2013 Annual Report

中國包裝集團有限公司
China Packaging Group Company Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 572)

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. He Jianhong *(Chairman)* (position, duties and functions suspended from 27 January 2014)
Mr. Zhang Zhantao (position, duties and functions suspended from 6 March 2014)
Mr. Siu Yun Fat
Mr. Lau Fai Lawrence

Independent Non-Executive Directors

Mr. Chan Yee Por Simon
Mr. Siu Siu Ling, Robert
Mr. Tam Tak Wah

AUDIT COMMITTEE

Mr. Tam Tak Wah *(Chairman)*
Mr. Chan Yee Por Simon
Mr. Siu Siu Ling, Robert

REMUNERATION COMMITTEE

Mr. Chan Yee Por Simon *(Chairman)*
Mr. Siu Siu Ling, Robert
Mr. Tam Tak Wah

NOMINATION COMMITTEE

Mr. Chan Yee Por Simon *(Chairman)*
Mr. Siu Siu Ling, Robert
Mr. Tam Tak Wah

COMPANY SECRETARY

Mr. Lau Cheuk Pun

SHARE REGISTRAR

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

REGISTERED OFFICE

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

AUDITOR

ZHONGLEI (HK) CPA Company Limited
Suites 313-316, 3/F., Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

COMPANY WEBSITE

http://www.cpackaging.com.hk

Director's Statement And Management Discussion & Analysis

On behalf of the board of directors (the "**Board**"), of China Packaging Group Company Limited (the "**Company**"), I hereby present the annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2013.

REVIEW OF RESULTS

The Group recorded a consolidated net loss attributable to owners of the Company of approximately RMB49,955,000 for the year ended 31 December 2013.

BUSINESS AND FINANCIAL REVIEW

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

The year of 2013 was a challenging and difficult year for the Group. The Group began to develop its trading business in year 2013. During the process of proactively seeking trading business opportunities, the Group was presented with business opportunities in business matching for customers and recognised commission income of approximately RMB148,000 for the period under review. The Company may assist customers in business matching when the opportunity arises in the future.

For the year ended 31 December 2013, Mr. He Jianhong ("**Mr. He**") was absent from the Company without cause since November 2013. Moreover, as disclosed in note 29 to the consolidated financial statements, Mr. He is one of the defendants of the alleged claim. The Board decided that it is in the best interests of the Company and shareholders as a whole to suspend all position, functions and duties held by Mr. He with effect from 27 January 2014. For details please refer to the Company's announcement dated 28 January 2014.

The Board has conducted due diligence review on major projects and transactions of the Company further to the suspension of the position, functions and duties held by Mr. He since January 2014. Despite repeated verbal and written requests, the Board has been unable to contact the legal representative, directors and management of its indirect wholly owned subsidiary, Shanxi Zhanpen Metal Products Co., Ltd.（山西展鵬金屬製品有限公司）("**Zhanpen**"), and obtain and access the books and records of Zhanpen and Bloxworth Enterprise Limited ("**Bloxworth**"), being an immediate holding company of Zhanpen and a direct wholly owned subsidiary of the Company.

Due to the non-cooperation of the management of Zhanpen and Bloxworth and the continued absence of Mr. He, who was also responsible for liaising with the abovementioned subsidiaries, the Board was unable to access to the books and records of Zhanpen and Bloxworth despite the fact that the Board has taken all reasonable steps and has used its best endeavors to resolve the matter.

On 25 March 2014, after all reasonable steps had been taken but to no avail, the Board resolved that the Group no longer had the power to govern the financial and operating policies of Zhanpen and Bloxworth, and the control over Zhanpen and Bloxworth was lost on that date. Given the situation described above, the Board is of the view that the Group does not have the necessary books and records to prepare accurate and complete financial statements for Zhanpen and Bloxworth for the financial year ended 31 December 2013. The Group therefore deconsolidated Zhanpen and Bloxworth (the "**Deconsolidated Subsidiaries**") from its financial statements for the financial year ended 31 December 2013 (the "**Deconsolidation**").

The loss attributable to owners of the Company for the year ended 31 December 2013 amounted to approximately RMB49,955,000, a reduction of approximately RMB35,735,000 or 41.7% when compared to the net loss for the last year. Basic loss per ordinary share was approximately RMB0.03 for the year ended 31 December 2013 (2012: RMB0.13) (as restated). The loss was a corollary to the substantial loss of approximately RMB38,323,000 registered after the Deconsolidation.

In regard to the operational front, the Group recorded a turnover of approximately RMB148,000 for the year ended 31 December 2013, representing a decrease of 99.8% compared with last year. The decrease was attributable to the deconsolidation of the Group's operations in PRC.

IMPORTANT EVENTS AND PROSPECTS

Following the Deconsolidation and the events disclosed in note 37 to the consolidated financial statements, management of the Company will engage an external independent audit firm to review and conduct investigation into the business operation of Zhanpen and internal control of the Company. The management of the Company has also refocused its resources on new opportunities in trading business and possible business matching services so as to create long-term value for shareholders. The Board believes that the business performance of the Group will be improved.

In the first quarter of 2014, the Group has trading business for health products. The Group has secured a master purchase order of approximately HK$10 million for the purchase of birds nest products in Hong Kong which shall be completed in the second quarter of 2014. The Group will continue to explore this trading business.

The Group will continue to identify other potential suppliers of health products and enter into additional master purchase agreement with suppliers when we receive additional purchase orders from customers. In respect of the trading in the PRC, in particular, metal trading, the Group has on-going contact with potential suppliers and customers. The Group is planning to set up its own office in the PRC so as to deploy local sales and purchase, or alternatively, the Group may use overseas/offshore company and conclude business on an indent commission basis.

The Group is optimistic that the trading business will have positive gross profit and will generate positive cash flow from operation in the coming year.

Other than the existing business as named hereinabove which is on an on-going basis, the management will explore other business opportunities to diversify its trading business portfolio with a view to broaden its income stream which shall be in the best interests of the Company and its shareholders as a whole.

On 14 March 2014, 17 March 2014 and 28 March 2014, the Company entered into conditional placing agreement, supplemental agreement and extension letter respectively with Get Nice Securities Limited (the "**Placing Agent**"), under which the Placing Agent will use its best endeavors to place up to 169,000,000 new shares. The gross proceeds from the placing is estimated to be approximately HK$17.7 million. Net proceeds from the placing, after deducting related placing commission and other related expenses in connection with the placing, is estimated to be approximately HK$17.5 million. The placing was completed on 10 April 2014

LIQUIDITY, FINANCIAL, RESOURCES AND FUNDING AFTER DECONSOLIDATION

During the period under review, the Group finances its operations mainly by a loan from a shareholder of the Company.

The Group had total cash and bank balances of approximately RMB85,000 as at 31 December 2013 (2012: RMB11,217,000). The Group had no Convertible Loan Notes, bank loans and overdraft as at 31 December 2013 (2012: Convertible Loan Notes of approximately RMB8,508,000). The gearing ratio, which is calculated as total debt (including current and non-current liabilities) divided by total equity, was 0.00% (2012: 18.04%). Net liabilities were approximately RMB2,122,000 (2012: Net assets RMB47,173,000).

The Group recorded total current assets of approximately RMB14,504,000 as at 31 December 2013 (2012: RMB52,913,000) and total current liabilities of approximately RMB17,222,000 (2012: RMB7,321,000). The current ratio of the Group, calculated by dividing total current assets by total current liabilities, was about 0.84 as at 31 December 2013 (2012: 7.23). The decrease of current assets and current ratio was due to the Deconsolidation.

Subsequent to the year end, the Group has obtained loan facilities in aggregate of HK$45 million from independent third parties and as set out in the Company's announcements dated 14 March 2014, 17 March 2014 and 28 March 2014, the Company has appointed Get Nice Securities Limited to place on a best endeavour basis, a maximum of 169,000,000 new shares at the price of HK$0.105 per share, which was completed on 10 April 2014. The net proceeds from the placing will be used to expand our trading business as well as general working capital.

The Board believes that the Group will have sufficient working capital to sustain its operations.

During the year ended 31 December 2013, the entire Convertible Loan Notes of the Company in the principal amount of HKD18,000,000 were fully converted by the holders thereof and 150,000,000 shares have been issued during the period.

The Group's finance costs for the period under review was approximately RMB639,000 (2012: RMB1,380,000).

The Group recorded a loss attributable to owners of the Company of approximately RMB49,955,000 (2012: RMB85,690,000), including loss of deconsolidation of subsidiaries of approximately RMB38,323,000, and this attributed to a decrease in shareholders' funds to a negative value of approximately RMB2,122,000 as at 31 December 2013.

Foreign Currency Management

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

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

Pledge of Assets

As 31 December 2013, the Group did not have any pledged assets.

LITIGATIONS AND CONTINGENCIES

Details of litigations and contingencies are set out in note 29 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICIES AFTER DECONSOLIDATION

As at 31 December 2013, the Group had 10 employees including executive directors of the Company (2012: 85 employees situated in the PRC and Hong Kong) situated in Hong Kong. The Group's emoluments policies are formulated based on industry practices and performance of individual employees. For the year ended 31 December 2013, the total staff costs including remuneration of directors and chief executive amounted to approximately RMB6,373,000 (2012: RMB4,503,000).

CAPITAL STRUCTURE

On 6 November 2013, the Company issued 1,010,662,666 bonus shares pursuant to the bonus issue on the basis of one bonus share for every one existing share held by the qualifying shareholders.

APPRECIATION

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

On behalf of the Board
Siu Yun Fat
Executive Director

Hong Kong, 31 March 2014

EXECUTIVE DIRECTORS

Mr. He Jianhong

Mr. He, aged 43, is a Chinese entrepreneur engaging in the steel trading and manufacturing business. Mr. He has over 12 years' sales and marketing experience in steel and mould steel and over 10 years' production experience in mould steel. He has working experience in product development, business development, corporate strategy and corporate management. Mr. He is a director（理事）of the Shunde Young Entrepreneurs Association（順德青年企業家協會）.

Mr. Zhang Zhantao

Mr. Zhang, aged 40, holder of a certificate in finance from the Guangdong Radio & TV University（廣東廣播電視大學）in September 2000. Mr. Zhang has over 10 years' working experience in a bank in the PRC. He has experience in bank finance business operations. Mr. Zhang was a chief financial controller of a Chinese enterprise for five years. He established working experience in corporate financial planning and corporate management.

Mr. Siu Yun Fat

Mr. Siu, aged 31, obtained a Bachelor of Arts (Honours) degree in Accountancy from the Hong Kong Polytechnic University in November 2004. He has been a member of the Association of Chartered Certified Accountants since October 2008 and the Hong Kong Institute of Certified Public Accountants since February 2009, and has over nine years of experience in auditing, accounting and financial management. Mr. Siu served in various position of local and international accountants firms and securities companies.

Mr. Lau Fai Lawrence

Mr. Lau, aged 42, is currently a practising certified public accountant in Hong Kong, a member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants in the UK. Mr. Lau graduated from the University of Hong Kong with a bachelor's degree in business administration in 1994 and obtained a master's degree in corporate finance from Hong Kong Polytechnic University in 2007.

Mr. Lau joined BBMG Corporation (listed on the Main Board of the Stock Exchange) (Stock Code: 2009) on 6 August 2008 as joint company secretary and qualified accountant. Since 26 October 2012, Mr. Lau serves as the company secretary of BBMG Corporation.

Before joining BBMG Corporation, Mr. Lau has served as the group financial controller and qualified accountant of Founder Holdings Limited (Stock Code: 418) and PKU Resources (Holdings) Company Limited (previously know as EC-Founder (Holdings) Company Limited) (Stock Code: 618), both companies listed on the Main Board of the Stock Exchange.

Mr. Lau is also an independent non-executive director of Artini China Co. Ltd., (Stock Code: 789) and an independent non-executive director of Titan Petrochemicals Group Limited (Stock Code: 1192), both of these companies are listed on the Main Board of the Stock Exchange.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Siu Siu Ling, Robert

Mr. Siu, aged 61, has been appointed as independent non-executive Director with effect from 1 November 2011. He is a sole proprietor of the firm, Messrs. Robert Siu & Co., Solicitors. Mr. Siu has been appointed as a director of MBMI Resources Inc. as from November 2012, a company listed on the Toronto Stock Exchange. He is currently an independent non-executive director of Incutech Investments Limited (stock code: 356), a company listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of Kaisun Energy Group Limited (stock code: 8203) and Finet Group Limited (stock code: 8317), both of them are listed on the Growth Enterprise Market of the Stock Exchange. Mr. Siu holds a bachelor's degree in laws from University of London in the United Kingdom and a postgraduate certificate in laws from the University of Hong Kong. He has been admitted as a solicitor in Hong Kong since 1992 and has been admitted as a solicitor in England and Wales since 1993. His legal practice is mainly in the field of commercial and corporate finance.

