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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

The board of directors (the "**Board**") of China Packaging Group Company Limited (the "**Company**") announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2013 together with comparative figures for the previous year as follows:

FINANCIAL SUMMARY

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	*4*	**148**	74,085
Cost of sales		**–**	(64,879)
Gross profit		**148**	9,206
Other revenue	*5*	**1,291**	141
Selling and distribution expenses		**–**	(4,047)
Administrative expenses		**(12,432)**	(15,933)
Loss on deconsolidation of subsidiaries	*14*	**(38,323)**	–
Impairment loss recognised in respect of property, plant and equipment	*11*	**–**	(51,911)
Impairment loss recognised in respect of trade receivables		**–**	(24,014)
Operating loss		**(49,316)**	(86,558)
Finance costs	*6*	**(639)**	(1,380)
Loss before income tax		**(49,955)**	(87,938)
Income tax credit	*7*	**–**	2,248
Loss for the year attributable to owners of the Company	*8*	**(49,955)**	(85,690)
Other comprehensive expense			
Item 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	*10*		
– 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		**–**	–
Property, plant and equipment	*11*	**596**	10,089
		596	10,089
CURRENT ASSETS			
Inventories		**–**	2,589
Trade and other receivables	*12*	**14,419**	39,107
Cash and bank balances		**85**	11,217
		14,504	52,913
CURRENT LIABILITIES			
Trade and other payables	*13*	**2,728**	4,911
Amount due to a related party		**171**	–
Amount due to ultimate holding company	*15*	**11,927**	–
Amount due to a deconsolidated subsidiary	*16*	**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		**–**	8,508
NET (LIABILITIES) ASSETS		**(2,122)**	47,173
CAPITAL AND RESERVES			
Share capital		**1,637**	720
Reserves		**(3,759)**	46,453
TOTAL (DEFICITS) EQUITY		**(2,122)**	47,173

NOTES

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 PREPARATIOIN 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 of 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., Ltd.*（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 Deconsolidated Subsidiaries was lost on that date.

Given these circumstances, the Directors have not consolidated the financial statements of the Deconsolidated Subsidiaries in the consolidated financial statements of the Company 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 since 1 January 2013.

In the opinion of the Directors, the consolidated financial statements of the Company 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 14 to this announcement.

(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 certain companies, requesting the Company, being the alleged guarantor of debts in the total sum of approximately RMB842 million owed by certain 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. 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 17(a) to this announcement.

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

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 18(f), in March 2014, the Group has obtained new loan facilities in aggregated of HK$45 million from independent third parties;

3) As explained in Note 18(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 HK$0.105 (the "**Proposed Placing**"). The net proceeds from this placing is approximately HK$17.5 million;

4) The Directors are considering various alternatives to strengthen the capital base of the Company through various fund raising exercises, including but not limit 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 consolidate 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 respectively. 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 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.

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, HKFRS12 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) – Interpretation 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.*

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.

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.

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, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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. 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; and

– 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	2012	**2013**	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue						
External sales	**–**	74,085	**148**	–	**148**	74,085
Segment loss	**–**	(75,480)	**(3,855)**	(189)	**(3,855)**	(75,669)
Unallocated corporate 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. Segment loss represents the loss from each segment without allocation of central administration costs, directors' emoluments, loss on deconsolidation of subsidiaries and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

5. 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

6. FINANCE COSTS

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

7. INCOME TAX CREDIT

	2013	2012
	RMB'000	*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 RMB4,004,000 (equivalent to approximately of HKD4,956,000) (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 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.

8. 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	**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

9. 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).

10. 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.

11. PROPERTY, PLANT AND EQUIPMENT

There was an addition of property, plant and equipment of approximately RMB1,193,000 (2012: RMB12,696,000) for the year ended 31 December 2013.

For the year ended 31 December 2012, the Directors, after taking into account the economic condition and industrial development prospect, had considered that the significant decrease in revenue during the year indicated impairment loss for the Group's property, plant and equipment 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. Based on the valuation report dated 22 March 2013, a total impairment loss of approximately RMB51,911,000 has been recognised in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 December 2012.

