



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 2007**

FINANCIAL SUMMARY

The Board of Directors (the “Board”) of China Packaging Group Company Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2007 together with comparative figures for the previous year as follows:-

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	NOTES	2007 RMB'000	2006 RMB'000
Turnover	4	668,641	518,093
Cost of sales		(457,630)	(359,632)
Gross profit		211,011	158,461
Other income		4,637	5,312
Loss on change in fair values of derivative financial instruments		(35,895)	(10,449)
Selling expenses		(19,749)	(15,691)
Administrative expenses		(32,938)	(17,231)
Finance costs	5	(6,425)	(6,306)
Profit before taxation	6	120,641	114,096
Income tax expense	7	(28,141)	(17,594)
Profit for the year		92,500	96,502
Earnings per share	9		
– Basic		RMB0.167	RMB0.224
– Diluted		RMB0.158	RMB0.219

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	NOTES	2007 RMB'000	2006 RMB'000
Non-current assets			
Property, plant and equipment		277,845	181,892
Deposits paid for acquisition of property, plant and equipment		81,253	12,110
Prepaid lease payments		82,868	2,016
Pledged bank deposits		4,678	5,252
		<u>446,644</u>	<u>201,270</u>
Current assets			
Inventories		29,170	13,660
Trade receivables	10	179,681	125,511
Other receivables, deposits and prepayments		3,452	6,765
Prepaid lease payments		48	48
Pledged bank deposits		12,283	16,413
Bank balances and cash		400,060	393,261
		<u>624,694</u>	<u>555,658</u>
Current liabilities			
Trade payables	11	32,470	14,310
Bills payable		14,080	39,205
Receipt in advance, other payables and accrued charges		20,350	16,431
Amounts due to directors		154	248
Taxation payable		9,853	3,876
Bank loans - amount due within one year		88,382	92,290
Derivative financial instruments		113,656	7,310
		<u>278,945</u>	<u>173,670</u>
Net current assets		<u>345,749</u>	<u>381,988</u>
		<u>792,393</u>	<u>583,258</u>
Capital and reserves			
Share capital		62,516	52,287
Reserves		718,962	525,846
Equity attributable to equity holders of the parent		<u>781,478</u>	<u>578,133</u>
Non-current liabilities			
Bank loans – amount due after one year		10,915	5,125
		<u>792,393</u>	<u>583,258</u>

Notes:

1. GENERAL

The Company is incorporated as an exempted company with limited liability in the Cayman Islands on 21 October 2002 under the Companies Law of the Cayman Islands. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

The Company is an investment holding company. The principal activities of the Group are the manufacture and sale of tins for the packaging of food and beverage in the People’s Republic of China (the “PRC”), and provision of tinplate lacquering and printing services.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for the first time, the following new standard, amendment of Hong Kong Accounting Standards (“HKAS”s) and interpretations (“INT”s) (hereinafter collectively referred to as “new HKFRS”s) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC)* – INT 7	Applying the restatement approach under HKAS 29 “Financial Reporting in Hyperinflationary Economies”
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of embedded derivatives
HK(IFRIC) – INT 10	Interim financial reporting and impairment

* *IFRIC represents the International Financial Reporting Interpretations Committee.*

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendment and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standard, amendments or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of financial statements ¹
HKAS 23 (Revised)	Borrowing costs ¹
HKAS 27 (Revised)	Consolidated and separate financial statements ²
HKFRS 2 (Amendment)	Vesting conditions and cancellations ¹
HKFRS 3 (Revised)	Business combinations ²
HKFRS 8	Operating segments ¹
HK(IFRIC) – INT 11	HKFRS 2: Group and treasury share transactions ³
HK(IFRIC) – INT 12	Service concession arrangements ⁴
HK(IFRIC) – INT 13	Customer loyalty programmes ⁵
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction ⁴

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 July 2009.

³ Effective for annual periods beginning on or after 1 March 2007.

⁴ Effective for annual periods beginning on or after 1 January 2008.

⁵ Effective for annual periods beginning on or after 1 July 2008.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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.

4. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods sold and services rendered during the year.

Business segments

For management reporting purposes, the Group is currently organised into two divisions - (a) manufacture and sale of tinplate cans; and (b) provision of tinplate lacquering and printing services in the PRC.

The Group's operation by business segment is as follows:

	2007 RMB'000	2006 RMB'000
Income statement		
Turnover – external		
Manufacture and sale of tinplate cans	604,575	462,961
Tinplate lacquering and printing services	64,066	55,132
	<u>668,641</u>	<u>518,093</u>
Segment result		
Manufacture and sale of tinplate cans	156,734	113,398
Tinplate lacquering and printing services	31,189	25,823
	<u>187,923</u>	139,221
Interest income	4,606	2,805
Unallocated corporate expenses	(29,568)	(11,175)
Loss on change in fair values of derivative financial instruments	(35,895)	(10,449)
Finance costs	(6,425)	(6,306)
	<u>120,641</u>	114,096
Income tax expense	(28,141)	(17,594)
	<u>92,500</u>	<u>96,502</u>

	2007 RMB'000	2006 RMB'000
Balance sheet		
Assets		
Segment assets		
Manufacture and sale of tinplate cans	457,974	293,146
Tinplate lacquering and printing services	15,893	9,665
Assets in common use	30,183	28,498
Unallocated corporate assets	567,288	425,619
	<u>1,071,338</u>	<u>756,928</u>
Total assets		
	<u><u>1,071,338</u></u>	<u><u>756,928</u></u>
Liabilities		
Segment liabilities		
Manufacture and sale of tinplate cans	50,741	57,494
Tinplate lacquering and printing services	—	—
Liabilities in respect of assets in common use	5,415	3,297
Unallocated corporate liabilities	233,704	118,004
	<u>289,860</u>	<u>178,795</u>
Total liabilities		
	<u><u>289,860</u></u>	<u><u>178,795</u></u>
Other information		
Capital additions:		
Manufacture and sale of tinplate cans	113,788	54,888
Tinplate lacquering and printing services	164	8,700
Assets in common use	101	4,227
Unallocated corporate assets	14	—
	<u>114,067</u>	<u>67,815</u>
	<u><u>114,067</u></u>	<u><u>67,815</u></u>
Depreciation of property, plant and equipment:		
Manufacture and sale of tinplate cans	12,705	10,991
Tinplate lacquering and printing services	—	—
Assets in common use	4,900	2,984
Unallocated corporate assets	509	402
	<u>18,114</u>	<u>14,377</u>
	<u><u>18,114</u></u>	<u><u>14,377</u></u>

No geographical segment analysis is shown as the Group's operating businesses are substantially carried out in the PRC, and the revenue from sales are substantially to PRC customers.

5. FINANCE COSTS

	2007 RMB'000	2006 RMB'000
Interest on borrowings wholly repayable within five years		
– bank borrowings	6,158	4,423
– convertible notes	–	1,612
	<u>6,158</u>	<u>6,035</u>
Bank charges	267	271
	<u>6,425</u>	<u>6,306</u>

6. PROFIT BEFORE TAXATION

	2007 RMB'000	2006 RMB'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration	2,176	2,776
Other staff costs	10,770	10,253
Retirement benefit cost, other than directors	145	113
Share-based payments	16,464	2,424
	<u>29,555</u>	<u>15,566</u>
Total staff costs		
Auditor's remuneration	1,639	1,093
Cost of inventories recognised as an expense	457,630	359,632
Depreciation of property, plant and equipment	18,114	14,377
Loss on disposal of property, plant and equipment	—	4
Minimum lease payments in respect of:		
– land and buildings	1,905	1,085
– machinery and equipment	1,500	2,000
Release of prepaid lease payments	48	48
and after crediting:		
Interest income	4,606	2,805
Net foreign exchange gain	709	2,344
	<u>709</u>	<u>2,344</u>

7. INCOME TAX EXPENSE

	2007 RMB'000	2006 RMB'000
The charge comprises:		
Income tax calculated at the rates prevailing in the PRC	<u>28,141</u>	<u>17,594</u>

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

A PRC subsidiary has operations in the Fujian province, the PRC which is located in a coastal city economic development zone. The applicable income tax rate for this PRC subsidiary, being the rate for productive enterprises located in coastal cities is 24%, and a reduced rate of 15% for the operational profits derived from the relevant economic development zones, with a local enterprise tax rate of 3%. According to the letter issued by Fuqing State Tax Bureau on 28 March 2003, the local enterprise tax of 3% is exempted.

