China Packaging Holdings Development Limited
中華包裝控股發展有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code:1439

Annual Report

2013

Content

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Chen Wei Wei *(Chairman)*
Mr. Sun Shao Hua
Ms. Hu Li Yu

Independent Non-executive Directors
Mr. Liu Da Jin
Mr. Wu Ping
Mr. Ma Yiu Ho, Peter

BOARD COMMITTEES

Audit Committee
Mr. Ma Yiu Ho, Peter *(Chairman)*
Mr. Liu Da Jin
Mr. Wu Ping

Remuneration Committee
Mr. Liu Da Jin *(Chairman)*
Ms. Hu Li Yu
Mr. Wu Ping

Nomination committee
Mr. Chen Wei Wei *(Chairman)*
Mr. Liu Da Jin
Mr. Wu Ping

COMPANY SECRETARY

Mr. Hu Chung Ming (FCPA)

AUTHORIZED REPRESENTATIVES

Mr. Sun Shao Hua
Mr. Hu Chung Ming

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

COMPLIANCE ADVISER

Oriental Patron Asia Limited

LEGAL ADVISER

TC & Co.,

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Hong Sheng Industrial Park
Fengxin Industrial Zone
Yichun City, Jiangxi Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Office 2, 7th Floor
Wah Hing Commercial Building
283 Lockhart Road
Wanchai, Hong Kong

STOCK CODE

01439

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22
Hopewell Centre,
183 Queen's Road East,
Hong Kong

PRINCIPAL BANKER

China Construction Bank (Fengxin Sub-branch, the PRC)
No 87, Yingbin Road
Fengxin County, Yichun City
Jiangxi Province, The PRC

COMPANY'S WEBSITE

www.hs-pack.com

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chen Wei Wei（陳衛偉）, aged 30, is our chairman and executive Director. He was appointed on 13 December 2013. He is also the Chairman of the Nomination Committee. Mr. Chen is primarily responsible for the overall management, market and business development, product development, production and operation management of our Group. Mr. Chen has more than 11 years of experience in management, business development and operation of manufacturing industry. Mr. Chen joined our Group on 17 April 2009 as a deputy general manager and had been, responsible for sales and research and development, and became the general manager of our Group on 1 July 2013. He graduated from both Fuzhou Gongren Yeyu University（福州市工人業餘大學）and Fujian Institute of Hydraulic and Electrical Engineering（福建水利電力學校）in July 2002, majoring in computer and information management and powerplant and electric power system respectively.

Ms. Hu Li Yu（胡麗玉）, aged 39, is our executive Director. She was appointed on 13 December 2013. She is also a member of the Remuneration Committee. Ms. Hu is primarily responsible for overseeing our administration and human resources matters. Ms. Hu has approximately 17 years of experience in corporate management and the packaging industry. Ms. Hu joined our Group as a director on 23 August 2006. Ms. Hu obtained a Master of Business Administration degree from the Massachusetts Institute of Technology in July 2009.

Mr. Sun Shao Hua（孫少華）, aged 42, is our founder and executive Director. He was appointed on 13 December 2013. Mr. Sun is primarily responsible for the overall strategic planning and business development of our Group. Mr. Sun has approximately 15 years of experience in the packaging industry and corporate management. Mr. Sun established the business of our Group in 2006 and has been heading the Group since its incorporation. Mr. Sun was previously the standing director of the 7th China Packaging Federation Council（中國包裝聯合會第七屆理事會）in 2011. Mr. Sun was awarded the 5th Lake Poyang Printing Development Contribution Award（第五屆鄱陽湖（鴻聖）杯印刷發展貢獻獎）by the Association of Printing and Copying Industry in Jiangxi Province（江西省印刷複製業協會）in December 2011. Mr. Sun completed the postgraduate economics course at Jiangxi University of Finance and Economics（江西財經大學）in July 2005 and graduated from the Central Communist Party School Correspondence Institute（中共中央黨校函授學院）in December 2006, majoring in economic management. Mr. Sun completed the 2006 Chief Executive Course at Xiamen University School of Management in August 2007 and the GEM Financing and Private Fund Executive Course at Fudan University in April 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Da Jin（劉大進）, aged 48, was appointed as an independent non-executive Director on 13 December 2013. Mr. Liu is also a member of the Audit Committee and the Nomination Committee and the chairman of the Remuneration Committee. Mr. Liu has been a non-practicing member of the Chinese Institute of Certified Public Accountants since June 1996. He has also been the consultant of the Xiamen City Economic Management Consultancy Association（廈門市經濟管理諮詢協會）since August 2008 and the council member of the Xiamen City Accounting Association（廈門市會計學會）since March 2005. Mr. Liu graduated from the Central University of Finance and Economics（中央財經大學）(originally named Central Institute of Finance and Banking中央財政金融學院）in June 1989, majoring in accounting. He then obtained a postgraduate certificate from Xiamen University Postgraduate School in September 1992. Mr. Liu worked as a teaching assistant at Jimei Finance and Economics School（集美財經學校）from August 1984 to August 1987. Mr. Liu then served as the deputy director and instructor at the Department of Financial Management at Jimei College of Finance（集美財政專科學校）from July 1989 to August 1995.

Biographical Details of Directors and Senior Management

Mr. Liu worked as a certified accountant at Xiamen Jiyou Accounting Firm(廈門集友會計師事務所) from June 1995 to May 1999. Mr. Liu worked in various faculties of Jimei University(集美大學)since September 1995 and is currently the Associate Dean of its Faculty of Overseas Education.

Mr. Ma Yiu Ho, Peter（馬遙豪）, aged 49, was appointed as an independent non-executive Director on 13 December 2013. He is also the chairman of the Audit Committee. Mr. Ma is currently the financial controller of Chyau Fwu Properties Limited, a company principally engaged in property development and hospitality. He has been a member of the Hong Kong Institute of Certified Public Accountants since February 1990 and a fellow member of the Association of Chartered Certified Accountants（UK）since April 1994. Mr. Ma obtained a Master of Business Administration Degree from the Hong Kong University of Science and Technology in November 1995. He is also an associate member of the Hong Kong Institute of Directors. He has over 20 years of experience in the finance and accounting field and worked as the financial controller and company secretary of The Hong Kong Parkview Group Ltd.; the financial controller of VODone Limited, shares of these companies are listed on the Main Board of the Stock Exchange; chief financial officer of Superior Fastening Technology Limited, a Singapore listed company. Mr. Ma also worked for Standard Chartered Equitor Trustee HK Limited and Hong Kong Government's Audit Department. Mr. Ma is currently and has been an independent non-executive director and chairman of the Audit Committee of Convoy Financial Services Holdings Limited（stock code: 1019）and Huisheng International Holdings Limited（stock code: 1340） since March 2010 and February 2014 respectively, both are listed companies on the Main Board of the Stock Exchange of Hong Kong Limited（the" Stock Exchange"）.

Mr. Wu Ping（吳平）, aged 51, was appointed as an independent non-executive Director on 13 December 2013. He is also a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. Wu completed a monetary banking correspondence course at the Jiangxi University of Finance and Economics(江西財經大學)in July 1998. Mr. Wu obtained the intermediate level of finance qualification granted by the Ministry of Personnel of the PRC in November 2000. Mr. Wu held various positions in the Yichun branch and Fongxin branch of the China Construction bank from 1981 to 2012, including serving as the manager of the Credit Approval Commission of the Yichun branch, the manager of the Credit Approval Department of the Fengxin branch and the branch manager of the Fengxin branch.

SENIOR MANAGEMENT

Mr. Guo Xiu Peng（郭秀鵬）, aged 36, is the director of production of our Group. He is primarily responsible for the production and equipment management for the production of the Group. Mr. Guo joined our Group in October 2008 and has over 8 years of experience in production management. Prior to joining our Group, Mr. Guo was the manager of the Department of Design at the Guangzhou Yuanjing Paper Packaging Limited Company(廣州遠景紙品包裝有限公司)from March 2001 to July 2004. He then worked at Guangzhou Xinxing Decoration and Packaging Limited Company（廣州新星裝潢印刷有限公司）from August 2004 to September 2008, responsible for production management. Mr. Guo obtained a bachelor degree in Jiangxi Normal University（江西師範大學）in July 2000, majoring in control technology and engineering.

Biographical Details of Directors and Senior Management

Mr. Li Jian Jie（李建捷）, aged 41, is the research and development director of our Group, He is primarily responsible for the research, development and design of the Group. Mr. Li joined our Group on March 2013 and has over 8 years of experience in design and advertising. Prior to joining our Group, Mr. Li worked as an art instructor at Fujian Province Nanping Jianyang Commercial School（福建省南平建陽商業學校）from September 1994 to December 1997. He was the brand director of Zhibentang Advertising Company（知本堂廣告公司）and Zhibentang Business Planning Limited Company（知本堂企業策劃有限公司）from 2005 to 2013. Mr. Li completed a 2-year arts programme at Sanming Normal College（三明師範專科學校）in July 1993.

Mr. Hu Chung Ming（胡宗明）, aged 41, is the chief financial officer and the company secretary of our Group. He is primarily responsible for the planning and management of accounting, finance related matters and corporate reporting of the Group. Mr. Hu joined our Group on 21 August 2013 and he has over 16 years of professional experience in accounting and finance. During the period from September 2009 to April 2011, Mr. Hu was the chief financial officer and the company secretary of Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited, a company whose shares are listed on the Stock Exchange. Mr. Hu had also been the chief financial officer and the company secretary of China Flexible Packaging Holdings Limited from February 2003 to June 2007 and the chief financial officer of Lankom Electronics Limited from April 2000 to January 2003, both of which are listed on the Singapore Stock Exchange. Mr. Hu was an accountant of the Assurance and Advisory BusinessServices of Ernst and Young, Certified Public Accountants from January 1997 to March 2000. Mr. Hu obtained a degree of Bachelor of Commerce from the University of Queensland, Australia, in December 1996. Mr. Hu became a Certified Practising Accountant of the Australian Society of Certified Practising Accountants in March 2000 and a fellow of the Hong Kong Institute of Certified Public Accountants in January 2010. Mr. Hu is currently an independent non-executive director of Sumpo Food Holdings Limited, the shares of which are listed on the Stock Exchange.

Chairman's Statement

Dear Shareholders,

On behalf of the board of Directors (the "Board") of China Packaging Holdings Development Limited 中華包裝控股發展有限公司 (the "Company"), I am pleased to present our first annual report following the successful listing of the Company on the Main Board of the Stock Exchange on 13 January 2014. This report covers the period fo the year ended 31 December 2013.

AN IMPORTANT MILESTONE

The Group has established a solid foundation in its production technology and customer base since inception in 2005. With the continuous efforts from our brilliant team of management and staff, the Company sought new growth opportunities through the initial public offering in January 2014. Overwhelming subscription and favourable market response signified a great encouragement to us. It proves that our past effort and performance have been well-recognised, and that investors are confident in our prospects.

BUSINESS REVIEW

For the year under review, the Group's turnover increased to approximately RMB383.0 million, representing an increase of approximately 36.5% in comparison to that of 2012, while profit attributable to equity holders increased to approximately RMB44.3 million, representing an increase of approximately 29.6% as compared to that of 2012.

The turnover of the Group's flexo-printed cartons for 2013 was approximately RMB232.8 million, representing an increase of approximately RMB35.7 million or approximately 18.1% as compared to that of approximately RMB197.1 million in 2012.

The turnover of the Group's traditional offset-printed cartons for 2013 was approximately RMB133.2 million, representing an increase of approximately RMB49.7 million or approximately 59.5% as compared to that of approximately RMB83.5 million in 2012. During the year, the Group has also launched the new stone-paper based cartons which contributed to approximately RMB17.1 million to the Group's turnover in 2013.

OUTLOOK

Looking forward, we expect continuous expansion of the PRC consumption market to bring tremendous growth potential to our traditional paper-based packaging business. Moreover, as the living standard in the PRC continues to rise, we forecast the demand for more sophisticated printed packaging materials and design to maintain a strong growth pace. The Group is well positioned to benefit from rising consumer demand for quality appearance of packaging materials. The management has deployed comprehensive plans to capture opportunities brought about by the 12th Five-year Plan in which green packaging is highly promoted and encouraged by the PRC Government throughout the packaging supply chain and also growing environmental awareness in the community. These trends are expected to drive the demand for "greener" alternatives to traditional packaging materials, and create a tremendous opportunity for the growth of our new stone-paper based packaging business.

