robert *(Note b)*	13	–	–	13
Mr. Tam Tak Wah *(Note b)*	13	–	–	13
Mr. Chong Hoi Fung *(Note c)*	–	–	–	–
Sub-total	39	–	–	39
Total	**39**	**326**	**3**	**368**

13. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS *(Continued)*

a) Directors' and chief executives' emoluments *(Continued)*

Saved as disclosed below, the Group has not classified any other person as a chief executive at 31 December 2012 and 2011. No director or chief executive waived or agreed to waive any emoluments paid by the Group during the two years ended 31 December 2012 and 2011.

During the year ended 31 December 2012 and 2011, no emoluments were paid by the Group to the directors or chief executive as an inducement to join, or upon joining the Group, or as compensation for loss of office.

Notes:

a) Appointed on 1 November 2011 and resigned on 20 February 2013. Mr. Leung Heung Ying, Alvin was also a company secretary of the Company and his emoluments disclosed above included those for services rendered by him as the chief executive.

b) Appointed on 1 November 2011

c) Retired on 6 October 2011

b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2011: two) were directors and the chief executive of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three (2011: three) individuals were as follows:

	2012 RMB'000	2011 RMB'000
Salaries, allowances and other benefits in kind	**529**	338
Contributions to retirement benefits scheme	**22**	18
	551	356

Their emoluments were within the following bands:

	Number of individuals	
	2012	2011
Nil to RMB1,000,000	**3**	3

During the two years ended 31 December 2012 and 2011, 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.

14. DIVIDEND

No dividend was proposed or paid during the year ended 31 December 2012 nor any dividend has been proposed since the end of the reporting period (2011: Nil).

15. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to the owners of the Company is based on the consolidated loss for the year attributable to the owners of the Company of approximately RMB85,690,000 (2011: profit of approximately RMB157,518,000) and the weighted average number of ordinary shares of the Company in issue during the year approximately of 326,831,000 (2011: 121,646,000 *(Note a))*.

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 for the year ended 31 December 2011 does not assume the exercise of the Company's outstanding share options. The calculation of the diluted (loss) earnings per share attributable to owners of the Company is based on the following data:

(Loss) Earnings

	2012 RMB'000	2011 RMB'000
(Loss) profit for the year attributable to owners of the Company, used in the basic (loss) earnings per share calculation	**(85,690)**	157,518
Effect of dilutive potential ordinary shares:		
– Interest on Convertible Loan Notes (net of income tax) *(Note a)*	**–**	208
(Loss) earnings for the purpose of diluted (loss) earnings per share	**(85,690)**	157,726

Number of shares

	2012 '000	2011 '000
Weighted average number of ordinary shares for the purpose of the basic (loss) earnings per share	**326,831**	121,646
Effect of dilutive potential ordinary shares:		
Options *(Note a)*	**–**	6,641
Convertible preference shares *(Note a)*	**–**	86,905
Convertible Loan Notes *(Note a)*	**–**	25,068
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**326,831**	240,260

Note:

a) Diluted loss per share for the year ended 31 December 2012 is same as the basic loss per share. The computation of diluted loss per share for the year ended 31 December 2012 does not assume the conversion of the Company's outstanding options, convertible preference shares or convertible loan notes since their exercise would result in a decrease in the loss per share.

16. PREPAID LEASE PAYMENTS

	RMB'000
COST	
At 1 January 2011, 31 December 2011 and 2012	12,400
ACCUMULATED IMPAIRMENT	
At 1 January 2011, 31 December 2011 and 2012	12,400
CARRYING VALUES	
At 31 December 2011 and 2012	–

The cost of RMB12,400,000 represented the first installment paid to Villagers' Committee for acquiring the land use right of a piece of land situated in Fenyang City, Shanxi Province ("**Land**") by a subsidiary of the Company, Zhanpen, in 2007.

Pursuant to the Land Use Compensation Agreement（土地征用補償協議）entered between Zhanpen and Villagers' Committee dated 25 October 2007, the total consideration for the Land would be RMB24,800,000, in which the deposit of RMB12,400,000 shall be settled upon signing the Land Use Compensation Agreement and the balance of RMB12,400,000 shall be settled upon Zhanpen has obtained the ownership certificates from the relevant government authorities.

Pursuant to the letter issued by Villagers' Committee dated 25 August 2011, it is now in the process of changing the usage of land from collectively owned to industrial use and Zhanpen has no unsettled balances with Villagers' Committee. As the approval procedures are complicated, the relevant government authorities have not issued the ownership certificate to Zhanpen yet up to the date of this report. According to the legal opinion issued by 山西汾州律師事務所 dated 23 February 2012, as Zhanpen has not obtained the ownership certificates from the relevant government authorities yet, Zhanpen do not have any outstanding obligation to settle the balance of RMB12,400,000 to Villagers' Committee as at 31 December 2011.

During the year ended 31 December 2008, the Provisional Liquidators considered that it is uncertain about the recoverability of the deposit, impairment of RMB12,400,000 have been recognised accordingly.