Mr. Tam Tak Wah

Mr. Tam, aged 48, has been appointed as independent non-executive Director with effect from 1 November 2011. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. He has been appointed to membership of Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants for the period from 1 February 2014 to 31 March 2016. Mr. Tam has over 25 years of experience in accounting, corporate finance and corporate development. He is currently an executive director of International Standard Resources Holding Limited (stock code: 91) and an independent non-executive director of Tech Pro Technology Development Limited (stock code: 3823), both of them are listed on the Main Board of the Stock Exchange. Mr. Tam has been an independent non-executive director of Goldenway Inc., a company the common stock of which were traded in the OTCQB of the USA during the period from 10 November 2011 to 16 August 2013 and an independent non-executive director of Siberian Mining Group Company Limited, a Main Board listed company during the period from 11 June 2007 to 18 February 2014.

Mr. Chan Yee Por Simon

Mr. Chan, aged 60, is a Certified Public Accountant (Practicing) of the Hong Kong Institute of Certified Public Accountants and sole proprietor of Simon Y.P. Chan & Co. Mr. Chan holds a Higher Diploma in Accountancy from Hong Kong Polytechnic. He is a fellow member of The Chartered Association of Certified Accountants, the United Kingdom and The Hong Kong Institute of Certified Public Accountants.

SENIOR MANAGEMENT

Mr. Lau Cheuk Pun, aged 39, is the Company Secretary of the Company. Mr. Lau was graduated from University of Hertfordshire, United Kingdom with a Bachelor Degree. He is a member of the Hong Kong Institute of Certified Public Accountants. He has more than 10 years of experience in the field of finance and accounting including working in an international accounting firm.

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding. Details of the principal activities of its principal subsidiaries are set out in note 32 to the consolidated financial statements.

RESULTS

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 24.

DIVIDEND

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Company, is set out on page 88. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and of the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE NOTES

Details of movements in the Company's share capital, share options and Convertible Notes during the year are set out in notes 25, 26 and 23 to the consolidated financial statements, respectively.

PRE-EMPTIVE RIGHTS

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

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2013 had been reviewed by the Audit Committee of the Company before they were duly approved by the Board under the recommendation of the Audit Committee.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2013, none of the Directors had an interest in a business which competes or may compete with the business of the Group during the period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 36 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

The Group only has one customer and does not have any supplier during the year.

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

DIRECTORS

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

Executive Directors

Mr. He Jianhong *(Chairman)*	(appointed on 1 February 2013 and position, duties and functions suspended from 27 January 2014)
Mr. Zhang Zhantao	(appointed on 1 February 2013 and position, duties and functions suspended from 6 March 2014)
Mr. Lau Fai Lawrence	(appointed on 28 January 2014)
Mr. Siu Yun Fat	(appointed on 28 January 2014)
Mr. Leung Heung Ying, Alvin	(resigned on 20 February 2013)
Mr. Wong Tat Wai, Derek	(resigned on 20 February 2013)

Independent Non-Executive Directors

Mr. Chan Yee Por Simon	(appointed on 2 April 2013)
Mr. Siu Siu Ling, Robert	
Mr. Tam Tak Wah	
Dr. Lam Andy Siu Wing *JP*	(resigned on 20 February 2013)

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

In accordance with Article 108 of the Company's Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not a multiple of three, then the number nearest to, but not less than one-third, shall retire from office by rotation. Details of the retiring Directors shall be set out in the circular, among other things for proposal for re-election of retiring directors accompanying to the notice of annual general meeting to be sent to be shareholders in due course.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

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

As at 31 December 2013, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in the Listing Rules, were as follows:

Interests and short positions in shares and underlying shares of the Company:

Name of director	Capacity and nature of interest	Number of Shares	Approximate percentage of the Company's issued share capital
Mr. He Jianhong ("**Mr. He**")	Interest in a controlled corporation	1,097,209,604 (L)	54.28
		779,730,133 (S)	38.58

Abbreviations:

"L" stands for long position

"S" stands for short position

Note:

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

Save as disclosed above, as at 31 December 2013, none of the Directors or chief executive of the Company had registered any interests or short positions in the Shares or underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Directors' interests and short positions in Shares, underlying Shares and debentures" above and in the "Share Option Scheme" disclosure in note 26 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in note 26 to the consolidated financial statements.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2013, the following interests of more than 5% of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Interest and short positions in shares and underlying shares of the Company:

Name of Shareholder	Capacity and nature of interest	Number of Shares	Approximate percentage of the Company's issued share capital
Able Success	Beneficial owner	1,097,209,604 (L) 779,730,133 (S)	54.28 38.58

Abbreviations:

"L" stands for long position

"S" stands for short position

Note:

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

Save as disclosed above, the Company had not been notified of other relevant interests or short positions in the shares and underlying shares of the Company as at 31 December 2013 as required pursuant to section 336 of the SFO.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in the usual course of business are set out in note 30 to the consolidated financial statements. None of these related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules.

EMOLUMENT POLICY

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

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER THE END OF REPORTING PERIOD

Details of events after the end of reporting period are set out in note 37 to the consolidated financial statements.

AUDITOR

The consolidated financial statements for the year ended 31 December 2013 were audited by ZHONGLEI (HK) CPA Company Limited ("**ZHONGLEI**") who are due to retire and, being eligible, will offer themselves for re-appointment as auditor of the Company at the forthcoming annual general meeting of the Company.

On behalf of the Board
Siu Yun Fat
Executive Director

Hong Kong, 31 March 2014

CORPORATE GOVERNANCE PRACTICES

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

The Company has complied with all code provisions of the Corporate Governance Code (the "**CG Code**") during the year ended 31 December 2013 as set out in Appendix 14 of the Rule Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") except for the following deviations:

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer ("**CEO**") should be separate people and should not be performed by the same individual. During the period from 1 January 2013 to 31 January 2013, the Company did not have any officer with chairman title. The roles and duties of chairman were shared by the Directors. On 1 February 2013, Mr. He was appointed as chairman of the Company. During the period under review, the Company did not have any office with CEO title. The roles and duties of CEO were shared by the Directors. In view of the size of operation of the Group, the Board considered that this structure is more suitable for the Company as it can promote the efficient formulation and implementation of the Company's strategies.

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The independent non-executive Directors are not appointed for a specific term but shall retire from office by rotation at least once every three years as referred to in article 108A of the Company's articles of association which provides that at each annual general meeting one-third of the directors of the Company for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation. The reason for the deviation is that the Company does not believe that arbitrary limits on term of non-executive directorship are appropriate given that Directors ought to be committed to representing the long time interest of the Company's shareholders and the retirement and re-election requirements of independent non-executive Directors have given the Company's shareholders the right to approve continuation of independent non-executive Directors' offices.

Code Provision A.6.7 of the CG Code stipulates that non-executive directors, including independent non-executive directors, should attend general meetings. One of the independent non-executive directors, namely Mr. Chan Yee Por Simon, was unable to attend the annual general meeting (the "**AGM**") of the Company held on 21 June 2013 as he had other business engagements. However, he subsequently requested the company secretary of the Company to report to him on the views of the shareholders of the Company in the AGM. As such, the Board considers that the development of a balanced understanding of the views of shareholders of the Company among the independent non-executive directors was ensured.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry with the existing directors of the Company, except Mr. He who was absent from the Company without cause since November 2013 and did not respond to the Company's inquiries as at the latest practicable date prior to this report, all of them confirmed that they have complied with the required standards set out in the Model Code since their appointment as a Director during the year ended 31 December 2013.

BOARD OF DIRECTORS

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

As at 31 December 2013, the Board comprised five directors, two of which are Executive Directors, namely Mr. He Jianhong and Mr. Zhang Zhantao and three are independent non-executive Directors, namely Mr. Chan Yee Por Simon, Mr. Siu Siu Ling, Robert and Mr. Tam Tak Wah.

In light of Mr. He's extended absence without cause since November 2013 and non-response to the Company's inquiries on the alleged guarantees, and the fact that Mr. He is one of the defendants of the claim as disclosed in note 29 to the consolidated financial statements, the Board has suspended Mr. He from his position as the chairman of the Board and executive director (including executive function as authorised representative of the Company and to sign any documents for and on behalf of the Company) with effect from 27 January 2014.

In order not to affect the daily operations of the Company, Mr. Siu Yun Fat and Mr. Lau Fai Lawrence have been appointed as executive directors of the Company with effect from 28 January 2014.

The Company received a letter from Mr. Zhang Zhantao ("**Mr. Zhang**") dated 6 March 2014, in which he, on his own accord, tendered to the Company a request for suspension of his position, functions and duties due to his involvement in the Sales Contract as mentioned in Note 17(ii) to the consolidated financial statements with effect from 6 March 2014. On the same date, the Board resolved to suspend Mr. Zhang from his position as an executive director of the Company (including executive function as authorised representative of the Company and to sign any documents for and on behalf of the Company) with effect from 6 March 2014.

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

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

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

Directors are continually updated on the latest development and changes in the Listing Rules, the CG Code and other regulatory requirements in order to ensure the compliance with the same by the Directors. Directors are also encouraged to participate in professional development courses and seminars to develop and refresh their knowledge and skills. All of the existing Directors except Mr. He Jianhong, namely Mr. Zhang Zhantao, Mr. Lau Fai Lawrance, Mr. Siu Yun Fat, Mr. Chan Yee Por Simon, Mr. Siu Siu Ling, Robert and Mr. Tam Tak Wah, had provided a record of training they received during the year to the Company. They participated in continuous professional development mainly by attending seminars or reading various materials regarding directors' responsibilities, updates on the Listing Rules and disclosure of inside information, etc.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the period from 1 January 2013 to 31 January 2013, the Company did not have any officer with chairman or CEO title. The roles and duties of chairman and CEO were shared by the Directors. In view of the size of operation of the Group, the Board considered that this structure is more suitable for the Company as it can promote the efficient formulation and implementation of the Company's strategies. With the change of the composition of the Board and appointment of the New Management in February 2013, Mr. He was appointed as chairman of the Company on 1 February 2013 and took up the role and duties of chairman.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") on 1 September 2013 which sets out the approach to achieve diversity on the Board. A summary of this policy together with the measureable objectives set for implementing the Board Diversity Policy, and the progress made towards achieving those objectives are disclosed below.

Summary of the Board Diversity Policy

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. When determining the composition of the Board, the Company will consider board diversity in terms of, among other things, age, experience, cultural and educational background, expertise, skills and know-how. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to age, experience, cultural and educational background, expertise, skills and know-how.

Monitoring and Reporting

The nomination committee of the Company (the "**Nomination Committee**") will review, as appropriate, to ensure the effectiveness of the Board Diversity Policy and monitor the implementation of this policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

A copy of the Board Diversity Policy has been published on the Stock Exchange's website for public information.

REMUNERATION COMMITTEE

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

Independent non-executive Directors

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

Notes:

1. Mr. Chan Yee Por, Simon has been appointed as a member and Chairman of the Remuneration Committee with effect from 2 April 2013.

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

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

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

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

The Remuneration Committee discharged its duties by reviewing the remuneration packages of the Directors and senior management during 2013.

NOMINATION COMMITTEE

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

Independent non-executive Directors

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

Executive Director

Mr. Leung Heung Ying, Alvin *(Note 3)*

Notes:

1. Mr. Chan Yee Por, Simon has been appointed as a member and Chairman of the Nomination Committee with effect from 2 April 2013.

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

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

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

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

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

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

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

During 2013, the Nomination Committee discharged its duties by reviewing the structure, size and composition of the Board, qualifications for all Directors and senior management of the Group and independence of the independent non-executive directors as well as nominating candidate to the Board.

AUDITOR'S REMUNERATION

An amount of approximately RMB595,000 and RMB102,000 in relation to the audit service and non-audit related services provided by the Company's auditor, ZHONGLEI, was charged to the Group's consolidated statement of profit and loss and other comprehensive income for the year ended 31 December 2013.

AUDIT COMMITTEE

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

Independent non-executive Directors

Mr. Chan Yee Por, Simon *(Note 1)*
Mr. Siu Siu Ling, Robert
Mr. Tam Tak Wah *(Note 2)*
Dr. Lam Andy Siu Wing *JP (Note 3)*

Notes:

1. Mr. Chan Yee Por, Simon has been appointed as a member of the Audit Committee with effect from 2 April 2013.

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

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

The major roles and functions of the Audit Committee are:

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

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

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

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

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

During 2013, the Audit Committee discharged its duties by reviewing the financial matters, financial statements and internal control as well as discussing with executive Directors and the auditor of the Company, and making recommendations to the Board.

