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

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1439)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2013	2012	**Change**
	RMB'000	*RMB'000*	
Turnover	**383,049**	280,553	36.5%
Gross profit	**89,606**	59,262	51.2%
Gross profit margin	**23.4%**	21.1%	
Profit attributable to owners of the Company	**44,337**	34,222	29.6%
Earnings per share attributable to owners of the Company			
Basic and diluted (RMB cents)	**7.39**	5.70	29.6%

THE FINANCIAL STATEMENTS

The board (the "Board") of directors (the "Directors") of China Packaging Holdings Development Limited 中華包裝控股發展有限公司 (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2013 together with the comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Turnover	5	**383,049**	280,553
Cost of sales		**(293,443)**	(221,291)
Gross profit		**89,606**	59,262
Other revenue	6	**921**	837
Other income	7	**7,945**	3,903
Selling and distribution expenses		**(15,792)**	(11,704)
Administrative expenses		**(21,764)**	(11,830)
Profit from operating activities		**60,916**	40,468
Finance costs	9	**(1,056)**	(1,080)
Profit before tax	8	**59,860**	39,388
Income tax expenses	10	**(15,523)**	(5,166)
Profit for the year		**44,337**	34,222
Other comprehensive income for the year, net of tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**427**	97
Other comprehensive income for the year, net of tax		**427**	97
Total comprehensive income for the year, net of tax		**44,764**	34,319
Profit attributable to owners of the Company		**44,337**	34,222
Total comprehensive income attributable to owners of the Company		**44,764**	34,319
Earnings per share attributable to owners of the Company			
– Basic and diluted (RMB cents)	12	**7.39**	5.70

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment		**82,537**	50,389
Prepaid lease payments		**2,435**	2,495
Deposits paid for acquisition of equipment		**9,869**	–
		94,841	52,884
Current assets			
Inventories		**10,827**	15,934
Trade receivables	*13*	**95,337**	58,355
Prepayments and other receivables		**2,653**	93
Pledged bank deposits		**2,278**	1,050
Cash and bank balances		**45,834**	25,711
		156,929	101,143
Current liabilities			
Trade, bills, other payables and accruals	*14*	**84,132**	42,864
Amount due to a director		**2,808**	–
Bank borrowings	*15*	**21,200**	15,000
Tax payables		**4,952**	1,865
		113,092	59,729
Net current assets		**43,837**	41,414
Total assets less current liabilities		**138,678**	94,298
Non-current liability			
Amount due to an immediate holding company		**–**	16,285
Net assets		**138,678**	78,013
Capital and reserves attributable to owners of the Company			
Share capital		**–**	–
Reserves		**138,678**	78,013
Total equity		**138,678**	78,013

1. CORPORATE INFORMATION

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

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

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

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

2. REORGANISATION

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

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

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

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

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

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

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

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

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

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

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

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

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, the statement of comprehensive income is renamed as the statement of profit or loss and other comprehensive income and the income statement is renamed as the statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

HKFRS 13 *Fair Value Measurement*

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

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

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

Except for the amendments to HKAS 1, the application of the above new HKFRSs had no material effect on the results and financial positions of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

Amendments to HKFRSs	Annual Improvements 2010–2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements 2011–2013 Cycle[2]
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39[4]
HKFRS 9	Financial Instruments[4]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[1]

HKFRS 14	Regulatory Deferral Accounts[3]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 32 (Amendments)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36 (Amendments)	Impairment of Assets: Recoverable Amount Disclosure for Non-Financial Assets[1]
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting[1]
HK (IFRIC) – Int 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014
[2] Effective for annual periods beginning on or after 1 July 2014
[3] Effective for annual periods beginning on or after 1 January 2016
[4] No mandatory effective date yet determined but is available for adoption

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

4. OPERATING SEGMENT

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

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

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

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

5. TURNOVER

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

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

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

6. OTHER REVENUE

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

7. OTHER INCOME

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

Notes:

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

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

8. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

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

9. FINANCE COSTS

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

10. INCOME TAX EXPENSES

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

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

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

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

11. DIVIDENDS

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

12. EARNINGS PER SHARE

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

Weighted average number of ordinary shares

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

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

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

13. TRADE RECEIVABLES

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

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

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

The average credit period on sales of goods is from 30 to 60 days. No interest is charged on trade receivables for the first 60 days from the date of the invoice. Thereafter, penalty may be charged at 3% per day on the outstanding balance over the granted credit period. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. Allowances for doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

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

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

14. TRADE, BILLS, OTHER PAYABLES AND ACCRUALS

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

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

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

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

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

15. BANK BORROWINGS

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

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

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

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

16. EVENTS AFTER THE REPORTING PERIOD

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

(a) Listing of the Company's shares

On 13 January 2014, the shares of the Company became listed on the Main Board of the Stock Exchange, pursuant to which 200,000,000 ordinary shares of HK$0.01 each were issued at a price of HK$0.51 per share by the Company.

(b) Capitalisation issue

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

FINANCIAL REVIEW

TURNOVER

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

Turnover by products

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

Flexo-printed cartons

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

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

Offset-printed cartons

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

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

Turnover by product categories of our customers

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

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

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

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

GROSS PROFIT AND GROSS PROFIT MARGIN

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

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

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

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

OTHER REVENUE AND INCOME

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

SELLING AND DISTRIBUTION EXPENSES

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

ADMINISTRATIVE EXPENSES

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

FINANCE COSTS

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

INCOME TAX EXPENSES

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

PROFIT FOR THE YEAR

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

FINAL DIVIDEND

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

INVENTORIES

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

TRADE RECEIVABLES

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

TRADE PAYABLES

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

EXCHANGE RISK EXPOSURE

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

CAPITAL COMMITMENTS

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

CONTINGENT LIABILITIES

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

PLEDGE OF ASSETS

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

FINANCIAL INSTRUMENTS

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

BORROWINGS

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

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

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

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

INFORMATION ON EMPLOYEES

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

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

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

SIGNIFICANT INVESTMENTS HELD

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

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

FUTURE PLANS AND PROSPECTS

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

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

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

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

Expansion of the production capacity of the Fengxin Plant

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

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

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

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

CORPORATE GOVERNANCE

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

CG CODE PROVISION A.2.1

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

AUDIT COMMITTEE

The Company established an Audit Committee on 13 December 2013 with written terms of reference in compliance with Rule 3.21 and 3.22 of the Main Board Listing Rules. The Audit Committee comprises three independent non-executive Directors, with Mr. Ma Yiu Ho, Peter as the chairman. Other two members are Mr. Liu Da Jin and Mr. Wu Ping. Mr. Ma Yiu Ho, Peter, the chairman of the Company's Audit Committee, has considerable experience in accounting and financial management, which is in line with the requirement of Rule 3.10(2) of the Listing Rules.

The primary duties of the Audit Committee, among other things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditors, review the financial statements and provide material advice in respect of financial reporting and oversee the internal control procedures of the Company.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

During the year ended 31 December 2013, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

FINAL DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 18 May 2013 to 20 May 2013, both days inclusive, on which no transfer of shares will be effected. In order to determine the eligibility of shareholders to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on 17 May 2014.

PUBLICATION OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The results announcement is required to be published on the websites of the Stock Exchange at www.hkexnews.hk under "Latest Listed Company Information" and the designated website of the Company at http://www.hs-pack.com. The annual report of the Company for the year ended 31 December 2013 will be dispatched to the shareholders and published on the Stock Exchange's and the Company's websites in due course.

By Order of the Board
China Packaging Holdings Development Limited
Chen Wei Wei
Chairman

Jiangxi Province, the PRC, 20 March 2014

As at the date of this announcement, the executive directors of the Company are Mr. Chen Wei Wei (Chairman), Mr. Sun Shao Hua and Ms. Hu Li Yu; and the independent non-executive directors of the Company are Mr. Liu Da Jin, Mr. Ma Yiu Ho, Peter and Mr. Wu Ping.