In order to take advantage of these market opportunities, on one hand we will strengthen the cooperative relationships with our customers, understand different requirements of our customers and varied demand from the market. We will optimize the product mix in response to market changes in a bid to increase sales. On the other hand, we will continue to increase our capacity, improve our production efficiency and raise our research and development capabilities and efforts in the application of our new "greener" packaging material such as stone-paper. We are confident that these efforts will raise the Company to higher grounds going forward.

APPRECIATION

Last but not least, I would like to take this opportunity to extend my sincere gratitude to all fellow directors, management and our staff for their dedication and contribution to our Group's development. I would also like to thank our shareholders and business partners for their valuable support. We will continue to make great efforts to explore and tap into new opportunities, and strive to bring maximum return to our shareholders.

China Packaging Holdings Development Limited
Chen Wei Wei
Chairman and Executive Director

Jiangxi Province, the PRC, 20 March 2014

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining a good standard of corporate governance practices and business ethics in the firm belief that they are essential for maintaining and promoting investors' confidence and maximizing shareholders' returns. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of shareholders and comply with the increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance.

The Company has adopted the Code Provisions in the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") as its own code of corporate governance. The Board considers that since the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 13 January 2014 ("Listing Date") and up to the date of this annual report, in the opinion of the Board, saved as disclosed below, the Company has complied with the CG Code.

CG CODE PROVISION A.2.1

The Company is aware of the requirement under paragraph A.2.1 of the CG Code that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Company does not have any officer with the title of "chief executive officer". Mr. Chen Wei Wei, the Chairman of the Group, is also responsible for the leadership and effective running of the Board, ensuring that all material issues are decided by the Board in a conducive manner. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive Directors and senior management, who are in charge of different functions complement the role of the chairman. The Board is of the view that this structure provides the Group with strong and consistent leadership, facilitates effective and efficient planning and implementation of business decisions and strategies, and ensures the generation of shareholders' benefits.

The Board shall nevertheless review the structure from time to time to ensure appropriate move is being taken should suitable circumstance arise.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and overseeing the Group's businesses, strategic decisions, internal control, risk management systems and monitoring the performance of the senior management. The management is responsible for the daily operations of the Group under the leadership of the Chairman. The Directors have the responsibility to act objectively in the interests of the Company.

The Board currently comprises three executive Directors and three independent non-executive Directors from different business and professional fields. The profiles of each Director are set out in the "Biographical Details of Directors and Senior Management" section in this annual report. The Directors, including the independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions.

The Board has adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

The Company has received annual confirmation from each of the independent non-executive Directors of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

The Board has delegated various responsibilities to the Board committees including the Audit Committee, the Remuneration Committee and

Nomination Committee. Further details of these Committees are set out below on pages 9 to 10.

Board meetings
The Board is scheduled to meet regularly at least four times a year at approximately quarterly intervals, to discuss the overall strategy as well as the operation and financial performance of the Group. Ad-hoc meetings will also be convened when necessary. Such Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors.

Agenda and Board papers together with all appropriate, complete and reliable information will be provided to all the Directors before meetings. All the Directors will be provided with sufficient resources to discharge their duties, and, upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances, at the Company's expenses. All Directors will have the opportunity to include matters in the agenda for board meetings. The company secretary of the Company is responsible to keep the minutes of board meetings and meetings of Board committees. All minutes are open for inspection by any Director at reasonable time on reasonable notice.

Since the Listing Date and up to the date of this annual report, one Board meeting has been held, at which the Directors approved the annual results of the Group for the year ended 31 December 2013 and reviewed the results announcement and annual report.

Appointments, re-election and removal of directors
Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of three years commencing from the Listing Date renewable automatically until terminated by not less than three months' notice in writing served by either party on the other expiring at the end of the initial term or any time thereafter. All of their appointments are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company.

Each of the independent non-executive Directors has entered into a letter of appointment with our Company on 13 December 2013. Each letter of appointment is for an initial term commencing on the date of the letter of appointment and shall continue thereafter subject to a maximum of three years unless terminated by either party giving at least one month's notice in writing. All of their appointments are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company.

All Directors shall be subject to retirement by rotation at least once every three years.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has since 13 December 2013 adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules. Following a specific enquiry, all the Directors confirmed that they have complied with the Model Code since the Listing of the Company on 13 January 2014.

BOARD COMMITTEES

Nomination Committee
The Company established a Nomination Committee on 13 December 2013 with written terms of reference in compliance with paragraph A.5.2 of the Code Provisions. Its terms of reference are available on the websites of the Company and the Stock Exchange.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on regular basis; to identify individuals suitably qualified to become Board members; to assess the independence of independent non-executive Directors; and to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. The Nomination Committee comprises two independent non-executive Directors, namely Mr. Liu Da Jin and Mr. Wu Ping and one executive director, namely Mr. Chen Wei Wei (Chairman).

When identifying suitable candidates for directorship, the Nomination Committee will carry out the selection process by making reference to the skills, experience, education background, professional knowledge, personal integrity and time commitments of the proposed candidates, and also the Company's needs and other relevant statutory requirements and regulations required for the positions. All candidates must be able to meet the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules. A candidate to be appointed as an independent non-executive Director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules. Qualified candidates will then be recommended to the Board for approval.

Audit Committee

The Company established an Audit Committee on 13 December 2013 with written terms of reference in compliance with Rule 3.21 and Rule 3.22 of the Main Board Listing Rules. The written terms of reference of the Audit Committee was adopted in compliance with paragraph C3.3 to C3.7 of the Code Provisions. Its terms of reference are available on the websites of the Company and the Stock Exchange.

The primary duties of the Audit Committee, among other things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditors, review the financial statements and provide material advice in respect of financial reporting and oversee the internal control procedures of the Company. As at the date of this annual report, the Audit Committee consists of three independent non-executive Directors, namely Mr. Ma Yiu Ho, Peter (Chairman), Mr. Liu Da Jin and Mr. Wu Ping.

The Audit Committee has reviewed the Company's financial statements and the Group's combined financial statements for the year ended 31 December 2013, including the accounting principles and practices adopted by the Company and Group.

Since the Listing Date and up to the date of this annual report, one meeting has been held by the Audit Committee. At the meeting, it reviewed the annual results of the Group for the year ended 31 December 2013 with the independent auditors and also the activities of the Group's internal control functions. It also reviewed the Company's progress in implementing the corporate governance requirements as set out in the CG Code.

Remuneration Committee

The Company established a Remuneration Committee on 13 December 2013 with written terms of reference in compliance with Rule 3.25 and Rule 3.26 of the Listing Rules. The written terms of reference of the Remuneration Committee was adopted in compliance with paragraph B1.2. of the Code Provisions. Its terms of reference are available on the websites of the Company and the Stock Exchange.

The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group and to ensure none of the Directors determine their own remuneration. The emoluments of executive Directors are determined based on their skills, knowledge, individual performance as well as contributions, the scope of responsibility and accountability of such Directors, taking into consideration the Company's performance and the prevailing market conditions. The remuneration policy of independent non-executive Directors is to ensure that they are adequately compensated for their efforts and time dedicated to the Company's affairs including their participation in their respective Board committees. The emoluments of independent non-executive Directors are determined with reference to their skills, experience, knowledge, duties and market trends. As at the date of this annual report, the Remuneration Committee consists of two independent non-executive Directors, namely Mr. Liu Da Jin (Chairman) and Mr. Wu Ping and one executive Director, namely Ms. Hu Li Yu.

Details of remuneration of Directors are set out in Note 12 to the Consolidated Financial Statements.

Since the Listing Date and up to the date of this annual report, one meeting has been held to review the remuneration packages paid to Directors for the financial year.

The attendance of individual members of the Board and other Board Committees meetings since the Listing Date and up to the date of this annual report is set out in the table below:

	Meeting attended/held			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Chen Wei Wei	1/1	1/1	1/1	1/1
Sun Shao Hua	1/1	1/1	1/1	1/1
Hu Li Yu	1/1	1/1	1/1	1/1
Independent non-executive Directors				
Liu Da Jin	1/1	1/1	1/1	1/1
Wu Ping	1/1	1/1	1/1	1/1
Ma Yiu Ho, Peter	1/1	1/1	1/1	1/1

Compliance Advisor

Pursuant to the Compliance Advisor Agreement dated 20 December 2013 entered into between the Company and Oriental Patron Asia Limited ("Oriental Patron"), Oriental Patron has been appointed as the compliance advisor as required under the Listing Rules for the period from the Listing Date to the date on which the Company dispatched its annual report in respect of its financial results for the first full financial year after the Listing Date. Oriental Patron has received a fee for acting as the Company's compliance advisor during the period. Pursuant to Rule 3A.23 of the Listing Rules, the Company shall consult with and, if necessary, seek advice from Oriental Patron on the following matters:

- the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction is contemplated including share issues and share repurchase;
- where the Company proposes to use the proceeds from the initial public offering in a manner different from that detailed in the Prospectus or where the business activities, developments or results of the Company deviate from any forecast, estimate or other information in the prospectus; and
- where the Stock Exchange makes an inquiry of the Company regarding unusual movements in the price or trading volume of the securities of the Company.

Company Secretary

The position of Company Secretary is held by Mr. Hu Chung Ming, a fellow member of the Hong Kong Institute of Certified Public Accountant, who is an employee of the Company. The Company Secretary reported to the Board from time to time. All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures, and all applicable laws, rules and regulations are followed.

During the year under review, Mr. Hu Chung Ming has taken not less than 15 hours of relevant professional training and has fulfilled the requirement pursuant to Rule 3.29 of the Listing Rules.

ACCOUNTABILITY AND AUDIT

Directors' and Auditors' Acknowledgement

The Audit Committee and the Board have reviewed the Group's consolidated financial statements for the year ended 31 December 2013. The Directors acknowledge their responsibilities for preparing accounts, the financial statements, performance position and prospects of the Group. Management has provided information and explanation to the Board to enable it to make an informed assessment of the financial and other information put before the Board for approval. The Directors believed that they have selected suitable accounting policies and applied them consistently, made judgment and estimates that are prudent and reasonable.

The Board is not aware of any material uncertainties relating to the events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

The accounts for the year were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting.

Internal Control and Risk Management

The Board is responsible for the internal control of the Group and for reviewing its effectiveness. Procedures have been designed to safeguard the assets of the Company and ensure maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, ensure compliance of applicable laws, rules and regulations.

After reviewing the effectiveness of the Group's internal control system, the Board considers that the internal control system is effective and adequate for the Group as a whole. The Board further considers that (i) there was no issue relating to the material controls, including financial, operational and compliance controls and risk management functions, of the Group; and (ii) that there were adequate staff with appropriate qualifications and experience, resources and budget of its accounting and financial reporting function, and adequate training programmes have been provided for the year ended 31 December 2013.

Auditor's Remuneration

For the year ended 31 December 2013, the analysis of the remuneration of the Company's auditor, HLB Hodgson Impey Cheng Limited, paid/payable is set out below:

	Amount (RMB'000)
Audit services	**880**
As reporting accountants for the Company's initial public offering	**2,800**
Total	**3,680**

The Audit Committee will recommend the re-appointment of HLB Hodgson Impey Cheng Limited for audit service, and consider the engagement of the non-audit services to ensure the independence and objectivity of audit service.

Communications with Shareholders and Investors

The Company endeavours to uphold a high level of corporate transparency. Keeping shareholders, investors, analysts, bankers and other stakeholders informed of our corporate strategies and business operations has been one of the key objectives of our investor relations team.

Communication with Shareholders and Procedures for putting forward proposals at general meetings

All published information, including all the statutory announcements, press releases and event calendars, is promptly posted on the Group's website at www.hs-pack.com. Viewers can also send enquiries and proposals putting forward for shareholders' consideration at shareholder meetings to the Board or senior management by email at info@hs-pack.com or by phone at 852-3468 3666 or directly by raising questions at the general meeting of the Company.

Procedures for Shareholders to convene an extraordinary general meeting

Pursuant to article 58 of the Company's Articles of Association, any one or more shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, shareholders may hold the extraordinary general meeting, and all reasonable expenses incurred by the shareholders as a result of the failure of the Board shall be reimbursed to the shareholders by the Company.