17. 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 2011	43,269	527	41,275	461	119	85,651
Additions	–	–	3,026	–	2	3,028
At 31 December 2011	43,269	527	44,301	461	121	88,679
Additions	5,590	–	7,052	51	3	12,696
Written-off	(2,260)	–	(5,645)	–	(39)	(7,944)
At 31 December 2012	46,599	527	45,708	512	85	93,431
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2011	8,675	298	12,139	189	103	21,404
Provided for the year	2,590	14	4,636	46	8	7,294
At 31 December 2011	11,265	312	16,775	235	111	28,698
Provided for the year	2,591	191	5,276	40	3	8,101
Written-off	(1,944)	–	(3,387)	–	(37)	(5,368)
Impairment loss recognised in profit or loss	29,867	–	22,044	–	–	51,911
At 31 December 2012	41,779	503	40,708	275	77	83,342
CARRYING VALUES						
At 31 December 2012	4,820	24	5,000	237	8	10,089
At 31 December 2011	32,004	215	27,526	226	10	59,981

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

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

For the year ended 31 December 2012, the directors of the Company, after taking into account the slowing down of the economic growth of the PRC and deterioration of the PRC economy affected the demand for beverages, and a number of customers of the Group fall into financial difficulties which had an impact on the performance of the Group for the year ended 31 December 2012, considered that it indicated impairment loss for the Group's property, plant and equipment and therefore conducted an impairment review on the carrying amounts of the property, plant and equipment.

The directors of the Company appointed an independent professional valuer to perform a valuation on the property, plant and equipment as at 31 December 2012, thus, a total impairment loss of approximately RMB51,911,000 has been recognised according to the excess of the aggregate carrying amounts of the property, plant and equipment as at 31 December 2012 over the recoverable amount based on the valuation report dated 22 March 2013.

For the buildings and plant and machinery, the value-in-use calculation is based on a post-tax discount rate of 13.39% and 17.19% respectively and cash flow projections prepared from financial forecasts approved by the management of the Group, after taking into account of the current economic condition and operation of manufacture and sale of tinplate cans industry. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimation is based on the management's expectations for the market development.

Buildings as at 31 December 2012 of approximately RMB4,820,000 (2011: RMB32,004,000) represented buildings situated on the Land as mentioned in Note 16, in which it is still in the process of obtaining the building ownership certificates during the year ended 31 December 2012.

18. INVENTORIES

	2012 RMB'000	2011 RMB'000
Raw materials	**2,049**	2,465
Packing materials	**114**	77
Finished goods	**426**	752
	2,589	3,294

During the year ended 31 December 2012, the Group had written-off an inventory of approximately RMB830,000 (2011: Nil) in relation to those finished goods produced specifically for those customers in which their overdue receivables were expected irrecoverable.

At 31 December 2012, none of the inventories was stated at net realisable value (2011: Nil).

19. TRADE AND OTHER RECEIVABLES

	2012 RMB'000	2011 RMB'000
Trade receivables	**60,995**	62,793
Less: Allowance for doubtful debts	**(24,014)**	–
	36,981	62,793
Other receivables, deposits and prepayments	**2,126**	2,197
Total trade and other receivables	**39,107**	64,990

The movements in allowance for doubtful debts of trade receivables are as follows:

	2012 RMB'000	2011 RMB'000
At 1 January	**–**	–
Impairment losses recognised	**24,014**	–
At 31 December	**24,014**	–

19. TRADE AND OTHER RECEIVABLES *(Continued)*

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. The Group does not hold any collateral for all of its trade receivables as at 31 December 2012.

During the year ended 31 December 2012, a number of overdue debtors amounting to approximately RMB56,154,000 have financial difficulties and despite the Group's repeated requests for settlement in full, those overdue debtors have offered to settle their outstanding debts at discount. After considering their requests and various possible actions that can be taken, the Group has provided specific provision of approximately RMB24,014,000 for the year ended 31 December 2012.

The Group generally allows an average credit period of 120 days to its customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2012 **RMB'000**	2011 RMB'000
0 – 30 days	**–**	16,524
31 – 60 days	**632**	16,239
61 – 90 days	**1,655**	13,215
91 – 120 days	**3,671**	11,539
Over 120 days	**31,023**	5,276
	36,981	62,793

Ageing of trade receivables which are past due but not impaired based on the payment due date is as follows:

	2012 **RMB'000**	2011 RMB'000
1 – 30 days	**5,030**	5,276
31 – 60 days	**5,579**	–
61 – 90 days	**5,435**	–
91 – 120 days	**5,291**	–
Over 120 days	**9,688**	–
	31,023	5,276

19. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2012 **RMB'000**	2011 RMB'000
Neither past due nor impaired	**5,958**	57,517
Past due but not impaired	**31,023**	5,276
	36,981	62,793

Trade receivables that were neither past due nor impaired related to a wide range of customers.

Trade receivables that were past due but not impaired relate to a number of independent customers. Based on past experience, save as disclosed above, the management believes that no additional impairment allowance is necessary in respect of these balances.

