ANNUAL REPORT
2013

中國海景控股有限公司
Sino Haijing Holdings Limited
(Stock Code: 01106)

This report, in both English and Chinese versions, is available on the Company's website at http://www.sinohaijing.com (the "Company Website").

Shareholders who have chosen or have been deemed consented to receive the corporate communications of the Company (the "Corporate Communications") via the Company Website and who for any reason have difficulty in receiving or gaining access to this report posted on the Company Website will promptly upon request be sent this report in printed form free of charge.

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Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Chao Pang Fei *(Chairman)*
Mr. Wang Yi
Ms. Hui Hongyan

NON-EXECUTIVE DIRECTOR

Mr. Lan Yu Ping

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Ka Wing
Mr. Sin Ka Man
Ms. Chen Hongfang

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2412, 24/F
Wing On Centre
111 Connaught Road Central
Hong Kong

COMPANY SECRETARY

Ms. Choi Yuen Wa *(FCCA, CPA, MBA)*

AUTHORISED REPRESENTATIVES

Mr. Chao Pang Fei
Ms. Choi Yuen Wa *(FCCA, CPA, MBA)*

AUDIT COMMITTEE

Mr. Ho Ka Wing *(Chairman)*
Mr. Sin Ka Man
Ms. Chen Hongfang

REMUNERATION COMMITTEE

Mr. Ho Ka Wing *(Chairman)*
Mr. Sin Ka Man
Ms. Chen Hongfang
Mr. Chao Pang Fei
Ms. Hui Hongyan

NOMINATION COMMITTEE

Mr. Chao Pang Fei *(Chairman)*
Ms. Hui HongYan
Mr. Ho Ka Wing
Mr. Sin Ka Man
Ms. Chen Hongfang

LEGAL ADVISERS

As to Hong Kong Law
Loong & Yeung

As to Cayman Islands Law
Conyers Dill & Pearman, Cayman

AUDITOR

Mazars CPA Limited
Certified Public Accountants

PRINCIPAL BANKERS

The Bank Of East Asia
HSBC
Bank of China (Hefei)
Bank of Communications (Hefei)
China Merchants Bank (Qingdao)

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22 Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

01106

COMPANY'S WEBSITE

http://www.sinohaijing.com

Directors and Senior Management

Biographical details of directors of the Company and the senior management of the Group are set out below:

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Chao Pang Fei, aged 53, is the chairman and the chief executive officer of the Group and is responsible for the formulation of corporate strategy and the steering of the overall development of the Group. Mr. Chao has over 18 years of experience in expanding and promoting the EPS packaging industry in the PRC. Mr. Chao joined the Group in September 2005. Mr. Chao is the sole director and sole shareholder of Haijing Holdings Limited, which is a controlling shareholder (as defined under the Listing Rules) of the Company.

Mr. Wang Yi, aged 52, is the general manager of Hefei Haijing Packing Materials Company Limited, a subsidiary of the Group. He is responsible for overseeing the operation of Hefei Haijing Packing Materials Company Limited. Mr. Wang graduated from Shanghai Light Industry College. Mr. Wang has over 26 years of experience in the EPS production and technical management. Mr. Wang joined the Group in January 2008.

Ms. Hui Hongyan, aged 49, is responsible for the financial management of the Group's subsidiaries in the PRC. Ms. Hui graduated from the University of Shenzhen majoring in accountancy. Ms. Hui had over 19 years of experience in different management positions in finance department of various companies in the PRC. Ms. Hui joined the Group in September 2005.

NON-EXECUTIVE DIRECTOR

Mr. Lan Yu Ping, aged 50, holds a bachelor degree and master degree in economics from Zhongshan University in the PRC and a master degree in business studies from Massey University in New Zealand. Since 1988, Mr. Lan worked for several financial institutions and investment companies in the PRC and currently he is the professor in the International Finance College of the Beijing Normal University (Zhuhai Campus). Mr. Lan has over 18 years of experience in finance and investment fields.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Ka Wing, aged 42, has over 16 years of management experience. Mr. Ho received a bachelor degree of business from the Monash University in Australia in 1997 and a master of degree of business administration from the University of Surrey in the United Kingdom in 2000.

Mr. Sin Ka Man, aged 46, has over 22 years of professional experience in auditing, accounting and financial management for both private and listed corporations. He is an associate member of The Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and a certified practising accountant of the CPA Australia. Mr. Sin holds a bachelor degree in Social Sciences from the University of Hong Kong, a master degree in finance from the University of Strathclyde, the United Kingdom and a master degree in accounting from Curtin University of Technology, Australia.

Ms. Chen Hongfang, aged 51, graduated from Guangdong Provincial Party College. Ms. Chen has over 12 years of administration and human resources management experience.

SENIOR MANAGEMENT

Ms. Choi Yuen Wa, Frieda, aged 46, is the financial controller and company secretary of the Group. Ms. Choi joined the Group in August 2005 and is responsible for the financial management, accounting and company secretarial matters of the Group. Ms. Choi holds a master degree in business administration from the University of Surrey in the United Kingdom. Ms. Choi is a fellow member of the Association of Chartered Certified Accountants and is an associate member of the Hong Kong Institute of Certified Public Accountants. Prior to joining to the Group, Ms. Choi had worked in the finance department of two public listed companies in Hong Kong. She has over 20 years of professional experience in the field of auditing, accounting and financial management.

Mr. Yao Weiyou, aged 35, is the general manager of Qingdao Haijing Packing Materials Company Limited, a subsidiary of the Group, and is responsible for overseeing the operation of Qingdao Haijing Packing Materials Company Limited. Mr. Yao graduated from the faculty of computer of Hefei Industrial University. Mr. Yao has over 12 years of experience in the EPS production and technical management.

Directors' Business Review

The board of directors (the "Board") of Sino Haijing Holdings Limited (the "Company") herein presents the audited annual results of the Company and its subsidiaries (together, the "Group") for the financial year ended 31 December 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

TURNOVER

For the year under review, the Group recorded a total turnover of approximately HK$575.58 million, representing an increase of 11.15% as compared to approximately HK$517.84 million for the corresponding year in 2012.

GROSS PROFIT

Gross profit was approximately HK$72.66 million for the year 2013, representing an increase of approximately 13.18% as compared to approximately HK$64.20 million for the corresponding year in 2012. The overall profit margin increased from 12.40% for 2012 to 12.62%.

OTHER OPERATING INCOME

Other operating income was approximately HK$12.09 million for the year 2013, representing an increase of approximately 58.87% as compared with approximately HK$7.61 million for the corresponding year in 2012. The increase in other operating income was mainly due to the increase in government grants and increase in exchange gain from the pledged RMB fixed deposit held by the Company.

FINANCE COSTS

Finance costs for the year 2013 were approximately HK$10.51 million, representing an increase of approximately 4.37% as compared to approximately HK$10.07 million for the corresponding year in 2012.

LOSS FOR THE YEAR

For the year under review, loss attributable to equity holders of the Company was approximately HK$20.06 million representing a decrease of approximately 20.18% as compared to approximately of HK$25.13 million for the corresponding year in 2012. An impairment loss on goodwill included in administrative and other operating expenses was approximately HK$14.14 million representing a decrease of approximately 41.69% as compared with approximately HK$24.25 million for the corresponding year in 2012. For the year under review, the Group has made an one-off impairment loss on property, plant and equipment of approximately HK$11.03 million for the elimination of the old production plant in Qingdao.

Directors’ Business Review

BUSINESS REVIEW

The Group mainly focuses on the production and sale of expanded polystyrene (“EPS”) and paper honeycomb packaging products for household electrical appliances in the PRC. The Group commits to provide excellent integrated packaging solutions to its customers, including design, development, testing and production of cushion packaging products. During the year of 2013, the Group was still exposed to a tough operating environment due to the overall decline in economic growth and the continuous downturn of the property market in the PRC, resulting in significantly reduced demand for household electrical appliances and brought unprecedented challenges to the Group. Whereas the continuous rise of fuel, electricity, labour cost and accessory materials increased the operating costs of the Group squeezed the profit margins of the Group.

The economic prospects of the PRC is impacted by the sluggish US economy and the sovereign debt crisis in Europe as well as high inflation and the market demand for the household electrical appliances will not be expected to rebound strongly in the near future. Whereas in the past few years, subsidy policies of “Rural Area Subsidized Electrical Appliances Purchase Policy” and “Energy Efficient Product Subsidy Policy” utilized the market demand for the household electrical appliances in advance.

The household electrical appliances industry is now facing the problem of overcapacity whereas the EPS packaging industry is also facing the problem of overcapacity and the fierce competition within the industry.

NEW PRODUCTION PLANT IN QINGDAO

The construction of the new production plant in Qingdao has been completed and has been put into operation in year 2014. The operation of new production plant in Qingdao will increase the production efficiency of the Group and should further enhance the service to the customers located in Qingdao.

NEW DORMITORY IN HEFEI

The construction of two blocks of dormitory in Hefei was completed and occupied. The new dormitory can provide a better living environment for the employees in Hefei, improve their sense of belonging and stability.

ACQUISITION OF REMAINING 35% EQUITY INTEREST IN HEFEI RONGFENG PACKING MATERIALS CO., LTD (“HEFEI RONGFENG”)

On 30 December 2013, the Group and the Vendor entered into the Acquisition Agreement pursuant to which the Vendor agreed to sell and the Group agreed purchase 35% equity interest in Hefei Rongfeng at the consideration of RMB10,425,900 (equivalent to approximately HK$13,345,152). The Acquisition was completed on 5 March 2014 and Hefei Rongfeng has become an indirect wholly-owned subsidiary of the Company, hence, the Group will have greater flexibility for the allocation of purchase orders and resources among the three wholly-owned subsidiaries located in Hefei, thereby increasing synergies and will further enhance the service to the customers located in Hefei.

Directors' Business Review

BUSINESS OUTLOOK

Looking forward, the Group will focus on upgrading the production technology, strengthen the internal management and develop new customers.

ENHANCE PRODUCTION TECHNOLOGY

The Group will enhance its production technology management, improve its production processes, including to improve mould design and management, streamline the production processes, reduce the consumption of water and electricity, reduce scrap products, improve the product quality and to enhance the overall production efficiency.

The Group requires utilizing massive steam in the daily production processes and to improve the mould design can effectively reduce the consumption of steam. The Group will focus on improving mould design, thereby enhancing production efficiency and cost savings.

STRENGTHEN INTERNAL MANAGEMENT

The Group will continue to strengthen its internal management, establish a sound internal control system to enable the Group's continuous, stable and healthy development.

The Group will continuously simplify and improve procedures and processes to make operations more streamlined. The Group will convene regular internal meetings to facilitate communication among the Group's subsidiaries in order to promote market information and exchange production technology so that all departments complement each other in their respective merits and enhance overall efficiency.