Constitutional Documents

During the year ended 31 December 2013 and up to the date of this report, save as the adoption of the amended and restated memorandum of association and articles of association by the then sole shareholder of the Company on 3 December 2013 (details of which are set out in the Prospectus), there is no change in the Company's constitutional documents.

An up-to-date version of the Company's Memorandum and Articles of Association are available on the Company's website and the website of the Stock Exchange.

BUSINESS REVIEW

The Group is one of the largest paper-based packaging product manufacturers in the Jiangxi Province and focuses on providing one stop solution to our customers which includes designing, manufacturing, and printing of paper-based packaging products. Our products include flexo-printed cartons and offset-printed cartons of different sizes, shapes and design. The Group's customers are primarily based in the Jiangxi Province, while a few are based in Fujian and Hubei. The Group's products are generally used in packaging of a wide variety of products such as food and beverage, glass and ceramics articles, metal hardware and chemicals products, bamboo articles, etc. The Group has a production base which is located in Fengxin County, Yichun City of Jiangxi Province, the People's Republic of China ("the PRC").

Since August 2013, the Group has started commercial production of stone-paper based packaging products. The Group will continue to look for opportunities to expand its customer base through collaboration in product development and marketing, as well as through referral by our existing customers.

FINANCIAL REVIEW

TURNOVER

The turnover for the year ended 31 December 2013 was approximately RMB383.0 million, representing an increase of approximately RMB102.4 million or approximately 36.5% as compared to that of approximately RMB280.6 million in 2012. The increase in turnover was mainly attributable to the substantial increase in sales volume from approximately 97.4 million sq. m to approximately 133.5 million sq. m, which was driven by increasing demand from existing customers and new orders placed by new customers. All the sales of the Group were generated from the PRC, turnover from flexo-printed cartons and offset-printed cartons represented about 60.8% and 39.2% respectively of the total turnover of the Group in 2013 as compared to that of approximately 70.2% and 29.8% respectively in 2012.

Turnover by products

	2013		2012	
	RMB'000	**% of Total**	RMB'000	% of Total
Flexo-printed cartons	**232,766**	**60.8%**	197,086	70.2%
Offset-printed cartons				
– Traditional paper-based cartons	**133,201**	**34.8%**	83,467	29.8%
– Stone-paper based cartons	**17,082**	**4.4%**	–	–
Total	**383,049**	**100%**	280,553	100%

Flexo-printed cartons

The Group's flexo-printed cartons targeted the huge consumer market with food and beverage companies as their main target customers to provide products of good quality, load capacity and protection. They contributed to 60.8% of the total turnover of the Group in 2013. For 2013, turnover derived from flexo-printed cartons increased by approximately 18.1% to approximately RMB232.8 million (2012: RMB197.1 million) when comparing to the year 2012.

In order to secure adequate supply of quality raw materials for our flexo-printed cartons, we also engage in the research and development and production of quality corrugated paperboards for our own use. Currently, the Group owns 15 utility model patents for upgrading of our production line in the production of corrugated paperboards.

Offset-printed cartons

The Group's offset-printed cartons include traditional paper-based cartons and stone-paper

based cartons. For 2013, turnover derived from offset-printed cartons increased by approximately 80.0% to approximately RMB150.3 million (2012: RMB83.5 million) when compared to 2012, amongst which turnover of traditional paper-based cartons accounted for 88.6% (2012: 100%) and turnover of stone-paper based cartons accounted for 11.4% (2012: 0%).

In August 2013, our new stone-paper based cartons which targeted the higher end products such as gifts and fragile products companies, have commenced production and contributed to 4.4% to our total turnover in 2013. Currently, we are undergoing research and development to upgrade our existing production lines and innovated stone-paper based packaging products, which would provide an impetus for our future growth.

Turnover by product categories of our customers

	2013		2012	
	RMB'000	**% of Total**	RMB'000	% of Total
Food and beverage	**183,105**	**47.8%**	127,730	45.5%
Glass and ceramics articles	**59,583**	**15.6%**	48,197	17.2%
Metal hardware and chemical products	**39,475**	**10.3%**	29,220	10.4%
Bamboo articles	**30,021**	**7.8%**	27,262	9.7%
Others	**70,865**	**18.5%**	48,144	17.2%
Total	**383,049**	**100%**	280,533	100%

Note: Other products mainly include stationary, energy and electronic products, textile and pharmaceutical products.

The Group's main customers are manufacturers of food and beverage in the PRC. Revenue sold to food and beverage manufacturers was approximately RMB183.1 million, representing approximately 47.8% of the total turnover in 2013 as compared to approximately RMB127.7 million and approximately 45.5% of the total turnover in 2012. With the robust growth in the economy and rising living standard of the PRC, the demand for more sophisticated printed packaging materials and design is expected to grow. The Group plans to capture a larger share of such higher value products by execution of its expansion plan.

The Group's dedicated efforts in the research and development of new products and technological improvement also had brought positive returns to the Group during the year under review, these included the launching of new stone-paper based cartons to the market, which start to contribute revenue to the Group.

GROSS PROFIT AND GROSS PROFIT MARGIN

	2013		2012	
	RMB'000	**GP margin (%)**	RMB'000	GP margin (%)
Flexo-printed cartons	**48,433**	**20.8%**	38,301	19.4%
Offset-printed cartons				
– Traditional paper-based cartons	**35,533**	**26.7%**	20,961	25.1%
– Stone-paper based cartons	**5,640**	**33.0%**	–	–
Total	**89,606**	**23.4%**	59,262	21.1%

The overall gross profit of the Group for the year ended 31 December 2013 was approximately RMB89.6 million, representing an improvement of approximately 51.1% or approximately RMB30.3 million as compared to approximately RMB59.3 million in 2012. Gross profit margin increased from approximately 21.1% for 2012 to approximately 23.4% for 2013.

The gross profit from flexo-printed cartons for 2013 was approximately RMB48.4 million, representing a growth of approximately 26.4% as compared to approximately RMB38.3 million in 2012. The gross profit margin for flexo-printed cartons increased from approximately 19.4% for 2012 to approximately 20.8% for 2013. This was due to the growth in sales volume from existing and new customers as well as the decrease in production costs per unit resulting from economies of scale.

The gross profit from offset-printed cartons for 2013 was approximately RMB41.2 million, representing a growth of approximately 96.2% as compared to approximately RMB21.0 million in 2012. This was due to the launching of higher margin new product stone-paper based cartons and the growth in sales volume of traditional paper-based cartons which result in lower production costs per unit resulting from economies of scale.

OTHER REVENUE AND INCOME

Other revenue and income of the Group increased by approximately 89.4% or approximately RMB4.2 million from approximately RMB4.7 million in 2012 to approximately RMB8.9 million in 2013. The increase in other revenue and income was mainly contributed by the tax concession in respect of the partial refund of value added tax and enterprise income tax paid in the PRC offered by the local government. Higher sales and profit before tax, based on which value added tax and enterprise income tax were calculated, has resulted in higher tax concession for the year 2013.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses of the Group increased by approximately 35.0% or approximately RMB4.1 million from approximately RMB11.7 million in 2012 to approximately RMB15.8 million in 2013. The selling and distribution expenses as a percentage of our total revenue were approximately 4.2% in 2012 and approximately 4.1% in 2013. This increase was mainly due to the composite effect of (i) an increase in distribution and delivery costs which was resulted from the increase in sales volume and number of customers located in different cities or provinces in the PRC and (ii) an increase in sales commission and salary to sales staff due to the increase in sales activities.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group increased by approximately 84.7% or approximately RMB10.0 million from approximately RMB11.8 million in 2012 to approximately RMB21.8 million in 2013. The increase was primarily due to the composite effect of (i) an increase in research and development costs of approximately RMB0.9 million; (ii) an increase in general office expense of approximately RMB0.9 million resulting from an increase in business meetings and trips with our customers and (iii) recognition of listing expenses of approximately RMB5.9 million, which was in relation to the proposed listing incurred during 2013.

FINANCE COSTS

Finance costs of the Group remained stable at approximately RMB1.1 million in 2013 as compared to 2012. The increase in our short term interest bearing bank loan was offset by the decrease in effective interest rate charged by banks.

INCOME TAX EXPENSES

Income tax expenses of the Group increased by approximately 198.1% or approximately RMB10.3 million from approximately RMB5.2 million in 2012 to approximately RMB15.5 million in 2013. The increase is primarily attributable to the increase in our profit before tax and effective tax rate. The Group's effective tax rate for 2013 was approximately 25.9%, as compared to approximately 13.1% for 2002. This increase in effective tax rate was mainly because Hong Sheng (Jiangxi) Color Printing Packaging Co. Ltd. (鴻聖(江西)彩印包裝實業有限公司) was no longer entitled to a 50% tax exemption commencing from 2013.

PROFIT FOR THE YEAR

As a combined result of the factors discussed above, our profit for 2013 increased by approximately RMB10.1 million or approximately 29.6% from approximately RMB34.2 million in 2012 to approximately RMB44.3 million in 2013. Moreover, our net profit margin slightly decreased from 12.2% in 2012 to 11.6% in 2013.

Management Discussion and Analysis

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2013.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the cash and bank balances amounted to approximately RMB45.8 million (2012: RMB25.7 million) which were mainly denominated in Renminbi and Hong Kong Dollars. The Group's total bank borrowings amounted to approximately RMB21.2 million (2012: RMB15.0 million) which were all denominated in Renminbi. The Group's gearing ratio is calculated as total borrowings, which is the summation of bank borrowings, amount due to a director and amount due to an immediate holding company, divided by total equity. The gearing ratio of the Group as at 31 December 2012 and 2013 were 40.1% and 17.3% respectively.

The Group considers its financial resources were mainly derived from the net cash inflows from operating activities and bank borrowings. Taking into consideration the existing financial resources of the Group, it is anticipated that the Group should have adequate working capital to support its operations and development requirements.

INVENTORIES

The inventories decreased by approximately 32.1% or approximately RMB5.1 million from approximately RMB15.9 million in 2012 to approximately RMB10.8 million in 2013. The inventory turnover day was approximately 17 days (2012: 23 days). The decrease in inventory turnover day was due to the expectation of a downward trend in the market price of raw paper and corrugated paperboards during the year. As such, the Group minimised the inventories to a level which is sufficient for its production in order to avoid any impairment loss for the raw paper and corrugated paperboards.

TRADE RECEIVABLES

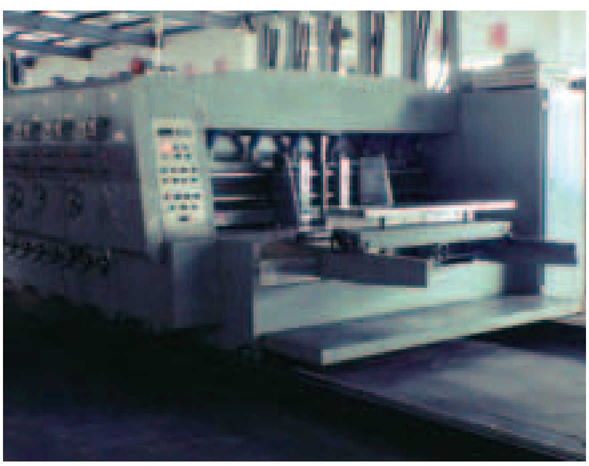
As at 31 December 2013, the trade receivables amounted to approximately RMB95.3 million (2012: RMB58.4 million). We granted our customers credit period of 30 to 60 days following the day of delivery. The turnover day for trade receivables was approximately 63 days (2012: 55 days) primarily due to the business expansion in our business.

TRADE PAYABLES

As at 31 December 2013, the trade payables amounted to approximately RMB70.3 million (2012: RMB34.4 million). The Group managed to obtain a credit period of 60 days from the majority of its suppliers. The turnover day for trade payables was approximately 56 days (2012: 45 days).

EXCHANGE RISK EXPOSURE

The Group mainly operates in the PRC and most of its operating transactions are settled in RMB. Most of its assets and liabilities are denominated in RMB. Although the Group may be exposed to foreign currency exchange risks, the Board does not expect future currency fluctuations to materially impact the Group's operations. The Group did not adopt formal hedging policies and no instruments have been applied for foreign currency hedging purposes during the year ended 31 December 2013.