20. BANK BALANCES AND CASH

Bank balances and cash include the following components:

	2012 **RMB'000**	2011 RMB'000
Cash at banks and on hand *(Note a)*	**11,217**	1,592
Short-term time deposit *(Note b)*	**–**	20,285
	11,217	21,877

Notes:

a) Bank balances carry interest at floating rates based on daily bank deposit rate. The bank balances are deposited with creditworthy banks with no recent history of default.

b) The amounts represented short-term deposits with a maturity of three months or less. The deposits carried interest rate of 2% per annum for the year ended 31 December 2011.

20. BANK BALANCES AND CASH *(Continued)*

Included in bank balances and cash are the following amounts denominated in a currency other than functional currency of the entities:

	2012 **RMB'000**	2011 RMB'000
United State Dollars ("**USD**")	**1**	106
Hong Kong Dollars ("**HKD**")	**10,861**	18,994

At 31 December 2012, there was approximately RMB355,000 (2011: RMB2,777,000) denominated in RMB and deposited with banks in the PRC. The RMB is not freely convertible into other currencies; however, under Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign exchange business.

21. TRADE AND OTHER PAYABLES

	2012 **RMB'000**	2011 RMB'000
Trade payables	**1,394**	8,561
Other payables and accrued charges	**3,517**	3,400
	4,911	11,961

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

	2012 **RMB'000**	2011 RMB'000
0 – 30 days	**1,394**	8,561

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. CONVERTIBLE LOAN NOTES

On 1 November 2011, the Company issued 2% Convertible Loan Notes with a principal amount of HKD18,000,000 to the Investors upon the Completion of Restructuring. Since the issuance of the Convertible Loan Notes formed part of the Restructuring, transaction costs relating to the issue of the Convertible Loan Notes are recognised in the restructuring cost and expenses for the year ended 31 December 2011.

The Convertible Loan Notes are unsecured and denominated in HKD. Pursuant to a board of directors meeting held on 1 November 2011 and a confirmation from the holders of the Convertible Loan Notes, all the interests and repayment of the principal of the Convertible Loan Notes in future shall be settled in RMB (ie: the functional currency of the Group) and notwithstanding any change in exchange rate between HKD and RMB in future, the exchange rate for conversion of any payment under the Convertible Loan Notes from HKD to RMB has been fixed at 1.21, which is the exchange rate as at 1 November 2011. As a result, although the Convertible Loan Notes are not denominated in the functional currency of the Group, the conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments.

The Convertible Loan Notes entitle the Investors to convert them into ordinary shares of the Company at any time between the date of issue of the Convertible Loan Notes and before 7 business days of their settlement date on 31 October 2016 at a conversion price of HKD0.12 per share, subject to adjustment. If the Convertible Loan Notes have not been converted, they will be redeemed on 31 October 2016 at par.

The Convertible Loan Notes contain two components, liability and equity elements. The equity element is presented in equity heading "convertible loan notes equity reserve". The effective interest rate of the liability component is 17.96% per annum.

The movement of the liability component of the Convertible Loan Notes during the year is set out below:

	RMB'000
Nominal value of the Convertible Loan Notes (equivalent to HKD18,000,000)	14,876
Less: Equity component at the date of issuance	(7,629)
Liability component at the date of issuance	7,247
Interest charged	208
Interest paid	(50)
Liability component at 31 December 2011	7,405
Interest charged	1,380
Interest paid	(277)
Liability component at 31 December 2012	**8,508**

23. DEFERRED TAX LIABILITIES

The movements on the deferred tax liabilities recognised by the Group during the year are as follow:

	Undistributed profits of subsidiaries RMB'000
At 1 January 2011	1,213
Withholding tax for year 2011 *(Note 11)*	1,375
At 31 December 2011	2,588
Reversal of withholding tax *(Note 11)*	(2,588)
At 31 December 2012	**–**

24. SHARE CAPITAL

	Par value per share HKD	**Number of ordinary shares** *(Note a)*	**Number of convertible preference shares** *(Note b)*	**Amount** HKD'000
Authorised:				
At 1 January 2011	0.10	2,000,000,000	–	200,000
At 31 December 2011 and at 31 December 2012 *(Note c)*	0.001	249,480,000,000	520,000,000	250,000

24. SHARE CAPITAL *(Continued)*

	Par value per share HKD	Number of ordinary shares *(Note a)*	Number of convertible preference shares *(Note b)*	Amount HKD'000	Equivalent to RMB'000
Issued and fully paid:					
At 1 January 2011	0.1	657,121,081	–	65,712	67,399
Capital Consolidation *(Note d)*		(574,980,946)	–	–	–
	0.8	82,140,135	–	65,712	67,399
Capital Reduction *(Note e)*		–	–	(65,630)	(67,314)
	0.001	82,140,135	–	82	85
Subscription of New Shares by Investors *(Note f)*	0.001	230,000,000	–	230	187
Subscription of Convertible Preference Shares by Investors *(Note g)*	0.001	–	520,000,000	520	425
Bonus Issue *(Note h)*	0.001	1,067,822	–	1	1
At 31 December 2011	0.001	313,207,957	520,000,000	833	698
Exercise of Creditors' Options *(Note 25b)*	0.001	27,454,709	–	27	22
At 31 December 2012	0.001	340,662,666	520,000,000	860	720