12. TRADE AND OTHER RECEIVABLES

	Notes	**31 December 2013** ***RMB'000***	31 December 2012 *RMB'000*
Trade receivables	*(i)*	**148**	60,995
Less: Allowance for doubtful debts		**–**	(24,014)
		148	36,981
Receivable from Ease Faith (as defined below)	*(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.

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:

	31 December 2013 *RMB'000*	31 December 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:

	31 December 2013 *RMB'000*	31 December 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:

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

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.

(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 Limited ("**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.

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.

13. TRADE AND OTHER PAYABLES

	31 December 2013 *RMB'000*	31 December 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:

	31 December 2013 *RMB'000*	31 December 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.

14. 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 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 deprecration and impairment	10,089
Inventories	2,589
Trade receivables, net of allowance for doubtful debts	36,981
Other receivables, deposits and prepayments	1,845
Bank balances and cash	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)
	–

15. 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.

16. 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.

17. LITIGATIONS AND CONTINGENCIES

a) The Alleged Guarantees and the claim

As explained in Note 2(b) to this announcement, in December 2013, the Board received demand from Alleged Creditors regarding the Alleged Guarantees of around 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 the 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 authorized 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.

b) Disputes for receivables from Ease Faith

As detailed in Note 12(ii) to this announcement, 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 廣州市達以富貿易有限公司(“達以富”)

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 our 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.

18. EVENTS AFTER THE END OF REPORTING PERIOD

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

As detailed in Note 17(a) to this announcement, 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 this announcement, the Company has entered into the Proposed Placing on 14 March 2014. The net proceeds from the Proposed Placing are estimated to be approximately of HK$17.5 million. Up to the date of this announcement, the Listing Commiteee 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 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 12 to this announcement 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.

d) Disputes for receivables from Ease Faith

As detailed in Note 12(ii) to this announcement, 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 14 to this announcement, 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 this announcement, the Group has obtained new loan facilities in aggregate of HK$45 million from independent third parties.

EXTRACT OF THE INDEPENDENT AUDITORS' REPORT

The following is an extract of the independent auditors' report on the Group's audited consolidated financial statements for the year ended 31 December 2013 which has included a disclaimer of 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 to HK$17,616,000).

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 confirmations 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."

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Company is an investment holding company. The Company and its subsidiaries (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**") as well as trading business.

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's ("**Mr. He**") was absent from the Company without cause since November 2013. Moreover, as disclosed under the section headed Note 17 to this announcement, Mr. He is one of the defendants of the alleged claim. The Board decided that it is in the best interest of the Company and shareholders as a whole to suspend all executive positions, 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 reviews of 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 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 have 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 only 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 18 to this announcement, 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 has entered into a conditional placing agreement, supplemental agreement and extension letter respectively with a placing agent, Get Nice Securities Limited (the "**Placing Agent**"), under which the Placing Agent will use its best endeavors to place up to 169,000,000 placing 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.

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 effort basis, a maximum of 169,000,000 new shares at the price of HK$0.105 per share, completion of which shall be in early 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.

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).

DIVIDEND

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

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.

SCOPE OF WORK OF ZHONGLEI (HK) CPA COMPANY LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2013 have been agreed by the Group's auditor, ZHONGLEI (HK) CPA Company Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by ZHONGLEI (HK) CPA Company Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGLEI (HK) CPA Company Limited on the preliminary announcement.

CORPORATE GOVERNANCE

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 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 announcement, 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.

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.

PUBLICATION OF INFORMATION ON WEBSITES

This results announcement is available for viewing on the website of Stock Exchange at www.hkex.com.hk and on the website of the Company at www.cpackaging.com.hk. The annual report of the Company for year ended 31 December 2013 containing the information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders of the Company in due course.

For and on behalf of
China Packaging Group Company Limited
Lau Cheuk Pun
Company Secretary

Hong Kong, 31 March 2014

As at the date of this announcement, the Board comprises (i) four executive Directors, namely Mr. He Jianhong (position, duties and functions suspended from 27 January 2014), Mr. Zhang Zhantao (position, functions and duties suspended from 6 March 2014), Mr. Siu Yun Fat and Mr. Lau Fai Lawrence; and (ii) three independent non-executive Directors, namely Mr. Siu Siu Ling, Robert, Mr. Tam Tak Wah and Mr. Chan Yee Por, Simon.

* *For identification purpose only*