CAPITAL COMMITMENTS

As at 31 December 2013, the Group's capital commitments were approximately RMB20.4 million (2012: RMB5.0 million). All the capital commitments were related to purchasing new properties, facilities and equipment.

CONTINGENT LIABILITIES

As at 31 December 2013, the Group did not have any material contingent liabilities or guarantees.

PLEDGE OF ASSETS

As at 31 December 2013, the Group has pledged certain assets with an carrying value of RMB62.9 million as collateral for the Group's bills payable and bank borrowing (2012: RMB19.1 million).

FINANCIAL INSTRUMENTS

The Group did not have any hedging contracts or financial derivatives outstanding for the year ended 31 December 2013.

BORROWINGS

As at 31 December 2013, the Group's borrowings balance amounted to RMB21.2 million (2012: RMB15.0 million).

The Group's banks borrowings are denominated in Renminbi which carry interest rates that are referred to the benchmark lending rates published by People's Bank of China.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING ("IPO")

The shares of the Company were listed on the Main Board on 13 January 2014 with net proceeds received by the Company from the IPO to approximately HK$73.1 million (RMB57.7 million) after deducting underwriting commissions and all related expenses. The net proceeds received from the IPO will be used in the manner consistent with that mentioned in the section headed" Future plans and use of proceeds" of the prospectus of the Company dated 27 December 2013 (the" Prospectus"). In the event that the Directors decide to use such net proceeds in a manner different from that stated in the Prospectus, the Company will issue a further announcement in compliance with the Listing Rules.

INFORMATION ON EMPLOYEES

As at 31 December 2013, the Group had a total of 376 employees, including the executive Directors. Total staff costs (including Directors' emoluments) were approximately RMB20.2 million, as compared to approximately RMB14.9 million for the year ended 31 December 2012.

The Group remunerates its employees based on their performance, experience and prevailing industry practice. Competitive remuneration package is offered to retain elite employees including salaries, medical insurance, discretionary bonuses, other benefits as well as mandatory provident fund schemes for employees in Hong Kong and state-managed retirement benefit schemes for employees in the PRC.

Pursuant to a written resolution of the Shareholders on 13 December 2013, the Company has adopted a share option scheme (the" Share Option Scheme") for the purpose of rewarding eligible participants for their contribution to the Group. No share options have been granted by the Company since the adoption of the Share Option Scheme.

SIGNIFICANT INVESTMENTS HELD

Except for investments in subsidiaries, during the year ended 31 December 2013, the Group did not hold any significant investment in equity interest in any other company.

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 December 2013, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

FUTURE PLANS AND PROSPECTS

The Group strives to be a leading manufacturer of high quality paper-based packaging products in the PRC and will keep focusing on the design, manufacture and printing of paper-based packaging products with precision for packaging of a variety of products and at the same time, develop our new packaging product with the use of stone paper. Based on the experienced management team, research and development capabilities, well established relationship with our major suppliers and customers and emphasis on the quality of products, the Group is well-positioned to further develop our business and create values for our shareholders.

To achieve this, we plan to continue to leverage our competitive strengths and implement our business strategies as follows:

Focus on printing of paper-based packaging products for packaging of different kinds of products with precision

The Group intends to invest further in upgrading the existing production facilities with more advanced machinery and equipment to enhance our product quality, production capacity and efficiency in order to cope with the recent development trends in the high-end packaging market. High-end consumer products manufacturer requires cartons with high resolution prints or graphics for packaging purposes. These production methods, with precise specifications and lamination requirements, will inevitably involve offset-printing method that would enhance the appeal of the underlying products. With the upgrading of existing facilities, it is expected to widen our product range and satisfy the ever changing customers' need.

Expansion of the production capacity of the Fengxin Plant

The Group intends to establish four new production lines and a new production block at its Fengxin Plant in order to cope with its anticipated growth. Out of the four new production lines, one is for production of corrugated paperboards and stone paperboards, one for manufacture of flexo-printed cartons and two for manufacture of offset-printed cartons. The latter three production lines can be used for printing of both traditional paper-based packaging products and stone-paper based packaging products. With the expansion of production capacity, we could enhance our market position by capturing a larger market share.

Continued development of stone-paper based packaging products and stone paperboards

Apart from relying on the setting up of the four production lines described above, the Group also intends to further explore our collaboration with both BIGC and Wuhan University regarding the upgrading and enhancement of our production lines and the innovation in stone-paper based packaging productions accordingly. By forming strategic alliance with tertiary institutions so as to strengthen our research and development capability, it will provide the Group with readily available technical expertise and the required technology advancement to innovate and produce quality and diversified paper-based packaging products.

The capital expenditure for the above future plans is expected to be funded by our IPO proceeds, internally generated funds and bank borrowings.

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of the principal subsidiaries of the Company are set out in Note 1 to the Consolidated Financial Statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 27.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

FOUR-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past four financial years is set out on page 84 of this annual report.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in Note 28 to the Consolidated Financial Statements.

DISTRIBUTABLE RESERVES

The Company did not have reserves in aggregate available for distribution to the Shareholders as at 31 December 2013.

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 30 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's largest and five largest customers accounted for approximately 9.5% and 33.2% of the total turnover for the year 2013 respectively. Purchases from the Group's largest and five largest suppliers accounted for approximately 35.4% and 78.2% of the total purchases for the year 2013 respectively.

To the best knowledge of the Directors, neither the Directors, their associates, nor any shareholders who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or suppliers during the year ended 31 December 2013.

SUBSIDIARIES

Details of the principal subsidiaries of the Company are set out in Note 29 to the Consolidated Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in Note 18 to the Consolidated Financial Statements.

CHARITABLE CONTRIBUTIONS

During the year, the Group did not made charitable contributions (2012: Nil).

DIRECTORS AND DIRECTORS' SERVICE AGREEMENTS

The Directors of the Company who hold office during the year and up to the date of this report are:

Executive directors

Mr. Chen Wei Wei *(Chairman)*
(appointed on 13 December 2013)
Mr. Sun Shao Hua (appointed on 13 December 2013)
Ms. Hu Li Yu (appointed on 13 December 2013)

Independent Non-executive directors

Mr. Liu Da Jin (appointed on 13 December 2013)
Mr. Wu Ping (appointed on 13 December 2013)
Mr. Ma Yiu Ho, Peter
(appointed on 13 December 2013)

In accordance with article 84 of the Company's articles of association, Mr. Sun Shao Hua will retire at the 2014 annual general meeting ("2014 AGM"). Mr. Ma Yiu Ho, Peter, who was appointed as an independent non-executive Director on 13 December 2013, will also retire at the 2014 AGM. Mr. Sun Shao Hua and Mr. Ma Yiu Ho, being eligible, will offer themselves for re-election.

None of the Directors, including two proposed for re-election at the 2014 AGM, has a service agreement which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

The Company has received annual confirmation on independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules and all of them are considered to be independent.

DIRECTORS' REMUNERATION

The remuneration of the directors is determined with reference to directors' duties, responsibilities and performance and the results of the Group.

Details of the remuneration of the directors are set out in Note 12 to the Consolidated Financial Statements.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Group are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 3 to 5 of this annual report.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

The controlling shareholders of the Company entered into a Deed of Non-Competition in favour of the Company dated 13 December 2013 ("Deed of Non-Competition") as set out in the section of "Relationship with the Controlling Shareholders" under the Prospectus. The controlling shareholders confirmed their compliance of all the undertakings provided under the Deed of Non-Competition.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 December 2013, there was no material acquisition or disposal of subsidiaries or associated companies by the Company.

SHARE OPTION SCHEME

The Company adopted a share option scheme pursuant to a resolution in writing passed by the Shareholders on 13 December 2013 (the "Share Option Scheme") as incentives or rewards for eligible participants who contribute to the Group.

Subject to the terms of the Share Option Scheme, the board may, at their absolute discretion, grant or invite any person belonging to any of the following classes to take up options to subscribe for shares: (a) any employee, supplier/service provider, customer, partner or joint-venture partner of the Group (including any director, whether executive and whether independent or not, of the Group) who is in full-time or part-time employment with the Company or any subsidiaries, (b) any person who have contributed or may contribute to the Group.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the total number of shares in issue on the Listing Date unless the Company seeks the approval of the shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating 10% limit.

Details of the principal terms of the Share Option Scheme are set out in paragraph headed "Share Option Scheme" in section headed "Statutory and General Information" in Appendix V to the Prospectus. The principal terms of the Share Option Scheme are summarised as follows:

The Share Option Scheme was adopted for a period of 10 years commencing from 13 January 2014. The Company may, by resolution in general meeting or, such date as the Board determined, terminate the Share Option Scheme at any time without prejudice to the exercise of options granted prior to such termination.

The exercise price per share of the Company for each option granted shall be determined by the Board in its absolute discretion but in any event shall be at least the higher of:

(1) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer for the grant of option ("Date of Grant") which must be a trading day;

(2) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the Date of Grant; and

(3) the nominal value of the shares on the Date of Grant.

Upon acceptance of the options, the grantee shall pay HK$1.00 to the Company as consideration for the grant. The acceptance of an offer of the grant of the option must be made within the date as specified in the offer letter issued by the Company. The exercise period of any option granted under the Share Option Scheme shall not be longer than 10 years commencing on the date of grant and expiring on the last day of such 10-year period subject to the provisions for early termination as contained in the Share Option Scheme.

The total number of new shares of the Company that may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options schemes of the Company shall not exceed 80,000,000 shares, which represents 10% of the shares in issue of the Company as at the date of this report.

The maximum number of shares issued and to be issued upon exercise of the options granted and to be granted to each grantee under the Share Option Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue. Any further grant of options in excess of this 1% limit shall be subject to issuance of a circular by the Company and approved by its shareholders in accordance with the Listing Rules.

Options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval by the independent non-executive Directors. Where any grant of options to a substantial shareholder or an independent non-executive Director of the Company, or to any of their associates, in excess of 0.1% of the Shares in issue at the date of grant and with an aggregate value (based on the closing price of the Shares at the date of each grant) in excess of HK$5 million, within any 12-month period, are subject to Shareholders' approval in a general meeting.

As at 31 December 2013, there has been no share option granted, exercised, lapsed and cancelled.

Apart from the aforesaid share option schemes, at no time during the year ended 31 December 2013 was any of the Company and its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age of 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercised any such right.

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR THE ASSOCIATED CORPORATIONS

As at the date of this annual report, the Directors of the Company had the following interests in the shares, underlying shares and debentures of the Company, its Group members and/or associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Long positions

Name of director	Name of group member/associated corporation	Capacity/nature of interest	Number of Shares held	Approximate percentage of shareholding
Mr. Sun Shao Hua	Our Company	Interest of a controlled corporation	468,000,000	58.5%

Notes:

These shares are registered in the name of Novel Blaze Limited ("Novel Blaze"), the entire issued share capital of which is wholly and beneficially owned by Mr. Sun Shao Hua. Therefore, Mr. Sun is deemed to be interested in all the Shares held by Novel Blaze by virtue of the SFO.

Save as disclosed above, as at the date of this annual report, none of the Directors and chief executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company, any of its Group members or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY OR THE ASSOCIATED CORPORATIONS

As at the date of this annual report, the following persons/entities (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company, its Group members and/or associated corporations which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions

Name of director	Name of group member/associated corporation	Capacity/nature of interest	Note	Number of Shares held	Approximate percentage of shareholding
Novel Blaze	Our Company	Beneficial owner	1	468,000,000	58.5%
Mr. Sun Shao Hua	Our Company	Interest of a controlled corporation	2	468,000,000	58.5%

Notes:

1. Novel Blaze is incorporated in the BVI and the entire issued share capital is beneficially owned by Mr. Sun Shao Hua. Mr. Sun, being the controlling shareholder, is deemed to be interested in the 468,000,000 Shares owned by Novel Blaze by virtue of the SFO.

2. The disclosed interest represents the interest in the Company held by Novel Blaze which is wholly and beneficially owned by Mr. Sun Shao Hua. Therefore, Mr. Sun is deemed to be interested in the interest of Novel Blaze in the Company by virtue of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report and the prospectus, there was no contract of significance to which the Company or its holding company or any of its subsidiaries was a party and in which a Director of the Company had a material interest subsisted at the end of the year or at any time during the year.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report and the Prospectus, there was no contract of significance to which the Company or its holding company or any of its subsidiaries was a party and in which any controlling shareholder had a material interest subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2013, there were no connected transactions and continuing connected transactions between the Group and its connected persons (as defined under the Listing Rules) which are subject to the reporting, announcement and the independent shareholders' approval requirement under the Listing Rules.