On 16 March 2007, the People's Republic of China ("PRC") promulgated the Law of the PRC on Enterprise Income Tax (the "New Tax Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The enactment of the New Tax Law is not expected to have any significant financial effect on the amounts accrued in the consolidated balance sheet in respect of taxation payable.

The charge for the year can be reconciled to the profit before taxation for the year as follows:

	2007 RMB'000	2006 RMB'000
Profit before taxation	<u>120,641</u>	<u>114,096</u>
Tax at PRC income tax rate of 24% (2006: 24%)	28,954	27,383
Tax effect of expenses that are not deductible in determining taxable profit	16,196	5,619
Tax effect of income that is not taxable in determining taxable profit	(215)	(30)
Tax effect of income that is under tax holiday	—	(5,201)
Tax effect of income that is under preferential tax rate	(16,916)	(10,556)
Others	<u>122</u>	<u>379</u>
Tax charge for the year	<u>28,141</u>	<u>17,594</u>

The Group did not have any significant unprovided deferred taxation arising during the year or at the balance sheet date.

8. DIVIDEND

	2007	2006
	RMB'000	RMB'000
Ordinary shares:		
Interim, paid – nil	—	—
Final, paid for 2006 – RMB0.044 (2006: Final, paid for 2005 – RMB0.025) per share	<u>22,726</u>	<u>10,553</u>
	<u><u>22,726</u></u>	<u><u>10,553</u></u>

The final dividend for the year ended 31 December 2007 of HK\$0.045 (equivalent to approximately RMB0.042) (2006: HK\$0.045 (equivalent to approximately RMB0.044)) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2007	2006
	RMB'000	RMB'000
Earnings:		
Profit for the year for the purposes of basic earnings per share	92,500	96,502
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	—	1,612
Loss on change in fair value of conversion option derivative embedded in convertible notes	—	4,861
Gain on change in fair value of warrants	<u>(2,991)</u>	<u>—</u>
Profit for the year for the purposes of diluted earnings per share	<u><u>89,509</u></u>	<u><u>102,975</u></u>

	2007	2006
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	554,065,047	431,573,664
Effect of dilutive potential ordinary shares:		
Convertible notes	—	38,268,475
Warrants	3,741,215	—
Share options	8,596,851	44,515
	<u> </u>	<u> </u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>566,403,113</u>	<u>469,886,654</u>

For the year ended 31 December 2006, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding warrants as the exercise price of these warrants is higher than the average market price for the Company's shares for the year ended 31 December 2006.

10. TRADE RECEIVABLES

The Group allows an average credit period of three months to its trade customers. An aged analysis of trade receivables is as follows:

	2007	2006
	RMB'000	RMB'000
Not yet due	176,237	123,644
Overdue within 30 days	3,444	1,867
	<u> </u>	<u> </u>
	<u>179,681</u>	<u>125,511</u>

The Group allows an average capital period of 90 days to its trade customers. Before accepting any new customers, the Group will internally assess the credit quality of the potential customer and defines appropriate credit limits.

98% of trade receivables that are neither past due nor impaired to be of a good credit quality. Management closely monitors the credit quality and does not provided any allowance for the receivables.

Included in the Group's trade receivable are debtors with aggregate amount of HK\$3,444,000 (2006: HK\$1,867,000) which are pass due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 105 days (2006: 105 days). Based on the historical experience of the Group, trade receivables which are pass due but not impaired are generally recoverable.

The directors of the Company consider that the carrying amount of trade receivables approximates its fair value.

