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 2014

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2014	2013	**Change**
	RMB'000	*RMB'000*	
Turnover	**491,523**	383,049	28.3%
Gross profit	**117,278**	89,606	30.9%
Gross profit margin	**23.9%**	23.4%	
Profit attributable to owners of the Company	**62,122**	44,337	40.1%
Earnings per share attributable to owners of the Company			
Basic and diluted (RMB cents)	**7.83**	7.39	6.0%

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 2014 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 2014

	Notes	2014 RMB'000	2013 RMB'000
Turnover	5	**491,523**	383,049
Cost of sales		**(374,245)**	(293,443)
Gross profit		**117,278**	89,606
Other revenue	6	**1,165**	921
Other income	7	**10,767**	7,945
Selling and distribution expenses		**(20,280)**	(15,792)
Administrative expenses		**(26,874)**	(21,764)
Equity-settled share option expenses		**(4,274)**	–
Profit from operating activities		**77,782**	60,916
Finance costs	9	**(1,781)**	(1,056)
Profit before tax	8	**76,001**	59,860
Income tax expenses	10	**(13,879)**	(15,523)
Profit for the year		**62,122**	44,337
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		**220**	427
Other comprehensive income for the year, net of tax		**220**	427
Total comprehensive income for the year, net of tax		**62,342**	44,764
Profit attributable to owners of the Company		**62,122**	44,337
Total comprehensive income attributable to owners of the Company		**62,342**	44,764
Earnings per share attributable to owners of the Company			
– Basic (RMB cents)	12	**7.83**	7.39
– Diluted (RMB cents)	12	**7.83**	7.39

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	**2014**	2013
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**153,034**	82,537
Prepaid lease payments		**2,375**	2,435
Deposits paid for acquisition of equipment		**–**	9,869
		155,409	94,841
Current assets			
Inventories		**17,890**	10,827
Trade receivables	*13*	**105,797**	95,337
Prepayments and other receivables		**9,587**	2,653
Tax recoverable		**960**	–
Pledged bank deposits		**660**	2,278
Cash and bank balances		**92,481**	45,834
		227,375	156,929
Current liabilities			
Trade, bills, other payables and accruals	*14*	**95,615**	84,132
Amount due to a director		**–**	2,808
Bank borrowings	*15*	**11,000**	21,200
Tax payables		**–**	4,952
		106,615	113,092
Net current assets		**120,760**	43,837
Total assets less current liabilities		**276,169**	138,678
Net assets		**276,169**	138,678
Capital and reserves attributable to owners of the Company			
Share capital		**6,287**	–
Reserves		**269,882**	138,678
Total equity		**276,169**	138,678

1. CORPORATE INFORMATION

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

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

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

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

2. REORGANISATION

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

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

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

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

(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 2014. A summary of the new HKFRSs are set out as below:

HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKAS 32 (Amendments)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Impairment of Assets: Recoverable Amount Disclosure for Non-Financial Assets
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) – Int 21	Levies

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

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities* for the first time in the current year. 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 consolidated and separate 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 investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

Amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities*

The Group has applied the amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has no impact on the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*

The Group has applied the amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* for the first time in the current year. 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 applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 *Fair Value Measurements*.

The application of these amendments has had no material impact on the disclosure required by HKFRS 13 *Fair Value Measurements*.

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

The Group has applied the amendments to HKAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* for the first time in the current year. The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

HK (IFRIC) – Int 21 Levies

The Group has applied HK (IFRIC) – Int 21 *Levies* for the first time in the current year. HK (IFRIC) – Int 21 *Levies* addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of the financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

HK (IFRIC) – Int 21 has been applied retrospectively. The application of this interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle[3]
HKFRS 9	Financial Instruments[6]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception[3]
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations[3]
HKFRS 14	Regulatory Deferral Accounts[4]
HKFRS 15	Revenue from Contracts with Customers[5]
HKAS 1 (Amendments)	Presentation of Financial Statements[3]
HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions[1]
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements[3]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants[3]

[1] Effective for annual periods beginning on or after 1 July 2014
[2] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
[3] Effective for annual periods beginning on or after 1 January 2016
[4] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
[5] Effective for annual periods beginning on or after 1 January 2017
[6] Effective for annual periods beginning on or after 1 January 2018

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 2014 (2013: Nil).