The material related party transactions as disclosed in Note 32 to the Consolidated Financial Statements are connected transactions exempt from reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or any of their respective associates, has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company did not redeem any of its listed securities, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's listed securities since the Listing Date up to the date of this report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules since its Listing Date up to the date of this annual report.

CORPORATE GOVERNANCE

The Company is committed to adopt corporate governance practice. The Company's corporate governance practices are set out in the Corporate Governance Report on pages 8 to 12.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in Note 36 to the Consolidated Financial Statements.

AUDITORS

The consolidated financial statements for the year ended 31 December 2013 have been audited by HLB Hodgson Impey Cheng Limited which retires, and being eligible, offer itself for re-appointment at 2014 AGM. A resolution to re-appoint HLB Hodgson Impey Cheng Limited and to authorize the Directors to fix its remuneration will be proposed at the 2014 AGM.

On behalf of the Board

Chen Wei Wei
Chairman and Executive Director

Jiangxi Province, the PRC, 20 March 2014

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF CHINA PACKAGING HOLDINGS DEVELOPMENT LIMITED
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Packaging Holdings Development Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 83, which comprise the consolidated and the company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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.

AUDITORS' RESPONSIBILITY

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit 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.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 20 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Turnover	8	**383,049**	280,553
Cost of sales		**(293,443)**	(221,291)
Gross profit		**89,606**	59,262
Other revenue	9	**921**	837
Other income	10	**7,945**	3,903
Selling and distribution expenses		**(15,792)**	(11,704)
Administrative expenses		**(21,764)**	(11,830)
Profit from operating activities		**60,916**	40,468
Finance costs	13	**(1,056)**	(1,080)
Profit before tax	11	**59,860**	39,388
Income tax expenses	14	**(15,523)**	(5,166)
Profit for the year		**44,337**	34,222
Other comprehensive income for the year, net of tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**427**	97
Other comprehensive income for the year, net of tax		**427**	97
Total comprehensive income for the year, net of tax		**44,764**	34,319
Profit attributable to owners of the Company		**44,337**	34,222
Total comprehensive income attributable to owners of the Company		**44,764**	34,319
Earnings per share attributable to owners of the Company			
– Basic and diluted (RMB cents)	16	**7.39**	5.70

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	18	**82,537**	50,389
Prepaid lease payments	19	**2,435**	2,495
Deposits paid for acquisition of equipment		**9,869**	–
		94,841	52,884
Current assets			
Inventories	20	**10,827**	15,934
Trade receivables	21	**95,337**	58,355
Prepayments, deposits and other receivables	22	**2,653**	93
Pledged bank deposits	23	**2,278**	1,050
Cash and bank balances	23	**45,834**	25,711
		156,929	101,143
Current liabilities			
Trade, bills, other payables and accruals	24	**84,132**	42,864
Amount due to a director	25	**2,808**	–
Bank borrowings	26	**21,200**	15,000
Tax payables		**4,952**	1,865
		113,092	59,729
Net current assets		**43,837**	41,414
Total assets less current liabilities		**138,678**	94,298
Non-current liability			
Amount due to an immediate holding company	27	**–**	16,285
Net assets		**138,678**	78,013
Capital and reserves attributable to owners of the Company			
Share capital	28	**–**	–
Reserves	28	**138,678**	78,013
Total equity		**138,678**	78,013

Approved by the Board on 20 March 2014 and signed on its behalf by:

Mr. Chen Wei Wei
Chairman

Mr. Sun Shao Hua
Executive Director

The accompanying notes form an integral part of these consolidated financial statements.

Statement of Financial Position

At 31 December 2013

	Notes	2013 RMB'000
Non-current asset		
Interests in subsidiaries	29	–
Current assets		
Prepayment, deposits and other receivables	22	**2,097**
Amount due from a subsidiary	29	**1,370**
Cash and bank balances		**204**
		3,671
Current liabilities		
Accruals	24	**3,673**
Amount due to a director	25	**2,808**
Amount due to a subsidiary	30	–
		6,481
Net current liabilities		**(2,810)**
Total assets less current liabilities		**(2,810)**
Net liabilities		**(2,810)**
Capital and reserves attributable to owners of the Company		
Share capital	28	–
Reserves	28	**(2,810)**
Total equity		**(2,810)**

Approved by the Board on 20 March 2014 and signed on its behalf by:

Mr. Chen Wei Wei
Chairman

Mr. Sun Shao Hua
Executive Director

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of the Company					
		Reserves				
	Share capital RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Retained profit RMB'000	Total RMB'000
At 1 January 2012	–	4,171	–	2,207	37,316	43,694
Profit for the year	–	–	–	–	34,222	34,222
Other comprehensive income for the year	–	–	–	97	–	97
Total comprehensive income for the year	–	–	–	97	34,222	34,319
Transfer to statutory reserve	–	3,464	–	–	(3,464)	–
At 31 December 2012 and 1 January 2013	–	7,635	–	2,304	68,074	78,013
Profit for the year	–	–	–	–	44,337	44,337
Other comprehensive income for the year	–	–	–	427	–	427
Total comprehensive income for the year	–	–	–	427	44,337	44,764
Transfer to statutory reserve	–	4,924	–	–	(4,924)	–
Effect of reorganisation	–	–	15,901	–	–	15,901
At 31 December 2013	**–**	**12,559**	**15,901**	**2,731**	**107,487**	**138,678**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**59,860**	39,388
Adjustments for:		
Amortisation of prepaid lease payments	**60**	60
Depreciation of property, plant and equipment	**3,855**	3,543
Finance costs	**1,056**	1,080
Interest income	**(192)**	(100)
Impairment loss on trade receivables	**–**	95
Loss on disposal of property, plant and equipment	**2**	–
Operating cash flows before movement in working capital	**64,641**	44,066
Decrease/(increase) in inventories	**5,107**	(3,860)
Increase in trade receivables	**(36,982)**	(17,365)
(Increase)/decrease in prepayments, deposits and other receivables	**(2,560)**	160
Decrease in amount due from a director	**–**	6,950
Increase in amount due to a director	**2,808**	–
Increase in trade, bills, other payables and accruals	**41,268**	10,098
Increase in pledged bank deposits	**(1,228)**	(1,050)
Cash generated from operations	**73,054**	38,999
PRC tax paid	**(12,436)**	(3,832)
Net cash generated from operating activities	**60,618**	35,167
INVESTING ACTIVITIES		
Interest received	**192**	100
Deposit paid for acquisition of equipment	**(9,869)**	–
Proceeds from disposal of property, plant and equipment	**7**	–
Purchase of property, plant and equipment	**(36,012)**	(19,960)
Net cash used in investing activities	**(45,682)**	(19,860)
FINANCING ACTIVITIES		
(Decrease)/increase in amount due to an immediate holding company	**(384)**	4
Proceeds from bank borrowings	**21,200**	15,000
Repayments of bank borrowings	**(15,000)**	(15,000)
Bank borrowings interest paid	**(1,056)**	(1,080)
Net cash generated from/(used in) financing activities	**4,760**	(1,076)
Net increase in cash and cash equivalents	**19,696**	14,231
Cash and cash equivalents at the beginning of the year	**25,711**	11,480
Effect of exchange rate changes on the balance of cash held in foreign currencies	**427**	–
Cash and cash equivalents at the end of the year	**45,834**	25,711

The accompanying notes form an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION

The Company was incorporated in Cayman Islands on 12 July 2013 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit 2, 7th Floor, Wah Hing Commercial Building, 283 Lockhart Road, Wanchai, Hong Kong. The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13 January 2014.

The Company acts as an investment holding company while its principal operating subsidiary is engaged in sales of packaging materials.

The directors of the Company consider the parent and the ultimate holding company of the Company to be Novel Blaze Limited ("Novel Blaze"), a company incorporated in the BVI with limited liability. Its ultimate controlling party is Mr. Sun Shao Hua, who is also the executive director of the Company.

The consolidated financial statements are presented in Renminbi ("RMB") and rounded to the nearest thousand (RMB'000), unless otherwise stated. RMB is the Company's presentation currency and the functional currency of the principal operating subsidiary of the Group. The functional currency of the Company is Hong Kong dollars. The directors consider that choosing Renminbi as the presentation currency best suits the needs of the shareholders and investors.

2. REORGANISATION

In preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Group underwent a reorganisation (the "Reorganisation"), as a result of which the Company became a holding company of the subsidiaries comprising the Group. The Reorganisation included the following principal steps:

(i) Rich Kirin Holdings Limited ("Rich Kirin") was incorporated in the BVI on 13 June 2013 and is authorised to issue a maximum of 50,000 shares of a single class with a par value of US$1.00 each. On 12 July 2013, one share was allotted and issued as fully paid to the Company.

(ii) The Company was incorporated on 12 July 2013 and on the same date one nil-paid subscriber share of HK$0.01 was transferred to Novel Blaze. On 26 August 2013, Novel Blaze credited and fully paid up the nil-paid subscriber share of HK$0.01.

(iii) On 26 August 2013, a loan due to Sino Hi-Tech Printing and Packing Limited ("Sino Hi-Tech") from Big Wealth Limited ("Big Wealth") in an aggregate sum of approximately HK$20,045,000 was capitalised by the allotment and issue of 99 shares of Big Wealth to Sino Hi-Tech at an aggregate subscription price of approximately HK$20,045,000 and to set off the said subscription price pro tanto approximately HK$20,045,000 in full.

2. REORGANISATION (continued)

(iv) On 26 August 2013, the Company, through Rich Kirin, acquired the entire issued share capital of Big Wealth from Sino Hi-Tech, in consideration of which, the Company allotted and issued 77 shares to Novel Blaze, 5 shares to Zhen Xing Holdings Limited ("Zhen Xing"), 5 shares to Celestial Key Investment Limited ("Celestial Key") and 12 shares to Profit Rocket Limited ("Profit Rocket"). Upon completion of the above transfer and allotments, the Company was owned as to 78% by Novel Blaze, 5% by Zhen Xing, 5% by Celestial Key and 12% by Profit Rocket.

(v) On 13 December 2013, the authorised share capital of the Company was increased from HK$380,000 to HK$80,000,000 by the creation of a further 7,962,000,000 shares.

(vi) Upon completion of the Reorganisation on 13 December 2013, the Company became the holding company of the Group.

The consolidated financial statements of the Group have been prepared as if the Group had always been in existence throughout both years presented, or since the respective dates of incorporation or establishment of the Group companies, rather than from the date when the Company became the holding company pursuant to the Reorganisation.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial period beginning 1 January 2013. A summary of the new HKFRSs are set out as below:

Amendments to HKFRSs	Annual Improvements 2009-2011 Cycle
HKFRS 1 (Amendments)	Government Loans
HKFRS 7 (Amendments)	Disclosure-Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, HKFRS 11 & HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities – Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

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

Amendments to HKAS 1 – *Presentation of Items of Other Comprehensive Income*

The Group has applied the amendments to HKAS 1 Presentation of Items of Other comprehensive Income. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, the statement of comprehensive income is renamed as the statement of profit or loss and other comprehensive income and the income statement is renamed as the 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 additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are 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 have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

HKFRS 13 – *Fair Value Measurement*

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply 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 for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Except for the above, the application of the above new HKFRSs had no material effect on the results and financial positions of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvements 2010–2012 Cycle[5]
Amendments to HKFRSs	Annual Improvements 2011–2013 Cycle[2]
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39[4]
HKFRS 9	Financial Instruments[4]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[1]
HKFRS 14	Regulatory Deferral Accounts[3]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 32 (Amendments)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36 (Amendments)	Impairment of Assets: Recoverable Amount Disclosure for Non-Financial Assets[1]
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 No mandatory effective date yet determined but is available for adoption
5 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

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* to be 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 reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting 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.

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

HKFRS 9 – *Financial Instruments* (continued)

- 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. Previously, 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.

The date when entities would be required to apply HKFRS 9 was previously stated at 1 January 2015. This mandatory effective date has been removed to provide sufficient time for preparers of financial statements to make the transition to the new requirements, which will now become effective from a later date yet to be announced.