11. TRADE PAYABLES

An aged analysis of trade payables is as follows:

	2007	2006
	RMB'000	RMB'000
Within 3 months	32,343	14,216
Over 3 months but less than 6 months	20	33
Over 6 months	107	61
	<u>32,470</u>	<u>14,310</u>

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

The directors of the Company consider that the carrying amount of trade payables approximates its fair value.

FINANCIAL REVIEW

For the year ended 31 December 2007, the Group recorded a turnover of approximately RMB668.6 million (2006: RMB518.1 million), an increase of approximately 29.1%. This was largely attributable to the strong overall demand for food and beverage products in China.

The Group's gross profit amounted to approximately to RMB211.0 million (2006: RMB158.5 million), representing a year-on-year rise of 33.2%. The increase of gross profit was mainly due to the increase in sales of all the segments of the Group.

Profit for the year under review amounted to approximately RMB92.5 million (2006: RMB96.5 million), a year-on-year decrease of 4.1%.

BUSINESS REVIEW

In 2007, despite factors such as Renminbi appreciation and increased labour costs, the Group benefited from the robust growth of the PRC economy and demands, and with the aid of the more advanced technology embedded in the Group's equipment and production lines, steady control on supply sources and prices of raw materials, as well as with the commencement of operation of our new production lines which substantially enhanced our production capacity, the Group's costs were effectively contained. With effective implementation of the Group's strategy, we have continued the growth momentum in the previous year and achieved strong revenues. The analysis is detailed as follows:

I. Continued expansion in PRC beverage market

The 2008 Olympic Games is expected to be a driving force to China's economic growth, which also creates new development opportunities for the PRC beverage industry. Higher personal consumption, more sports events and outdoor sports activities will promote beverage consumption. Pursuant to the statistical figures of the National Bureau of Statistics of China, the growth in production volume of soft drinks amounted to 43.55 million tonnes, representing a year-on-year increase of 26.6%.

In 2007, China produced 4.55 million tonnes of food cans with production value of RMB39.7 billion. Export amounted to 2.50 million tonnes with export value of US\$2.57 billion; both production and export volume represented increases in excess of 10% over 2006's.

II. Core business growth drive better results

Compared with the corresponding period of last year, the three principal business operations of the Group continued to record double digit growths, mainly due to the following factors:

1) Two-piece cans

Leveraging the continued growth in China's canned food consumption, the Group successfully procured eight new customers and new orders increased by over 30 million cans during the year. The Group achieved a year-on-year growth exceeding 40% in sales of two-piece can products. Our sales network has been further-developed, currently covering areas in six provinces across the country. On the other hand, in order to match the growing market demand for two-piece can products, the Group added one production line facility and a few dozen moulds. By June, the plans for doubling production capacity and can shape numbers were completed. This served to better satisfy customer's needs and increase our market share, as well as to expand sales, while at the same time boosted customers' confidence in the Group's products, thereby our number of new orders continued to increase, allowing more room for business growth. The Group excelled our proprietary technologies to quickly and extensively expand our production capacity of two-piece can products. Meanwhile, our competitiveness was strengthened by the Group's operation scale, brand name, sales networks, with the pursuit of improvement and the aim to outpace our industry competitors.

2) Three-piece easy-open cans

The sales of three-piece easy-open cans recorded a year-on-year growth of approximately 20%, with orders increased by over 70 million cans. As the commencement of operation of two three-piece easy-open can production lines in 2007 drove our results forward, our existing customers continued to put confidence in the Group's products. Furthermore, new orders continued to increase due to strong demand from the market, the Group also successfully procured about ten new customers who accounted for almost 8% of new orders. Furthermore, the customer base and market conditions for three-piece easy-open cans are relatively matured. Together with the streamlining of structure in the previous year, pressure from cost increases was basically completely offset and ensuring our sales targets are met.