CORPORATE GOVERNANCE FUNCTIONS

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

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

ATTENDANCE OF DIRECTORS AND COMMITTEE MEMBERS

The following table summaries the attendance of individual Director and committee member in 2013:

	Number of Board meetings attended/held	Number of Audit Committee's meetings attended/held	Number of Nomination Committee's meetings attended/held	Number of Remuneration Committee's meetings attended/held	Number of general meetings attended/held	Number of extraordinary general meetings attended/held
Mr. He Jianhong	4/5	–	–	–	1/1	1/1
Mr. Zhang Zhantao	5/5	–	–	–	1/1	1/1
Mr. Leung Heung Ying, Alvin	1/1	–	–	–	–	–
Mr. Wong Tat Wai	0/1	–	–	–	–	–
Mr. Chan Yee Por, Simon	4/4	2/2	1/1	–	0/1	1/1
Dr Lam Andy Siu Wing *JP*	0/1	–	–	0/1	–	–
Mr. Siu Siu Ling, Robert	6/6	3/3	2/2	2/2	1/1	1/1
Mr. Tam Tak Wah	6/6	3/3	2/2	2/2	1/1	1/1

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other financial disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2013. The Board prepared this consolidated financial statements on going concern basis, though the Group has incurred loss during the year and has net current liabilities and net liabilities at year-end date. The reasons for this has been set out in note 2(b) to the consolidated financial statements.

INTERNAL CONTROL

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

As reflected by the incidents as disclosed in note 37 to the consolidated financial statements, the present members of the Board consider that there is room for improvement in the previous internal control systems of the Company for the year ended 31 December 2013. In order to improve the internal control, the Company has engaged an external independent audit firm to perform a review of the procedures, systems and controls for the Company. The external independent audit firm will deliver a report to the Board and summarizing the group significant weakness and the key findings that come to their attention, with their recommendations to the Company as appropriate. This internal control review is expected to be completed within 2014.

SHAREHOLDERS' RIGHTS

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

INVESTOR RELATIONS

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

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

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

We have audited the consolidated financial statements of China Packaging Group Company Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 24 to 87, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except as described in the Basis for Disclaimer of Opinion paragraphs, 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. However, because of the matters described in the Basis for Disclaimer of Opinion paragraphs, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

Deconsolidation of subsidiaries

As disclosed in Note 2 to the consolidated financial statements, following the board of directors (the "**Board**") has suspended Mr. He Jianhong ("**Mr. He**") from his position as the chairman and executive director of the Board with effect from 27 January 2014 due to continued absence without cause, despite repeated verbal and written requests, the Board has been unable to contact the legal representative, directors and managements of its wholly owned subsidiary, Shanxi Zhanpen Metal Products Co. Limited（山西展鵬金屬製品有限公司）("**Zhanpen**") and obtain and access to the books and records of Zhanpen and Bloxworth Enterprise Limited ("**Bloxworth**"), being the immediate holding company of Zhanpen and a direct wholly owned subsidiary of the Company (together with Zhanpen, collectively known as the "**Deconsolidated Subsidiaries**").

Due to the non-cooperation of the directors and management of the Deconsolidated Subsidiaries and the continued absence of Mr. He from the Company, who was responsible for liasing with the Deconsolidated Subsidiaries, the Board has been unable to access to the books and records of the Deconsolidated Subsidiaries despite the fact that the Board has taken all reasonable steps and has used its best endeavors to resolve the matter. Accordingly, on 25 March 2014, the Board resolved that the Group no longer had the power to govern the financial and operating policies of the Deconsolidated Subsidiaries, and the control over the Deconsolidated Subsidiaries was lost on that date.

In the opinion of the Directors, the consolidated financial statements of the Group for the year ended 31 December 2013 are prepared on the aforementioned basis present more fairly the results, state of affairs and cashflow position of the Group as a whole in light of the aforesaid incomplete books and records of the Deconsolidated Subsidiaries. However, the deconsolidation of the Deconsolidated Subsidiaries from 1 January 2013 (the "**Deconsolidation**") was not in compliance with the requirements of Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements". Had the Deconsolidated Subsidiaries at the date been consolidated till to the date when the control over the Deconsolidated Subsidiaries was lost, many elements in the consolidated financial statements would have been materially affected.

Loss on deconsolidation of the Deconsolidated Subsidiaries and balance with Bloxworth

Due to lack of complete books and records of the Deconsolidated Subsidiaries mentioned above, we have not been able to obtain sufficient appropriate audit evidence to determine whether the loss on the Deconsolidation amounting to approximately RMB38,323,000 was free from material misstatement. Accordingly, we are unable to ascertain the impact of the Deconsolidation.

At 31 December 2013, the balance of approximately RMB2,396,000 being an amount due to Bloxworth. We were unable to obtain direct confirmation from Bloxworth and other supporting evidence to satisfy ourselves as to whether the balance are free from material misstatement. There were no other alternative audit procedures that we could carry out to obtain sufficient and appropriate audit evidence to verify the accuracy and completeness of this balance as at 31 December 2013. Accordingly, we were unable to satisfy ourselves as to whether the amount due to Bloxworth were fairly stated, which would have a consequential effect on net current liabilities and net liabilities of the Group as at 31 December 2013 and the Group's loss for the year then ended and related note disclosures to the consolidated financial statements.

Impairment assessment of other receivables

As disclosed in Note 17 to the consolidated financial statements, included in the Group's trade and other receivables, net of allowance for doubtful debts, of approximately RMB14,419,000 as at 31 December 2013, was due from a debtor of approximately RMB13,762,000 (equivalent approximately to HKD17,616,000).

As a writ of summons endorsed with a full statement of claim was issued in the High Court of The Hong Kong Special Administrative Region by Great Rich Trading Limited, a wholly owned subsidiary of the Company dated 25 March 2014 to claim back the receivable, the Directors are of the view that the Group is able to recover the outstanding balance due from that debtor, and therefore no impairment had been provided on such balance. However, we were unable to obtain sufficient appropriate audit evidence we consider necessary and there were no other alternative audit procedures that we could perform in order to assess whether such receivable could be recovered in full or to determine the amount of impairment, if any. Any adjustments to the amount of the above other receivable found to be necessary would affect the Group's net current liabilities and net liabilities as at 31 December 2013 and the Group's loss for the year then ended and related note disclosures to the consolidated financial statements.

Balance of the amount due to the ultimate holding company

At 31 December 2013, the balance of approximately RMB11,927,000 being an amount due to the ultimate holding company, Able Success Asia Limited ("**Able Success**"), a company incorporated in the British Virgin Island with limited liability, the entire issued share capital of which is beneficially owned by Mr. He. We were unable to obtain direct confirmation from Able Success and other supporting evidence to satisfy ourselves as to whether the balance are free from material misstatement. There were no other alternative audit procedures that we could carry out to obtain sufficient and appropriate audit evidence to verify the accuracy and completeness of this balance as at 31 December 2013. Accordingly, we were unable to satisfy ourselves as to whether the amount due to the ultimate holding company were fairly stated, which would have a consequential effect on net current liabilities and net liabilities of the Group as at 31 December 2013 and the Group's loss for the year then ended and related note disclosures to the consolidated financial statements.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without further qualifying our opinion, we draw attention to the following matters:

As mentioned in Note 2 to the consolidated financial statements, the Group incurred a loss attributable to owners of the Company of approximately RMB49,955,000 for the year ended 31 December 2013, and as of that date, the Group had net current liabilities and net liabilities of approximately RMB2,718,000 and RMB2,122,000, respectively. These conditions, along with other matters as set forth in Note 2, indicate the existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The consolidated financial statements have been prepared by the Directors on a going concern basis, the appropriateness of which is dependent on the Group's ability to obtain sufficient future funding to meet its financial requirements. The consolidated financial statements do not include any adjustments that may be necessary should the Group fail to finance its future working capital and financial requirements. We consider that adequate disclosures have been made.

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

Suites 313-316, 3/F., Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

31 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
Revenue	6	**148**	74,085
Cost of sales		**–**	(64,879)
Gross profit		**148**	9,206
Other revenue	7	**1,291**	141
Selling and distribution expenses		**–**	(4,047)
Administrative expenses		**(12,432)**	(15,933)
Loss on deconsolidation of subsidiaries	28	**(38,323)**	–
Impairment loss recognised in respect of property, plant and equipment	15	**–**	(51,911)
Impairment loss recognised in respect of trade receivables	17	**–**	(24,014)
Operating loss		**(49,316)**	(86,558)
Finance costs	8	**(639)**	(1,380)
Loss before income tax		**(49,955)**	(87,938)
Income tax credit	9	**–**	2,248
Loss for the year attributable to owners of the Company	10	**(49,955)**	(85,690)
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**(220)**	(124)
Total comprehensive expense for the year attributable to owners of the Company		**(50,175)**	(85,814)
Loss per share attributable to owners of the Company	13		
– Basic and diluted (restated)		**(RMB0.03)**	(RMB0.13)

Consolidated Statement of Financial Position

At 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Prepaid lease payments	14	**–**	–
Property, plant and equipment	15	**596**	10,089
		596	10,089
CURRENT ASSETS			
Inventories	16	**–**	2,589
Trade and other receivables	17	**14,419**	39,107
Cash and bank balances	18	**85**	11,217
		14,504	52,913
CURRENT LIABILITIES			
Trade and other payables	19	**2,728**	4,911
Amount due to a related party	20	**171**	–
Amount due to ultimate holding company	21	**11,927**	–
Amount due to a deconsolidated subsidiary	22	**2,396**	–
Receipt in advance		**–**	324
Tax liabilities		**–**	2,086
		17,222	7,321
NET CURRENT (LIABILITIES) ASSETS		**(2,718)**	45,592
TOTAL ASSETS LESS CURRENT LIABILITIES		**(2,122)**	55,681
NON-CURRENT LIABILITIES			
Convertible loan notes	23	**–**	8,508
Deferred tax liabilities	24	**–**	–
		–	8,508
NET (LIABILITIES) ASSETS		**(2,122)**	47,173
CAPITAL AND RESERVES			
Share capital	25	**1,637**	720
Reserves		**(3,759)**	46,453
TOTAL (DEFICITS) EQUITY		**(2,122)**	47,173

The consolidated financial statements on the pages from 24 to 87 were approved and authorised for issue by the board of directors on 31 March 2014 and are signed on its behalf by:

Siu Yun Fat
Director

Lau Fai Lawrence
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Share capital RMB'000 *(Note 25)*	Share premium RMB'000 *(Note a)*	Share options reserve RMB'000 *(Note b)*	Convertible loan notes equity reserve RMB'000 *(Note 23)*	Translation reserve RMB'000	Surplus reserve fund RMB'000 *(Note c)*	Retained profits (accumulated losses) RMB'000	Total RMB'000
At 1 January 2012	698	72,902	2,673	7,629	150	9,222	36,359	129,633
Loss for the year	–	–	–	–	–	–	(85,690)	(85,690)
Other comprehensive expenses								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	(124)	–	–	(124)
Total comprehensive expense for the year	–	–	–	–	(124)	–	(85,690)	(85,814)
Issuance of shares upon exercise of scheme creditors options *(Note 26(b))*	22	4,183	(851)	–	–	–	–	3,354
Lapsed of scheme creditors options *(Note 26(b))*	–	–	(884)	–	–	–	884	–
At 31 December 2012	720	77,085	938	7,629	26	9,222	(48,447)	47,173
Loss for the year	–	–	–	–	–	–	(49,955)	(49,955)
Other comprehensive expenses								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	(220)	–	–	(220)
Total comprehensive expense for the year	–	–	–	–	(220)	–	(49,955)	(50,175)
Issuance of shares upon exercise of convertible loan notes	124	16,506	–	(7,629)	–	–	–	9,001
Issuance of shares upon bonus issue	793	(793)	–	–	–	–	–	–
Release of reserve upon deconsolidation of subsidiaries *(Note 28)*	–	–	–	–	1,101	(9,222)	–	(8,121)
At 31 December 2013	**1,637**	**92,798**	**938**	**–**	**907**	**–**	**(98,402)**	**(2,122)**

Notes:

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

b) Share options reserve represents the portion of the grant date fair value of unexercised share options granted under the share option scheme or unexercised scheme creditors options granted under the debt restructuring as mentioned in Note 2 to the consolidated financial statements for the year ended 31 December 2012 adopted by the Company.