The directors anticipate that the adoption of HKFRS 9 will have no material impact on the Group's financial performance and positions.

Amendments to HKAS 32 – *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 directors of the Company do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

Amendments to HKAS 36 – *Impairment of Assets: Recoverable Amount Disclosure for Non-Financial Assets*

The amendments to HKAS 36 are to remove certain unintended disclosure requirements which may be introduced by the consequential amendments to HKAS 36 when HKFRS 13 was issued. Furthermore, these amendments require the disclosure of additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted. However, an entity may not apply those amendments in periods (including comparative periods) in which it does not also apply HKFRS 13.

The directors anticipate that the application of these amendments to HKAS 36 will have no material impact on the Group's financial performance and positions.

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

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

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting 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 have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

The directors of the Company do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

Amendments to HKAS 39 – *Novation of Derivatives and Continuation of Hedge Accounting*

The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The directors of the Company do not anticipate that the application of these amendments to HKAS 39 will have any effect on the Group's consolidated financial statements as the Group does not have any derivatives that are subject to novation.

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

HK (IFRIC) – Int 21 *Levies*

HK (IFRIC) 21 is an interpretation of HKAS 37 and addresses how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. The principal question raised was about when the entity should recognise a liability to pay a levy. It clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. HK(IFRIC) 21 is effective for annual periods beginning on or after 1 January 2014 with earlier application permitted.

The directors anticipate that the adoption of HK (IFRIC) 21 will have no material impact on the Group's financial performance and positions.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, 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 assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

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 at the acquisition date, except that:

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

(ii) liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

(iii) 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 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 another measurement basis required by 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 considered 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 being 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.

4. 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), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Merger accounting for common control combination

The financial information incorporate the financial statement items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or business first came under the control of the controlling party.

The net assets of the combining entities or business are combined using the existing book values from the controlling party's perspective. No amount is recognised with respect to goodwill or any excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income include the results of each of the combining entities or business from the earliest date presented or since the date when combining entities or business first came under common control, where this is a shorter period, regardless of the date of common control combination.

Intra-group transactions, balances and unrealised gains on transactions between the combining entities or business are eliminated. Unrealised losses are eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or business have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transaction costs, including professional fees, registration fees, cost of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as an expense in the period in which they are incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly venture.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue excludes value added tax and is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale 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

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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

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.

Leasehold land for own use

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 statements 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Items included in the consolidated financial statements of each of the companies now comprising the Group are measured using the currency of the primary environment in which the companies operate (the "functional currency").

In preparing the financial information of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at 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 at 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 on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

The assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Renminbi ("RMB")) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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 accumulated exchange differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of foreign currency translation reserve.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

In the reporting period in which an employee has rendered services, the Group recognises the employee benefits expenses for those services in profit or loss.

The Company operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs (continued)

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the Government of the PRC, including social pension insurance, health care insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Share option expenses

The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible persons for their contributions to the Group.

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, 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, 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.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When 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 earnings.

Taxation

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

Current tax

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases 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 differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or 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 and associates, and interests in joint ventures, 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 each 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 realised, based on tax rates (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.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax for the year

Current and deferred tax are 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property and equipment, less their residual values over their estimated useful lives, using straight-line method.

An item of property 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 the disposal or retirement of an item of property 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.

	Estimated residual value rates	Useful lives
Building	5%	20 years
Machinery	5%	10 years
Computer and office equipment	5%	5 years
Motor vehicles	5%	5 years

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives 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. When 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.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is 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.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, 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.

The amount recognised as a provision is 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).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

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

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

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and '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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, amount due from a Director, pledged bank deposits and cash and cash balances) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each 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 investment have been affected.

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

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

For certain categories of financial assets, 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 30 to 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)
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 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 (see the accounting policy below).

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. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment 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 an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities
Other financial liabilities (including trade, bills, other payables and accruals, bank borrowings, amount due to a Director and amount due to immediate holding company) are subsequently measured at amortised cost using the effective interest method.

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 than financial liabilities classified as at FVTPL.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

The Company 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.

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 Company derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. 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 bank balances

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted to use.

Contingent liabilities and contingent assets

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties transactions

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

(1) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (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.

(2) An entity is related to the Group if any of the following condition applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to others).
- (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).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third party.
- (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. If the Group is itself such a plan, the sponsorship employers are also related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (1).
- (vii) A person identified in (1)(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 family members of an individual are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources and obligations between related parties.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in Note 4, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next year, are discussed below:

Income taxes

The Company is subject to PRC income taxes. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's 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.

6. FINANCIAL INSTRUMENTS

Financial instruments by category

The carrying amount of each of the categories of financial instruments as at the end of the reporting period is as follows:

The Group

	2013 **RMB'000**	2012 RMB'000
Financial assets		
Loan and receivables		
– Trade receivables	**95,337**	58,355
– Pledged bank deposits	**2,278**	1,050
– Cash and bank balances	**45,834**	25,711
	143,449	85,116
Financial liabilities		
At amortised cost		
– Trade, bills, other payables and accruals	**84,132**	42,864
– Amount due to a director	**2,808**	–
– Bank borrowings	**21,200**	15,000
– Amount due to an immediate holding company	**–**	16,285
	108,140	74,149

Financial risk management objective and policies

The Company's major financial instruments include trade receivables, pledged bank deposits, cash and bank balances, trade, bills, other payables and accruals, amount due to a director, bank borrowings and amount due to an immediate holding company. The details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS (continued)

Financial risk management objective and policies (continued)

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk and currency risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has concentration of credit risk on the trade receivables from its major customers. The management is of the view that these trade debtors of the Group have good trade record without default history and consider that the trade receivable from these customers is recoverable.

In order to minimise the credit risk, the management of the Group has credit approvals and other monitoring procedures to ensure that follow-up action is taken on a timely basis and adequate impairment losses are made for irrecoverable amounts overdue. In this regards, the directors consider that the Group's credit risk is significantly reduced.

Substantially all of the Group's cash and bank balances are mainly deposited in the state controlled PRC banks which the directors assessed the credit risk to be insignificant.

6. FINANCIAL INSTRUMENTS (continued)

Financial risk management objective and policies (continued)

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities. The Group will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements.

The Group's financial assets and financial liabilities are analysed into relevant maturity groupings based on the remaining period at the respective end of the reporting periods to the contractual maturity date, using the contractual undiscounted cash flows, as follows:

The Group

	Weighted average interest rate %	Carrying amount RMB'000	On demand RMB'000	Within 1 year RMB'000	Over 1 year RMB'000	Total undiscounted cash flows RMB'000
31 December 2013						
Financial assets						
Trade receivables	–	95,337	–	95,337	–	95,337
Pledged bank deposits	–	2,278	–	2,278	–	2,278
Cash and bank balances	–	45,834	45,834	–	–	45,834
		143,449	45,834	97,615	–	143,449
Financial liabilities						
Trade, bills, other payables and accruals	–	84,132	–	84,132	–	84,132
Amount due to a director	–	2,808	2,808	–	–	2,808
Bank borrowings	7.40	21,200	–	21,200	–	21,200
		108,140	2,808	105,332	–	108,140

6. FINANCIAL INSTRUMENTS (continued)

Financial risk management objective and policies (continued)

Liquidity risk (continued)

The Group (continued)

	Weighted average interest rate %	Carrying amount RMB'000	On demand RMB'000	Within 1 year RMB'000	Over 1 year RMB'000	Total undiscounted cash flows RMB'000
31 December 2012						
Financial assets						
Trade receivables	–	58,355	–	58,355	–	58,355
Pledged bank deposits	–	1,050	–	1,050	–	1,050
Cash and bank balances	–	25,711	25,711	–	–	25,711
		85,116	25,711	59,405	–	85,116
Financial liabilities						
Trade, bills, other payables and accruals	–	42,864	–	42,864	–	42,864
Bank borrowings	6.00	15,000	–	15,000	–	15,000
Amount due to an immediate holding company	–	16,285	–	–	16,285	16,285
		74,149	–	57,864	16,285	74,149

6. FINANCIAL INSTRUMENTS (continued)

Financial risk management objective and policies (continued)

Liquidity risk (continued)

The Company

	Weighted average interest rate %	Carrying amount RMB'000	On demand RMB'000	Within 1 year RMB'000	Over 1 year RMB'000	Total undiscounted cash flows RMB'000
31 December 2013						
Financial assets						
Amount due from a subsidiary	–	1,370	1,370	–	–	1,370
Cash and bank balances	–	204	204	–	–	204
		1,574	1,574	–	–	1,574
Financial liabilities						
Accruals	–	3,673	–	3,673	–	3,673
Amount due to a director	–	2,808	2,808	–	–	2,808
		6,481	2,808	3,673	–	6,481

Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its bank borrowings. Bank borrowings at variable rates expose the Group to cash flow interest rate risk. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group currently does not have any interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

Regarding the cash flow interest rate risk, the sensitivity analysis set out below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For variable rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

6. FINANCIAL INSTRUMENTS (continued)

Financial risk management objective and policies (continued)

Interest rate risk (continued)

Sensitivity analysis (continued)

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for year would decrease/increase by approximately RMB84,000 (2012: RMB75,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Currency risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The main operations of the Group were in the PRC and most of the transactions were denominated in RMB. The Company did not use any derivative financial instruments to hedge for its foreign exchange risk exposure during the year.

The foreign currency assets and liabilities held by the Group are not material compared to the total assets and liabilities. In terms of the Group's revenue structure, a majority of the business transactions are denominated in RMB, and the proportion of foreign currency transactions are not significant to the Group.

The directors consider that the currency risk of the Group's operations is immaterial due to the relatively low proportion of the Group's foreign currency denominated assets, liabilities, income and expense, as compared to the Group's total assets, liabilities, income and expense. Hence, no further analysis is presented.

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

(i) the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

(ii) the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

6. FINANCIAL INSTRUMENTS (continued)

Fair value of financial instruments (continued)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable at the end of each reporting period.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Group's statements of financial position approximate to their fair values.

No analysis is disclosed since the Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the reporting period.

There were no transfer between Level 1 and 2 during the years.

Capital risk management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages the capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years.

6. FINANCIAL INSTRUMENTS (continued)

Capital risk management (continued)

The directors monitor capital using a gearing ratio, which is total debts divided by total equity. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios at the end of the reporting periods are as follows:

	2013 **HK$'000**	2012 HK$'000
Total debts (note)	**24,008**	31,285
Total equity	**138,678**	78,013
Gearing ratio	**17.3%**	40.1%

Note: Total debts comprise of amount due to a director (Note 25), bank borrowings (Note 26) and amount due to an immediate holding company (Note 27) respectively.

7. OPERATING SEGMENT

The Group currently operates in one operating segment which is the sales of paper-based packaging products. The chief operating decision makers who allocates resources and assesses performance based on the results of the year for the entire business comprehensively. Accordingly, the Group does not present separately segment information.

Segment revenue reported represents revenue generated from external customers. There were no inter-segment sales for the year ended 31 December 2013 (2012: Nil).

During the years ended 31 December 2013 and 2012, all revenue is derived from customers in the PRC and all the non-current assets of the Group are located in the PRC.

Included in revenue arising from sales of paper-based packaging products for the year ended 31 December 2013, approximately RMB36,492,000 (2012: RMB35,210,000) are revenue arose from sales to the Group's largest single customer. No single customer contributed 10% or more to the Group's revenue for the year ended 31 December 2013 (2012: One).

8. TURNOVER

Turnover represents the net amounts received and receivable for goods sold, net of discounts and excludes value added tax.

An analysis of the Group's turnover is as follows:

	2013 **RMB'000**	2012 RMB'000
Flexo-printed cartons	**232,766**	197,086
Offset-printed cartons		
– Traditional paper-based cartons	**133,201**	83,467
– Stone-paper based cartons	**17,082**	–
	383,049	280,553

9. OTHER REVENUE

	2013 **RMB'000**	2012 RMB'000
Sales of residual materials	**729**	737
Bank interest income	**192**	100
	921	837

10. OTHER INCOME

	2013 **RMB'000**	2012 RMB'000
Tax concession (Note a)	**7,945**	3,290
Government subsidies (Note b)	**–**	610
Sundry income	**–**	3
	7,945	3,903

Notes:

(a) Tax concession represents another kind of government subsidy given by the local government with reference to the amount of value-added tax, land use tax and enterprise income tax paid in the PRC.