3) Three-piece food cans

Sales volume of three-piece food cans for the year grew by approximately 40% compared to the corresponding period of last year. This breakthrough result is attributable to the following reasons: firstly, our products, professional know-how, technologies and qualities, have gradually gained customer recognition and confidence since our operations in the last 4 years; secondly, our recently developed new models of environmental products satisfied customers' requirements for higher quality as well as more variety, further boosting our product sales. Our year-on-year increase in the number of new orders was over 40 million cans.

4) Color printing processing

Our color printing processing businesses maintained a steady growth of about 10%, principally due to the very established customer base and relatively stable market conditions developed through over 10 years of operations. On the other hand, the Group's color printing processing technologies continued to innovate and improve, which offers added value to our customers, and therefore further enhance the color printing processing businesses of the Group.

III. Thriving customer recognition and expansion of sales scale

Shanxi Zhanpeng achieved a year-on-year sales growth of approximately 10%. This was attributable to the fast development and strong economic growth in the western China, which contributed to our quality existing customers to establish new factories in the area, while new customers were developed, leading to higher sales. Besides, during the latter half of the year, the commencement of a new production line boosted overall performance (such as production scale and efficiency) by about 40%, effectively lowering our costs. In addition, our customer's recognition and loyalty were enhanced which uplifted our sales.

IV. Effective cost controls to maintain gross profits margin

The Group proactively adopts measures to maintain margins and control costs effectively: 1) raising prices appropriately on products with relatively matured customer base and favourable market conditions, e.g. three-piece easy-open cans, external color printing processing businesses, etc., to achieve profits growth; 2) gradually improving the sales of food can products with high profit margins through technological improvement and product innovation, resulting in doubling the number of can shapes in 2007 and contributing to a more optional mix of the four principal businesses and mitigated cost pressure. The sales proportion from three-piece easy-open cans and food cans changed from 51.8% and 27.7% respectively in 2006 to 48.9% and 39.3%; 3) accelerating production capacity expansion. Two new production lines of three-piece easy-open can and one production line of two-piece food can commenced operation in 2007, both lowered common costs. The above strategies have effectively offset rise in costs and maintain profit margins.

The implementation of the new “Labour Law” shall not cause significant influences on the Group. The relevant provisions targeted certain irregularities in the existing employment policies. For enterprises already adopted human resources management in compliance with the laws and strictly under the lawful framework, the new law shall make them even more competitive. Earlier in 2006, the Group had already engaged a PRC professional management consultancy company to further improve our various rules and policies, facilitate proper personnel management, as well as enhance employee stability. Upon implementation of the new law, the employment procedures of the general labour market will be regulated, which shall narrow the differences of human resources costs between public and private companies, and speed up the establishment of a fair playing field in the industry.

PROSPECTS AND FUTURE PLANS

With the dedicated efforts of all our staff, we achieved satisfactory results in 2007. The management believes that we will achieve even better results in the future. The Group will commit even more efforts in the future to develop new markets and capture opportunities, with an aim to have greater achievements. The details are as follows:

I. Expanded capacity of easy-open can products results in significant growth

To meet strong market demands for the Group's products, the Group's Fuqing plant acquired two high-speed automatic beverage can production lines in 2007, which successfully commenced production in October, two months ahead of scheduled time. Such facilities offer stable quality and high production volume; some are the most advanced models in the industry in PRC. By introducing these production lines, the Group's technological levels have progressed to be in line with developed countries. With the Group's extensive and established relationships within our customer base, as well as our production capacity expansion and technological advancement, our confirmed sales orders have already achieved a year-on-year increase of over 30% in 2008.

Trial production of our new three-piece easy-open can shapes were successful. It is expected that production will commence in the first half of the year. Meanwhile, the Group conducted advertising and promotion among customers and received considerable indicative orders, mainly from neighboring customers. This will help the Group expand market share and achieve higher revenues.

II. Two-piece cans are well-positioned to continue profits growth

The Group's two-piece can sales have occupied important market positions, with the newly ordered equipment for a production line of two-piece food can and several sets of can shape moulds to commence operation in July. The new can shapes with high added value can leverage the existing sales channels to expand market position and sales. With our production capacity expansion and advanced technologies, our confirmed sales orders have shown a year-on-year increase of over 25% in 2008.