c) According to the relevant enterprises regulations in the People's Republic of China (the "**PRC**"), Shanxi Zhanpen Metal Products Co., Ltd. ("**Zhanpen**"), a subsidiary of the Company for the year ended December 2012 which was established in the PRC, is required to transfer not less than 10% of their profit after taxation to surplus reserve until the balance reaches 50% of its registered capital, as determined under accounting principles generally accepted in the PRC. The surplus reserve fund can be used to make up for previous year's losses, expand the existing operations or convert into additions capital of the subsidiary. On 1 January 2013, the Group deconsolidated Zhanpen and therefore release the reserve upon deconsolidation.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
OPERATING ACTIVITIES		
Loss before tax	**(49,955)**	(87,938)
Adjustments for:		
Finance costs	**639**	1,380
Interest income	**–**	(126)
Depreciation of property, plant and equipment	**212**	8,101
Loss on written-off of inventories	**–**	830
Loss on written-off of property, plant and equipment	**–**	2,576
Impairment loss recognised in respect of property, plant and equipment	**–**	51,911
Impairment loss on trade receivables	**–**	24,014
Loss on disposal of property, plant and equipment	**26**	–
Loss on deconsolidation of subsidiaries	**38,323**	–
Operating cash flows before movements in working capital	**(10,755)**	748
Increase in inventories	**–**	(125)
(Increase) decrease in trade and other receivables	**(14,138)**	1,869
Increase in receipt in advance	**–**	324
Increase (decrease) in trade and other payables	**2,497**	(7,050)
Increase in amount due to a related party	**171**	–
Increase in amount due to a deconsolidated subsidiary	**1,137**	–
Cash used in operations	**(21,088)**	(4,234)
Income tax paid	**–**	(2,911)
Interest paid	**(146)**	(277)
NET CASH USED IN OPERATING ACTIVITIES	**(21,234)**	(7,422)
INVESTING ACTIVITIES		
Interest received	**–**	126
Purchase of property, plant and equipment	**(1,193)**	(6,594)
Net cash outflow from deconsolidation of subsidiaries	**(771)**	–
Proceed from disposal of property, plant and equipment	**359**	–
NET CASH USED IN INVESTING ACTIVITIES	**(1,605)**	(6,468)
FINANCING ACTIVITIES		
Increase in amount due to ultimate holding company	**11,927**	–
Issuance of shares upon exercise of scheme creditors options	**–**	3,354
NET CASH FROM FINANCING ACTIVITIES	**11,927**	3,354
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(10,912)**	(10,536)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**11,217**	21,877
Effect of foreign exchange rates changes, net	**(220)**	(124)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**85**	11,217

1. GENERAL

China Packaging Group Company Limited (the "**Company**") was incorporated as an exempted company with limited liability in the Cayman Islands on 21 October 2002 under the Companies Law of the Cayman Islands. The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business is Unit 912, 9th Floor, New East Ocean Centre, 9 Science Museum Road, Kowloon, Hong Kong. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Able Success Asia Limited, ("**Able Success**"), is the ultimate holding company of the Company as at 31 December 2013. Able Success, a company incorporated in the British Virgin Island with limited liability, the entire issued share capital of which is beneficially owned by Mr. He Jianhong ("**Mr. He**"), the chairman and executive director of the Company during the year ended 31 December 2013. Pursuant to the Company's announcement date 28 January 2014, the board of directors of the Company (the "**Board**") suspended Mr. He from his position as the chairman and executive director of the Company with effect from 27 January 2014.

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

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

2. BASIS OF PREPARATION OF THE CONSOLIDATION FINANCIAL STATEMENTS

(a) Deconsolidation of two subsidiaries of the Company

Following the suspension of the position, functions and duties held by Mr. He, the directors of the Company (the "**Directors**") conducted reviews on the major projects and transactions of the Company (the "**Review**"). During the Review, in view of the suspension of the position, functions and duties held by Mr. He since 27 January 2014, despite repeated verbal and written requests, the Board has been unable to contact the legal representative, directors and management of its indirect wholly owned subsidiary, Shanxi Zhanpen Metal Products Co., Limited.*（山西展鵬金屬製品有限公司）("**Zhanpen**"), the principal and operating subsidiary of the Company, and obtain and access to the books and records of Zhanpen and Bloxworth Enterprise Limited ("**Bloxworth**"), being an immediate holding company of Zhanpen and a direct wholly owned subsidiary of the Company (Zhanpen and Bloxworth are collectively referred to as the "**Deconsolidated Subsidiaries**").

Due to the non-cooperation of the directors and management of the Deconsolidated Subsidiaries and the continued absence of Mr. He from the Company, the Board has been unable to access to the books and records of the Deconsolidated Subsidiaries despite the fact that the Board has taken all reasonable steps and has used its best endeavors to resolve the matter. Accordingly, on 25 March 2014, the Board resolved that the Group no longer had the power to govern the financial and operating policies of the Deconsolidated Subsidiaries, and the control over the Deconsolidate Subsidiaries was lost on that date.

2. BASIS OF PREPARATION OF THE CONSOLIDATION FINANCIAL STATEMENTS *(Continued)*

(a) Deconsolidation of two subsidiaries of the Company *(Continued)*

Given these circumstances, the Directors have not consolidated the financial statements of the Deconsolidated Subsidiaries in the consolidated financial statements of the Group for the year ended 31 December 2013. As such, the results of the Deconsolidated Subsidiaries for the year ended 31 December 2013 and the assets and liabilities of the Deconsolidated Subsidiaries as at 31 December 2013 have not been included into the consolidated financial statements of the Group.

In the opinion of the Directors, the consolidated financial statements of the Group for the year ended 31 December 2013 are prepared on the aforementioned basis present more fairly the results and state of affairs of the Group as a whole in light of the aforesaid incomplete books and records of the Deconsolidated Subsidiaries.

Further details of the Deconsolidated Subsidiaries are set out in Note 28 to the consolidated financial statements.

(b) Going concern

In preparing the consolidated financial statements, the Directors have given consideration to the future liquidity of the Group.

The Group incurred a consolidated loss of approximately RMB49,955,000 attributable to the owners of the Company for the year ended 31 December 2013 and, as of that date, the Group has net current liabilities and net liabilities of RMB2,718,000 and RMB2,122,000, respectively.

In addition, in December 2013, the Board received demand from alleged creditors of two companies, requesting the Company, being the alleged guarantor of debts in the total sum of approximately RMB842 million owed by two companies (the "**Alleged Creditors**") unknown to the Company (the "**Alleged Guarantees**"), to settle the alleged debts on or before 11 December 2013, and forewarning that, failing which, the Alleged Creditors would take legal action against the Company. And on 14 January 2014, the Company received a writ of summons and statement of claim issued by one of the two Alleged Creditors in relation to the Alleged Guarantees claiming an aggregate sum of approximately RMB644 million. In response to the claim, the Company submitted a defence to the High Court of The Hong Kong Special Administrative Region on 24 March 2014 (the "**Defence**"). Details of the Alleged Guarantees are disclosed in Note 29(a) to the consolidated financial statements.

If the Defence fails, a judgment could be entered against the Company for the entire sum of approximately RMB644 million with interest.

2. BASIS OF PREPARATION OF THE CONSOLIDATION FINANCIAL STATEMENTS *(Continued)*

(b) Going concern *(Continued)*

In order to improve the Group's operating and financial position, the Directors have been implementing various operating and financial measures as following:

1) Based on the advice from the Company's legal adviser, as the Company did not authorise any person to enter into the Alleged Guarantees on behalf of the Company and was not aware of the existence of the same beforehand, the legal adviser advised that there is highly likely to succeed in the Company's Defence and the court would find the Alleged Guarantees void and unenforceable;

2) As explained in Note 37(f), in March 2014, the Group has obtained new loan facilities in aggregated of HKD45 million from independent third parties;

3) As explained in Note 37(b), on 14 March 2014, the Company entered into a placing agreement to place up to 169,000,000 placing shares at the placing price of HKD0.105 (the "**Proposed Placing**"). The net proceeds from this placing is approximately HKD17.5 million;

4) The Directors are considering various alternatives to strengthen the capital base of the Company through various fund raising exercises, including but not limited to, private additional placement, open offer or rights issue of new shares of the Company;

5) The Directors continue to take action to tighten cost controls over various operating expenses, with an aim to attaining profitable and positive cash flow generated from operations; and

6) The Directors continue to focus on trading business with an aim to attaining profitable and positive cash flow generated from operations.

In the opinion of the Directors, if the above measures and arrangements (the "**Proposed Plans**") completed successfully, the Group would be able to generate sufficient funds to meet its future working capital requirements and financial obligations when they fall due. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements of the Company on a going concern basis.

The applicability of the going concern basis depends on the outcomes of the Proposed Plans, which the eventual outcome is uncertain, and the Group's ability to generate sufficient funds to meet its future working capital requirements and financial obligations when they fall due. The consolidated financial statements do not include any adjustments for possible failure of the Proposed Plans and the continuance of the Group as a going concern. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to reduce the value of the assets of the Group to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The effects of these adjustments have not been reflected in the consolidated financial statements.

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

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

Amendments to HKFRSs	Annual Improvements 2009-2011 Cycle
Amendments to HKFRS 1	Government Loans
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKAS 19 (Revised in 2011)	Employee Benefits
HKAS 27 (Revised in 2011)	Separate Financial Statements
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC*) – Interpretation ("**Int**") 20	Stripping Costs in the Production Phase of a Surface Mine

* *IFRIC represents the International Financial Reporting Interpretations Committee*

Except as described below, the application of the amendments to HKFRSs and HKASs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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, and disclosure 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. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosure 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.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND HONG KONG ACCOUNTING STANDARDS ("HKASs") *(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*. Upon the adoption of the amendments to HKAS 1, the Group's "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. Furthermore, 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.

New and revised HKFRSs and HKASs in issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[4]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	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, with earlier application permitted.*
[2] *Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.*
[3] *Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.*
[4] *Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.*

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

Annual Improvements to HKFRSs 2010-2012 Cycle

The *Annual Improvements to HKFRSs 2010-2012 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of "vesting condition" and "market condition"; and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics"; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Directors do not anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2010-2012 Cycle* will have a material effect on the Group's consolidated financial statements.

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

Annual Improvements to HKFRSs 2011-2013 Cycle

The *Annual Improvements to HKFRSs 2011-2013 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The Directors do not anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2011-2013 Cycle* will have a material effect on the Group's consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 are subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

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

HKFRS 9 Financial Instruments *(Continued)*

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND HONG KONG ACCOUNTING STANDARDS (“HKASs”) *(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 to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The Directors do not anticipate that the investment entities amendments will have any effect on the Group as the Company is not an investment entity.

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 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 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (“**CGU**”) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The Directors do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group’s consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 realisable 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;
- 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.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Except for the Deconsolidated Subsidiaries as further explained in Note 28, subsidiaries are fully consolidated from the date on which control is transferred to the Group.

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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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.

Investments in subsidiaries

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less accumulated impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Revenue recognition

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

Revenue from sales of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

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

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

Impairment losses on tangible assets

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

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

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

Inventories

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (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.

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

Loans and receivables

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

Impairment loss of financial assets

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

The objective evidence of impairment could include:

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment loss 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 the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Other financial liabilities

Other financial liabilities including trade and other payables, amount due to a related party, amount due to ultimate holding company, amount due to a deconsolidated subsidiary and liabilities portion of convertible loan notes are subsequently measured at amortised cost, using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (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.

Convertible loan notes

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

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

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

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

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and cash equivalents

Cash and bank balances in the consolidated statement of financial position comprise cash at banks and on hand. For the purpose of preparing the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits with a maturity of less than three months.

Taxation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from 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, 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 is 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.

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.

Leasing

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee

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

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

Foreign currencies

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

Exchange differences 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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using the exchange rates prevailing at the end of reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve (attributed to non-controlling interest 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, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or construction) as a result of past event, and it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

Share-based payment transactions

Share options granted to employees on or after 1 January 2005

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

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

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

Share options granted to employees on or before 1 January 2005

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the Board is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

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

(i) *Going concern and liquidity*

As explained in Note 2(b) to the consolidated financial statements, the consolidated financial position of the Group indicates the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern. The assessment of the going concern assumptions involves making judgement by the Directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The Directors consider that the Group has ability to continue as a going concern and the major conditions that may cast significant doubt about the going concern assumptions are set out in Note 2(b) to the consolidated financial statements.

(ii) *Prepaid lease payments and ownership of buildings*

At 31 December 2012, despite the Group has paid the first installment of RMB12,400,000 for acquiring the land use right from Fen Yang Wen Feng Street Nanguan Villagers' Committee（汾陽市文峰街道南關村民委員會）("**Villagers' Committee**") as detailed in Notes 14 and 15 to the consolidated financial statements, the relevant government authorities have not yet issued the land and building ownership certificates to the Group.

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

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

Critical judgements in applying accounting policies *(Continued)*

(ii) Prepaid lease payments and ownership of buildings (Continued)

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

Due to the deconsolidation of Deconsolidated Subsidiaries, the subject land and buildings have been deconsolidated during the year ended 31 December 2013.

Key sources of estimation uncertainty

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

(i) Estimated impairment 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 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. Where the actual future cash flows are less than expected, a material impairment loss may arise. No impairment loss has been recognised during the year ended 31 December 2013. During the year ended 31 December 2012, the Group recognised an impairment loss amounting to approximately RMB24,014,000 in respect of trade receivable. The movement of allowance for doubtful debts for trade receivable is set out in Note 17(i) to the consolidated financial statements.

(ii) Estimated written-off of inventories

At 31 December 2012, net realisable value of inventories is the estimated selling prices in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products with similar nature. It could change significantly as a result of changes in economic conditions in places where the Group operates and changes in customer taste and competitor actions in response to changes in market conditions. Management reassesses these estimates at the end of the reporting period.

The management of the Group reviews an aging analysis at 31 December 2012, and makes allowance for obsolete and slowing-moving inventory items identified that are no longer suitable for sales. No impairment loss has been recognised during the year ended 31 December 2013. During the year ended 31 December 2012, the Group recognised a written-off amounting to approximately RMB830,000 in respect of inventories.