Notes:

a) All the ordinary shares which were issued by the Company rank pari passu with each other in all respects.

b) All the Convertible Preference Shares which were issued by the Company rank pari passu with each other in all respects. The principal terms of the Convertible Preference Shares on the date of issue include the following:

i) Dividend

The holders of the Convertible Preference Shares of HKD0.001 each shall not be entitled to any dividend or distribution.

ii) Capital

On a return of capital on liquidation, the assets of the Company available for distribution among the members shall be applied in repaying to the holders of the preference shares the nominal amount paid up on the preference shares. The paid-up preference shares shall rank for return of capital on liquidation in priority to all other shares in the capital of the Company for the time being in issue while the non-paid-up preference shares shall rank pari passu with the New Shares for the time being in issue.

iii) Redemption

The preference shares are non-redeemable.

24. SHARE CAPITAL *(Continued)*

Notes: (Continued)

b) *(Continued)*

iv) Conversion rights

The Convertible Preference Shares of HKD0.001 each are convertible into New Shares of HKD0.001 each after the date of their issuance, subject to an adjustment, at a conversion price of HKD0.12 per New Shares, subject to adjustment provisions which are standard terms for convertible securities of similar type.

v) Transferability

The Convertible Preference Shares are freely transferable by the holders thereof after the date of issue of the convertible preference shares, subject to the requirement of the Listing Rules.

vi) Voting

The Convertible Preference Shares holders shall not have the right to receive notice of, or to attend and vote at, general meetings of the Company, unless a resolution is to be proposed at a general meeting of the Company for winding up the Company or which if pass would vary or abrogate the rights or privileges of the Convertible Preference Shares.

c) Following the Capital Consolidation and the Capital Reduction as stated in Notes d and e below, the authorised unissued share capital of the Company of HKD134,287,891.90, comprised 1,342,878,919 shares each with a nominal value of HKD0.10, shall be altered so as to be comprised 134,287,891,900 New Shares of HKD0.001 each. At the extraordinary general meeting of the Company held on 6 October 2011, ordinary resolution was passed approving the authorised share capital of the Company be increased from HKD134,370,032.04, divided into 134,370,032,035 shares of HKD0.001 each to HKD250,000,000 divided into 250,000,000,000 shares of HKD0.001 each (consisted with 249,480,000,000 ordinary shares of HKD0.001 each and 520,000,000 preference shares of HKD0.001 each) by the creation of an additional 115,629,967,965 shares of HKD0.001 each.

d) At the extraordinary general meeting of the Company held on 6 October 2011, special resolution was passed approving the Capital Consolidation that every eight shares of HKD0.10 each in the issued share capital of the Company will be consolidated into one consolidated share with par value of HKD0.80 each.

e) At the extraordinary general meeting of the Company held on 6 October 2011, special resolution was passed approving upon the Capital Consolidation becoming effective, the par value of each issued Consolidated Share will be reduced from HKD0.80 to HKD0.001 by cancellation of HKD0.799 of the paid-up capital of each issued Consolidated Share. The credit arising as a result of the Capital Consolidation and the Capital Reduction of approximately RMB67,314,000 (equivalent to approximately HKD65,630,000) has been applied to reduce the accumulated losses of the Company as permitted by Cayman Companies Law.

f) At the extraordinary general meeting of the Company held on 6 October 2011, ordinary resolution was passed approving the allotment and issue of 230,000,000 New Shares to the Investors at a subscription price of HKD0.12 per subscription share to raise a total of HKD27,600,000 (approximately RMB22,544,000) pursuant to the terms of the Restructuring Agreement. The allotment has been made on 1 November 2011.

g) On 1 November 2011, the Company issued 520,000,000 Convertible Preference Shares with a par value of HKD0.001 each at a price of HKD0.12 each to raise a total of HKD62,400,000 (approximately RMB50,971,000). The directors of the Company considered that as the Convertible Preference Share is not entitled to any dividend and it is non-redeemable, the Convertible Preference Shares are equity instrument containing equity element only and are presented in equity. During the year ended 31 December 2011, none of the ordinary shares were issued pursuant to the conversion of the Convertible Preference Shares.

h) At the extraordinary general meeting of the Company held on 6 October 2011, ordinary resolutions approving the Bonus Issue, credited as fully paid at par, to the shareholders of the Company whose names appear on the registers of members of the Company on 20 October 2011 on the basis of 13 Bonus Shares for every 1,000 New Shares of the Company. The allotment has been made on 2 November 2011.

25. SHARE OPTION SCHEME

a) Incentives Share Option Scheme

Scheme 2003

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 2003"). Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 22 February 2012, the Scheme 2003 was terminated and a new share option scheme (the "Scheme 2012") was adopted. The adoption of Scheme 2012 will not in any event affect the terms of the grant of such outstanding options that has already been granted under the Scheme 2003 and shall continue to be valid and subject to the provisions of Scheme 2003.

The purpose of the Scheme 2003 is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. Under the Scheme 2003, 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 of the Company 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.