During the years ended 31 December 2014 and 2013, all revenue is derived from customers in the PRC.

As at 31 December 2014 and 2013, most of the Group's non-current assets were located in the PRC. Accordingly, no analysis of the Group's result and assets by geographical area is disclosed.

Included in revenue arising from sales of paper-based packaging products for the year ended 31 December 2014, approximately RMB37,702,000 (2013: RMB36,492,000) are revenue arose from sales to the Group's largest single customer. No single customer contributed 10% or more to the Group's revenue for the year ended 31 December 2014 (2013: Nil).

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:

	2014	2013
	RMB'000	*RMB'000*
Flexo-printed cartons	**265,760**	232,766
Offset-printed cartons		
– Traditional paper-based cartons	**147,223**	133,201
– Stone-paper based cartons	**78,540**	17,082
	491,523	383,049

6. OTHER REVENUE

	2014	2013
	RMB'000	*RMB'000*
Sales of residual materials	**803**	729
Bank interest income	**362**	192
	1,165	921

7. OTHER INCOME

	2014	2013
	RMB'000	*RMB'000*
Tax concession *(Note a)*	**10,334**	7,945
Government subsidies *(Note b)*	**270**	–
Exchange gain	**163**	–
	10,767	7,945

Note:

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

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

8. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2014	2013
	RMB'000	*RMB'000*
Staff costs:		
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**25,173**	17,795
Retirement benefit schemes contributions	**4,000**	2,356
	29,173	20,151
Other items:		
Cost of inventories sold	**374,245**	293,443
Depreciation of property, plant and equipment	**7,403**	3,855
Auditors' remuneration	**750**	891
Amortisation of prepaid lease payments	**60**	60
Loss on disposal of property, plant and equipment	**–**	2
Minimum lease payments under operating leases of rented premises	**164**	–
Research and development costs	**2,976**	3,123
Equity-settled share option expenses	**4,274**	–

9. FINANCE COSTS

	2014	2013
	RMB'000	*RMB'000*
Interest expenses on bank borrowings wholly repayable within one year	**1,781**	1,056

10. INCOME TAX EXPENSES

	2014 *RMB'000*	2013 *RMB'000*
The PRC Enterprise Income Tax		
– Current tax	**12,715**	14,845
– Under provision in prior year	**1,164**	678
Total income tax recognised in profit or loss	**13,879**	15,523

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 (2013: 25%). Pursuant to the relevant laws and regulations in the PRC, the qualified PRC subsidiary was entitled to preferential treatment on corporate income tax enjoyed by high and new technology enterprise for three years from 2014 to 2016. As such, the applicable corporate income tax rate for the qualified PRC subsidiary has been reduced from 25% to the preferential tax rate of 15% for the three years from 2014 to 2016.

11. DIVIDENDS

The directors do not recommend payment of any dividends for the year (2013: Nil).

12. EARNINGS PER SHARE

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

Earnings

	2014 *RMB'000*	2013 *RMB'000*
Profit attributable to the owners of the Company for the purpose of basic and diluted earnings per share	**62,122**	44,337

Number of shares

	2014	2013
Weighted average number of ordinary shares for the purpose of basic earnings per share	**793,424,658**	600,000,000
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**57,329**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**793,481,987**	600,000,000

Basic earnings per share for the years ended 31 December 2013 and 2014 are calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of shares in issue during the year.

Diluted earnings per share for the year ended 31 December 2014 is calculated by adjusting the weighted average number of shares in issue during the year to assume conversion of all dilutive potential ordinary shares. The weighted average number of ordinary shares as above is adjusted by the number of shares that would have been issued assuming the exercise of share options.

Diluted earnings per share for the year ended 31 December 2013 were the same as the basic earnings per share as there were no potential dilutive ordinary shares in issue during the year ended 31 December 2013.