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

Key sources of estimation uncertainty *(Continued)*

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

The carrying amount of property, plant and equipment are reviewed annually and adjusted for impairment in accordance with HKAS 36 *Impairment of Assets* whenever certain events or changes in circumstances indicate that the carrying amount may not be recoverable. The value-in-use calculation requires the Group to determine the recoverable amount of the assets based on the estimations of future expected cash flows from the usage of these assets and a suitable discount rate. Where the future cash flows are less than expected, a material impairment loss may arise. No impairment loss has been recognised during the year ended 31 December 2013. During the year ended 31 December 2012, by referencing to the valuation report issued by Asia Asset Limited, the Group recognised an impairment loss amounting to approximately RMB51,911,000 in respect of property, plant and equipment. Details of the recoverable amount calculation for property, plant and equipment are disclosed in Note 15 to the consolidated financial statements.

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

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

(v) Estimated impairment of receivables from Ease Faith Limited

As explained in Note 17(ii) to the consolidated financial statements, as at 31 December 2013, the Group had a receivable approximately of RMB13,762,000 (2012: Nil) from Ease Faith Limited ("**Ease Faith**"). The Company obtained legal advice and considered that the Group has a reasonable chance of success on its claims against Ease Faith and thus, no impairment loss was recognised for the year ended 31 December 2013. Where the actual recoverable amount differs from what was expected, a material impairment loss may arise.

(vi) Consequence for Alleged Guarantee

The determination of the consequence for Alleged Guarantee involves management's estimation. The Group assesses the probability and magnitude of the outflow of resources embodying economic benefits will be required to settle the obligations and if the actual result differs from the original estimate, such a difference may impact the carrying amount of the liabilities as at 31 December 2013.

6. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents sales value of goods supplied to customers and commission income for services rendered to customers during the year.

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

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

– Manufacture and sale of tinplate cans packaging business

– Trading business and related services

Segment revenues and results

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

	Manufacture and sale of tinplate cans packaging business		**Trading business and related services**		**Total**	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Revenue						
External sales	**–**	74,085	**148**	–	**148**	74,085
Segment loss	**–**	(75,480)	**(3,855)**	(189)	**(3,855)**	(75,669)
Unallocated corporate gain or revenue					**1,291**	123
Unallocated corporate expenses					**(8,429)**	(11,012)
Loss on deconsolidation of subsidiaries					**(38,323)**	–
Finance costs					**(639)**	(1,380)
Loss before income tax					**(49,955)**	(87,938)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment loss represents the loss from each segment without allocation of central administration costs, directors' emoluments and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

	2013 **RMB'000**	2012 RMB'000
Segment assets		
Manufacture and sale of tinplate cans packaging business	**–**	51,843
Trading business and related services	**14,764**	10,648
Total segment assets	**14,764**	62,491
Unallocated corporate assets	**336**	511
Consolidated assets	**15,100**	63,002
Segment liabilities		
Manufacture and sale of tinplate cans packaging business	**–**	7,089
Trading of business and related services	**4,427**	–
Total segment liabilities	**4,427**	7,089
Unallocated corporate liabilities	**12,795**	8,740
Consolidated liabilities	**17,222**	15,829

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

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

- all liabilities are allocated to operating segments other than certain other payables, amount due to a deconsolidated subsidiary, amount due to a related party, amount due to ultimate holding company and convertible loan notes.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information

	Manufacture and sale of tinplate cans packaging business		Trading business and related services		Unallocated		Total	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000	**2013 RMB'000**	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Amounts included in the measure of segment profit or loss or segment assets:								
Additions to non-current assets	**–**	12,696	**1,193**	–	**–**	–	**1,193**	12,696
Depreciation	**–**	8,101	**212**	–	**–**	–	**212**	8,101
Loss on deconsolidation of subsidiaries	**–**	–	**–**	–	**38,323**	–	**38,323**	–
Loss on disposal of property, plant and equipment	**–**	–	**26**	–	**–**	–	**26**	–
Loss on written-off of property, plant and equipment	**–**	2,576	**–**	–	**–**	–	**–**	2,576
Impairment loss recognised in respect of property, plant and equipment	**–**	51,911	**–**	–	**–**	–	**–**	51,911
Impairment loss on trade receivables	**–**	24,014	**–**	–	**–**	–	**–**	24,014
Loss on written-off of inventories	**–**	830	**–**	–	**–**	–	**–**	830
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:								
Interest income	**–**	3	**–**	1	**–**	122	**–**	126
Interest expense	**–**	–	**–**	–	**639**	1,380	**639**	1,380
Income tax credit	**–**	(2,248)	**–**	–	**–**	–	**–**	(2,248)

Revenue from major products

The segment of trading business and related services contributed 100% of the Group's revenue for the year ended 31 December 2013. The segment of manufacturing and sale of tinplate cans packaging business contributed 100% of the Group's revenue for the year ended 31 December 2012.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations are located in Hong Kong and PRC for the years ended 31 December 2013 and 2012. Information about the Group's revenue from external customers is presented based on the location of customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Hong Kong	**148**	–	**596**	–
PRC	**–**	74,085	**–**	10,089

Information about major customers

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

Customer	**2013**	2012
	RMB'000	RMB'000
A[1]	**148**	–
B[2]	-	9,189

[1] *Revenue from trading business and related services*

[2] *Revenue from manufacture and sale of tinplate cans packaging business*

7. OTHER REVENUE

	2013	2012
	RMB'000	RMB'000
Interest income on bank deposits	**–**	4
Interest income on time deposit	**–**	122
Compensation from investor upon termination of share subscription agreement	**1,291**	–
Sundry income	**–**	15
	1,291	141

8. FINANCE COSTS

	2013 RMB'000	2012 RMB'000
Effective interest expense on convertible loan notes	**639**	1,380

9. INCOME TAX CREDIT

	2013 RMB'000	2012 RMB'000
Current tax:		
– PRC Enterprises Income Tax ("**EIT**")	**–**	340
Deferred tax:		
– Mainland China withholding tax *(Note d)*	**–**	(2,588)
	–	(2,248)

Notes:

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

b) At 31 December 2013, the Group has unused tax losses approximately of RMB7,135,000 (equivalent to approximately of HKD8,957,000) (2012: RMB3,385,000 (equivalent to approximately of HKD4,165,000)) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

c) Under the Law of the PRC on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% from 1 January 2008 onwards.

d) Pursuant to the PRC EIT Law which became effective on 1 January 2008, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC effective from 1 January 2008. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the tax authorities to specify that dividends declared and remitted out of the PRC from the retained profits as at 31 December 2007 are exempted from withholding tax. As the PRC subsidiary incurred a loss for the year ended 31 December 2012, a reversal of withholding tax, which was recognised as income tax expenses in prior years, of approximately RMB2,588,000 has been recognised.

9. INCOME TAX CREDIT *(Continued)*

The income tax credit for the year can be reconciled to the loss before income tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013	2012
	RMB'000	RMB'000
Loss before income tax	**(49,955)**	(87,938)
Tax at domestic income tax rate of 25% (2012: 25%)	**(12,488)**	(21,985)
Tax effect of expenses not deductible for tax purpose	**11,882**	20,982
Tax effect of income not taxable for tax purpose	**(323)**	(4)
Tax effect of tax losses not recognised	**938**	–
Tax effect of temporary differences not recognised	**(9)**	–
Effect of reversal of withholding tax at 10% on the distributable profits of the subsidiary in PRC	**–**	(2,588)
Effect of different tax rates of subsidiaries in other jurisdictions	**–**	1,347
Income tax credit for the year	**–**	(2,248)

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

10. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2013	2012
	RMB'000	RMB'000
Directors' and chief executives' emoluments *(Note 11(a))*	**4,150**	2,431
Other staff costs	**2,176**	1,661
Contributions to retirement benefits scheme, other than directors and chief executives	**47**	411
Total staff costs	**6,373**	4,503
Auditor's remuneration:		
– Audit services	**595**	471
– Other services	**102**	61
Cost of inventories recognised as an expense	**–**	53,255
Depreciation of property, plant and equipment	**212**	8,101
Loss on disposal of property, plant and equipment	**26**	–
Loss on written-off of property, plant and equipment	**–**	2,576
Loss on written-off of inventories	**–**	830
Minimum lease payments in respect of operating lease of:		
– Property, plant and machinery	**–**	2,200
– Premises	**1,306**	887

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

a) Directors' and chief executives' emoluments

The emoluments paid or payable to each of eight (2012: five) directors and the chief executive were as follow:

2013

	Fees RMB'000	Salaries and allowances RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Executive directors				
Mr. Leung Heung Ying, Alvin *(Note a)*	–	1,217	27	1,244
Mr. Wong Tat Wai, Derek *(Note a)*	–	22	1	23
Mr. He Jianhong *(Note b)*	–	1,268	–	1,268
Mr. Zhang Zhan Tao *(Note c)*	–	1,291	–	1,291
Sub-total	–	3,798	28	3,826
Independent non-executive directors				
Dr. Lam Andy Siu Wing *(Note a)*	17	–	–	17
Mr. Siu Siu Ling, Robert	111	–	–	111
Mr. Tam Tak Wah	111	–	–	111
Mr. Chan Yee Por *(Note d)*	85	–	–	85
Sub-total	324	–	–	324
Total	324	3,798	28	4,150

2012

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

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

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

Saved as disclosed below, the Group has not classified any other person as a chief executive for the years ended 31 December 2013 and 2012. No director or chief executive waived or agreed to waive any emoluments paid by the Group during the two years ended 31 December 2013 and 2012.

During the two years ended 31 December 2013 and 2012, no emoluments were paid by the Group to the directors or chief executive as an inducement to join, or upon joining the Group, or as compensation for loss of office.

Notes:

a) Resigned on 20 February 2013. When Mr. Leung Heung Ying, Alvin positioned as executive director of the Company, he was also a company secretary of the Company and his emoluments disclosed above included those for services rendered by him as the chief executive.

b) Appointed on 1 February 2013 and suspended his position as the chairman of the Board and executive director with effective from 27 January 2014. For details, please refer to Note 37(c) to the consolidated financial statements.

c) Appointed on 1 February 2013 and suspended his position as executive director with effective from 6 March 2014. For details, please refer to Note 37(c) to the consolidated financial statements.

d) Appointed on 2 April 2013.

b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2012: two) were directors and the chief executive of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining two (2012: three) individuals were as follows:

	2013 **RMB'000**	2012 RMB'000
Salaries, allowances and other benefits in kind	**1,190**	529
Contributions to retirement benefits scheme	**23**	22
	1,213	551

Their emoluments were within the following bands:

	Number of individuals **2013**	2012
Nil to RMB1,000,000	**2**	3

During the two years ended 31 December 2013 and 2012, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

12. DIVIDEND

No dividend was proposed or paid during the year ended 31 December 2013 nor any dividend has been proposed since the end of the reporting period (2012: Nil).

13. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of Company of approximately RMB49,955,000 (2012: RMB85,690,000) and the weighted average number of ordinary shares of the Company in issue during the year approximately of 1,547,172,000 (2012: 655,496,000 shares (restated)).

The weighted average number of ordinary shares used for the purpose of calculating loss per share for the years ended 31 December 2013 and 2012 has been adjusted for the bonus issues during the year ended 31 December 2013.

Diluted loss per share for the years ended 31 December 2013 and 2012 is same as the basic loss per share. The computation of diluted loss per share for the years ended 31 December 2013 and 2012 does not assume the conversion of the Company's outstanding options, convertible preference shares or convertible loan notes since their exercise would result in a decrease in the loss per share.

14. PREPAID LEASE PAYMENTS

	RMB'000
COST	
At 1 January 2012 and 31 December 2012	12,400
Deconsolidation of subsidiaries *(Note 28)*	(12,400)
At 31 December 2013	**–**
ACCUMULATED IMPAIRMENT	
At 1 January 2012 and 31 December 2012	12,400
Deconsolidation of subsidiaries *(Note 28)*	(12,400)
At 31 December 2013	**–**
CARRYING VALUES	
At 31 December 2013 and 2012	**–**

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

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

14. PREPAID LEASE PAYMENTS *(Continued)*

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

Zhanpen has received a notice from Villagers' Committee dated 5 March 2013 (the "**Notice**") in respect of the Land. The Notice mentioned that as the approval procedures are complicated and the usage of the Land has not yet converted from collectively owned into industrial use. In view of the above, the Villagers' Committee notified Zhanpen that the Land Use Compensation Agreement should be cancelled with immediate effect and the deposit of RMB12,400,000 previously paid by Zhanpen shall be treated as rental expenses for using the Land for the period from 26 October 2007 to 25 October 2014.