The Group will also continue to keep its inventory at reasonably low level in order to enhance profitability.

TEAM BUILDING

The Group has adhered to the "people-oriented" enterprise conviction and strongly believes that only having outstanding human resources can enhance the overall competitiveness and cohesive spirit of the Group. The Group has offered a refined incentive bonus program to its staff. The Group provides ongoing staff training, offers fair and equitable promotional opportunities to its staff and provides a platform to its staff for their career advancement so as to enhance the quality of management and operations skills of the staff, nurture and reserve the key human resources for future development of the Group.

Directors' Business Review

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group's current assets amounted to approximately HK$431.64 million (2012: HK$401.02 million) of which approximately HK$29.00 million (2012: HK$21.12 million) were bank balances and cash. The Group's current liabilities amounted to approximately HK$335.29 million (2012: HK$294.37 million) which mainly comprised its trade and other payables and interest-bearing bank and other borrowings.

As at 31 December 2013, the Group's interest-bearing bank and other borrowings of approximately HK$203.34 million had variable interest rates and were repayable within one year, which were secured by the Group's buildings, lease premium for land, trade and other receivables and pledged bank deposits (2012: approximately HK$195.37 million).

Taken into consideration of its current financial resources, the Group shall have adequate capital for its continual operation and development.

GEARING RATIO

As at 31 December 2013, the total tangible assets of the Group were approximately HK$646.37 million whereas the total liabilities were approximately HK$338.03 million. The gearing ratio (total liabilities divided by total tangible assets) was approximately 52.30%.

EMPLOYEES

As at 31 December 2013, the Group had a total of around 451 (2012: 482) staff. The Group remunerates its employees based on their performance, experience and industry practices.

CAPITAL STRUCTURE

As at 31 December 2013, the Group's net assets were financed by internal resources and bank and other borrowings.

SIGNIFICANT INVESTMENTS

There were no significant investments held by the Group as at 31 December 2013.

CAPITAL COMMITMENT

As at 31 December 2013, the group's outstanding capital commitment contracted but not provided for in the financial statements was approximately HK$11.77 million (2012: HK$21.90 million).

Directors' Business Review

PLEDGE OF ASSETS OF THE GROUP

As at 31 December 2013, the Group pledged assets with aggregate carrying value of HK$204.49 million (2012: HK$161.64 million) to secure banking and other facilities and other borrowings.

CONTINGENT LIABILITIES

As at 31 December 2013, the Group did not have any significant contingent liabilities.

HEDGING

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

APPRECIATION

The Board would like to thank all customers, shareholders, business associates and professional advisers for their continuous support and extend its appreciation to all fellow directors and employees for their invaluable efforts and hard work, dedication and commitment to the Group during the year.

For and on behalf of the Board

Chao Pang Fei
Chairman

Hong Kong, 24 March 2014

Corporate Governance Report

CORPORATE GOVERNANCE DUTIES

The Board periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company has complied with applicable code provisions of the Code for the year ended 31 December 2013, except for certain deviations which are summarized below:

CODE PROVISION A.2.1

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Mr. Chao Pang Fei is the chairman and chief executive officer of the Company. In view of the scale of operations of the Company and the fact that daily operations of the Group's business is delegated to the senior executives and departments heads, the Board considers that vesting the roles of both chairman and chief executive officer in the same person will not impair the balance of power and authority between the Board and the management of the Company.

CODE PROVISION A.4.1

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Non-Executive Director and Independent Non-Executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company.

CODE PROVISION A.6.7

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

For the annual general meeting held on 24 June 2013, only the chairman, one executive director and one independent non-executive director attended the meeting. The rest of the board of directors could not attend the meeting due to their busy business schedules or other engagements. The Company will endeavour to arrange the future general meeting with the presence of the non-executive director and independent non-executive directors so as to fulfill the requirement of Code Provision A.6.7.

DIRECTORS AND OFFICERS INSURANCE

Appropriate insurance covers on directors' and officers' liabilities have been in force to protect the directors and officers of the Group from their risk exposure arising from the business of the Group.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

The Code Provision A.6.5 of the Code provides that Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

The Directors are committed to comply with the Code regarding directors' training. The Directors, namely Mr. Chao Pang Fei, Mr.Wang Yi, Ms. Hui Hongyan, Mr. Lan Yu Ping, Mr. Ho Ka Wing and Ms. Chen Hongfang have participated in a workshop on the Listing Rules organized by the company secretary of the Company during the year ended 31 December 2013. Mr. Sin Ka Man has provided a record of relevant training he received for the year ended 31 December 2013 to the Company.

THE BOARD

RESPONSIBILITIES

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. In practice, the Board takes responsibility for decision making in all major matters of the Company including: the approval and monitoring of all policy matters, the setting of objectives, annual budgets and overall strategies, material transactions (in particular those which may involve conflict of interests), appointment of directors and other significant financial and operational matters. The day-to-day management, administration and operation of the Company are delegated to the senior executives. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by these senior executives and the Board has the full support of them to discharge its responsibilities.

All directors have full and timely access to all relevant information as well as the advice and services of the professional advisers, as and when required, with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

Corporate Governance Report

COMPOSITION

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

The Board of the Company as at the date of this report comprises the following directors:

EXECUTIVE DIRECTORS:

Mr. Chao Pang Fei *(Chairman)*
Mr. Wang Yi
Ms. Hui Hongyan

NON-EXECUTIVE DIRECTOR:

Mr. Lan Yu Ping

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Ho Ka Wing
Mr. Sin Ka Man
Ms. Chen Hongfang

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules.

None of the members of the Board is related to one another.

In accordance with the Company's articles of association, one-third of the directors for the time being shall retire from office and being eligible, offer themselves for re-election at the forthcoming annual general meeting. Detailed information of the directors standing for re-election will be included in the Company's circular to be dispatched together with the notice of the forthcoming annual general meeting.

The Board recommended the re-appointment of the directors standing for re-election at the forthcoming annual general meeting of the Company.

Corporate Governance Report

BOARD AND BOARD COMMITTEES MEETINGS

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

Regular Board meetings should be held at least four times a year for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

During the year ended 31 December 2013, 7 Board meetings (4 of which were regular Board meetings), 3 Audit Committee meetings, 1 Remuneration Committee meeting and 1 Nomination Committee meeting were held.

The individual attendance record of each director at the meetings of the Board, Audit Committee, Remuneration Committee and Nomination Committee, during the year ended 31 December 2013 is set out below:

	Attendance/Number of Meetings held during the tenure of directorship			
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
– Mr. Chao Pang Fei	7/7	N/A	1/1	1/1
– Mr. Wang Yi	4/7	N/A	N/A	N/A
– Ms. Hui Hongyan	6/7	N/A	1/1	1/1
Non-Executive Director				
– Mr. Lan Yu Ping	4/7	N/A	N/A	N/A
Independent Non-Executive Directors				
– Mr. Ho Ka Wing	7/7	3/3	1/1	1/1
– Mr. Sin Ka Man	5/7	3/3	1/1	1/1
– Ms. Chen Hongfang	6/7	2/3	1/1	1/1

Corporate Governance Report

PRACTICES AND CONDUCT OF MEETINGS

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

In general, at least 14 days' notice should be given for a regular Board meeting. For other Board and committee meetings, reasonable notices are generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or Audit Committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. All directors are given an opportunity to include matters in the agenda for regular Board meetings. The Board and each director also have separate and independent access to the senior executives whenever necessary. With the support of the senior executives, the Chairman is responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

Minutes of all Board meetings recording sufficient details of matters considered and decisions reached are kept by the secretary of the meetings and opened for inspection by the directors.

The Company's articles of association contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expenses.

AUDIT COMMITTEE

The Company had established an Audit Committee in compliance with the Listing Rules. In accordance with Rule 3.10 of the Listing Rules, the Company has already appointed three independent non executive Directors and at least one of them has accounting expertise to assist the management in formulating development strategies of the Group, and to ensure that the preparation of the financial reports and other mandatory reports by the Board are in strict adherence to appropriate standards in order to protect the interests of the Shareholders and the Company. The Company has received confirmation of independence from each of the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules, and believes that, for the year ended 31 December 2013 up to the date of this annual report, they were independent to the Company in accordance with the relevant requirements of the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting and internal control procedures of the Group.

The Audit Committee comprises Mr. Ho Ka Wing, Mr. Sin Ka Man and Ms. Chen Hongfang who are Independent Non-Executive Directors of the Company. Mr. Ho Ka Wing is the chairman of the Audit Committee.

During the year, the Audit Committee held three meetings to review and comment on the Company's 2012 annual report, 2013 interim report as well as the Company's internal control procedures.

The Group's annual results for the year ended 31 December 2013 were reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee in compliance of the Listing Rules. The primary duties of the Remuneration Committee mainly include: (i) reviewing the terms of the remuneration package of each Director and member of senior management, and making recommendations to the Board regarding any adjustment thereof; and (ii) reviewing and evaluating the performance of individual executive Directors for determining the amount of bonus (if any) payable to them.

The Remuneration Committee consists of three independent non-executive Directors, namely, Mr. Ho Ka Wing and Mr. Sin Ka Man and Ms Chen Hongfang and two executive Directors, namely, Mr. Chao Pang Fei and Ms. Hui Hongyan. Mr. Ho Ka Wing is the chairman of the Remuneration Committee.

The written terms of reference of the Remuneration Committee are available on the Company's website.

Remuneration Committee shall meet at least once every year for reviewing the remuneration policies.

The Remuneration Committee had held one meeting for the year ended 31 December 2013.

For the year ended 31 December 2013, the Remuneration Committee reviewed the existing remuneration policies of the Company.

The remuneration of the members of the senior management by band for the year ended 31 December 2013 is set out below:

Remuneration band	Number of persons
HK$1,000,000 or below	2

Further particulars regarding Directors', chief executive's remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in Notes 9 and 10 to the consolidated financial statements.

NOMINATION COMMITTEE

The Company established the Nomination Committee in compliance of the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of the Board's succession, and to ensure that the candidates to be nominated as Directors are experienced, high caliber individuals. The Nomination Committee consists of three independent non-executive Directors, namely, Mr. Ho Ka Wing and Mr. Sin Ka Man and Ms Chen Hongfang and two executive Directors, namely, Mr. Chao Pang Fei and Ms. Hui Hongyan. Mr. Chao Pang Fei is the chairman of the Nomination Committee.

The written terms of reference of the Nomination Committee are available on the Company's website.

The Nomination Committee shall meet at least once every year for reviewing the structure, size and composition of the Board, assessing the independence of the independent non-executive Directors and other related matters.

The Nomination Committee had held one meeting for the year ended 31 December 2013.