(b) Government subsidies represent the financial subsidies given by the local government to encourage the Group's operation in the PRC.

11. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2013 RMB'000	2012 RMB'000
Staff costs:		
Employee benefit expense (including directors' remuneration (Note 12)):		
Wages and salaries	**17,795**	13,422
Retirement benefit schemes contributions	**2,356**	1,510
	20,151	14,932
Other items:		
Cost of inventories sold	**293,443**	221,291
Depreciation of property, plant and equipment (Note 18)	**3,855**	3,543
Auditors' remuneration	**891**	10
Amortisation of prepaid lease payments (Note 19)	**60**	60
Impairment loss on trade receivables	**–**	95
Loss on disposal of property, plant and equipment	**2**	–
Research and development costs	**3,123**	2,197

12. DIRECTORS' AND KEY MANAGEMENT PERSONNEL EMOLUMENTS

(a) Directors' emoluments

Details of directors' emoluments are as follows:

	2013 RMB'000	2012 RMB'000
Fees	**–**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**1,521**	961
Retirement benefit schemes contributions	**8**	6
Total	**1,529**	967

12. DIRECTORS' AND KEY MANAGEMENT PERSONNEL EMOLUMENTS (continued)

(b) Executive directors' emoluments

	Fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Retirement benefit scheme contributions RMB'000	Total remuneration RMB'000
31 December 2013				
Mr. Chen Wei Wei	**–**	**763**	**8**	**771**
Ms. Hu Li Yu	**–**	**48**	**–**	**48**
Mr. Sun Shao Hua	**–**	**710**	**–**	**710**
	–	**1,521**	**8**	**1,529**

	Fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Retirement benefit scheme contributions RMB'000	Total remuneration RMB'000
31 December 2012				
Mr. Chen Wei Wei	–	193	6	199
Ms. Hu Li Yu	–	48	–	48
Mr. Sun Shao Hua	–	720	–	720
	–	961	6	967

The Group does not have any chief executive officer during the years.

During the years, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during the years.

12. DIRECTORS' AND KEY MANAGEMENT PERSONNEL EMOLUMENTS (continued)

(c) Independent non-executive directors' emoluments

The fees paid to independent non-executive directors during the year were as follows:

	2013 RMB'000	2012 RMB'000
Mr. Liu Da Jin	–	–
Mr. Ma Yiu Ho, Peter	–	–
Mr. Wu Ping	–	–
	–	–

(d) Five highest paid employees

The five highest paid employees of the Group are analysed as follows:

	2013 RMB'000	2012 RMB'000
Directors	1,481	919
Non-directors	1,152	1,008
	2,633	1,927

The five highest paid individuals in the Group during both years included 2 directors; details of whose emoluments are set out in Note 12(b). The emoluments of the remaining 3 individuals are as follows:

	2013 RMB'000	2012 RMB'000
Salaries, allowances and benefits in kind	1,147	1,002
Retirement benefit schemes contributions	5	6
	1,152	1,008

The number of these non-directors, being the five highest paid employees whose remuneration fell within the following band is as follows:

	2013	2012
Nil to HK$1,000,000	3	3

12. DIRECTORS' AND KEY MANAGEMENT PERSONNEL EMOLUMENTS (continued)

(d) Five highest paid employees (continued)

Included in the five highest paid employees, the number of senior management (being the non-directors employees) whose remuneration fell within the following band is as follows:

	2013	2012
Nil to HK$1,000,000	**2**	1

Note: The band was denominated in Hong Kong Dollars ("HK$") and the remunerations of the respective employees was translated at the average rate of RMB to HK$ for each year for the disclosure purpose.

During the years, no emoluments were paid by the Group to the non-directors, being the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the non-directors, highest paid employees waived or agreed to waive any emoluments during the years.

13. FINANCE COSTS

	2013 RMB'000	2012 RMB'000
Interest expenses on bank borrowings wholly repayable within one year	**1,056**	1,080

14. INCOME TAX EXPENSES

	2013 RMB'000	2012 RMB'000
PRC Enterprise Income Tax		
Current tax	**14,845**	4,753
Under provision in prior year	**678**	413
Total income tax recognised in profit or loss	**15,523**	5,166

No deferred tax has been provided for as there were no material temporary differences.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year. No Hong Kong profits tax is provided for as the Group does not have any assessable profit from the Group's operation located in Hong Kong.

14. INCOME TAX EXPENSES (continued)

The PRC subsidiary is subject to the PRC Enterprise Income Tax at 25% during the year (2012: 25%). Pursuant to the relevant laws and regulations in the PRC, the qualified PRC subsidiary was entitled to exemption from PRC income tax for two years commencing from its first profit-making year of operation and thereafter it will be entitled to a 50% relief from PRC enterprise income tax for the following three years. The first profit-making year of the PRC subsidiary was the statutory financial year ended 31 December 2008.

The reconciliation between the income tax expenses and accounting profit at applicable income tax rates is as follows:

	2013						2012					
	Hong Kong		**The PRC**		**Total**		Hong Kong		The PRC		Total	
	RMB'000	**%**	**RMB'000**	**%**	**RMB'000**	**%**	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	**(2,853)**		**62,713**		**59,860**		(4)		39,392		39,388	
Tax at applicable income tax rates	**(471)**	**16.5**	**15,678**	**25.0**	**15,207**	**25.4**	–	–	9,848	25.0	9,848	25.0
Preferential income tax treatments	**–**	**–**	**–**	**–**	**–**	**–**	–	–	(4,753)	(12.1)	(4,753)	(12.1)
Tax effect of expenses or income not deductible or taxable for tax purpose	**–**	**–**	**(833)**	**(1.3)**	**(833)**	**(1.4)**	–	–	(342)	(0.9)	(342)	(0.9)
Under provision in prior year	**–**	**–**	**678**	**1.1**	**678**	**1.1**	–	–	413	1.1	413	1.1
Tax effect of tax loss not recognised	**471**	**(16.5)**	**–**	**–**	**471**	**0.8**	–	–	–	–	–	–
Tax charge for the year	**–**	**–**	**15,523**	**24.8**	**15,523**	**25.9**	–	–	5,166	13.1	5,166	13.1

15. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to the owners of the Company for the year included a loss of approximately RMB2,846,000 (2012: Nil) which has been dealt with in the financial statements of the Company.

16. DIVIDENDS

The directors do not recommend payment of any dividends for the year (2012: Nil).

17. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company for the year of RMB44,337,000 (2012: RMB34,222,000) and the weighted average number of ordinary shares of the Company in issue during the year calculated as follows:

Weighted average number of ordinary shares

	2013	2012
Effect of issue at date of incorporation	**100**	100
Effect of capitalisation issue	**599,999,900**	599,999,900
	600,000,000	600,000,000

The weighted average number of ordinary shares used in the calculation of basic earnings per share for the years ended 31 December 2013 and 2012 are based on the 100 shares issued at date of incorporation and 599,999,900 shares issued pursuant to the capitalisation issue which took place upon the completion of the public offering and placing of the Company's shares, which were assumed to occur at 1 January 2012.

Diluted earnings per share were same as the basic earnings per share as there was no potential dilutive ordinary shares in issue during both years.

18. PROPERTY, PLANT AND EQUIPMENT

The Group

	Machinery RMB'000	Computer and office equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Construction-in-progress RMB'000	Total RMB'000
Cost						
At 1 January 2012	25,277	496	560	20,593	–	46,926
Additions	546	39	–	–	19,375	19,960
At 31 December 2012 and 1 January 2013	25,823	535	560	20,593	19,375	66,886
Additions	11,716	26	125	–	24,145	36,012
Disposals	–	(70)	(97)	–	–	(167)
At 31 December 2013	37,539	491	588	20,593	43,520	102,731
Accumulated depreciation						
At 1 January 2012	8,301	200	376	4,077	–	12,954
Charge for the year	2,445	74	46	978	–	3,543
At 31 December 2012 and 1 January 2013	10,746	274	422	5,055	–	16,497
Charge for the year	2,767	72	38	978	–	3,855
Written back on disposals	–	(66)	(92)	–	–	(158)
At 31 December 2013	13,513	280	368	6,033	–	20,194
Carrying amounts						
At 31 December 2013	**24,026**	**211**	**220**	**14,560**	**43,520**	**82,537**
At 31 December 2012	15,077	261	138	15,538	19,375	50,389

Assets pledged as security

Buildings with a carrying amount of approximately RMB14,560,000 as at 31 December 2013 (2012: RMB15,538,000) have been pledged to secure bank borrowings (Note 26) granted to the Group.

Construction-in-progress with a carrying amount of approximately RMB43,520,000 as at 31 December 2013 (2012: Nil) have been pledged to secure bank borrowings (Note 26) granted to the Group.

19. PREPAID LEASE PAYMENTS

The Group

Prepaid lease payments represent prepayment by the Group for the land use rights located in the PRC which are held on leases for 50 years.

	2013 RMB'000	2012 RMB'000
Analysed for reporting purposes as:		
Current assets (included in prepayments)	**60**	60
Non-current assets	**2,435**	2,495
	2,495	2,555

Amortisation on prepaid lease payments of approximately RMB60,000 (2012: RMB60,000) have been charged to the administrative expenses in profit or loss for the year.

Prepaid lease payments with a carrying amount of approximately RMB2,495,000 as at 31 December 2013 (2012: RMB2,555,000) have been pledged to secure bank borrowings (Note 26) granted to the Group.

20. INVENTORIES

The Group

	2013 RMB'000	2012 RMB'000
Raw materials	**8,602**	12,188
Work in progress	**845**	2,382
Finished goods	**1,380**	1,364
	10,827	15,934

21. TRADE RECEIVABLES

The Group

	2013 RMB'000	2012 RMB'000
Trade receivables	**95,337**	58,450
Less: Provision for impairment loss on trade receivables	**–**	(95)
	95,337	58,355

The following is an analysis of trade receivables by age, presented based on the invoice date. The analysis below is net of allowance for doubtful debts:

	2013 RMB'000	2012 RMB'000
0 – 30 days	**51,553**	31,318
31 – 60 days	**43,784**	27,037
	95,337	58,355

The average credit period on sales of goods is from 30 to 60 days. No interest is charged on trade receivables for the first 60 days from the date of the invoice. Thereafter, penalty may be charged at 0.3% per day on the outstanding balance over the granted credit period. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. Allowances for doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

The Company does not hold any collaterals or other credit enhancements over these balances.

21. TRADE RECEIVABLES (continued)

Before accepting any new customer, the Group assess the potential customer's credit quality and defines credit limits by customer. Of the trade receivables balance as at 31 December 2013 approximately RMB4,079,000 (2012: RMB6,644,000) is due from the group's largest customer. At 31 December 2013, no customers represent more than 5% of the total balance of trade receivables (2012: 4 customers and amounted to approximately RMB18,121,000 in total).

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due as at 31 December 2013 and 2012 which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

As at 31 December 2013, no trade receivables were past due but not impaired (2012: Nil).

Movement in the allowance for doubtful debts

	2013 **RMB'000**	2012 RMB'000
Balance at beginning of the year	**95**	–
Impairment losses recognised on trade receivables	**–**	95
Amount written off during the year as uncollectible	**(95)**	–
Balance at end of the year	**–**	95

Aged of impaired trade receivables

	2013 **RMB'000**	2012 RMB'000
Over 365 days, but less than 720 days	**–**	45
More than 720 days	**–**	50
	–	95

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	2013 RMB'000	2012 RMB'000
Prepaid lease payments (Note 19)	**60**	60
Prepayments, deposits and other receivables	**2,593**	33
	2,653	93

The Company

	2013 RMB'000
Prepayments, deposits and other receivables	**2,097**

23. PLEDGED BANK DEPOSITS/CASH AND BANK BALANCES

The Group

Pledged bank deposits represent deposits pledged to banks to secure bills payables granted to the Group. The pledged bank deposits will be released upon the settlement of relevant bills payable (Note 24).

Included in the cash and bank balances as at 31 December 2013, amount of RMB45,630,000 (2012: RMB25,711,000) are subject to the foreign exchange control restrictions imposed by the government of the PRC.

Bank balances carry interest at market rates which range from 0.01% to 0.35% per annum (2012: 0.35% to 0.44%).