13. TRADE RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**105,797**	95,337

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:

	2014	2013
	RMB'000	*RMB'000*
0 – 30 days	**55,635**	51,553
31 – 60 days	**50,162**	43,784
	105,797	95,337

The average credit period on sales of goods is from 30 to 60 days. No interest is charged on trade receivables for the first 60 days from the date of the invoice. Thereafter, penalty may be charged at 0.3% per day on the outstanding balance over the granted credit period. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. Allowances for doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position. The directors of the Company considered no provision for impairment is recognised during the year (2013: Nil) as these customers had no recent history of default.

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

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Of the trade receivables balance as at 31 December 2014 approximately RMB4,713,000 (2013: RMB4,079,000) is due from the group's largest customer. At 31 December 2014, no customers represent more than 5% of the total balance of trade receivables (2013: Nil) and hence the concentration of credit risk is limited.

As at 31 December 2014, no trade receivables were past due but not impaired (2013: Nil).

14. TRADE, BILLS, OTHER PAYABLES AND ACCRUALS

	2014	2013
	RMB'000	*RMB'000*
Trade payables	**76,909**	70,309
Bills payables	**660**	2,278
Accruals	**9,880**	11,083
Other payables	**8,166**	462
	95,615	84,132

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

	2014	2013
	RMB'000	*RMB'000*
0 – 30 days	**40,422**	36,622
31 – 60 days	**36,487**	33,687
	76,909	70,309

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 2014, the bills payable of approximately RMB660,000 (2013: RMB2,278,000) was secured by the bank deposits.

15. BANK BORROWINGS

	2014	2013
	RMB'000	*RMB'000*
Secured	**11,000**	21,200

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:

	2014	2013
Fixed rate	**6.6% to 7.8%**	7.2% to 7.8%

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group mainly provides its customers with 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"). Over the years, the Group has received various awards and recognitions in respect of its quality management system, credit rating, business reputation and industry position.

On 9 April 2014, Hong Sheng (Jiangxi) Color Printing Packaging Co. Ltd. (鴻聖(江西)彩印包裝實業有限公司)* ("Hongsheng"), a PRC subsidiary of the Group, is qualified as High and New Technology Enterprise and is entitled to enjoy preferential treatment on corporate income tax for three years commencing from 2014. As such, the applicable corporate income tax rate for the qualified PRC subsidiary has been reduced from 25% to the preferential tax rate of 15%.

On 6 May 2014, the Group has established a new PRC subsidiary, Jiangxi Hongyu New Materials Environmental Friendly Paper Co. Ltd. (江西鴻禹新材料環保紙業有限公司)* ("Hongyu") with a registered capital of RMB60 million. It is principally engaged in the manufacture and sales of stone paper and stone-paper based products.

During the year, the Group has also established 4 new production lines (2 new production lines in printing cartons, 1 new production line in manufacturing of corrugated paperboard and 1 new production line in manufacturing of stone paper) and a new production block at its production base in Fengxin to cope with the ongoing demand for both corrugated and high-end packaging products. With the new production lines, the total annual production capacity has reached 92.5 million square meters of corrugated paperboards, 185.1 million square meters of corrugated paper-based packaging products and 50 million square meters of stone paper.

FINANCIAL REVIEW

TURNOVER

The turnover for the year ended 31 December 2014 was approximately RMB491.5 million, representing an increase of approximately RMB108.5 million or approximately 28.3% as compared to that of approximately RMB383.0 million in 2013. The increase in turnover was mainly attributable to the substantial increase in sales volume from approximately 133.5 million square meters to approximately 164.6 million square meters, 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 approximately 54.1% and 45.9% respectively of the total turnover of the Group as compared to that of approximately 60.8% and 39.2% respectively in 2013.