Corporate Governance Report

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code for Directors' securities transactions. Specific enquiry has been made by the Company and all Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2013.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports required under the Listing Rules and other regulatory requirements.

The directors acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 December 2013.

The statement of the external auditor of the Company about its reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 29 to 30.

COMPANY SECRETARY

The company secretary of the Company, Ms. Choi Yuen Wa, appointed on 30 August 2005, is responsible for facilitating the process of Board meetings, as well as communications among Board members, with Shareholders and the management of the Company. Ms. Choi's biography is set out in the "Directors and Senior Management" section of this annual report. During the year ended 31 December 2013, Ms. Choi undertook not less than 15 hours of professional training to update her skills and knowledge in compliance with Rule 3.29 of the Listing Rules.

AUDITOR'S REMUNERATION

For the year ended 31 December 2013, the remuneration payable to the auditor of the Company amounted to approximately HK$570,000, all of which was related to audit services.

INTERNAL CONTROLS

The Board has overall responsibility for the internal control system of the Company. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company. During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company.

Corporate Governance Report

SHAREHOLDER RIGHTS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's articles of association. Details of such rights to demand a poll were included in the circular to shareholders in relation to the holding of 2013 annual general meeting and explained during the proceedings of the meeting.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Company attended the 2013 annual general meeting to answer questions at the meeting.

Separate resolutions were proposed at 2013 annual general meeting on each substantial issue, including the election of individual directors.

The Company's auditors also attended the 2013 annual general meeting.

Report of the Directors

The directors present herewith their annual report and the audited consolidated financial statements of Sino Haijing Holdings Limited ("the Company") and its subsidiaries (together with the Company, "the Group") for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Group's subsidiaries are set out in note 18 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	45%	
Five largest customers in aggregate	75%	
The largest supplier		24%
Five largest suppliers in aggregate		51%

At no time during the year have the directors, their associates or any shareholders of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

SEGMENT REPORTING

Details of segment reporting are set out in note 6 to the consolidated financial statements.

FINANCIAL STATEMENTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 31.

The state of affairs of the Group and the Company as at 31 December 2013 are set out in the consolidated statement of financial position on pages 32 to 33 and the statement of financial position on page 34, respectively.

The directors do not recommend the payment of any final dividend in respect of the year ended 31 December 2013.

Report of the Directors

FINANCIAL SUMMARY

A summary of the results of the Group for each of the five years ended 31 December 2013 and of the assets and liabilities as at 31 December 2009, 2010, 2011, 2012 and 2013 are set out on page 97.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Movements in share capital of the Company during the year are set out in note 26 to the consolidated financial statements.

RESERVES

Movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 35.

DIRECTORS

The directors who held office during the year and up to the date of this report were:

EXECUTIVE DIRECTORS

Mr. Chao Pang Fei *(Chairman)*
Mr. Wang Yi
Ms. Hui Hongyan

NON-EXECUTIVE DIRECTOR

Mr. Lan Yu Ping

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Ka Wing
Mr. Sin Ka Man
Ms. Chen Hongfang

Report of the Directors

In accordance with Article 87(1) of the Company's articles of association, one-third of the directors for the time being shall retire from office and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Mr. Chao Pang Fei, Ms. Hui Hongyan and Mr. Lan Yu Ping have entered into a service contract with the Company for an initial term of one year commencing from 13 September 2005 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive directors has confirmed his/her independence to the Company pursuant to Rule 3.13 of the Listing Rules for the year ended 31 December 2013 and the Company considers the independent non-executive directors to be independent.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the "Continuing Connected Transaction" section on page 27, no other contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries or its holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or its holding company or any of its subsidiaries a party to any arrangements to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2013, the interests or short positions of the Directors and the Chief Executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 under the Laws of Hong Kong (the "SFO"), as recorded in the register kept by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules were as follows:

LONG POSITIONS IN THE SHARES OF THE COMPANY

Name of Director	Personal interests	Corporate interest	Total	Approximate % of issued share capital
Mr. Chao Pang Fei ("Mr. Chao")	39,670,000	690,396,020 *(Note 1)*	730,066,020	58.57
Mr. Wang Yi	3,550,000	–	3,550,000	0.28
Ms Hui Hongyan	4,672,000	–	4,672,000	0.37

Notes:

1. These shares are legally owned by Haijing Holdings Limited ("Haijing Holdings"), a company incorporated in the British Virgin Islands ("BVI") with limited liability and is wholly owned by Mr. Chao. By virtue of his 100% shareholding interest in Haijing Holdings, Mr. Chao is taken to be interested in all the shares of the Company held by Haijing Holdings pursuant to Part XV of the SFO.

SHARE OPTIONS GRANTED TO DIRECTORS

On 6 November 2009, the Company granted share options to certain Directors under the share option scheme (the "Share Option Scheme") that was adopted on 6 June 2003. Details of the share options movement as at 31 December 2013 are set out in the heading "Share Option Scheme" under Report of Directors.

Save as disclosed above, as at 31 December 2013, none of the Directors or the Chief Executive of the Company nor their respective associates had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of SFO, to be entered in the register referred to therein; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDER

PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 31 December 2013, so far as is known to the Directors of the Company, the following, not being a Director or the Chief Executive of the Company, have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO and are recorded in the register kept by the Company under section 336 of SFO:

LONG POSITIONS IN THE SHARES

Name of	**Nature of interests**	**Number of share**	**Approximate percentage of the issued share capital of the Company**
			%
Haijing Holdings	Beneficial owner	690,396,020	55.39
Ms. Sam Mei Wa	Interest of spouse	730,066,020 *(Note)*	58.57

Note: Ms. Sam Mei Wa is the spouse of Mr. Chao Pang Fei, hence Ms. Sam is taken to be interested in all the Shares held or deemed to be held by Mr. Chao pursuant to the SFO.

SHARE OPTION SCHEME

The purpose of the Share Option Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme include any employees, directors, substantial shareholders or any of their respective associates of the Company and/or any of its subsidiaries or associated companies.

The following table discloses the movement of the Company's share options during the year ended 31 December 2013:

				Number of share options		
	Date of grant	Exercisable period	Exercise price per share	Balance as at 1/1/2013	Exercised during the year	Balance as at 31/12/2013
			HK$			
Category 1						
Directors						
Wang Yi	6/11/2009	6/11/2011-5/11/2013	0.105	8,000,000	(8,000,000)	–
Hui Hongyan	6/11/2009	6/11/2011-5/11/2013	0.105	4,672,000	(4,672,000)	–
				12,672,000	(12,672,000)	–
Category 2						
Employees	6/11/2009	6/11/2011-5/11/2013	0.105	19,140,000	(19,140,000)	–
				31,812,000	(31,812,000)	–

The closing price of the Company's share on 5 November 2009, the date immediately before the date of grant of the share options (6 November 2009), was HK$0.10 per share (adjusted after share subdivision in 2010 and 2011). Details of the Share Option Scheme are set out in Note 28 to the consolidated financial statements.

Report of the Directors

COMPETING INTERESTS

As at 31 December 2013, none of the Directors or management shareholders (as defined in Listing Rules) of the Company or their respective associates had interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Company.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CONNECTED TRANSACTION – ACQUISITION OF REMAINING 35% EQUITY INTEREST IN HEFEI RONGFENG PACKING MATERIALS CO., LTD. ("HEFEI RONGFENG")

On 30 December 2013, the Group and the Vendor entered into the Acquisition Agreement pursuant to which the Vendor agreed to sell and the Group agreed to purchase the remaining 35% equity interest in Hefei Rongfeng at the consideration of RMB10,425,900 (equivalent to approximately HK$13,345,152).

As the Vendor held 35% equity interest in Hefei Rongfeng, the Vendor was therefore a connected person of the Company under Chapter 14A of the Listing Rules and the entering into the Acquisition Agreement also constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Group originally held 65% equity interest in Hefei Rongfeng indirectly, upon completion of the Acquisition, Hefei Rongfeng would become a wholly-owned subsidiary of the Group. The Acquisition was completed on 5 March 2014.

Report of the Directors

CONTINUING CONNECTED TRANSACTION

PRODUCT SALES TRANSACTION

On 27 August 2012, the Group entered into a product sales agreement with Huizhou Jinghua Packing Materials Company Limited ("Huizhou Jinghua") pursuant to which the Group has agreed to sell the mould products to Huizhou Jinghua for a term up to 31 December 2014 ("Product Sales Transaction"). Huizhou Jinghua is wholly owned by Mr. Chao Pang Fei, the ultimately controlling shareholder of the Company. The Product Sales Transaction constitutes a continuing connected transaction for the Company.

Optimising its production resources, the Group has been consolidating its operation and manufacturing facilities. The Company considers that certain production resources may be applied more efficiently and effectively by utilising them to carry out Product Sales Transaction to Huizhou Jinghua at prices agreeable to the Group, generating additional income for the Group.

On 27 August 2012, the Company set the annual caps for the Product Sales Transaction for the three years ending 31 December 2014 at RMB1.5 million for 2012, RMB3.5 million for 2013 and RMB4.0 million for 2014.

The annual caps were determined with reference to projections of the Company which in turn are prepared by the Company mainly with reference to the following major factors:

(1) internal target turnover of the Group for purpose of estimating the annual caps with reference to the negotiation with Huizhou Jinghua; and

(2) a buffer of 5%.

Pursuant to rule 14A.38 of the Listing Rules, the Board engaged the auditors of the Company to report on the continuing connected transactions of the Group and the auditors have confirmed that the transactions:

1. have received the approval from the Board;

2. were in accordance with the pricing policies of the Group where the transactions involve provision of goods and services by the Group;

3. have been entered into in accordance with the relevant agreements governing the transactions; and

4. have not exceeded the caps disclosed in the relevant announcements.