24. TRADE, BILLS, OTHER PAYABLES AND ACCRUALS

The Group

	2013 RMB'000	2012 RMB'000
Trade payables	**70,309**	34,378
Bills payable	**2,278**	1,050
Accruals	**11,083**	5,085
Other payables	**462**	2,351
	84,132	42,864

24. TRADE, BILLS, OTHER PAYABLES AND ACCRUALS (continued)

An aged analysis of the trade payables, based on invoice date, is as follows:

	2013 **RMB'000**	2012 RMB'000
0 – 30 days	**36,622**	16,226
31 – 60 days	**33,687**	18,152
	70,309	34,378

The average credit period on purchases of certain goods is 60 days. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

As at 31 December 2013, the bills payable of approximately RMB2,278,000 (2012: RMB1,050,000) was secured by the bank deposits respectively (Note 23).

The Company

	2013 **RMB'000**
Accruals	**3,673**

25. AMOUNT DUE TO A DIRECTOR

The Group and the Company

The amount due to a director was unsecured, interest-free and was subsequently fully repaid in March 2014.

26. BANK BORROWINGS

The Group

	2013 **RMB'000**	2012 RMB'000
Secured	**21,200**	15,000

The short-term bank loans were repayable within one year from the end of the reporting period. All the bank borrowings were denominated in RMB.

26. BANK BORROWINGS (continued)

The ranges of effective interest rates (which are equal to the contracted interest rates) on bank borrowings are as follows:

	2013 RMB'000	2012 RMB'000
Floating rate	**N/A**	6.0% to 7.544%
Fixed rate	**7.2% to 7.8%**	6.0%

27. AMOUNT DUE TO AN IMMEDIATE HOLDING COMPANY

The Group

Amount due to an immediate holding company is unsecured, interest free and no fixed terms of repayment. The immediate holding company confirmed that it will not demand for repayment within the next twelve months after the reporting period. Such amount was fully capitalised pursuant to the Reorganisation.

28. CAPITAL AND RESERVES

(a) Share capital

The Group

For the purpose of the presentation of the consolidated statement of financial position, the balance of share capital as at 31 December 2012 represents the issued share capital of Big Wealth prior to the completion of Reorganisation.

As at 31 December 2013, the share capital represents the issued share capital of the Company of HK$1 divided into 100 shares of HK$0.01 each.

The Company

(i) The Company was incorporated on 12 July 2013 in the Cayman Islands under the Companies Law, as an exempted company with limited liability with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. Following its incorporation, one subscriber's share of HK$0.01 was allotted and issued as fully paid and was transferred to Novel Blaze.

28. CAPITAL AND RESERVES (continued)

(a) Share capital (continued)

The Company (continued)

(ii) On 26 August 2013, Novel Blaze credited and fully paid up the nil-paid subscriber share of HK$0.01.

(iii) On 26 August 2013, the Company, through Rich Kirin, acquired the entire issued share capital of Big Wealth from Sino Hi-Tech, in consideration of which, the Company allotted and issued 77 shares to Novel Blaze, 5 shares to Zhen Xing, 5 shares to Celestial Key and 12 shares to Profit Rocket.

(iv) On 13 December 2013, the authorised share capital of the Company was increased from 38,000,000 shares of HK$0.01 each to 8,000,000,000 shares of HK$0.01 each by the creation of a further 7,962,000,000 shares. The issued share capital of the Company was 100 shares of HK0.01 each, which was allotted and issued as fully paid.

(b) Reserves

The Group

The amounts of the Group's reserves and the movements therein for the current year and prior year are presented in the consolidated statements of changes in equity.

(i) Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the subsidiary established in the PRC are required to provide for PRC statutory reserve, by way of transfer 10% of the profit after taxation to the statutory reserve until such reserve reaches 50% of the registered Capital of the PRC Subsidiary. Subject to the certain restrictions set out in the Company Law of the PRC, part of the statutory reserve may converted to increase paid-up capital/issued capital of the PRC subsidiary, provided that the remaining balance after capitalisation is not less than 25% of the registered capital. The statutory reserve of the PRC subsidiary was RMB12,559,000 as at 31 December 2013 (2012: RMB7,635,000).

(ii) Exchange reserve

Exchange reserve comprise all foreign exchange difference arising from the translation of the financial statements of operations that have functional currency other than RMB which are dealt with in accordance with the accounting policies as set out in Note 4.

(iii) Other reserve

Other reserve represented the difference between the Group's share of nominal value of the paid-up capital of the subsidiary acquired over the Group's cost of acquisition of the subsidiary under common control upon Reorganisation as detailed in Note 2.

28. CAPITAL AND RESERVES (continued)

(b) Reserves (continued)

The Company

	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 12 July 2013 (date of incorporation)	–	–	–
Loss for the period	–	(2,846)	(2,846)
Other comprehensive income for the period	36	–	36
Total comprehensive loss for the period	36	(2,846)	(2,810)
At 31 December 2013	**36**	**(2,846)**	**(2,810)**

(c) Share option scheme

The Company operates a share option scheme ("the Scheme") for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group. Eligible participants of the Scheme included any full-time or part-time employee of the Company or any member of the Group, including any executive directors, non-executive directors and independent non-executive directors, advisors, consultants of the Group. The Scheme was valid and effective on 13 January 2014 and, unless otherwise altered or terminated, will remain in full force for a period of ten years from that date.

The maximum number of shares in respect of which share options may be granted under the Scheme must not exceed 10% of the share capital of the Company in issue as at the date of approval of the Scheme (the "Scheme Mandate Limit"). Subject to the approval of shareholders in general meeting, the Company may refresh the Scheme Mandate Limit to the extent that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme under the Scheme Mandate Limit as refreshed must not exceed 10% of the shares in issue as at the date of such shareholders' approval.

In addition, the maximum number of shares in respect of which share options may be granted to any eligible participant within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any future grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

28. CAPITAL AND RESERVES (continued)

(c) Share option scheme (continued)

The subscription price for the shares subject to options will be a price determined by the Board and notified to each participant and shall be the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the options; and (iii) the nominal value of a share.

The offer of a grant of share options may be accepted within 28 days from the date of the offer with a consideration of HK$1 being payable by the participant. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by our Board to each participant provided that the period within which the option must be exercised shall not be more than 10 years from the date of the grant of option. The exercise of an option may be subject to the administration of our Board whose decision as to all matters arising from or in relation to the Scheme as its interpretation or effect shall (save as otherwise provided herein) be final and binding on all parties to the Scheme.

29. INTERESTS IN SUBSIDIARIES

The Company

(a) Interests in subsidiaries

	2013 **RMB'000**	2012 RMB'000
Unlisted shares, at cost	**–**	–

(b) Amount due from a subsidiary

	2013 **RMB'000**	2012 RMB'000
Amount due from a subsidiary	**1,370**	–

The amount due from a subsidiary is unsecured, interest free and recoverable on demand.

29. INTERESTS IN SUBSIDIARIES (continued)

(c) Particulars of subsidiaries

Name of subsidiaries	Place and date of incorporation/ establishment/ operation	Issued and fully paid share capital/ registered capital	Percentage of attributable equity interest and voting power held by the Company		Principal activities
			Direct	*Indirect*	
Rich Kirin Holdings Limited ("Rich Kirin")	The BVI, 13 June 2013	US$1	100	–	Investment holding
Big Wealth Limited ("Big Wealth")	The BVI, 18 November 2005	US$100	–	100	Investment holding
HongSheng (Jiangxi) Color Printing Packaging Co., Ltd ("HongSheng")	The PRC, wholly-owned foreign enterprise 29 November 2005	HK$20,000,000	–	100	Sales of packaging materials

30. AMOUNT DUE TO A SUBSIDIARY

The Company

The amount due to a subsidiary was unsecured, interest-free and repayable on demand.

31. PLEDGED ASSETS

The Group

Assets with the following carrying amounts have been pledged to secure bank borrowings (Note 26) and bills payable (Note 24) of the Group.

	2013 **RMB'000**	2012 RMB'000
Buildings (Note 18)	**14,560**	15,538
Construction-in-progress (Note 18)	**43,520**	–
Prepaid lease payments (Note 19)	**2,495**	2,555
Pledged bank deposits (Note 23)	**2,278**	1,050
	62,853	19,143

32. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had entered into the following related party transactions, which in the opinion of the directors of the Company, were carried out on normal commercial terms and in the ordinary course of the Group.

Compensation of key management personnel of the Group, including director's remuneration as detailed in Note 12 above.

	2013	2012
	RMB'000	RMB'000
Fees	**–**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**2,591**	1,543
Retirement benefit schemes contributions	**22**	12
Total	**2,613**	1,555

33. COMMITMENTS

Operating lease commitment

The Group as lessee

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

	2013	2012
	RMB'000	RMB'000
Within one year	**164**	–
In the second to fifth years inclusive	**150**	–
Over five years	**–**	–
	314	–

Capital commitment

	2013	2012
	RMB'000	RMB'000
Construction-in-progress	**1,000**	5,000
Property, plant and equipment	**19,393**	–
	20,393	5,000

33. COMMITMENTS (continued)

Other commitment

For the year ended 31 December 2011, the Group had entered into an agreement with development entity for five years with an annual charge of RMB600,000, for (i) improving the efficiency of production process and the productivity of our machinery equipment and; (ii) saving cost and resources; (iii) the development of new products, with a special focus on the production of stone-paper packaging products and (iv) the enhancement of our ability in production technologies and techniques in satisfying a wide range of customer requirements in a cost efficient and profitable manner.

34. NON-CASH TRANSACTIONS

During the year ended 31 December 2013, the amount due to immediate holding company was settled through the issuance of shares of Big Wealth during the process of Reorganisation.

35. CONTINGENT LIABILITIES

As at 31 December 2013, the Group and the Company had no significant contingent liabilities (31 December 2012: Nil).

36. EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 31 December 2013:

(a) Listing of the Company's shares

On 13 January 2014, the shares of the Company became listed on the Main Board of the Stock Exchange, pursuant to which 200,000,000 ordinary shares of HK$0.01 each were issued at a price of HK$0.51 per share by the Company. The Company intends to use the net proceeds to raise and strengthen its corporate profile and capital base, and will provide funding for achieving its business expansion plans.

(b) Capitalisation issue

Upon the completion of the public offering and placing of the Company's shares on 13 January 2014, the Company capitalised an amount of HK$5,999,999 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par of 599,999,900 shares, each of which to be allotted and issued to the shareholder of the Company appearing on the register of members of the Company on 13 December 2013 in proportion to their respective shareholdings.

(c) Share option scheme

The Company's share option scheme was effective on 13 January 2014. Details please refer to Note 28(c).

37. APPROVAL FOR CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 20 March 2014.

Four-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last four financial years is prepared on the basis set out in the notes below:

Results

	Year ended 31 December			
	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
TURNOVER	**383,049**	280,553	193,933	132,998
Cost of sales	**(293,443)**	(221,291)	(157,446)	(108,820)
Gross profit	**89,606**	59,262	36,487	24,178
Other revenue	**921**	837	591	393
Other income	**7,945**	3,903	2,300	1,019
Selling and distribution expenses	**(15,792)**	(11,704)	(7,743)	(5,011)
Administrative expenses	**(21,764)**	(11,830)	(8,666)	(5,475)
Finance costs	**(1,056)**	(1,080)	(524)	(439)
PROFIT BEFORE INCOME TAX EXPENSE	**59,860**	39,388	22,445	14,665
Income tax expense	**(15,523)**	(5,166)	(2,852)	(1,786)
PROFIT FOR THE YEAR	**44,337**	34,222	19,593	12,879

Assets and Liabilities

	As at 31 December			
	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**251,770**	154,027	108,368	88,463
TOTAL LIABILITIES	**(113,092)**	(76,014)	(64,674)	(64,948)
	138,678	78,013	43,694	23,515

Notes:

(i) The financial information for each of the four years ended 31 December 2013 have been prepared upon the Reorganisation as if the group structure, at the time when the Shares were listed on the Stock Exchange, had been in existence throughout the years concerned. The results for each of the three years ended 31 December 2012, and the assets and liabilities as at 31 December 2010, 2011 and 2012 have been extracted from the Prospectus.

(ii) The financial information for the year ended 31 December 2009 was not disclosed as consolidated financial statements for the Group have not been prepared for that year. The summary above does not form part of the audited financial statements.