Turnover by products

	2014		2013	
	RMB'000	***% of Total***	*RMB'000*	*% of Total*
Flexo-printed cartons	**265,760**	**54.1%**	232,766	60.8%
Offset-printed cartons				
– Traditional paper-based cartons	**147,223**	**29.9%**	133,201	34.8%
– Stone-paper based cartons	**78,540**	**16.0%**	17,082	4.4%
Total	**491,523**	**100%**	383,049	100%

Flexo-printed cartons

The Group's flexo-printed cartons targeted the huge consumer market with food and beverage companies as its main target customer to provide products of good quality, load capacity and protection. It contributes to approximately 54.1% of the total turnover of the Group for 2014. For 2014, turnover derived from flexo-printed cartons increased by approximately 14.2% to approximately RMB265.8 million (2013: RMB232.8 million) when comparing to 2013.

To ensure an adequate supply of quality raw materials for our flexo-printed cartons, we will continue our research in the production of quality corrugated paperboards. Currently, the Group owns 15 utility model patents which enable us to upgrade our production line of corrugated paperboards.

Offset-printed cartons

The Group's offset-printed cartons include traditional paper-based cartons and stone-paper based cartons. For 2014, turnover derived from offset-printed cartons increased by approximately 50.2% to approximately RMB225.8 million (2013: RMB150.3 million) when compared to 2013, amongst which turnover of the traditional paper-based cartons accounted for approximately 65.2% (2013: 88.6%) and turnover of stone-paper based cartons accounted for approximately 34.8% (2013: 11.4%). The significant growth in offset-printed cartons is mainly due to the full year contribution of the new stone-paper based cartons which was launch in August 2013. This stone paper carton is a new environmental friendly material which targeted high-end products such as gifts and fragile products.

Turnover by product categories of our customers

	2014		2013	
	RMB'000	***% of Total***	*RMB'000*	*% of Total*
Food and beverage	**204,049**	**41.5%**	183,105	47.8%
Glass and ceramics articles	**64,165**	**13.1%**	59,583	15.6%
Metal hardware and chemical products	**57,317**	**11.7%**	39,475	10.3%
Bamboo articles	**33,059**	**6.7%**	30,021	7.8%
Others	**132,933**	**27.0%**	70,865	18.5%
Total	**491,523**	**100%**	383,049	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 derived from food and beverage manufacturers was approximately RMB204 million, representing approximately 41.5% of the total turnover in 2014 as compared to approximately RMB183.1 million and approximately 47.8% of the total turnover in 2013. The demand for more sophisticated printed packaging materials and design is expected to grow due to the robust growth in the economy and the rising living standard of the PRC. The Group expects to capture a larger market share of higher value products in the coming years following the commencement of operation of new production lines in 2014.

The Group will continue to dedicate efforts in research and development of new products, new materials and technological improvement to enhance its profits.

GROSS PROFIT AND GROSS PROFIT MARGIN

	2014		2013	
	RMB'000	***GP margin***	*RMB'000*	*GP margin*
Flexo-printed cartons	**54,210**	**20.4%**	48,433	20.8%
Offset-printed cartons				
– Traditional paper-based cartons	**37,532**	**25.5%**	35,533	26.7%
– Stone-paper based cartons	**25,536**	**32.5%**	5,640	33.0%
Total	**117,278**	**23.9%**	89,606	23.4%

The overall gross profit of the Group for the year ended 31 December 2014 was approximately RMB117.3 million, representing an improvement of approximately 30.9% or approximately RMB27.7 million as compared to approximately RMB89.6 million in 2013. Gross profit margin increased from approximately 23.4% for 2013 to approximately 23.9% for 2014.

The gross profit from flexo-printed cartons for 2014 was approximately RMB54.2 million, representing a growth of approximately 12.0% as compared to approximately RMB48.4 million in 2013. The gross profit margin for flexo-printed decreased slightly from approximately 20.8% for 2013 to approximately 20.4% for 2014. This was mainly due to the slight increase in our raw material cost.

The gross profit from offset-printed cartons for 2014 was approximately RMB63.1 million, representing an increase of approximately 53.2% as compared to approximately RMB41.2 million in 2013. This was due to the increase in sales of higher margin stone-paper based cartons.