Report of the Directors

The auditor has reported its factual findings to the Board. The independent non-executive directors of the Company have reviewed the transactions and the findings and confirmed that the transactions are:

1. in the ordinary and usual course of business of the Group;

2. on normal commercial terms; and

3. in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

AUDITOR

The financial statements for the year ended 31 December 2013 have been audited by Mazars CPA Limited, who retires and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the board

Chao Pang Fei
Chairman
Hong Kong, 24 March 2014

Independent Auditor's Report

To the shareholders of
Sino Haijing Holdings Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sino Haijing Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 31 to 96, which comprise the consolidated and the Company's statements of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Certified Public Accountants
Hong Kong, 24 March 2014

Eunice Y M Kwok
Practising Certificate number: P04604

Consolidated Statement of Comprehensive Income

Year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Turnover	5	**575,579**	517,842
Cost of sales		**(502,920)**	(453,639)
Gross profit		**72,659**	64,203
Other revenue and other income	7	**12,092**	7,612
Administrative and other operating expenses		**(90,169)**	(83,724)
Loss from operations		**(5,418)**	(11,909)
Finance costs	8	**(10,508)**	(10,072)
Loss before tax	8	**(15,926)**	(21,981)
Income tax expense	11	**(3,857)**	(3,182)
Loss for the year		**(19,783)**	(25,163)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**8,876**	2,903
Total comprehensive loss for the year		**(10,907)**	(22,260)
(Loss) Profit attributable to:			
Equity holders of the Company	12	**(20,059)**	(25,131)
Non-controlling interests		**276**	(32)
		(19,783)	(25,163)
Total comprehensive (loss) income attributable to:			
Equity holders of the Company		**(11,626)**	(22,367)
Non-controlling interests		**719**	107
		(10,907)	(22,260)
Loss per share	14		
– Basic		**(HK1.61 cents)**	(HK2.07 cents)
– Diluted		**(HK1.61 cents)**	(HK2.07 cents)

Consolidated Statement of Financial Position

At 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	15	**174,883**	152,334
Lease premium for land	16	**32,511**	25,560
Deposits for acquisition of land and property, plant and equipment		**7,340**	20,138
Goodwill	17	**6,317**	20,057
		221,051	218,089
Current assets			
Financial assets at fair value through profit or loss	19	**1,727**	5,871
Inventories	20	**27,309**	25,289
Lease premium for land	16	**745**	582
Trade and other receivables	21	**289,876**	268,697
Pledged bank deposits	22	**82,988**	79,458
Bank balances and cash		**28,995**	21,120
		431,640	401,017
Current liabilities			
Trade and other payables	23	**130,982**	98,811
Bank and other borrowings	24	**203,343**	195,368
Current tax payable		**966**	190
		335,291	294,369
Net current assets		**96,349**	106,648
Total assets less current liabilities		**317,400**	324,737
Non-current liabilities			
Deferred tax liabilities	25	**2,742**	2,733
NET ASSETS		**314,658**	322,004

Consolidated Statement of Financial Position

At 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Capital and reserves			
Share capital	*26*	**31,163**	30,367
Reserves	*27*	**268,001**	276,862
Equity attributable to equity holders of the Company		**299,164**	307,229
Non-controlling interests		**15,494**	14,775
TOTAL EQUITY		**314,658**	322,004

Approved and authorised for issue by the Board of Directors on 24 March 2014

Chao Pang Fei
Director

Hui Hongyan
Director

Statement of Financial Position

At 31 December 2013

	Note	2013 *HK$'000*	2012 *HK$'000*
NON-CURRENT ASSETS			
Interests in subsidiaries	*18*	**247,264**	246,855
CURRENT ASSETS			
Financial assets at fair value through profit or loss	*19*	**–**	17
Other receivables	*21*	**2,131**	686
Pledged bank deposits	*22*	**82,988**	79,458
Bank balances and cash		**126**	392
		85,245	80,553
CURRENT LIABILITIES			
Other payables	*23*	**453**	467
Bank borrowings	*24*	**67,000**	64,500
		67,453	64,967
NET CURRENT ASSETS		**17,792**	15,586
NET ASSETS		**265,056**	262,441
CAPITAL AND RESERVES			
Share capital	*26*	**31,163**	30,367
Reserves	*27*	**233,893**	232,074
TOTAL EQUITY		**265,056**	262,441

Approved and authorised for issue by the Board of Directors on 24 March 2014

Chao Pang Fei *Director*	**Hui Hongyan** *Director*

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

	Attributable to equity holders of the Company										
	Share capital *HK$'000*	Share premium *HK$000*	Capital reserve *HK$'000*	Share options reserve *HK$'000*	Warrants reserve *HK$'000*	Statutory surplus reserve *HK$'000*	Translation reserve *HK$'000*	Accumulated losses *HK$'000*	Sub-total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2012	30,242	231,640	117	1,646	254	15,693	35,842	13,675	329,109	14,873	343,982
Transfer to statutory surplus reserve	–	–	–	–	–	1,430	–	(1,430)	–	–	–
Loss for the year	–	–	–	–	–	–	–	(25,131)	(25,131)	(32)	(25,163)
Other comprehensive income for the year											
Exchange difference arising from translation of foreign operations	–	–	–	–	–	–	2,764	–	2,764	139	2,903
Total comprehensive income (loss) for the year	–	–	–	–	–	–	2,764	(25,131)	(22,367)	107	(22,260)
Transactions with equity holders of the Company recognised directly in equity											
Contributions and distributions:											
Cancellation of share options	–	–	–	(282)	–	–	–	282	–	–	–
Exercise of share options	125	586	–	(185)	–	–	–	–	526	–	526
Expiry of warrants	–	–	–	–	(254)	–	–	254	–	–	–
Changes in ownership interest:											
Acquisition of non-controlling interests in a subsidiary	–	–	–	–	–	–	–	(39)	(39)	(205)	(244)
At 31 December 2012 and 1 January 2013	30,367	232,226	117	1,179	–	17,123	38,606	(12,389)	307,229	14,775	322,004
Transfer to statutory surplus reserve	–	–	–	–	–	2,428	–	(2,428)	–	–	–
(Loss) Profit for the year	–	–	–	–	–	–	–	(20,059)	(20,059)	276	(19,783)
Other comprehensive income for the year											
Exchange difference arising from translation of foreign operations	–	–	–	–	–	–	8,433	–	8,433	443	8,876
Total comprehensive income (loss) for the year	–	–	–	–	–	–	8,433	(20,059)	(11,626)	719	(10,907)
Transactions with equity holders of the Company recognised directly in equity											
Contributions and distributions:											
Exercise of share options	796	3,724	–	(1,179)	–	–	–	–	3,341	–	3,341
Placing of unlisted warrants, net of expenses	–	–	–	–	220	–	–	–	220	–	220
At 31 December 2013	**31,163**	**235,950**	**117**	**–**	**220**	**19,551**	**47,039**	**(34,876)**	**299,164**	**15,494**	**314,658**

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
Loss before tax	**(15,926)**	(21,981)
Exchange difference	**1,139**	1,093
Interest expenses	**10,508**	10,072
Depreciation of property, plant and equipment	**21,389**	20,986
Amortisation of lease premium for land	**963**	619
Impairment loss on goodwill	**14,136**	24,248
Impairment loss on property, plant and equipment	**11,031**	946
Interest income	**(2,741)**	(2,190)
Net loss on disposal of property, plant and equipment	**399**	1,211
Loss on disposal of financial assets at fair value through profit or loss	**–**	191
Fair value change of financial assets at fair value through profit or loss	**(888)**	(847)
Changes in working capital:		
Financial assets at fair value through profit or loss	**5,032**	415
Inventories	**(1,357)**	(4,465)
Trade and other receivables	**(13,678)**	43,246
Trade and other payables	**29,336**	(28,371)
Cash generated from operations	**59,343**	45,173
Interest received	**2,741**	2,190
Income tax paid	**(3,159)**	(2,100)
Net cash generated from operating activities	**58,925**	45,263
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(41,091)**	(50,444)
Proceeds from disposal of property, plant and equipment	**4,007**	2,481
Deposits for acquisition of land and property, plant and equipment	**(6,195)**	(10,050)
Acquisition of non-controlling interest in a subsidiary	**–**	(244)
Increase in pledged bank deposits	**(3,530)**	(3,052)
Net cash used in investing activities	**(46,809)**	(61,309)
FINANCING ACTIVITIES		
Proceeds from placing of unlisted warrants	**220**	–
Proceeds from shares issued upon exercise of share options	**3,341**	526
New bank and other borrowings raised	**207,755**	194,032
Repayment of bank and other borrowings	**(205,660)**	(182,067)
Interest paid	**(10,508)**	(10,072)
Net cash (used in) from financing activities	**(4,852)**	2,419
Net increase (decrease) in cash and cash equivalents	**7,264**	(13,627)
Effect on exchange rate changes	**611**	329
Cash and cash equivalents at beginning of reporting period	**21,120**	34,418
Cash and cash equivalents at end of reporting period, represented by bank balances and cash	**28,995**	21,120

Notes to the Consolidated Financial Statements

Year ended 31 December 2013

1. GENERAL INFORMATION

Sino Haijing Holdings Limited is a limited liability company incorporated in the Cayman Islands on 8 July 2002 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of this annual report.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are detailed in note 18 to the consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

a) BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2012 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year. A summary of the principal accounting policies adopted by the Group is set out below.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

a) BASIS OF PREPARATION *(Continued)*

Amendments to HKAS 1: Presentation of items of other comprehensive income

The amendments to HKAS 1 require entities to group together items within other comprehensive income that will not be reclassified to profit or loss separately from items that may be reclassified subsequently to profit or loss if certain conditions are met. Other than the presentation changes, the application of the amendments does not have an impact on the amounts recognised.

Furthermore, these amendments change the title for the "statement of comprehensive income" to the "statement of profit or loss and other comprehensive income". However, HKAS 1 retains the option to use titles for the statement other than those used in HKAS 1. The Group continues to use the "statement of comprehensive income" instead of the "statement of profit or loss and other comprehensive income".

HKFRS 10: Consolidated financial statements

HKFRS 10, which replaces the requirements in HKAS 27 relating to the preparation of consolidated financial statements and HK-SIC 12, introduces a single control model to determine whether an investee should be consolidated. It changes the definition of control by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

In accordance with the transitional provisions of HKFRS 10, the Group reassessed the control conclusion for its investees at the date of initial application. The exercise does not change any of the control conclusions reached by the Group in respect of its involvement with other entities at that date.

HKFRS 12: Disclosure of interests in other entities

HKFRS 12 sets out in a single standard all the disclosure requirements relevant to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. In general, the disclosures required by HKFRS 12 are more extensive than those previously required by the respective standards. Additional disclosures in relation to the summarised financial information of major non-controlling interests are set out in note 18 to the consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

a) BASIS OF PREPARATION *(Continued)*

HKFRS 13: Fair value measurement

This new standard improves consistency by providing a single source of guidance for fair value measurement and disclosures about fair value measurement when such measurement is required or permitted by other HKFRSs. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In accordance with the transitional provisions, the standard has been applied prospectively. The application of the new standard does not have any material impact on the amounts recognised and the disclosures made in the consolidated financial statements.

b) BASIS OF MEASUREMENT

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for financial assets at fair value through profit or loss, which are measured at fair value as explained in the accounting policies set out below.

c) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests are presented, separately from owners of the parent, in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

c) BASIS OF CONSOLIDATION *(Continued)*

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is allocated to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary is accounted for as a financial asset, associate, jointly controlled entity or others as appropriate from the date when control is lost.

d) SUBSIDIARIES

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position, an investment in subsidiary is stated at cost less impairment loss. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

e) GOODWILL

Goodwill arising on an acquisition of a subsidiary is measured at the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of any previously held equity interest in the acquiree over the acquisition date amounts of the identifiable assets acquired and the liabilities assumed of the acquired subsidiary.