25. SHARE OPTION SCHEME *(Continued)*

a) Incentives Share Option Scheme *(Continued)*

Scheme 2003 (Continued)

The following table discloses details and movements of the Company's share options held by senior management and employees under Scheme 2003 during the year ended 31 December 2012 and 2011:

	Date of grant	2012 and 2011 Exercise price* HKD	Exercisable period	Outstanding at 1.1.2011	Adjusted during the year ended 31.12.2011*	Outstanding at 31.12.2011 and 31.12.2012
Senior management	2 May 2007	7.2024	2 May 2007 to 1 May 2017	1,500,000	(1,310,063)	189,937
Employees	10 February 2004	6.3968	10 February 2004 to 9 February 2014	3,800,000	(3,318,825)	481,175
	2 May 2007	7.2024	2 May 2007 to 1 May 2017	1,000,000	(873,375)	126,625
	30 January 2008	4.9911	30 January 2008 to 29 January 2018	5,000,000	(4,366,875)	633,125
				11,300,000	**(9,869,138)**	**1,430,862**
Weighted average exercise price (HKD)				**5.95**	**5.95**	**5.95**

The weighted average remaining contractual life of these outstanding share options is approximately 3.58 years (2011: 4.58 years).

* *As a result of the Restructuring which includes, inter alias, the Capital Consolidation and the Bonus Issue, the number of outstanding share options and the exercise price adjusted (the "**Adjustments**") on 12 October 2011 and 3 November 2011 in accordance with the terms of the Share Option Scheme and in compliance with the requirements set out in Rule 17.03(13) of the Listing Rules and the supplementary guidance (the "**Supplementary Guidance**") thereto.*

25. SHARE OPTION SCHEME *(Continued)*

a) Incentives Share Option Scheme *(Continued)*

Scheme 2003 (Continued)

The fair values of the following share options were determined at the dates of grant by using the Black-Scholes option pricing model with the following inputs:

	2 May 2007	30 January 2008
Share price at date of grant	HKD0.900	HKD0.630
Exercise price	HKD0.912	HKD0.632
Expected volatility	36.05%	50.29%
Risk-free rate	3.901%	1.651%
Expected dividend yield	5%	7.14%

Scheme 2012

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 22 February 2012, the Scheme 2003 was terminated and a new share option scheme (the "**Scheme 2012**") was adopted. The purpose of the Scheme 2012 is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. Under the Share Option 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 to any member of the Group or any entity in which the Group holds any equity interest (the "**Invested Entity**"), any customer of the Group or any Invested Entity, any consultant, adviser, agent and contractor engaged by the Group or any Invested Entity, any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity to take up options to subscribe for shares in the Company representing up to a maximum 30% of the issued share capital of the Company from time to time 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 28 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 of the Company 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.

No share option has been granted or outstanding under the Scheme 2012 by the Company during the year ended 31 December 2012.

25. SHARE OPTION SCHEME *(Continued)*

b) Scheme Creditors Options

On 1 November 2011, as part of the Company's debt restructuring, the Company granted a total of 56,000,000 Scheme Creditors Options to the Scheme Administrators for the benefits of the Scheme Creditors. The Scheme Creditors Options are exercisable for a period of one year commencing from the date of grant at an initial exercise price of HKD0.15 per Scheme Creditors Options, subject to adjustment.

The fair value of the Scheme Creditors Options was approximately RMB1,735,000 (equivalent to approximately HKD2,099,000). The fair value of the Scheme Creditors Options have been arrived at on the basis of a valuation carried out on that date by Asia Asset Limited, an independent qualified professional valuers not connected with the Group. The valuation was arrived at using the Binominal Option Pricing Model. The inputs into the model were as follows:

Date of grant	:	1 November 2011
Maturity date	:	31 October 2012
Share price at the date of grant	:	HKD0.1861 *(Note i)*
Exercise price	:	HKD0.15
Volatility (%)	:	36.91 *(Note ii)*
Risk free rate (%)	:	0.14
Expected dividend yield	:	Nil

Notes:

i) Pursuant to the valuation report issued by Asia Asset Limited, because the shares of the Company had been suspended trading for over 2.5 years due to insolvency issue and was resumed trading at 4 November 2011, no indicative value from the exchange traded share price was available as at the grant date although trading was resumed after the valuation date (with a closing price of HKD1.02 on resumption date of 4 November 2011 and HKD0.28 on 30 December 2011), it is inappropriate to measure the fair value using market price information on hindsight basis. The Scheme Creditors of the Company were only informed of their respective allocation of options by the Scheme Administrators in mid-December, 2011. For a company in distress condition, it is considered reasonable to reflect its share price based on the net asset value of the Company. The share price used in the valuation represented net asset value divided by total number of ordinary shares and preference shares as stated in unaudited proforma consolidated statement of financial position of the Group as at 31 December 2010 in the Circular.

ii) Volatility is based on the average of the historical volatilities of daily return of such comparable companies engaging in business operations similar to that of the Company.