OTHER REVENUE AND INCOME

Other revenue and income of the Group increased by approximately 33.7% or approximately RMB3.0 million from approximately RMB8.9 million in 2013 to approximately RMB11.9 million in 2014. The increase in other revenue and income was mainly contributed by the tax concession in respect of 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 2014.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses of the Group increased by approximately 28.5% or approximately RMB4.5 million from approximately RMB15.8 million in 2013 to approximately RMB20.3 million in 2014. The selling and distribution expenses as a percentage of our total revenue remained unchanged at approximately 4.1% in 2014. This increase was consistent with the increase in sales activities which resulted in higher distribution and delivery costs as well as sales commission and salary to sales staff.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group increased by approximately 23.4% or approximately RMB5.1 million from approximately RMB21.8 million in 2013 to approximately RMB26.9 million in 2014. The increase was primarily due to the increase in general office expenses, increase in staff costs and the recognition of listing expenses incurred in 2014.

FINANCE COSTS

Finance costs of the Group increased by approximately 63.6% or approximately RMB0.7 million from approximately RMB1.1 million in 2013 to approximately RMB1.8 million in 2014. The increase was mainly attributable to the increase in our short term interest bearing bank loans during the year.

INCOME TAX EXPENSES

Income tax expenses of the Group decreased by approximately 10.3% or approximately RMB1.6 million from approximately RMB15.5 million in 2013 to approximately RMB13.9 million in 2014. The decrease was mainly because Hongsheng, a PRC subsidiary, is qualified as a High and New Technology Enterprise and is entitled to enjoy preferential treatment on corporate income tax for three years commencing from 2014. As such, the applicable corporate income tax rate for the qualified PRC subsidiary has been reduced from 25% to the preferential tax rate of 15%. The Group's effective tax rate for 2014 was approximately 18.3% as compared to approximately 25.9% for 2013.

PROFIT FOR THE YEAR

As a combined result of the factors discussed above, our profit for 2014 increased by approximately RMB17.8 million or approximately 40.1% from approximately RMB44.3 million in 2013 to approximately RMB62.1 million in 2014. Moreover, our net profit margin also increased from 11.6% in 2013 to 12.6% in 2014.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2014.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the cash and bank balances amounted to approximately RMB92.5 million (2013: RMB45.8 million) which were mainly denominated in Renminbi and Hong Kong Dollars. The Group's total bank borrowings amounted to approximately RMB11.0 million (2013: RMB21.2 million) which were all denominated in Renminbi. The Group's gearing ratio is calculated as total borrowings, which is the summation of bank borrowings and amount due to a director, divided by total equity. The gearing ratio of the Group as at 31 December 2013 and 2014 were approximately 17.3% and 4.0% respectively.

The Group considers its financial resources were mainly derived from the net cash inflows from operating activities and net proceeds from issue of ordinary shares in 2014. 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 value of inventory increased from approximately RMB10.8 million in 2013 to approximately RMB17.9 million in 2014, that means an increase of approximately 65.7% or approximately RMB7.1 million. However, we managed to reduce the inventory turnover day from 17 days in 2013 to approximately 14 days in 2014. The reduction was made possible due to adoption of inventory control. As we expect a downward trend in the market price of raw paper and corrugated paperboards in 2014 and to avoid any impairment loss, the Group's inventory has been reduced to a level which is just sufficient for our production.

TRADE RECEIVABLES

As at 31 December 2014, the trade receivables amounted to approximately RMB105.8 million (2013: RMB95.3 million). We normally granted our customers a credit period of 30 to 60 days following the day of delivery. The turnover day for trade receivables was approximately 64 days (2013: 63 days) primarily due to the business expansion in our business.

TRADE PAYABLES

As at 31 December 2014, the trade payables amounted to approximately RMB76.9 million (2013: RMB70.3 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 61.4 days (2013: 56 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 have material impact on 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 2014.

CAPITAL COMMITMENTS

As at 31 December 2014, the Group's capital commitments were approximately RMB67.9 million (2013: RMB20.4 million). All the capital commitments for 2014 relate to capital contribution payable to subsidiaries whereas those for 2013 relate to purchasing new properties and facilities and equipment.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group did not have any material contingent liabilities or guarantees.