Goodwill on acquisition of subsidiary is recognised as a separate asset. Goodwill is carried at cost less accumulated impairment losses, which is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment test and determination of gain or loss on disposal, goodwill is allocated to cash-generating units. An impairment loss on goodwill is not reversed.

In respect of a subsidiary, any excess of the acquisition date amounts of identifiable assets acquired and the liabilities assumed of the acquired subsidiary over the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, if any, after reassessment, is recognised immediately in profit or loss as a bargain purchase.

f) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, other than construction-in-progress, are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

f) PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, other than construction-in-progress, over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Buildings and leasehold improvements	5 to 20 years
Plant and machinery	5 to 10 years
Furniture and equipment	5 to 10 years
Motor vehicles	5 to 10 years
Moulds	5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

g) CONSTRUCTION-IN-PROGRESS

Construction-in-progress is stated at cost less accumulated impairment losses. Cost comprises all costs directly attributable to the construction. Construction-in-progress is transferred to property, plant and equipment and depreciation commences when construction is completed and the asset is ready for intended use.

h) LEASE PREMIUM FOR LAND

Lease premium for land is up-front payment to acquire fixed term interests in lessee-occupied land that are classified as operating leases. The premium is stated at cost less accumulated amortisation and impairment losses and is amortised over the period of the lease on a straight-line basis to profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

i) FINANCIAL INSTRUMENTS

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) the Group transfers substantially all the risks and rewards of ownership of the financial asset, or (b) the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial assets, the Group continues to recognise the financial assets and also recognises a collateralized borrowing for the proceeds received.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

1. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which includes any dividend or interest earned on the financial assets.

Financial assets are classified as held for trading if they are (i) acquired or incurred principally for the purpose of selling in the near future; (ii) part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) derivatives that are not financial guarantee contracts or not designated and effective hedging instruments.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

i) FINANCIAL INSTRUMENTS *(Continued)*

Classification and measurement *(Continued)*

1. Financial assets at fair value through profit or loss (Continued)

Financial assets are designated at initial recognition as at fair value through profit or loss if (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or (ii) they are part of a group of financial assets and/or financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) they contain embedded derivatives that would need to be separately recorded.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

2. Loans and receivables

Loans and receivables including bank balances and cash, pledged deposits, and trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

3. Financial liabilities

The Group's financial liabilities include trade and other payables, bank loans and other borrowings. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

i) FINANCIAL INSTRUMENTS *(Continued)*

Classification and measurement *(Continued)*

4. Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

j) REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

Sale of packaging materials is recognised on transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title is passed. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts and returns.

Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

k) CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

l) FOREIGN CURRENCY TRANSLATION

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in the currency of Hong Kong dollars, which is the Company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented and, where applicable, goodwill and fair value adjustments on the carrying amounts of assets and liabilities arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation, are translated at the closing rate at the end of the reporting period; and

- Income and expenses for each statement of comprehensive income are translated at average exchange rate.

- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity.

- On the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest is no longer equity-accounted for, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

l) FOREIGN CURRENCY TRANSLATION *(Continued)*

- On the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss.

m) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

n) IMPAIRMENT OF NON-FINANCIAL ASSETS

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment and lease premium for land may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

n) IMPAIRMENT OF NON-FINANCIAL ASSETS *(Continued)*

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income in profit or loss immediately.

o) BORROWING COSTS

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

p) PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

q) GOVERNMENT GRANTS

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised in profit or loss over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual installments.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

r) LEASES

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

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

s) EMPLOYEE BENEFITS

i. Short-term employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii. Defined contribution plans

The obligations for contributions to defined contribution retirement scheme in Hong Kong are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Contributions to the state-managed retirement benefit schemes in jurisdictions other than Hong Kong, which are calculated on certain percentages of the applicable payroll costs, are charged as expense when employees have rendered services entitling them to the contributions.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

t) SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled transactions

The Group's employees, including directors, receive remuneration in the form of share-based payment transactions, whereby the employees rendered services in exchange for shares or rights over shares. The cost of such transactions with employees is measured by reference to the fair value of the equity instruments at the grant date. The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a reserve within equity. The fair value is determined using Black-Scholes option pricing model, taking into account the terms and conditions of the transactions, other than conditions linked to the price of the shares of the Company ("market conditions").

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the years in which the vesting conditions are to be fulfilled, ending on the date on which the relevant employees become fully entitled to the award. During the vesting period, the number of share options that is expected to vest ultimately is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, with a corresponding adjustment to the reserve within equity. The share-based payments are recognised in the share option reserve until either (i) the options are exercised or (ii) the options expire or forfeited, at which time the related payments are (i) transferred to the share premium account or (ii) released directly to retained profits.

u) TAXATION

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

u) TAXATION *(Continued)*

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

v) RELATED PARTIES

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

   (i) has control or joint control over the Group;

   (ii) has significant influence over the Group; or

   (iii) is a member of the key management personnel of the Group or of the parent of the Group.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

v) RELATED PARTIES *(Continued)*

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

w) SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they have similar economic characteristics and share a majority of these criteria.

x) WARRANTS

The issue of warrants will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments. When the warrants are subscribed, the fair value of the consideration received is recognised in a reserve within equity.

The fair value of the warrant is recognised in a reserve within equity until either the warrant is exercised (when it is transferred to the share premium account) or the warrant expires (when it is released directly to retained profits).

3. FUTURE CHANGES IN HKFRS

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 27 (2011), HKFRS 10 and HKFRS 12	*Investment Entities* [1]
Amendments to HKAS 32	*Presentation – Offsetting Financial Assets and Financial Liabilities* [1]
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets* [1]
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting* [1]
HK(IFRIC) – Int 21	*Levies* [1]
Amendments to HKAS 19 (2011)	*Defined Benefit Plans – Employee Contributions* [2]
Various HKFRSs	*Annual Improvement Project – 2010-2012 Cycle* [3]
Various HKFRSs	*Annual Improvement Project – 2011-2013 Cycle* [3]
HKFRS 14	*Regulatory Deferral Accounts* [4]
HKFRS 9	*Financial Instruments* [5]
Amendments to HKFRS 9, HKFRS 7 and HKAS 39	*Financial Instruments, Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39* [5]

[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 July 2014, except for certain amendments which are effective prospectively for relevant transactions occurred on or after 1 July 2014
[4] Effective for annual periods beginning or after 1 January 2016
[5] No mandatory effective date determined but is available for adoption

The Group is in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but is not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

KEY SOURCES OF ESTIMATION UNCERTAINTY

a) Impairment of receivables

The Group maintains impairment allowance for doubtful accounts based upon evaluation of the recoverability of the trade and other receivables, where applicable, at the end of each reporting period. The estimates are based on the ageing of the trade and other receivables balances and the historical write-off experience, net of recoveries. If the financial conditions of the debtors were to deteriorate, additional impairment allowance may be required.

b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. If the carrying amount of the cash-generating unit exceeds its recoverable amount, additional impairment allowance may be required.

c) Useful lives of property, plant and equipment

The management determines the estimated useful lives of the Group's property, plant and equipment based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of usage and maintenance, which could affect the related depreciation charges included in profit or loss.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

d) *Impairment of property, plant and equipment*

Determining an appropriate amount of an impairment requires an estimation of recoverable amounts of relevant property, plant and equipment or the respective cash generating units ("CGU") to which the property, plant and equipment belong, which is higher of value in use and fair value less cost to sell. If there is any indication that an asset may be impaired, the recoverable amount shall be estimated for individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the CGU to which the asset belongs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the relevant assets or the CGU and a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of time value of money and the risks specific to the asset or the CGU for which the future cash flow estimates have not been adjusted. Where the actual future cash flows are less than expected or there is a downward revision of future estimated cash flows due to unfavourable changes in facts and circumstances, an additional impairment loss may arise. Details of the recoverable amount calculation of the relevant asset are disclosed in note 15. At 31 December 2013, the carrying amounts of property, plant and equipment are HK$247,959,000 (2012:HK$152,334,000).

5. TURNOVER

Turnover represents the sale of packaging materials, which is net of value-added tax and other sales taxes, and is stated after deduction of all goods returns and trade discounts.

6. SEGMENT REPORTING

a) SEGMENT REVENUE, RESULTS, ASSETS AND LIABILITIES

The Group is principally engaged in the manufacture and sale of packaging materials in the People's Republic of China ("PRC"). Accordingly, there is only one operating segment for the Group and no segmental revenue, results, assets and liabilities are presented. The Group's chief operating decision maker, the executive directors, regularly review the consolidated financial information to assess the performance and make resource allocation decisions.

b) GEOGRAPHICAL INFORMATION

The geographical location of customers is based on the location at which the goods are delivered. Substantially, all of the Group's revenue from external customers and non-current assets are located in the PRC. Therefore, no analysis on revenue from external customers and non-current assets by location is presented.

6. SEGMENT REPORTING *(Continued)*

c) INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from external customers contributing 10% or more of the total revenue from the Group's sole operating segment of sale of packaging materials in the PRC is as follows:

	2013	2012
	HK$'000	*HK$'000*
Customer A	**260,703**	194,104
Customer B	**80,195**	72,696
Customer C	**–**	71,579
	340,898	338,379

7. OTHER REVENUE AND OTHER INCOME

	2013	2012
	HK$'000	*HK$'000*
Other revenue		
Interest income	**2,741**	2,190
Other income		
Government grants	**2,775**	414
Sale of raw materials and scrap products	**349**	1,127
Sale of steam	**911**	805
Dividend income from held-for-trading listed securities	**147**	178
Fair value change of financial assets at fair value through profit or loss	**888**	847
Compensation income	**1,771**	844
Gain on disposal of property, plant and equipment	**37**	112
Net exchange gain	**2,387**	768
Sundry income	**86**	327
	9,351	5,422
	12,092	7,612

8. LOSS BEFORE TAX

This is stated after charging:

		2013 HK$'000	2012 HK$'000
a)	**Finance costs:**		
	Interest on bank and other borrowings wholly repayable within five years	**10,508**	10,072
b)	**Staff costs (Directors' emoluments included):**		
	Salaries, wages and other benefits	**60,666**	59,810
	Contribution to defined contribution retirement plans	**6,994**	3,085
		67,660	62,895
c)	**Other items:**		
	Amortisation of lease premium for land	**963**	619
	Auditor's remuneration	**570**	570
	Cost of inventories *(Note)*	**502,920**	453,639
	Depreciation of property, plant and equipment	**21,389**	20,986
	Impairment loss on goodwill included in administrative and other operating expenses	**14,136**	24,248
	Impairment loss on property, plant and equipment included in administrative and other operating expenses	**11,031**	946
	Loss on disposal of financial assets at fair value through profit or loss	**–**	191
	Loss on disposal of property, plant and equipment	**436**	1,323
	Operating lease charges on rented premises	**5,568**	6,272

Note: Cost of inventories includes HK$61,248,000 (2012: HK$55,746,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amounts are also included in the respective total amounts disclosed separately above for each of these types of expenses.

9. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the seven (2012: eight) directors were as follows:

		Other emoluments			
Name of director	Fees	Salaries, allowances and other benefits	Retirement scheme contributions	Share-based payments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Chao Pang Fei ("Mr. Chao")	**–**	**360**	**15**	**–**	**375**
Wang Yi	**–**	**340**	**10**	**–**	**350**
Hui Hongyan	**–**	**258**	**9**	**–**	**267**
Non-executive director					
Lan Yu Ping	**96**	**–**	**–**	**–**	**96**
Independent Non-executive Directors					
Ho Ka Wing	**96**	**–**	**–**	**–**	**96**
Sin Ka Man	**96**	**–**	**–**	**–**	**96**
Chen Hongfang	**96**	**–**	**–**	**–**	**96**
Total for 2013	**384**	**958**	**34**	**–**	**1,376**
Executive Directors					
Chao Pang Fei ("Mr. Chao")	–	360	14	–	374
Wang Yi	–	336	10	–	346
Hui Hongyan	–	256	9	–	265
Deng Chuangping (resigned on 26 March 2012)	–	43	–	–	43
Non-executive director					
Lan Yu Ping	96	–	–	–	96
Independent Non-executive Directors					
Ho Ka Wing	96	–	–	–	96
Sin Ka Man	96	–	–	–	96
Chen Hongfang	96	–	–	–	96
Total for 2012	384	995	33	–	1,412

9. DIRECTORS' EMOLUMENTS *(Continued)*

The executive directors of the Company are regarded as the key management personnel of the Group for disclosure purposes.

No emolument was paid by the Group to any directors as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2013 and 2012.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, three (2012: three) directors are included in the five highest paid individuals of the Group. The emoluments of the remaining two (2012: two) highest paid individuals, who are employees of the Group, are as follows:

	2013	2012
	HK$'000	*HK$'000*
Basic salaries, allowances and other benefits in kind	**1,195**	961
Retirement benefits scheme contributions	**15**	27
	1,210	988

The emoluments of each of the above highest paid individuals for both years were less than HK$1,000,000.

11. TAXATION

Hong Kong Profits Tax has not been provided as the Group had no estimated assessable profits for both current and prior year. The income tax provision in respect of operations in the PRC is calculated at the applicable tax rate of 25% on the estimated assessable profits for 2013 and 2012 based on existing legislation, interpretations and practices in respect thereof.

	2013	2012
	HK$'000	*HK$'000*
Current tax		
PRC enterprise income tax ("PRC EIT")		
– Current year	**3,568**	2,683
– Underprovision in prior year	**359**	568
Deferred tax *(Note 25(a))*	**(70)**	(69)
Tax expense for the year	**3,857**	3,182

RECONCILIATION OF TAX EXPENSE

	2013	2012
	HK$'000	*HK$'000*
Loss before tax	**(15,926)**	(21,981)
Tax at weighted average rate of 24% (2012: 24%) applicable to the jurisdictions concerned	**(3,868)**	(5,306)
Non-deductible expenses	**4,663**	6,251
Non-taxable income	**(469)**	(282)
Effect on tax incentives/holiday	**–**	(135)
Unrecognised temporary differences	**2,475**	19
Unrecognised tax losses	**1,103**	2,087
Utilisation of previously unrecognised tax losses	**(275)**	–
Under-provision of PRC EIT in current year	**(96)**	–
Under-provision of PRC EIT in prior year	**359**	568
Others	**(35)**	(20)
Tax expense for the year	**3,857**	3,182

12. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company includes a loss of HK$946,000 (2012: HK$1,917,000) which has been dealt with in the financial statements of the Company.

13. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the years ended 31 December 2013 and 2012.

14. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the equity holders of the Company is based on the following data:

	2013 *HK$'000*	2012 *HK$'000*
Loss attributable to equity holders of the Company	**(20,059)**	(25,131)

	2013 Number of shares *'000*	2012 Number of shares *'000*
Issued ordinary shares at 1 January	**1,214,688**	1,209,680
Effect of shares issued	**31,013**	3,575
Weighted average number of ordinary shares for basic loss per share	**1,245,701**	1,213,255
Loss per share:		
– Basic	**(HK1.61 cents)**	(HK2.07 cents)
– Diluted	**(HK1.61 cents)**	(HK2.07 cents)

Diluted loss per share is the same as the basic loss per share for the years ended 31 December 2013 and 2012 because the effect of potential ordinary shares is anti-dilutive.

15. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Construction-in-progress HK$'000	Total HK$'000
Cost								
At 1 January 2013	46,875	736	86,318	12,132	8,582	65,766	27,550	247,959
Exchange realignment	1,485	10	4,698	435	315	2,177	1,322	10,442
Additions	316	–	5,331	155	40	8,450	38,990	53,282
Transfer	–	–	633	–	–	–	(633)	–
Disposals	–	(490)	(2,687)	(543)	(164)	(3,043)	(1,332)	(8,259)
At 31 December 2013	**48,676**	**256**	**94,293**	**12,179**	**8,773**	**73,350**	**65,897**	**303,424**
Accumulated depreciation and impairment								
At 1 January 2013	8,182	373	40,112	6,221	4,533	36,204	–	95,625
Exchange realignment	365	4	2,148	277	211	1,344	–	4,349
Charge for the year	2,354	–	6,436	1,199	1,144	10,256	–	21,389
Written back on disposals	–	(121)	(658)	(474)	(149)	(2,451)	–	(3,853)
Impairment *(note)*	–	–	10,127	135	–	769	–	11,031
At 31 December 2013	**10,901**	**256**	**58,165**	**7,358**	**5,739**	**46,122**	**–**	**128,541**
Net book value								
At 31 December 2013	**37,775**	**–**	**36,128**	**4,821**	**3,034**	**27,228**	**65,897**	**174,883**
Cost								
At 1 January 2012	45,103	731	76,451	11,740	9,648	55,536	3,206	202,415
Exchange realignment	478	5	1,071	143	102	684	279	2,762
Additions	735	–	7,180	423	809	12,045	29,252	50,444
Transfer	1,147	–	3,958	82	–	–	(5,187)	–
Disposals	(588)	–	(2,342)	(256)	(1,977)	(2,499)	–	(7,662)
At 31 December 2012	46,875	736	86,318	12,132	8,582	65,766	27,550	247,959
Accumulated depreciation and impairment								
At 1 January 2012	5,962	301	33,354	5,082	4,247	27,430	–	76,376
Exchange realignment	108	2	626	87	64	400	–	1,287
Charge for the year	2,147	25	6,086	1,256	1,506	9,966	–	20,986
Written back on disposals	(35)	–	(846)	(213)	(1,284)	(1,592)	–	(3,970)
Impairment *(note)*	–	45	892	9	–	–	–	946
At 31 December 2012	8,182	373	40,112	6,221	4,533	36,204	–	95,625
Net book value								
At 31 December 2012	38,693	363	46,206	5,911	4,049	29,562	27,550	152,334

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

The Group's buildings are located outside Hong Kong and held under medium-term leases.

Note: Pursuant to the relocation plan of production plant in 青島海景包裝制品有限公司, the directors have identified items which could not be directly integrated into the new production plant. After the costs and benefits analysis of modification for these items, the directors decided to dispose of them in the near future. Accordingly, the carrying value of these assets with an amount of HK$11,031,000 (2012: HK$946,000) has been fully provided for impairment loss. The recoverable amount of these assets is determined by reference to the market price.

16. LEASE PREMIUM FOR LAND

	Group	
	2013	2012
	HK$'000	*HK$'000*
Carrying amount		
At beginning of reporting period	**26,142**	26,510
Additions	**7,213**	–
Exchange realignment	**864**	251
Amortisation	**(963)**	(619)
At end of reporting period	**33,256**	26,142
Outside Hong Kong, held under:		
Medium-term lease	**33,256**	26,142
Analysed for reporting purposes as:		
Current asset	**745**	582
Non-current asset	**32,511**	25,560
	33,256	26,142

17. GOODWILL

	Group	
	2013	2012
	HK$'000	*HK$'000*
Reconciliation of carrying amount:		
At beginning of reporting period	**20,057**	44,127
Exchange realignment	**396**	178
Impairment loss	**(14,136)**	(24,248)
At end of reporting period	**6,317**	20,057
Cost	**73,421**	73,025
Accumulated impairment losses	**(67,104)**	(52,968)
	6,317	20,057

The carrying amounts of goodwill net of any impairment loss as at 31 December 2013 are attributable to the Group's cash-generating unit ("CGU") of manufacturing and sale of paper honeycomb and expandable polystyrene ("EPS") packaging materials.

The recoverable amount of goodwill has been determined on the basis of a value in use calculation. Its recoverable amount is based on certain key assumptions. The value in use calculation uses cash flow projections based on financial budgets approved by management covering a period of 5 years (2012: 3 years), and a discount rate of 13% (2012: 13.72%). The discount rate used is pre-tax and reflects the specific risks relating to the relevant business. The cash flows beyond the period of 5 years (2012: 3 years) are extrapolated using 3% growth rate (2012: zero growth rate). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Cash flow projections during the budget period are also based on the expected sale of packaging materials during the budget period. Expected cash inflows/outflows, which include the sale of packaging materials have been determined based on past performance and management's expectations for the market development.

The recoverable amount of the CGU is less than its carrying amount. Accordingly, the goodwill was impaired by HK$14,136,000 (2012: HK$24,248,000) during the year. The impairment loss recognised has been included in the "administrative and other operating expenses" in the consolidated statement of comprehensive income. Any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

17. GOODWILL *(Continued)*

The directors consider the major factors contributing to the impairment of goodwill are the continuous rise of operating costs and the increase in capital expenditure in relation to the relocation plan of production plant in 青島海景包裝制品有限公司 to maintain the operation of the CGU.

18. INTERESTS IN SUBSIDIARIES

	Company	
	2013	2012
	HK$'000	*HK$'000*
Unlisted shares, at cost	**11**	11
Due from subsidiaries	**248,490**	248,081
	248,501	248,092
Less: Impairment loss	**(1,237)**	(1,237)
	247,264	246,855

The amounts due from subsidiaries included in the Company's non-current assets are unsecured, interest- free and not expected to be realised in the next twelve months from the end of the reporting period. None of the subsidiaries had issued any debt securities at the end of the reporting period.