III. Accelerate geographic expansion to provide sustainable growth momentum

The Group registered and established a new subsidiary, Sichuan Zhanwang Metal Products Co., Ltd. (四川省展旺金屬製品有限公司), in November 2007 in Guanghan City (廣漢市) of Chengdu Province. To ensure that the new subsidiary will commence production quickly and provide a growth engine for our business in future, the Group in the second half of 2007 entered into a plant equipment lease agreement (廠房設備租賃協議) with a metal manufacturing company in Guanghan City, as well as executed an agreement for acquisition of two PRC industry leading production lines of high-speed automatic three-piece easy-open can imported from Swiss Soudronic, Japanese Fuji dual-color printing processing production line, Taiwanese new free-cutting metal machine and other ancillary equipment, for which operations may commence during the first half of 2008. The Group presently has over 200 quality customers, some of which have set up branch factories in the southwestern regions. Therefore, Zhanwang Metal (展旺金屬) will be able to leverage on the extensive customer base in the early stages of operation and grow its sales rapidly. Various renowned brands of food and beverage enterprises in the PRC have factories in Chengdu. However, the manufacturers of three-piece easy-open cans in neighboring areas are small in scale with low annual production volume. The management believes that after Zhanwang Metal commences production, the market offers enormous growth potential and brings significant growth to the Group.

On the other hand, to boost the long-term significant growths of the Group, the Group acquired a parcel of land of approximately 30 acres in Guanghan City Economic and Technological Development Area (廣漢市經濟技術開發區) at the end of 2007 for Zhanwang Metal to construct its facilities, which is intended to meet the future demand in a fast-growing market. It is expected that upon completion of such project, the Group's overall scale will reach a higher level, and its productions and operations will be further improved.

Moreover, the Group is currently dealing with the procedures for its proposed land acquisition in two of its production bases, namely Fuqing Xia Cao and Shanxi Fenyang. The Group already paid deposits for the land premium at the end of 2007, and the remaining approval procedures are expected to be completed during this year.

IV. Enhance color printing capabilities for future expansion

As the packaging industry evolves rapidly, requirements for color printing technologies have gone up. Our proprietary can production and color printing processing businesses are growing quickly every year. Therefore, the Group plans to acquire new equipment to meet future production needs and long-term business expansion. Based on our co-operation with Japanese Fuji company for over a decade and our confidence in their product quality, the Group entered into a purchase contract with Fuji company. Its highly-efficient, high-speed production machines and high quality will meet the needs for our color printing processing businesses and proprietary can production businesses. The new equipment, upon commencement of operation, will take our printing processing technologies and capabilities to a new height where customers' requirements for high quality packaging are met.

Based on the implementation of the Group's various business plans, as well as the progress of certain new projects, the Group is confident that it will continue to develop in 2008 and our results to reach new height, new barriers.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally financed its operations by internally generated cashflow and banking facilities provided by its bankers.

For the year ended 31 December 2007, the Group generated approximately RMB98.0 million (2006: RMB100.4 million) of cash from operations. As at 31 December 2007, the Group had cash and cash equivalents of approximately RMB400.1 million (2006: RMB393.3 million) and had total borrowings of approximately RMB99.3 million (2006: RMB97.4 million) of the total of approximately RMB99.3 million bank loans outstanding as at 31 December 2007, RMB29 million were arranged at 0.5% over People's Bank of China Standard Loan interest rate. The remaining RMB40.7 million and RMB29.6 million of bank loan was subject to floating rate from 2.0% to 2.75% over HIBOR per annum and 1.75% over LIBOR per annum respectively. The maturity profile for the Group's total borrowings was approximately 89% within one year and approximately 11% after one year but not exceeding three years. All of the aforementioned bank loans were guaranteed by corporate guarantees and pledged bank deposit from the Company.