During the year ended 31 December 2012, 27,454,709 (2011: Nil) Scheme Creditors Options was exercised and 28,545,291 (2011: Nil) Scheme Creditors Options was expired. At 31 December 2012, there was no (2011: 56,000,000) Scheme Creditors Options outstanding. As at 31 December 2011, the exercise in full of the remaining Scheme Creditors Options would result in issue of 56,000,000 additional ordinary shares of the Company, additional share capital of HKD56,000 and additional share premium of HKD8,344,000 (before the issue expenses).

26. OPERATING LEASE COMMITMENTS

The Group as lessee

	2012 RMB'000	2011 RMB'000
Minimum lease payments paid under operating leases during the period:		
– Premises	**887**	288
– Property, plant and machinery	**2,200**	2,050
	3,087	2,338

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:

	2012 RMB'000	2011 RMB'000
Within one year	**3,689**	2,589
In the second to the fifth year inclusive	**6,182**	6,626
	9,871	9,215

Operating lease payments represent rentals payable by the Group for certain of its premises, plant and machinery, and office equipment. Leases are negotiated for an average term of 5 years (2011: 5 years) and no arrangements have been entered into for contingent rental payments.

27. MATERIAL RELATED PARTY TRANSACTIONS AND DISCLOSURES

a) In addition to the balances with related parties at the end of reporting period which disclosed in the consolidated financial statements, the Group entered into the following significant transactions with related parties during the years.

Name	Nature of transaction	2012 RMB'000	2011 RMB'000
Business Giant Limited ("Business Giant")	– Issuance of Convertible Loan Notes *(Note i)*	–	4,463
	– Issuance of Convertible Preference Shares *(Note ii)*	–	15,290
	– Interest paid for Convertible Loan Notes *(Note iii)*	89	15

Notes:

i) Business Giant has subscribed for HKD5,400,000 (equivalent to approximately RMB4,463,000) Convertible Loan Notes of the Company during the year ended 31 December 2011, in which Mr. Leung Heung Ying Alvin, the director of the Company, is the sole director and shareholder of Business Giant.

ii) Business Giant has subscribed for the 156,000,000 Convertible Preference Shares at HKD0.12 per Convertible Preference Shares during the year ended 31 December 2011. The proceed is approximate HKD18,720,000 (equivalent to RMB15,290,000).

iii) An interest expenses of approximately HKD108,000 (2011: HKD18,000) (equivalent to approximately RMB89,000 (2011: RMB15,000)) on Convertible Loan Notes has been paid to Business Giant during the year ended 31 December 2012.

b) Compensation to key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 13(a) and certain of the highest paid employees as disclosed in Note 13(b), is as follows:

	2012 RMB'000	2011 RMB'000
Salaries, allowances and other benefits in kind	2,574	544
Contributions to retirement benefits scheme	250	19
	2,824	563

28. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2012	2011
	RMB'000	RMB'000
Commitments contracted for but not provided in the consolidated financial statements – Property, plant and equipment	**–**	4,068

29. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD25,000. Contributions to the plan vest immediately.

The employees of the Company's subsidiary in the PRC are members of a state managed retirement benefit scheme operated by the government of the PRC. The subsidiary is required to contribute 20% of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to the consolidated statement of comprehensive income of approximately RMB624,000 (2011: RMB297,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

30. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2012 are as follows:

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	
Bloxworth Enterprise Limited	British Virgin Islands, limited liability	USD1,000	100%	–	Investment holding
Shanxi Zhanpen Metal Products Co., Ltd 山西展鵬金屬製品有限公司	PRC, wholly owned foreign enterprise	USD8,100,000	–	100%	Manufacture and sale of tinplate cans for the packaging of beverage in the PRC
Great Rich Trading Limited*	Hong Kong, limited liability	HKD1	100%	–	Trading of metal

* *Great Rich Trading Limited was incorporated on 30 August 2012 in which the Company acquired 100% of its issued share capital at a consideration of HKD1 on 5 November 2012. Great Rich Trading Limited was inactive at the date of acquisition and hence the directors considered that the consideration paid was approximately to its fair value at the acquisition date.*

None of the subsidiaries had issued any debt securities at the end of the year.

31. 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 Convertible Loan Notes, cash and cash equivalents and equity attributable to owners of the Group, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

32. FINANCIAL INSTRUMENTS

Categories of financial instruments

(i) Financial assets

	2012 RMB'000	2011 RMB'000
Loans and receivables (including cash and cash equivalents):		
Trade and other receivables	**37,430**	62,893
Bank balance and cash	**11,217**	21,877
	48,647	84,770

(ii) Financial liabilities

	2012 RMB'000	2011 RMB'000
Financial liabilities at amortised cost:		
Trade and other payables	**4,911**	11,961
Other financial liabilities:		
Liability component of Convertible Loan Notes	**8,508**	7,405
	13,419	19,366

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments including trade and other receivables, bank balances and cash, trade and other payables and liability component of Convertible Loan Notes. 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.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Market risk

(i) *Currency risk*

The Group's exposure to currency risk is attributable to the bank balances and cash and convertible loan notes which are denominated in foreign currencies other than the functional currency of the group entity. 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 entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

	2012 **RMB'000**	2011 RMB'000
USD		
Monetary asset:		
Bank balance and cash	**1**	106
HKD		
Monetary asset:		
Bank balance and cash	**9**	9

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 foreign currencies against the functional currencies, 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 a decrease/an increase in the post-tax (loss)/profit where functional currencies strengthen 5% against foreign currencies. For a 5% weakening of functional currencies against the foreign currencies, there would be an equal and opposite impact on the post-tax (loss) profit.