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Details of the Company's subsidiaries as at 31 December 2013 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Loyal Pacific International Limited	Hong Kong	Hong Kong	10,000 ordinary shares of HK$1	100%	100%	–	Inactive
Great Prospect Enterprises Limited	BVI	Hong Kong	100 ordinary shares of US$1	100%	100%	–	Investment holding
Topgoal Investment Development Limited	Hong Kong	Hong Kong	1 ordinary share of HK$1	100%	–	100%	Investment holding
合肥啟鵬紙制品有限公司	PRC	PRC	RMB14,000,000	100%	–	100%	Manufacturing of packaging materials
Wisdom Sun International Limited	BVI	Hong Kong	100 ordinary shares of US$1	100%	–	100%	Investment holding
Wise Star Group Holdings Limited	Hong Kong	Hong Kong	1 ordinary share of HK$1	100%	–	100%	Investment holding
Honor Glory International Investment Limited	Hong Kong	Hong Kong	1 ordinary share of HK$1	100%	–	100%	Investment holding
青島海景包裝制品有限公司	PRC	PRC	RMB20,000,000	100%	–	100%	Manufacturing of EPS packaging products
青島新海景包裝制品有限公司	PRC	PRC	RMB10,000,000	100%	–	100%	Manufacturing of EPS packaging products
合肥海景包裝制品有限公司	PRC	PRC	RMB55,000,000	100%	–	100%	Manufacturing of EPS packaging products

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
青島海景模具制品有限公司	PRC	PRC	RMB1,000,000	100%	–	100%	Manufacturing of moulds products
青島海鴻環保包裝科技有限公司	PRC	PRC	RMB3,000,000	100%	–	100%	Inactive (2012: Manufacturing of packaging materials)
大連海景包裝製品有限公司	PRC	PRC	RMB1,000,000	100%	–	100%	Manufacturing of EPS packaging products
海景包裝設計開發(惠州)有限公司	PRC	PRC	RMB1,000,000	100%	–	100%	Deregistered (2012: In the process of deregistration)
Dragon Vault International Limited	BVI	Hong Kong	100 ordinary shares of US$1	100%	–	100%	Investment holding
Yearfull International Investment Limited	Hong Kong	Hong Kong	1 ordinary share of HK$1	100%	–	100%	Investment holding
合肥榮豐包裝制品有限公司 ("合肥榮豐")	PRC	PRC	RMB30,000,000	65%	–	65%	Manufacturing of EPS packaging products
濟南海景包裝有限公司	PRC	PRC	RMB500,000	100%	–	100%	Provision of integrated packaging solutions and production of cushion packaging products for the export of automotives and related components

18. INTERESTS IN SUBSIDIARIES *(Continued)*

The following table shows the information relating to 合肥榮豐, the only subsidiary of the Group which has material non-controlling interests ("NCI"). The summarised financial information represents amounts before inter-company eliminations.

	2013	2012
Proportion of NCI's ownership interest	**35%**	35%
	HK$'000	*HK$'000*
Non-current assets	**36,111**	37,473
Current assets	**79,224**	40,033
Current liabilities	**(71,068)**	(35,293)
Net assets	**44,267**	42,213
Non-controlling interests	**15,494**	14,775
Revenue	**93,219**	85,966
Profit (Loss) for the year	**789**	(92)
Profit (Loss) attributable to NCI	**276**	(32)
Other comprehensive income attributable to NCI	**443**	139
Total comprehensive income attributable to NCI	**719**	107
Dividends paid to NCI	**–**	–
Net cash flows from (used in):		
Operating activities	**15,821**	(4,873)
Investing activities	**(2,953)**	(4,384)
Financing activities	**(2,807)**	3,640

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Held-for-trading equity securities				
(at fair value)				
Listed in Hong Kong	**–**	17	**–**	17
Listed outside Hong Kong	**1,727**	5,854	**–**	–
	1,727	5,871	**–**	17

20. INVENTORIES

	Group	
	2013	2012
	HK$'000	*HK$'000*
Raw materials and consumables	**13,622**	12,007
Work-in-progress	**1,100**	489
Finished goods	**12,587**	12,793
	27,309	25,289

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables	**184,460**	174,644	**–**	–
Less: Allowance for trade receivables *(Note 21(b))*	**(92)**	(89)	**–**	–
	184,368	174,555	**–**	–
Notes receivables *(Note 21(d))*	**95,793**	87,804	**–**	–
Other receivables	**6,929**	3,471	**2,131**	686
Prepayments and deposits	**2,786**	2,867	**–**	–
	289,876	268,697	**2,131**	686

a) The normal credit period granted to the customers of the Group is 90 to 120 days (2012: 90 to 120 days). The ageing analysis of the trade receivables at the end of the reporting period is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Within 3 months	**176,479**	166,676
Over 3 months but within 6 months	**7,497**	5,655
Over 6 months but within 1 year	**43**	1,487
Over 1 year	**441**	826
	184,460	174,644
Less: Allowance for trade receivables	**(92)**	(89)
	184,368	174,555

21. TRADE AND OTHER RECEIVABLES *(Continued)*

b) Allowance for trade receivables is recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movement in allowance for trade receivables during the year is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
At beginning of reporting period	**89**	88
Exchange realignment	**3**	1
At end of reporting period	**92**	89

c) The ageing analysis of trade receivables by past due date that are neither individually nor collectively considered to be impaired is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Neither past due nor impaired	**176,479**	166,419
Less than 3 months past due	**7,497**	5,912
3 months to 1 year past due	**43**	1,487
Over 1 year past due	**349**	737
Past due but not impaired	**7,889**	8,136
	184,368	174,555

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

21. TRADE AND OTHER RECEIVABLES *(Continued)*

c) *(Continued)*

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

d) All notes receivables were not past due and there was no history of default. The normal terms agreed with the banks are 90 to 120 days (2012: 90 to 120 days).

22. PLEDGED BANK DEPOSITS

At the end of the reporting period, the Group and the Company had pledged bank deposits, which carried interest at prevailing market rate, amounting to HK$82,988,000 (2012: HK$79,458,000) to banks for securing a revolving loan facility granted to the Company.

23. TRADE AND OTHER PAYABLES

	Group		**Company**	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables *(Note a)*	**70,496**	55,145	**–**	–
Notes payables *(Note b)*	**47,126**	32,828	**–**	–
Other payables	**13,360**	10,838	**453**	467
	130,982	98,811	**453**	467

23. TRADE AND OTHER PAYABLES *(Continued)*

a) The ageing analysis of trade payables at the end of the reporting period is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Within 3 months	**61,445**	48,410
Over 3 months but within 6 months	**6,138**	4,216
Over 6 months but within 1 year	**1,198**	628
Over 1 year	**1,715**	1,891
	70,496	55,145

b) The notes payables were partially secured by the notes receivables as disclosed in note 30 to the consolidated financial statements, interest-free and repayable within one year.

24. BANK AND OTHER BORROWINGS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current				
Bank borrowings – secured	**169,874**	167,815	**67,000**	64,500
Other borrowings – secured	**33,469**	27,553	**–**	–
	203,343	195,368	**67,000**	64,500

At 31 December 2013 and 2012, all of the bank and other borrowings of the Group and the Company were repayable within one year.

24. BANK AND OTHER BORROWINGS *(Continued)*

The Group's secured other borrowings are interest-bearing at fixed or variable interest rates. The ranges of effective interest rates on the Group's borrowings are as follows:

	Group		Company	
	2013	2012	**2013**	2012
Effective interest rates per annum				
Bank borrowings – secured	**1.96% to 7.80%**	2.28% to 8.53%	**1.96%**	2.28%
Other borrowings – secured	**6.16%**	5.88% to 6.16%	**N/A**	N/A

Bank and other borrowings are denominated in the following currencies:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
RMB	**136,343**	130,868	**–**	–
Hong Kong dollars	**67,000**	64,500	**67,000**	64,500
	203,343	195,368	**67,000**	64,500

The bank and other borrowings were secured by:

(a) the Group's buildings with a carrying value of approximately HK$37,775,000 (2012: HK$19,700,000);

(b) certain of the Group's lease premium for land with a carrying value of approximately HK$26,286,000 (2012: HK$19,127,000);

(c) certain of the Group's trade and other receivables with a carrying value of approximately HK$57,442,000 (2012: HK$43,352,000);

(d) personal guarantee of Mr. Chao;

(e) guarantee offered by a lending institution; and

(f) pledged bank deposits of HK$82,988,000 (2012: HK$79,458,000).

25. DEFERRED TAX

a) Deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Fair value adjustment on lease premium for land *HK$'000*
At 1 January 2012	2,776
Credit to profit or loss	(69)
Exchange realignment	26
At 31 December 2012 and 1 January 2013	2,733
Credit to profit or loss	(70)
Exchange realignment	79
At 31 December 2013	**2,742**

In March 2007, the National People's Congress enacted a new Enterprise Income Tax Law, which became effective on 1 January 2008 (the "New PRC EIT Law"). Pursuant to the New PRC EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors by the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by its subsidiaries established in Mainland China in respect of earnings generated since 1 January 2008. Deferred tax liabilities are provided to the extent that such earnings are expected to be distributed in the foreseeable future. At the end of the reporting period, the estimated withholding tax effects on the distribution of retained earnings of the subsidiaries established in Mainland China were approximately HK$2,808,000 (2012: HK$2,253,000). The directors of the Company are of the opinion that no dividends would be distributed by its subsidiaries established in Mainland China in the foreseeable future and therefore no deferred tax liabilities are provided.

25. DEFERRED TAX *(Continued)*

b) Unrecognised deferred tax assets arising from

	2013	2012
	HK$'000	*HK$'000*
Deductible temporary differences	**10,538**	955
Tax losses	**12,926**	12,905
	23,464	13,860

As at 31 December 2013, the Group had unrecognised deferred tax assets of approximately HK$5,376,000 (2012: approximately HK$3,160,000) in respect of the tax losses and other temporary differences. As it is not probable that taxable profits will be available against which the deductible temporary differences and the unused tax losses of the Group can be utilised, deferred tax assets have not been recognised. The expiry dates of unrecognised tax losses are as follows:

	2013	2012
	HK$'000	*HK$'000*
Tax losses without expiry date	**5,757**	3,593
Tax losses expiring on 31 December 2018	**3,305**	–
Tax losses expiring on 31 December 2017	**3,268**	5,691
Tax losses expiring on 31 December 2016	**596**	1,400
Tax losses expiring on 31 December 2015	**–**	296
Tax losses expiring on 31 December 2014	**–**	1,071
Tax losses expiring on 31 December 2013	**–**	854
	12,926	12,905

26. SHARE CAPITAL

	Group and Company			
	2013		2012	
	No. of shares	*HK$'000*	*No. of shares*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.025 each	**4,000,000,000**	**100,000**	4,000,000,000	100,000
Issued and fully paid:				
At beginning of the reporting period	**1,214,688,620**	**30,367**	1,209,680,620	30,242
Exercise of share options *(Note (a))*	**31,812,000**	**796**	5,008,000	125
At end of the reporting period	**1,246,500,620**	**31,163**	1,214,688,620	30,367

(a) During the year ended 31 December 2013, 31,812,000 (2012: 5,008,000) ordinary shares were issued at an exercise price of HK$0.105 per share in total amount of HK$3,341,000 (2012: 526,000) as a result of exercise of share options of the Company.

b) On 24 April 2013, the Company entered into a placing agreement with the placing agent to place 210,000,000 warrants at a placing price of HK$0.002 per warrant. The warrants entitle the holders of warrants to subscribe for the shares of the Company, the subscription price of HK$0.26 per warrant share for a period of 12 months from the date of issue of the warrants. On 16 May 2013, the Company completed the placing of the warrants to not less than six independent placees. During the year, no warrants were exercised or expired.