As at 31 December 2007, the Group's current ratio, as a ratio of current assets to current liabilities, was approximately 2.2 (2006: 3.2) and the Group's gearing ratio, as a ratio of total interest-bearing borrowings to total assets, was approximately 9.3% (2006: 12.9%).

With respect to foreign exchange exposure, as the Group's transactions were mostly denominated in Renminbi and Hong Kong dollars, the exposure to foreign exchange fluctuations is minimal therefore no use of financial instruments for hedging purposes is considered necessary.

CAPITAL STRUCTURE

During the year ended 31 December 2007, a total of 45,030,000 shares were issued pursuant to the exercise of the share options by the option holders of the Company and 60,000,000 shares were issued pursuant to the placing and subscription agreement which was completed in June 2007. As a result, the total number of issued and fully paid shares of the Company as at 31 December 2007 is 601,791,081.

CAPITAL COMMITMENTS

As at 31 December 2007, the Group had capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements amounting to approximately RMB66 million (2006: RMB3.8 million) and did not have any authorised but not contracted for capital commitments (2006: Nil).

PLEDGE OF ASSETS

As at 31 December 2007, bank deposit of approximately RMB17.0 million (2006: RMB21.7 million) was pledged to a bank for banking facilities granted to the Group to the extent of the amount of deposits placed with the banks.

CONTINGENT LIABILITIES

As at 31 December 2007, the Group did not have any material contingent liabilities (2006: Nil).

SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITIONS AND DISPOSALS OF INVESTMENTS AND SUBSIDIARIES

There were no material acquisitions or disposals of investments and subsidiaries for the year ended 31 December 2007.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2007, the Group employed a total of 450 employees (2006: 445 employees) situated mainly in the PRC and Hong Kong. The Group's emolument policy is formulated based on industry practices and performance of individual employees. During the year under review, the total staff costs (including Directors' emoluments) amounted to approximately RMB29.6 million (2006: RMB15.6 million).

The Group operates a share option scheme for the purpose of providing incentives and rewards to the eligible participants for their contributions to the Group. There were totalling 84,070,000 share options were granted during the year ended 31 December 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 10 June 2008 to 13 June 2008, both days inclusive, during which period no transfer of shares will be registered. Shareholders whose names appear on the register of members at the close of business on 13 June 2008 will be entitled to attend and vote at the forthcoming annual general meeting of the Company. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 6 June 2008.

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

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

AUDIT COMMITTEE

The audit committee consists of all the independent non-executive directors, namely, Mr. Tong Hing Wah, Mr. Ng Wai Man and Mr. Chong Hoi Fung. The audit committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the audited financial statements for the year ended 31 December 2007 of the Company.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance. It is believed that high standards of corporate governance provide a framework and solid foundation for promoting high standards of accountability, transparency and responsibility to our shareholders.

The Board considers that the Company has complied with the code provisions on the Code on Corporate Governance Practices (the “CG Code”) that was set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the year ended 31 December 2007, except that (i) there is no division of roles of chairman and chief executive officer that both offices are held by Mr. Yang Zongwang; and (ii) the independent non-executive Directors are not appointed for specific terms. The reasons for such deviation from code provisions has been stated in the Company’s 2006 Annual Report.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This final results announcement is published on the website of the Stock Exchange at www.hkex.com.hk and on the Company’s website at www.cpackaging.com.hk. The Annual Report 2007 of the Company will also be published on the aforesaid websites in due course.

APPRECIATION

On the behalf of the Board, I would like to express my heartfelt gratitude to the Directors, the management and all our staff whose indispensable contributions have driven the Group to achieve impressive results for the year. My sincere appreciation also goes to all our shareholders, business partners, bankers and customers for their continued support and confidence in the Group over the years.

As at this date of announcement, the Board comprise of:

Executive Directors

Yang Zongwang

(Chairman and Chief Executive Officer)

Xue De Fa

Xie Xi

Liu Zhi Qiang

Independent Non-Executive Directors

Tong Hing Wah

Chong Hoi Fung

Ng Wai Man

By Order of the Board

Yang Zongwang

Chairman

Hong Kong, 15 April 2008