Due to the deconsolidation of the Deconsolidated Subsidiaries, the Land has been deconsolidated during the year ended 31 December 2013.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machinery	Motor vehicles	Office equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2012	43,269	527	44,301	461	121	88,679
Additions	5,590	–	7,052	51	3	12,696
Written-off	(2,260)	–	(5,645)	–	(39)	(7,944)
At 31 December 2012	46,599	527	45,708	512	85	93,431
Additions	–	547	–	472	174	1,193
Disposals	–	–	–	(472)	–	(472)
Deconsolidation of subsidiaries *(Note 28)*	(46,599)	(527)	(45,708)	(512)	(85)	(93,431)
At 31 December 2013	**–**	**547**	**–**	**–**	**174**	**721**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2012	11,265	312	16,775	235	111	28,698
Provided for the year	2,591	191	5,276	40	3	8,101
Written-off	(1,944)	–	(3,387)	–	(37)	(5,368)
Impairment loss recognised in profit or loss	29,867	–	22,044	–	–	51,911
At 31 December 2012	41,779	503	40,708	275	77	83,342
Provided for the year	–	91	–	87	34	212
Disposals	–	–	–	(87)	–	(87)
Deconsolidation of subsidiaries *(Note 28)*	(41,779)	(503)	(40,708)	(275)	(77)	(83,342)
At 31 December 2013	**–**	**91**	**–**	**–**	**34**	**125**
CARRYING VALUES						
At 31 December 2013	**–**	**456**	**–**	**–**	**140**	**596**
At 31 December 2012	4,820	24	5,000	237	8	10,089

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

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

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

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

The Directors appointed an independent professional valuer to perform a valuation on the property, plant and equipment as at 31 December 2012, thus, a total impairment loss of approximately RMB51,911,000 has been recognised according to the excess of the aggregate carrying amounts of the property, plant and equipment as at 31 December 2012 over the recoverable amount based on the valuation report. For the buildings and plant and machinery, the value-in-use calculation is based on a discount rate of 13.39% and 17.19% respectively and cash flow projections prepared from financial forecasts approved by the management of the Group, after taking into account of the current economic condition and operation of manufacture and sale of tinplate cans industry. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimation is based on the management's expectations for the market development.

At 31 December 2012, the buildings with a carrying amount of approximately RMB4,820,000 represented buildings situated on the Land as mentioned in Note 14 to the consolidated financial statements, in which it is still in the process of obtaining the building ownership certificates during the year ended 31 December 2012.

Due to the deconsolidation of the Deconsolidated Subsidiaries, the relevant property, plant and equipment have been deconsolidated during the year ended 31 December 2013.

16. INVENTORIES

	2013 **RMB'000**	2012 RMB'000
Raw materials	**–**	2,049
Packing materials	**–**	114
Finished goods	**–**	426
	–	2,589

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

At 31 December 2012, none of the inventories was stated at net realisable value.

Due to the deconsolidation of the Deconsolidated Subsidiaries, the relevant inventories have been deconsolidated during the year ended 31 December 2013.

17. TRADE AND OTHER RECEIVABLES

	Notes	**2013** **RMB'000**	2012 RMB'000
Trade receivables	(i)	**148**	60,995
Less: Allowance for doubtful debts		**–**	(24,014)
		148	36,981
Receivables from Ease Faith	(ii)	**13,762**	–
Other receivables, deposits and prepayments		**509**	2,126
Total trade and other receivables		**14,419**	39,107

Notes:

(i) Trade receivables

Trade receivables at the end of the reporting period comprise amounts receivable from the sales of goods supplied to customers and commission income for services rendered to customers. No interest is charged on the trade receivables.

Before accepting any new customer, the Group gathers and assesses the credit information of the potential customer in considering the customer's quality and determining the credit limits for that customer.

17. TRADE AND OTHER RECEIVABLES *(Continued)*

During the year ended 31 December 2013, the Group generally allows an average credit period of 120 days (2012: 120 days) to its customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2013 **RMB'000**	2012 RMB'000
0 – 30 days	**–**	–
31 – 60 days	**–**	632
61 – 90 days	**–**	1,655
91 – 120 days	**–**	3,671
Over 120 days	**148**	31,023
	148	36,981

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

	2013 **RMB'000**	2012 RMB'000
1 – 30 days	**–**	5,030
31 – 60 days	**–**	5,579
61 – 90 days	**–**	5,435
91 – 120 days	**148**	5,291
Over 120 days	**–**	9,688
	148	31,023

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

	2013 **RMB'000**	2012 RMB'000
Neither past due nor impaired	**–**	5,958
Past due but not impaired	**148**	31,023
	148	36,981

17. TRADE AND OTHER RECEIVABLES *(Continued)*

At 31 December 2013, trade receivables that were past due but not impaired solely related to one customer. As subsequent settlements are noted, the Directors considered that no impairment is necessary for that past due receivable as at 31 December 2013.

At 31 December 2012, trade receivables that were neither past due nor impaired related to a wide range of customers.

At 31 December 2012, trade receivables that were past due but not impaired relate to a number of independent customers. Based on past experience, the management believes that no additional impairment allowance is necessary in respect of these balances.

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

	2013	2012
	RMB'000	RMB'000
At 1 January	**24,014**	–
Deconsolidation of subsidiaries	**(24,014)**	–
Impairment losses recognised	**–**	24,014
At 31 December	**–**	24,014

At the end of each reporting period, the Group's trade and other receivables were individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. The Group does not hold any collateral for all of its trade receivables as at 31 December 2013 and 31 December 2012.

Due to the deconsoldiation of the Deconsolidated Subsidiaries, the relevant trade and other receivables have been deconsolidated during the year ended 31 December 2013.

(ii) Receivable from Ease Faith

Following the suspension of the position, functions and duties held by Mr. He, the Directors conducted reviews of the major projects and transactions of the Company. During the course of the internal review (the "**Internal Review**"), the Company noted that, Great Rich Trading Limited ("**Great Rich**"), a wholly owned subsidiary of the Company, entered into two sales contracts with Ease Faith to purchase raw materials for the purpose of trading (the "**Sales Contracts**") and paid a deposit of approximately RMB13.8 million, equivalent to approximately of HKD17.7 million (the "**Receivable**"). Subsequently, Ease Faith failed to deliver the raw materials to Great Rich and is still holding unto the Receivable.

On 25 March 2014, Great Rich issued a writ of summons in the High Court of The Hong Kong Special Administrative Region by as the plaintiff claiming against Ease Faith, the supplier in the Sales Contracts as the defendant, for breach of the Sales Contracts or alternatively, money had and received.

17. TRADE AND OTHER RECEIVABLES *(Continued)*

(ii) Receivable from Ease Faith *(Continued)*

Great Rich claims against Ease Faith for the following reliefs:

(a) return of the down-payments in the total sum of HKD17.7 million;

(b) interest on the Receivable;

(c) damages to be assessed;

(d) costs; and

(e) further and/or other relief.

The Company obtained legal advice and considers that Great Rich has a reasonable chance of success on its claims against Ease Faith. The Board considers that the pursuit of the above claims is in the best interest of the Company and its shareholders. Accordingly, the Directors are satisfied that Great Rich is able to recover the outstanding Receivable from Ease Faith.

18. CASH AND BANK BALANCES

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

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

	2013 **RMB'000**	2012 RMB'000
United State Dollars ("**USD**")	**–**	1
Hong Kong Dollars ("**HKD**")	**85**	10,861

At 31 December 2013, none of the bank balance was denominated in RMB. At 31 December 2012, there was approximately of RMB355,000 denominated in RMB and deposited with banks in the PRC. The RMB is not freely convertible into other currencies; however, under Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign exchange business.

19. TRADE AND OTHER PAYABLES

	2013 RMB'000	2012 RMB'000
Trade payables	–	1,394
Other payables and accrued charges	2,728	3,517
	2,728	4,911

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

	2013 RMB'000	2012 RMB'000
0 – 30 days	–	1,394

During the year ended 31 December 2012, the average credit period on purchases of goods is 30 days. The Group has financial risk management policies in place to ensure that all trade payables would be settled within the credit timeframe.

Due to the deconsolidation of the Deconsoliated Subsidiaries, the relevant trade and other payables have been deconsolidated during the year ended 31 December 2013.

20. AMOUNT DUE TO A RELATED PARTY

The balance represents the amount due to Mr. He's wife that is unsecured, interest free and repayable on demand.

21. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

At 31 December 2013, the balance of approximately RMB11,927,000 (2012: Nil) was an amount due to Able Success. The amount is unsecured, interest free and repayable on demand.

22. AMOUNT DUE TO A DECONSOLIDATED SUBSIDIARY

At 31 December 2013, the balance of approximately RMB2,396,000 (2012: Nil) was an amount due to Bloxworth. The amount is unsecured, interest free and repayable on demand.

23. CONVERTIBLE LOAN NOTES

On 1 November 2011, the Company issued 2% convertible loan notes with a principal amount of HKD18,000,000 (the "**Convertible Loan Notes**") to the investors upon the completion of restructuring as detailed in the annual report of the Company for the year ended 31 December 2011.

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

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

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

During the year ended 31 December 2013, the Convertible Loan Notes have been fully converted into a total number of 150,000,000 ordinary shares.

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

	RMB'000
Liability component at 1 January 2012	7,405
Interest charged	1,380
Interest paid	(277)
Liability component at 31 December 2012	8,508
Interest charged	639
Interest paid	(146)
Conversion to shares during the year	(9,001)
Liability component at 31 December 2013	**–**

24. DEFERRED TAX LIABILITIES

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

	Undistributed profits of subsidiaries RMB'000
At 1 January 2012	2,588
Reversal of withholding tax *(Note 9)*	(2,588)
At 31 December 2012 and **31 December 2013**	**–**

25. SHARE CAPITAL

	Par value per share HKD	**Number of ordinary shares** *(Note a)*	**Number of convertible preference shares** *(Note b)*	**Amount** HKD'000
Authorised:				
At 31 December 2013 and 31 December 2012	**0.001**	**249,480,000,000**	**520,000,000**	**250,000**

	Par value per share HKD	**Number of ordinary shares** *(Note a)*	**Number of convertible preference shares** *(Note b)*	**Amount** HKD'000	**Equivalent to** RMB'000
Issued and fully paid:					
At 1 January 2012	0.001	313,207,957	520,000,000	833	698
Exercise of creditors' options *(Note 26(b))*	0.001	27,454,709	–	27	22
At 31 December 2012	0.001	340,662,666	520,000,000	860	720
Conversion to ordinary shares during the year	0.001	520,000,000	(520,000,000)	–	–
Issuance of shares upon exercise of Convertible Loan Notes *(Note 23)*	0.001	150,000,000	–	150	124
Issuance of shares upon bonus issue *(Note c)*	0.001	1,010,662,666	–	1,011	793
At 31 December 2013	**0.001**	**2,021,325,332**	**–**	**2,021**	**1,637**

25. SHARE CAPITAL *(Continued)*

Notes:

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

b) On 1 November 2011, the Company issued 520,000,000 convertible preference shares with a par value of HKD0.001 each (the "**Convertible Preference Shares**") at a price of HKD0.12 each to raise a total of HKD62,400,000 (approximately RMB50,971,000). The Directors considered that as the Convertible Preference Shares is not entitled to any dividend and it is non-redeemable, the Convertible Preference Shares are equity instrument containing equity element only and are presented in equity.

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

i) Dividend

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

ii) Capital

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

iii) Redemption

The preference shares are non-redeemable.

iv) Conversion rights

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

v) Transferability

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

vi) Voting

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

During the year ended 31 December 2013, 520,000,000 (2012: Nil) ordinary shares of HKD0.001 each were issued pursuant to the conversion of the Convertible Preference Shares at a conversion price of HKD0.12 per share.

c) At the extraordinary general meeting of the Company held on 25 October 2013, ordinary resolutions approved the bonus issue of shares on the basis of one bonus share for every one existing share of HKD0.001 each (the "Bonus Issue") to the shareholders of the Company whose names appear on the registers of members of the Company on 4 November 2013. A total of 1,010,662,666 bonus shares were issued on 6 November 2013.

26. SHARE OPTION SCHEME

a) Incentives Share Option Scheme

Scheme 2003

Pursuant to the written resolutions passed by all of the shareholders of the Company on 2 June 2003, the Company adopted a share option scheme (the "**Scheme 2003**"). Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 22 February 2012, the Scheme 2003 was terminated and a new share option scheme (the "**Scheme 2012**") was adopted. The adoption of Scheme 2012 will not in any event affect the terms of the grant of such outstanding options that has already been granted under the Scheme 2003 and shall continue to be valid and subject to the provisions of Scheme 2003.

The purpose of the Scheme 2003 is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. Under the Scheme 2003, the Directors may, at their absolute discretion, invite any employee (whether full-time or part time, including any executive director), any non-executive director (including independent non-executive director), any supplier of goods or services, any customer, any person or entity that provides research, development or other technological support, any shareholder, any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or its investee companies to take up options to subscribe for shares in the Company representing up to a maximum 10% of the shares in issue as at the date of commencement of listing of shares of the Company on the Stock Exchange and subject to renewal with shareholders' approval. The number of shares in respect of which options may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of the shares of the Company in issue, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in any one year exceeding the higher of 0.1% of the Company's shares in issue and with a value in excess of HKD5,000,000 must be approved by the Company's shareholders. Options granted must be taken up within 21 days of the date of grant, upon payment of HKD1 per each grant of options. Options may be exercised at any time from the date of acceptance of the share option to such date as determined by the board of directors of the Company but in any event not exceeding 10 years. The exercise price is determined by the directors and will be not less than the higher of the closing price of the Company's shares on the date of grant, the average closing prices of the shares for the five business days immediately preceding the date of grant and the nominal value of the Company's shares.