	2012 **RMB'000**	2011 RMB'000
Impact on (loss) profit before tax		
HKD	**1**	5
USD	**1**	1

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings arising from the liability component of Convertible Loan Notes as set out in Note 22. The Group is also exposed to cash flow interest rate risk in relation to its variable-rate bank balances as detailed in Note 20. The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's bank balances are short-term in nature and the exposure of the interest rate is minimal.

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.

As at 31 December 2012, 100% (2011: 100%) of the trade receivables of the Group are located in the PRC.

The carrying amounts of trade and other receivables and bank balances and cash 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. At 31 December 2012, the Group has concentration of credit risk as 14% and 50% (2011: 16% and 65%) of the total trade receivables 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 directors of the Company considered that the Group's exposure to bad debt is not significant.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 19 to the consolidated financial statements.

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

Liquidity risk

Liquidity management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the directors of the Company to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

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.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

Liquidity management (Continued)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Weighted averaged interest rate (%)	On demand or within one year RMB'000	One to five years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
2012					
Trade and other payables	–	4,911	–	4,911	4,911
Liability component of Convertible Loan Notes	17.96	319	15,718	16,037	8,508
		5,230	15,718	20,948	13,419

	Weighted averaged interest rate (%)	On demand or within one year RMB'000	One to five years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
2011					
Trade and other payables	–	11,961	–	11,961	11,961
Liability component of Convertible Loan Notes	17.96	298	16,016	16,314	7,405
		12,259	16,016	28,275	19,366

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSET			
Investments in subsidiaries	a	**8**	8
CURRENT ASSETS			
Other receivables		**–**	385
Amount due from a subsidiary	a	**10,835**	21,282
Bank balances and cash		**79**	–
		10,914	21,667
CURRENT LIABILITIES			
Amount due to a subsidiary	a	**1,259**	–
Other payables and accrued expenses		**233**	405
		1,492	405
NET CURRENT ASSETS		**9,422**	21,262
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,430**	21,270
NON-CURRENT LIABILITY			
Convertible loan notes		**8,508**	7,405
NET ASSETS		**922**	13,865
CAPITAL AND RESERVES			
Share capital	24	**720**	698
Reserves	b	**202**	13,167
		922	13,865

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Notes:

(a) The investments in subsidiaries represent cost of unlisted shares of the subsidiaries. Details of principal subsidiaries as at 31 December 2012 are shown on Note 30 to the consolidated financial statements. The amount due from/to a subsidiary is unsecured, interest free and repayable on demand.

(b) **Reserves**

	Share premium RMB'000 *(Note i)*	Share options reserve RMB'000 *(Note ii)*	Convertible loan notes equity reserve RMB'000 *(Note 22)*	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2011	215,765	938	–	–	(171,472)	45,231
Loss for the year	–	–	–	–	(181,913)	(181,913)
Exchange differences arising on translating foreign operations	–	–	–	269	–	269
Total comprehensive expense for the year	–	–	–	269	(181,913)	(181,644)
Capital Reduction	–	–	–	–	67,314	67,314
Subscription of New Shares by Investors	22,357	–	–	–	–	22,357
Subscription of Convertible Preference Shares by Investors	50,546	–	–	–	–	50,546
Bonus Issue	(1)	–	–	–	–	(1)
Issuance of Scheme Creditors Options	–	1,735	–	–	–	1,735
Issuance of Convertible Loan Notes	–	–	7,629	–	–	7,629
At 31 December 2011 (as originally stated)	288,667	2,673	7,629	269	(286,071)	13,167
Prior year adjustment *(Note 3)*	(215,765)	–	–	–	215,765	–
At 31 December 2011 (as restated)	72,902	2,673	7,629	269	(70,306)	13,167
Loss for the year	–	–	–	–	(18,802)	(18,802)
Exchange differences arising on translating foreign operations	–	–	–	2,505	–	2,505
Total comprehensive expense for the year	–	–	–	2,505	(18,802)	(16,297)
Issuance of shares upon exercise of Scheme Creditors Options	4,183	(851)	–	–	–	3,332
Lapsed of Scheme Creditors Options	–	(884)	–	–	884	–
At 31 December 2012	**77,085**	**938**	**7,629**	**2,774**	**(88,224)**	**202**

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Notes: (Continued)

(b) Reserves ***(Continued)***

Notes:

i) 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.

ii) Share options reserve represents the portion of the grant date fair value of unexercised share options granted under the share option scheme or unexercised Scheme Creditors Options granted under the Debt Restructuring as mentioned in Note 2 to the consolidated financial statements adopted by the Company. For the Scheme Creditors Options, it was lapsed during the year ended 31 December 2012.