PLEDGE OF ASSETS

As at 31 December 2014, the Group has pledged certain assets with a carrying value of approximately RMB15.6 million as collateral for the Group's bills payable and bank borrowing (2013: RMB62.9 million).

FINANCIAL INSTRUMENTS

The Group did not have any hedging contracts or financial derivatives outstanding for the year ended 31 December 2014.

BORROWINGS

As at 31 December 2014, the Group's borrowings amounted to approximately RMB11.0 million (2013: RMB21.2 million).

The Group's banks borrowings are denominated in Renminbi which carry interest rates that is linked to the benchmark lending rate published by the 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 global offering amounted to approximately HK$73.1 million (RMB57.7 million) after deducting underwriting commissions and all related expenses.

Use of proceeds	**Available** *RMB million*	**Utilized up to 31 Dec 2014** *RMB million*
Setting up four new production lines, of which one for production of corrugated paperboards, one for manufacture of flexo-printed cartons and two for manufacture of offset-printed cartons in the Fengxin Plant	44.8	44.8
Enhancing the research and development capabilities	2.8	2.8
Construction of a new production block in the Fengxin Plant	7.1	7.1
General working capital	3	3
Total	57.7	57.7

INFORMATION ON EMPLOYEES

As at 31 December 2014, the Group had a total of 458 employees, including the Executive Directors. Total staff costs (including Directors' emoluments) were approximately RMB29.2 million, as compared to approximately RMB20.2 million for the year ended 31 December 2013.

The Group remunerates its employees based on their performance, experience and prevailing industry practice. To attract and retain elite employees, competitive remuneration packages which include salaries, medical insurance, discretionary bonuses were offered. In addition, retirement benefits were offered to both Hong Kong employees (in the form of mandatory fund schemes) and PRC employees (in the form of state-managed retirement benefit schemes).

The Group may also grant share options under the Company's share option scheme. Please refer to the paragraph headed "Share option schemes" under the "Directors' Report" for the share options granted to certain Directors and employees of the Group.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISTIONS AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 6 May 2014, Hongyu was established as a wholly owned subsidiary of Hongsheng with a registered capital of RMB60 million, which will be payable in cash, to engage in the manufacture and sale of stone paper and stone-paper based products.

Save as disclosed above, the Group had no other material acquisitions or disposals during the year.

FUTURE PLANS AND PROSPECTS

The Group strives to be a leading manufacturer of high quality paper-based packaging products in the PRC. It 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 products with the use of stone paper.

Looking ahead, the experienced management team, research and development capabilities, enhanced capacity from the new production lines, well established relationship with our major suppliers and customers and emphasis on the quality of products have made the Group best positioned to benefit from future economic growth in China, which is increasingly driven by the domestic consumption market.

Continue to focus on printing of paper-based packaging products for packaging of different kinds of products with precision

The Group will continue 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 that our product range will be widened to satisfy the ever changing customers' need.

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

To fully utilize the new stone-paper production line, the Group will continue to explore and implement stone-paper based packaging products and stone paperboards which were developed through the Group's strategic alliance with the Wuhan University and the Beijing Institute of Graphic Communication. This strategic alliance will continue to provide the Group with readily available technical expertise and the requisite technology which enable the Group to design new paper-based packaging products and to improve product quality.

Selective acquisition and partnership

To increase our production capacity and market share, apart from relying on the expansion of the scale of our operations and introducing new products and technology, the Group also intends to conduct selective acquisition. The targets of our acquisitions include paper-based packaging carton manufacturers and/or complementary production facilities in the PRC. Alternatively, the Group may establish partnerships with other market players in areas such as production, material sourcing, sales and research. The synergy effect of these partnerships enables the Group to benefit from lower cost of materials and sales, and strengthen technical capabilities.

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 meets 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 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 2014, including the accounting principles and practices adopted by the Company and Group.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has 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 throughout the year ended 31 December 2014.

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

During the year ended 31 December 2014, 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 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 26 May 2015 to 28 May 2015, 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 22 May 2015.

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 2014 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, 23 March 2015

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.