26. SHARE OPTION SCHEME *(Continued)*

a) Incentives Share Option Scheme *(Continued)*

Scheme 2003 (Continued)

The following table discloses details and movements of the Company's share options held by senior management and employees under Scheme 2003 during the years ended 31 December 2013 and 2012:

	Date of grant	2013 exercise price* HKD	2012 exercise price HKD	Exercisable period	Outstanding at 1.1.2012 and 31.12.2012	Adjusted during the year ended 31.12.2013*	Outstanding at 31.12.2013
Senior management	2 May 2007	3.6012	7.2024	2 May 2007 to 1 May 2017	189,937	189,937	379,874
Employees	10 February 2004	3.1984	6.3968	10 February 2004 to 9 February 2014	481,175	481,175	962,350
	2 May 2007	3.6012	7.2024	2 May 2007 to 1 May 2017	126,625	126,625	253,250
	30 January 2008	2.4956	4.9911	30 January 2008 to 29 January 2018	633,125	633,125	1,266,250
					1,430,862	1,430,862	**2,861,724**
Weighted average exercise price (HKD)		**2.98**	**5.95**				

The weighted average remaining contractual life of these outstanding share options is approximately 2.58 years (2012: 3.58 years).

* *As a result of the Bonus Issue, the number of outstanding share options and the exercise price has been adjusted during the year ended 31 December 2013.*

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

	2 May 2007	**30 January 2008**
Share price at date of grant	HK$0.900	HK$0.630
Exercise price	HK$0.912	HK$0.632
Expected volatility	36.05%	50.29%
Risk-free rate	3.901%	1.651%
Expected dividend yield	5%	7.14%

26. SHARE OPTION SCHEME *(Continued)*

a) Incentives Share Option Scheme *(Continued)*

Scheme 2012

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 22 February 2012, the Scheme 2003 was terminated and the Scheme 2012 was adopted. The purpose of the Scheme 2012 is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. Under the Scheme 2012, the Directors may, at their absolute discretion, invite any employee (whether full-time or part time, including any executive director), any non-executive director (including independent non-executive director), any supplier of goods or services to any member of the Group or any entity in which the Group holds any equity interest (the "**Invested Entity**"), any customer of the Group or any Invested Entity, any consultant, adviser, agent and contractor engaged by the Group or any Invested Entity, any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity to take up options to subscribe for shares in the Company representing up to a maximum 30% of the issued share capital of the Company from time to time and subject to renewal with shareholders' approval. The number of shares in respect of which options may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of the shares of the Company in issue, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in any one year exceeding the higher of 0.1% of the Company's shares in issue and with a value in excess of HKD5,000,000 must be approved by the Company's shareholders. Options granted must be taken up within 28 days of the date of grant, upon payment of HKD1 per each grant of options. Options may be exercised at any time from the date of acceptance of the share option to such date as determined by the Board but in any event not exceeding 10 years. The exercise price is determined by the directors and will be not less than the higher of the closing price of the Company's shares on the date of grant, the average closing prices of the shares for the five business days immediately preceding the date of grant and the nominal value of the Company's shares.

No share option has been granted or outstanding under the Scheme 2012 by the Company during the year ended 31 December 2013 (2012: Nil).

b) Scheme Creditors Options

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

26. SHARE OPTION SCHEME *(Continued)*

b) Scheme Creditors Options *(Continued)*

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

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

Notes:

i) Pursuant to the valuation report issued by Asia Asset Limited, because the shares of the Company had been suspended trading for over 2.5 years due to insolvency issue and was resumed trading at 4 November 2011, no indicative value from the exchange traded share price was available as at the grant date although trading was resumed after the valuation date (with a closing price of HKD1.02 on resumption date of 4 November 2011 and HKD0.28 on 30 December 2011), it is inappropriate to measure the fair value using market price information on hindsight basis. The scheme creditors of the Company were only informed of their respective allocation of options by the scheme administrators in mid-December, 2011. For a company in distress condition, it is considered reasonable to reflect its share price based on the net asset value of the Company. The share price used in the valuation represented net asset value divided by total number of ordinary shares and preference shares as stated in unaudited proforma consolidated statement of financial position of the Group as at 31 December 2010 in the circular of the Company dated 12 September 2011.

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

During the year ended 31 December 2012, 27,454,709 Scheme Creditors Options was exercised and 28,545,291 Scheme Creditors Options was expired. At 31 December 2013, there was no (2012: Nil) Scheme Creditors Options outstanding.

27. COMMITMENTS

a) Operating lease commitment – the Group as lessee

	2013 **RMB'000**	2012 RMB'000
Minimum lease payments paid under operating leases during the year:		
– Premises	**1,306**	887
– Property, plant and machinery	**–**	2,200
	1,306	3,087

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

	2013 **RMB'000**	2012 RMB'000
Within one year	**713**	3,689
In the second to the fifth years inclusive	**–**	6,182
	713	9,871

Operating lease payments represent rentals payable by the Group for certain of its premises, plant and machinery, and office equipment. Leases are negotiated for an average term of 1 year (2012: 5 years) and no arrangements have been entered into for contingent rental payments.

b) Other commitment

For the registered capital of HKD12,000,000 for 廣州市達以富貿易有限公司 ("**達以富**"), a wholly owned subsidiary of the Company, the Group shall paid 15% of the registered capital within three months after the date of issuance of business license of 達以富 and shall paid the remaining 85% of the registered capital within two years after the date of issuance of business license. Although the business license has been issued on 12 April 2013, the Group has yet to pay up any capital for 達以富 at 31 December 2013 (2012: Nil). For the potential penalty for the above non-compliance, please refer to Note 29(c) to the consolidated financial statements.

28. DECONSOLIDATION OF SUBSIDIARIES

Pursuant to the Company's announcement dated 25 March 2014, due to the non-cooperation of the management of the Deconsolidated Subsidiaries and the continued absence of Mr. He from the Company, who was responsible for liasing with the Deconsolidated Subsidiaries, the Board has been unable to access to the books and records of Deconsolidated Subsidiaries. Given the situation described above, the Board is of the view that the Group does not have the records to prepare accurate and complete financial statements for the Deconsolidated Subsidiaries for the financial year ended 31 December 2013. On 25 March 2014, the Board resolved that the Group no longer had the power to govern the financial and operating policies of the Deconsolidated Subsidiaries, and the control over the Deconsolidated Subsidiaries was lost on that date. The Group therefore deconsolidated the Deconsolidated Subsidiaries from its consolidated financial statements for the financial year ended 31 December 2013.

The following is a list of the subsidiaries which have been deconsolidated from 1 January 2013:

Name of subsidiary	Place of incorporation or establishment/ operation	Paid-up share capital/ registered capital	Proportion of nominal value of ordinary issued capital/registered capital held by the Company		Principal activities
			Directly	Indirectly	
Bloxworth Enterprise Limited	British Virgin Islands, limited liability	USD1,000	100%	–	Investment holding
Shanxi Zhanpen Metal Products Co., Ltd 山西展鵬金屬製品有限公司	PRC, wholly owned foreign enterprise	USD8,100,000	–	100%	Manufacture and sale of tinplate cans for the packaging of beverage in the PRC

The combined net assets of the Deconsolidated Subsidiaries as of 1 January 2013, which is based on their financial information as of 31 December 2012 were set out below respectively:

	Total RMB'000
Net assets deconsolidated of:	
Prepaid lease payments, net of accumulated amortisation and impairment	–
Property, plant and equipment, net of accumulated depreciation and impairment	10,089
Inventories	2,589
Trade receivables, net of allowance for doubtful debts	36,981
Other receivables, deposits and prepayments	1,845
Cash and bank balances	771
Amount due from the Company	1,259
Trade payables	(1,394)
Other payables and accrued charges	(3,286)
Receipt in advance	(324)
Tax liabilities	(2,086)
	46,444
Loss on deconsolidation of subsidiaries	(38,323)
Translation reserve release upon deconsolidation	1,101
Surplus reserve release upon deconsolidation	(9,222)
	–
Net cash outflow arising on deconsolidation	
Cash and bank balances disposed of	(771)

29. LITIGATIONS AND CONTINGENCIES

a) The Alleged Guarantee and the claim

As explained in Note 2(b) to the consolidated financial statements, in December 2013, the Board received demand from Alleged Creditors regarding the Alleged Guarantees of approximately RMB842 million owed by the Alleged Creditors.

On 14 January 2014, the Company received a writ of summons and statement of claim issued by 廣東省金屬回收公司 (Guangdong Metal Recycling Corporation*) ("**GMRC**"), one of the two Alleged Creditors in relation to the Alleged Guarantees, against: (i) Able Success as 1st defendant; (ii) Mr. He as the 2nd defendant; and (iii) the Company as the 3rd defendant, claiming an aggregate sum of approximately RMB644 million (the "**Claim**").

In response to the Claim, the Company submitted the Defence, which avers, inter alia, that:

(a) neither the Board nor the shareholders of the Company had approved or authorised the execution of the purported guarantees or any other documents in favour of GMRC on behalf of the Company;

(b) GMRC had actual, alternatively imputed, knowledge or notice of the lack of authority and/or capacity of Mr. He to execute the purported guarantees, and did not deal with the Company in good faith;

(c) the purported guarantees were executed by Mr. He ultra vires and void for want of authority and/or capacity;

(d) further or alternatively, the making of the purported guarantees was without any benefit whatsoever to the Company as it was given without any consideration provided by GMRC and was neither in the commercial interests of, nor authorised by, the Company, and constituted a purported disposal of its capital without receiving a benefit in return; and

(e) the Company denies that GMRC is entitled to any of its claims and/or interest as alleged in the Claim.

The Company states that it did not approve and did not authorise any person to enter into the Alleged Guarantees on behalf of the Company and was not aware of the existence of the same beforehand.

After taking legal advice from the legal adviser, the Board is of the view that the Alleged Guarantees and the Claim are void and unenforceable and the Company has valid grounds to defend. The Company considers that it has valid and solid grounds to defend against the Alleged Guarantees and Claim. The Company will take all necessary steps to resist the Alleged Guarantees and Claim. Accordingly, there should not be any material impact on the financial position of the Company and the Group.

29. LITIGATIONS AND CONTINGENCIES *(Continued)*

b) Disputes for receivables from Ease Faith

As detailed in Note 17(ii) to the consolidated financial statements, Great Rich issued a writ of summons in the High Court of The Hong Kong Special Administrative Region by as the plaintiff claiming against Ease Faith, the supplier in the Sales Contracts as the defendant, for breach of the Sales Contracts or alternatively, money had and received.

c) Overdue unpaid registered capital for 達以富

As explained in Note 27(b) to the consolidated financial statements, the Group has not paid up the registered capital for 達以富 within the specific timeframe stipulated by the relevant PRC rules and regulations. According to the legal opinion issued by PRC legal adviser, the potential penalty would be ranged from 5% to 15% based on the overdue unpaid registered capital. The Board considered that the risk is low and remote and hence no provision has been provided for the year ended 31 December 2013 (2012: Nil).

Other than disclosed above, the Directors are of the opinion that the Group has no other material contingent liabilities as at 31 December 2013 and 31 December 2012.

30. MATERIAL RELATED PARTY TRANSACTIONS AND DISCLOSURES

a) In addition to the balances with related parties at the end of reporting period which disclosed in the consolidated financial statements, the Group entered into the following significant transactions with related parties during the years ended 31 December 2013 and 31 December 2012.

Name	Nature of transaction	2013 RMB'000	2012 RMB'000
Business Giant Limited ("**Business Giant**")	– Interest paid for Convertible Loan Notes *(Note i)*	**23**	89
Able Success	– Interest paid for Convertible Loan Notes	**123**	–

Notes:

i) An interest expenses of approximately HKD28,000, equivalent to approximately of RMB23,000 (2012: HKD108,000, equivalent to approximately RMB89,000) on Convertible Loan Notes has been paid to Business Giant during the year ended 31 December 2013, in which Mr. Leung Heung Ying Alvin ("**Mr. Leung**"), the executive director of the Company, is the sole director and shareholder of Business Giant. Upon the resignation of Mr. Leung on 20 February 2013, Business Giant ceased to be classified as related party of the Group.

30. MATERIAL RELATED PARTY TRANSACTIONS AND DISCLOSURES *(Continued)*

b) Compensation to key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 11(a) and certain of the highest paid employees as disclosed in Note 11(b), is as follows:

	2013 **RMB'000**	2012 RMB'000
Salaries, allowances and other benefits in kind	**5,312**	2,574
Contributions to retirement benefits scheme	**51**	250
	5,363	2,824

31. RETIREMENT BENEFITS PLANS

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000. Contributions to the plan vest immediately.