35. EVENTS AFTER THE END OF REPORTING PERIOD

i) Unconditional mandatory cash offers

Pursuant to the composite offer and response document of the Company dated 29 January 2013 (the "**Composite Document**") and announcement of the Company dated 12 December 2012, the Board was informed by Integrated Asset Management (Asia) Limited ("**IAM**") and Business Giant that IAM, BGL and Able Success Asia Limited (the "**Offeror**") entered into the sales and purchase agreement dated 23 November 2012 pursuant to which IAM and BGL agreed to sell and Offeror agreed to purchase i) an aggregate of 201,000,000 shares of the Company (the "**Sale Shares**"), ii) the convertible loan notes in the principal amount of HKD12,600,000 (the "**Sale CN**") and iii) 364,000,000 Convertible Preference Shares (the "**Sale CPS**") for an aggregate cash consideration of HKD81,271,000 (equivalent to HKD0.1213 per Sale Share and per conversion share). Completion took place on 26 November 2012 and the Offeror became the controlling shareholder.

Upon completion, the Offeror is required to make the unconditional mandatory general offers in cash for all the issued shares and outstanding convertible securities of the Company other than those already owned by the Offeror and parties acting in concert with it at HKD0.1213 each ("**Share Offer**") and to cancel all outstanding share options at HKD0.0001 each (the "**Option Offer**").

Pursuant to the announcement of the Company dated 19 February 2013, the Offeror received valid acceptances in respect of a total of 131,644 shares under the Share Offer and no share options under the Option Offer on 19 February 2013.

ii) Change of board composition

Mr. He Jianhong has been appointed as the chairman of the Company and an executive director and Mr. Zhange Zhantao has been appointed as an executive director, both with effect from 1 February 2013.

Mr. Leung Heung Ying, Alvin and Mr. Wong Tat Wai, Derek have tendered their resignations as executive directors with effect from 20 February 2013.

35. EVENTS AFTER THE END OF REPORTING PERIOD *(Continued)*

ii) Change of board composition *(Continued)*

Dr. Lam Andy Siu Wing *JP* has tendered his resignation as an independent non-executive director with effect from 20 February 2013. Mr. Tam Tak Wah, an independent non-executive director has been appointed as the chairman of the audit committee in place of Dr. Lam Andy Siu Wing *JP* with effect from 20 February 2013.

Following the resignation of Dr. Lam Andy Siu Wing *JP*, the number of independent non-executive directors of the Company falls below the minimum number required under Rule 3.10(1) of The Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), and the number of audit committee members falls below the minimum number required under Rule 3.21 of the Listing Rules. The board of the directors of the Company will appoint an appropriate person to fill the vacancy as soon as possible within three months from 20 February 2013 pursuant to the Rule 3.11 of the Listing Rules.

iii) Villagers' Committee letter dated 5 March 2013 in relation of the Land

The Company has received a notice from Villagers' Committee dated 5 March 2013 (the "**Notice**") in respect of the Land mentioned in the Note 16 to the consolidated financial statements. The Notice mentioned that as the approval procedures are complicated and the usage of the Land has not yet converted from collectively owned into industrial use. In view of the above, the Villagers' Committee notified the Company that the Land Use Compensation Agreement shall be cancelled with immediate effect and the deposit of RMB12,400,000 previously paid by the Group should be treated as rental expenses for using the Land for the period from 26 October 2007 to 25 October 2014. While the Group is in the course of seeking legal advice in respect of the Agreement and the Notice, the Group is also negotiating with the Villagers' Committee simultaneously for the extension of usage period and/or a rental arrangement after 25 October 2014.

iv) Change of company secretary

Mr. Leung Heung Ying, Alvin has resigned and Mr. Lau Cheuk Pun has been appointed as company secretary of the Company both with effect from 20 March 2013.

36. MAJOR NON-CASH TRANSACTIONS

Year ended 31 December 2012

During the year ended 31 December 2012, the Group has recognised an addition of approximately RMB6,102,000 of property, plant and machinery by utilised the deposit paid during the year ended 31 December 2011.

Year ended 31 December 2011

i) Part of the liabilities of Scheme Creditors were compromised, discharged and/or settled by issuance of Scheme Creditors Options. For details, please refer to Notes 2 and 9 to the consolidated financial statements.

ii) Loan from an investor and amount due to an investor is applied to set-off part of the subscription monies payable by the Investors for the New Shares under the Restructuring Agreement during the year ended 31 December 2011.

Five-year Financial Summary

RESULTS

	For the Year Ended 31 December					
	2012	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**74,085**	142,311	124,812	74,066	193,354	668,641
(Loss) profit before taxation	**(87,938)**	163,464	14,648	(8,608)	(831,170)	120,641
Income tax credit (expense)	**2,248**	(5,946)	(5,401)	–	(5,243)	(28,141)
(Loss) profit for the year	**(85,690)**	157,518	9,247	(8,608)	(836,413)	92,500

ASSETS AND LIABILITIES

	31 December					
	2012	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**63,002**	156,244	119,782	102,543	170,006	1,071,338
Total liabilities	**(15,829)**	(26,611)	(230,696)	(222,704)	(297,828)	(289,860)
Total equity (deficit)	**47,173**	129,633	(110,914)	(120,161)	(127,822)	781,478

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