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

The total cost charged to the consolidated statement of profit or loss and other comprehensive income of approximately RMB75,000 (2012: RMB624,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

32. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2013 are as follows:

Name of subsidiary	Place of incorporation or establishment/ operation	Paid-up share capital/ registered capital	Proportion of nominal value of ordinary issued capital/registered capital held by the Company		Principal activities
			Directly	Indirectly	
Great Rich	Hong Kong, limited liability	HKD1	100%	–	Trading business and related services
Ever Good Industries (International) Limited *(Note a)*	Hong Kong, limited liability	HKD100	100%	–	Inactive
Smart Propser Enterprises (International) Limited *(Note a)*	Hong Kong, limited liability	HKD100	100%	–	Inactive
Boway Enterprises (International) Limited *(Note a)*	Hong Kong, limited liability	HKD100	100%	–	Inactive
達以富 *(Note a)*	PRC, wholly owned foreign enterprises	Nil *(Note b)*	–	100%	Inactive

Notes:

a) It was newly incorporated companies during the year ended 31 December 2013.

b) As explained in Note 29(c) to the consolidated financial statements, the registered capital of HKD12,000,000 has not been paid up at 31 December 2013.

None of the subsidiaries had issued any debt securities at 31 December 2013 and 31 December 2012.

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the Convertible Loan Notes, which has been fully converted into ordinary shares during the year ended 31 December 2013, cash and bank balances and equity attributable to owners of the Group, comprising issued share capital, reserves and accumulated losses.

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

34. FINANCIAL INSTRUMENTS

Categories of financial instruments

(i) Financial assets

	2013 RMB'000	2012 RMB'000
Loans and receivables (including cash and bank balances):		
Trade and other receivables	**14,123**	37,430
Cash and bank balances	**85**	11,217
	14,208	48,647

(ii) Financial liabilities

	2013 RMB'000	2012 RMB'000
Financial liabilities at amortised cost:		
Trade and other payables	**2,728**	4,911
Amount due to a related party	**171**	–
Amount due to ultimate holding company	**11,927**	–
Amount due to a deconsolidated subsidiary	**2,396**	–
Liability component of Convertible Loan Notes	**–**	8,508
	17,222	13,419

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments including trade and other receivables, cash and bank balances, trade and other payables, amount due to a related party, amount due to ultimate holding company, amount due to a deconsolidated subsidiary and liability component of Convertible Loan Notes. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The Group has written risk management policies and guidelines. The management meets periodically to analyse and formulate strategies to manage the Group's exposure to market risk. The Group's exposure to market risk is kept to a minimum. The Group has not used any derivatives or other instruments for hedging purpose.

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

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

Market risk

(i) Currency risk

The Group's exposure to currency risk is attributable to the cash and bank balances and Convertible Loan Notes which are denominated in foreign currencies other than the functional currency of the group entity. For Convertible Loan Notes, as detailed in Note 23 to the consolidated financial statements, as the exchange rate has been fixed, the Board considers that the exposure is minimal. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, the management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

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

	2013	2012
	RMB'000	RMB'000
USD		
Monetary asset:		
Cash and bank balances	**–**	1
HKD		
Monetary asset:		
Cash and bank balances	**85**	9

Sensitivity analysis

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

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

Market risk *(Continued)*

(i) Currency risk (Continued)

Sensitivity analysis *(Continued)*

	2013 **RMB'000**	2012 RMB'000
Impact on loss before income tax		
HKD	**4**	1
USD	**–**	1

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings arising from the liability component of Convertible Loan Notes as set out in Note 23. The Group is also exposed to cash flow interest rate risk in relation to its variable-rate bank balances as detailed in Note 18. The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's bank balances are short-term in nature and the exposure of the interest rate is minimal.

Credit risk

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

As at 31 December 2013, 100% (2012: 100%) of the trade receivables of the Group are located in Hong Kong (2012: the PRC).

The carrying amounts of trade and other receivables and cash and bank balances represent the Group's maximum exposure to credit risk in relation to financial assets. The carrying amounts of these financial assets presented in the consolidated statement of financial position are net of accumulated impairment losses, if any. At 31 December 2012, the Group has concentration of credit risk as 14% and 50% of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. The Group has concentration of credit risk as 100% of total trade receivables was due from its sole customer for the year ended 31 December 2013.

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 17 to the consolidated financial statements.

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

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

Liquidity risk

At 31 December 2013, the Group had net current liabilities and net liabilities of approximately RMB2,718,000 and RMB2,122,000, respectively and the Group had incurred loss of approximately RMB49,955,000 for the year ended 31 December 2013. As explained in Note 2(b) to the consolidated financial statements, the management has taken several measures and arrangements to improve the financial position of the Group and after taking into account the Proposed Plans, the Board considers that the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due at least next twelve months commencing from 1 January 2014.

Liquidity management

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

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

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

	Weighted averaged interest rate (%)	On demand or within one year RMB'000	One to five years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amounts RMB'000
2013					
Trade and other payables	**–**	**2,728**	**–**	**2,728**	**2,728**
Amount due to a related party	**–**	**171**	**–**	**171**	**171**
Amount due to ultimate holding company	**–**	**11,927**	**–**	**11,927**	**11,927**
Amount due to a deconsolidated subsidiary	**–**	**2,396**	**–**	**2,396**	**2,396**
		17,222	**–**	**17,222**	**17,222**
2012					
Trade and other payables	–	4,911	–	4,911	4,911
Liability component of Convertible Loan Notes	17.96	319	15,718	16,037	8,508
		5,230	15,718	20,948	13,419

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSET			
Investments in subsidiaries	a	**1**	8
CURRENT ASSETS			
Other receivables, deposits and prepayments		**270**	–
Amounts due from subsidiaries	a	**38**	10,835
Cash and bank balances		**67**	79
		375	10,914
CURRENT LIABILITIES			
Other payables and accrued expenses		**1,416**	233
Amount due to ultimate holding company	a	**8,983**	–
Amounts due to subsidiaries	a	**–**	1,259
Amount due to a deconsolidated subsidiary	a	**2,396**	–
		12,795	1,492
NET CURRENT ASSETS		**(12,420)**	9,422
TOTAL ASSETS LESS CURRENT LIABILITIES		**(12,419)**	9,430
NON-CURRENT LIABILITY			
Convertible loan notes		**–**	8,508
NET ASSETS		**(12,419)**	922
CAPITAL AND RESERVES			
Share capital	25	**1,637**	720
Reserves	b	**(14,056)**	202
		(12,419)	922

Notes:

(a) The investments in subsidiaries represent cost of unlisted shares of the subsidiaries. Details of principal subsidiaries as at 31 December 2013 are shown in Note 32 to the consolidated financial statements. The amount(s) due from/to subsidiaries/to a deconsolidated subsidiary/to ultimate holding Company is unsecured, interest free and repayable on demand.

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

Notes: (Continued)

(b) Reserves

	Share premium RMB'000 *(Note i)*	Share options reserve RMB'000 *(Note ii)*	Convertible loan notes equity reserve RMB'000 *(Note 23)*	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2012	72,902	2,673	7,629	269	(70,306)	13,167
Loss for the year	–	–	–	–	(18,802)	(18,802)
Other comprehensive expenses						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	2,505	–	2,505
Total comprehensive expense for the year	–	–	–	2,505	(18,802)	(16,297)
Issuance of shares upon exercise of Scheme Creditors Options *(Note 26(b))*	4,183	(851)	–	–	–	3,332
Lapsed of Scheme Creditors Options *(Note 26(b))*	–	(884)	–	–	884	–
At 31 December 2012	77,085	938	7,629	2,774	(88,224)	202
Loss for the year	–	–	–	–	(22,138)	(22,138)
Other comprehensive expenses						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	(204)	–	(204)
Total comprehensive expense for the year	–	–	–	(204)	(22,138)	(22,342)
Issuance of shares upon exercise of Convertible Loan Notes	16,506	–	(7,629)	–	–	8,877
Issuance of shares upon bonus issue	(793)	–	–	–	–	(793)
At 31 December 2013	**92,798**	**938**	**–**	**2,570**	**(110,362)**	**(14,056)**

Notes:

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

ii) Share options reserve represents the portion of the grant date fair value of unexercised share options granted under the share option scheme or unexercised Scheme Creditors Options. For the Scheme Creditors Options, it was lapsed during the year ended 31 December 2012.

37. EVENTS AFTER THE END OF REPORTING PERIOD

a) Alleged Guarantee for the total sum approximately of RMB842 million

As detailed in Note 29(a) to the consolidated financial statements, the Company has received a writ of summons and statement of claim issued by the GMRC on 14 January 2014 in relation to the Alleged Guarantees, claiming an aggregate sum of approximately RMB644 million against the Company. Based on the legal opinion issued by the legal advisers dated 31 March 2014, the Board and the legal advisers are of the view that the Alleged Guarantees are void and unenforceable against the Company.

In response to the Claim, the Company submitted a Defence to the High Court of the Hong Kong Special Adminstrative Region on 24 March 2014.

b) Proposed Placing for 169,000,000 placing shares

As detailed in Note 2(b)(3) to the consolidated financial statements, the Company has entered into a Proposed Placing on 14 March 2014. The net proceeds from the Proposed Placing are estimated to be approximately of HKD17.5 million. Up to the date of this report, the Listing Committee has yet to grant approval for the above Proposed Placing, and the long stop date for fulfilling the conditions precedent of the Proposed Placing has been extended to 11 April 2014.

c) Suspension of Mr. He's and Mr. Zhang Zhantao's positions, functions and duties and change of board composition

In light of Mr. He's extended absence without cause since November 2013 and non-response to the Company's inquiries on the Alleged Guarantees, and the fact that Mr. He is one of the defendants of the Claim, the Board has temporarily suspended Mr. He from his position as the chairman of the Board and executive director (including executive function as authorised representative of the Company and to sign any documents for and on behalf of the Company) with effect from 27 January 2014.

In order not to affect the daily operations of the Company, Mr. Siu Yun Fat and Mr. Lau Fai Lawrence have been appointed as executive directors of the Company with effect from 28 January 2014.

The Company received a letter from Mr. Zhang Zhantao ("**Mr. Zhang**") dated 6 March 2014, in which he, on his own accord, tendered to the Company a request for suspension of his position, functions and duties due to his involvement in the Sales Contract as mentioned in Note 17(ii) to the consolidated financial statements with effect from 6 March 2014. On the same date, the Board resolved to suspend Mr. Zhang from his position as an executive director of the Company (including executive function as authorised representative of the Company and to sign any documents for and on behalf of the Company) with effect from 6 March 2014.

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

d) Disputes for the receivables from Ease Faith

As detailed in Note 17(ii) to the consolidated financial statements, Great Rich issued a writ of summons in the High Court of The Hong Kong Special Administrative Region by as the plaintiff claiming against Ease Faith, the supplier in the Sales Contracts as the defendant, for breach of the Sales Contracts or alternatively, money had and received.

e) Loss of control of Deconsolidated Subsidiaries

As detailed in Notes 2(a) and 28 to the consolidated financial statements, the Board resolved that the Group no longer had the power to govern the financial and operating policies of the Deconsolidated Subsidiaries and the control was lost on 25 March 2014. The Group therefore deconsolidated the Deconsolidated Subsidiaries from its consolidated financial statements for the financial year ended 31 December 2013.

f) Loan facilities for an amount approximately of HK$45 million

As detailed in Note 2(b)(2) to the consolidated financial statements, the Group has obtained new loan facilities in aggregate of HKD45 million from independent third parties in March 2014.

38. MAJOR NON-CASH TRANSACTIONS

Year ended 31 December 2013

a) As detailed in Notes 2(a) and 28 to the consolidated financial statements, the Group has deconsolidated its entire 100% directly held equity interests in Bloxworth and 100% indirectly held equity interests in Zhanpen starting from 1 January 2013.

b) As detailed in Note 25(c) to the consolidated financial statements, 1,010,662,666 bonus shares were issued on 6 November 2013, by the capitalisation of approximately RMB793,000 of the share premium account.

Year ended 31 December 2012

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

* *For identification purposes only*

Five-year Financial Summary

RESULTS

	For the Year Ended 31 December					
	2013	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**148**	74,085	142,311	124,812	74,066	193,354
(Loss) profit before taxation	**(49,955)**	(87,938)	163,464	14,648	(8,608)	(831,170)
Income tax credit (expense)	**–**	2,248	(5,946)	(5,401)	–	(5,243)
(Loss) profit for the year	**(49,955)**	(85,690)	157,518	9,247	(8,608)	(836,413)

ASSETS AND LIABILITIES

	31 December					
	2013	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**15,100**	63,002	156,244	119,782	102,543	170,006
Total liabilities	**(17,222)**	(15,829)	(26,611)	(230,696)	(222,704)	(297,828)
Total equity (deficit)	**(2,122)**	47,173	129,633	(110,914)	(120,161)	(127,822)

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