27. RESERVES

GROUP

	Share premium HK$000 (Note (a))	Capital reserve HK$'000 (Note (b))	Share options reserve HK$'000 (Note (c))	Warrants reserve HK$'000 (Note (g))	Statutory surplus reserve HK$'000 (Note (d))	Translation reserve HK$'000 (Note (e))	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012	231,640	117	1,646	254	15,693	35,842	13,675	298,867
Transfer	–	–	–	–	1,430	–	(1,430)	–
Total comprehensive loss for the year	–	–	–	–	–	2,764	(25,131)	(22,367)
Transactions with equity holders of the Company recognised directly in equity								
Cancellation of share options	–	–	(282)	–	–	–	282	–
Exercise of share options	586	–	(185)	–	–	–	–	401
Acquisition of non-controlling interest in a subsidiary	–	–	–	–	–	–	(39)	(39)
Expiry of warrants	–	–	–	(254)	–	–	254	–
At 31 December 2012 and 1 January 2013	**232,226**	**117**	**1,179**	**–**	**17,123**	**38,606**	**(12,389)**	**276,862**
Transfer	**–**	**–**	**–**	**–**	**2,428**	**–**	**(2,428)**	**–**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**8,433**	**(20,059)**	**(11,626)**
Transactions with equity holders of the Company recognised directly in equity								
Exercise of share options	**3,724**	**–**	**(1,179)**	**–**	**–**	**–**	**–**	**2,545**
Placing of unlisted warrants, net of expenses	**–**	**–**	**–**	**220**	**–**	**–**	**–**	**220**
At 31 December 2013	**235,950**	**117**	**–**	**220**	**19,551**	**47,039**	**(34,876)**	**268,001**

27. RESERVES *(Continued)*

COMPANY

	Share premium HK$'000 (Note (a))	Share options reserve HK$'000 (Note (c))	Warrants reserve HK$'000 (Note (g))	Contributed surplus HK$'000 (Note (f))	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012	231,640	1,646	254	117	(67)	233,590
Loss for the year	–	–	–	–	(1,917)	(1,917)
Transactions with equity holders of the Company recognised directly in equity						
Cancellation of share options	–	(282)	–	–	282	–
Exercise of share options	586	(185)	–	–	–	401
Expiry of warrants	–	–	(254)	–	254	–
At 31 December 2012 and 1 January 2013	**232,226**	**1,179**	**–**	**117**	**(1,448)**	**232,074**
Loss for the year	**–**	**–**	**–**	**–**	**(946)**	**(946)**
Transactions with equity holders of the Company recognised directly in equity						
Exercise of share options	**3,724**	**(1,179)**	**–**	**–**	**–**	**2,545**
Placing of unlisted warrants, net of expenses	**–**	**–**	**220**	**–**	**–**	**220**
At 31 December 2013	**235,950**	**–**	**220**	**117**	**(2,394)**	**233,893**

27. RESERVES *(Continued)*

(a) SHARE PREMIUM

Under the Companies Law of the Cayman Islands, the share premium is available for distribution to shareholders subject to a solvency test on the Company and the provisions of the Articles of Association of the Company.

(b) CAPITAL RESERVE

Capital reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of the share capital and share premium of subsidiaries acquired through exchanges of shares pursuant to the Company's reorganisation in 2003.

(c) SHARE OPTIONS RESERVE

Share options reserve comprises the portion of the grant date fair value of unexercised share options granted to employees of the Group and directors of the Company.

(d) STATUTORY SURPLUS RESERVE

According to the articles of association of the PRC subsidiaries, they are required to transfer at least 10% of their net profit after tax, as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve. When the balance of the statutory surplus reserve reaches 50% of their registered capital, any further appropriation is optional. The transfer to this reserve must be made before distribution of a dividend to the shareholders.

Statutory surplus reserve can be used to make up previous years losses, if any, and may be converted into capital in proportion to their existing shareholdings, provided that the balance after such conversion is not less than 25% of the registered capital.

(e) TRANSLATION RESERVE

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

27. RESERVES *(Continued)*

(f) CONTRIBUTED SURPLUS

Contributed surplus represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares pursuant to the Company's reorganisation in 2003. Under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(g) WARRANTS RESERVE

Warrants reserve represents the proceeds received from the placing of unlisted warrants of the Company.

(h) DISTRIBUTABLE RESERVES

The Company's reserves as at 31 December 2013 available for distribution to the equity holders are HK$233,673,000 (2012: HK$230,895,000).

28. EQUITY SETTLED SHARE-BASED TRANSACTIONS

On 6 June 2003, the Company adopted a share option scheme (the "Share Option Scheme") to enable the Company to grant options to eligible participants in order to reward or provide incentives to its employees or any person who has contributed or will contribute to the Group. The Share Option Scheme shall continue in force for the period commencing from 6 June 2003 and expiring at the close of business on the tenth anniversary thereof, after such period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in respect of any options granted before its expiry or termination but not yet exercised.

Under the Share Option Scheme, the directors of the Company may offer to any employees or any person who has contributions to the Group including directors of the Company or any of its subsidiaries share options to subscribe for shares of the Company in accordance with the terms of the Share Option Scheme.

28. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

The maximum number of shares in respect of which share options may be granted under the Share Option Scheme shall not, when aggregate with any shares subject to any other schemes, exceed such number of shares representing 10% of the issued shares as at the date of approval of the Share Option Scheme, which shall be equivalent to 24,218,965 shares. The Company may seek approval from the shareholders in a general meeting to refresh the Share Option Scheme. However, the total number of shares which may be issued upon exercise of all share options to be granted under all of the schemes of the Company or its subsidiaries under the limit must not exceed 10% of the shares in issue as at the date of approval of the Share Option Scheme.

The exercise price is determined by the directors of the Company, and shall not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares.

Under the Share Option Scheme, the Company granted options to subscribe for 6,336,000 shares to its directors and 17,864,000 shares to its employees on 6 November 2009. Options granted must be taken up within 14 days of the date of grant, upon payment of HK$1 by each of the grantees. The first 50% of the options vest after the date of grant and are then exercisable within a period of four years and the remaining 50% of options vest after two years from the date of grant and are then exercisable within a period of two years.

Each option gives the holder the right to subscribe for one ordinary share in the Company. The Share Option Scheme expired in June 2013. No share option had been granted during the year or outstanding at the end of reporting period.

28. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(a) Movements in share options:

	Number of options	
	2013	2012
At beginning of reporting period	**31,812,000**	44,430,000
Exercised during the year	**(31,812,000)**	(5,008,000)
Forfeited during the year	–	(7,610,000)
At end of reporting period	–	31,812,000
Options vested at end of reporting period	–	31,812,000

(b) Terms of unexpired and unexercised share options at the end of the reporting period:

			Number of options			
			Fully vested		Not yet vested	
Date of grant	**Exercise period**	**Exercise price** *HK$*	**2013**	2012	**2013**	2012
6 November 2009	6 November 2011 – 5 November 2013	0.105	–	31,812,000	–	–

28. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(c) Details of the movement of share options granted during the years ended 31 December 2013 and 2012 to subscribe for the shares of the Company are as follows:

For the year ended 31 December 2013

	At 1 January 2013	Exercised during the year	Cancelled/ Lapsed during the year	At 31 December 2013
Directors				
– Mr. Wang Yi	8,000,000	(8,000,000)	–	–
– Ms. Hui Hongyan	4,672,000	(4,672,000)	–	–
Employees	19,140,000	(19,140,000)	–	–
	31,812,000	(31,812,000)	–	–
No. of exercisable options at end of reporting period				–
Weighted average exercise price	HK$0.105	HK$0.105	–	–
Weighted average share price at date of exercise				HK$0.246

28. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(c) *(Continued)*

For the year ended 31 December 2012

	At 1 January 2012	Exercised during the year	Cancelled/ Lapsed during the year	At 31 December 2012
Directors				
– Mr. Wang Yi	8,000,000	–	–	8,000,000
– Ms. Hui Hongyan	4,672,000	–	–	4,672,000
– Mr. Deng Chuangping (resigned on 26 March 2012)	5,760,000	–	(5,760,000)	–
Employees	25,998,000	(5,008,000)	(1,850,000)	19,140,000
	44,430,000	(5,008,000)	(7,610,000)	31,812,000
No. of exercisable options at end of reporting period				31,812,000
Weighted average exercise price				HK$0.105
Weighted average share price at date of exercise				HK$0.13

28. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(d) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the Black-Scholes option pricing model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes option pricing model.

	6 November 2009
Fair value of share options at grant date	HK$0.1345
Inputs into the Black-Scholes option pricing model:	
Share price at grant date (Adjusted)	HK$0.095
Exercise price (Adjusted)	HK$0.105
Expected volatility	71.40%
Option life	1.5 to 2.5 years
Risk-free interest rate	0.5%
Expected dividends	–

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option granted.

29. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF") for all qualifying employees in Hong Kong. The assets of the MPF are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF, subject to a cap of monthly relevant income of HK$25,000. Contributions to the plan vest immediately.

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefits scheme operated by the government of the PRC. The subsidiaries of the Group are required to contribute certain percentage of their payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

30. TRANSFER OF FINANCIAL ASSETS

At the end of the reporting period, the transferred financial assets of the Group measured at amortised cost that were not qualified for derecognition in their entirety were as follows:

	2013	2012
	HK$'000	*HK$'000*
Carrying amount of transferred assets		
– Notes receivable discounted to banks with recourse	**15,031**	25,575
Carrying amount of associated liabilities	**15,031**	25,575

The Group transferred the contractual rights to receive cash flows from notes receivable to certain banks by discounting them for cash on a full recourse basis. Therefore, the directors of the Company consider the Group retained substantially all of the risk and rewards of ownership of the notes receivable and continued to recognise the notes receivable in the consolidated statement of financial position. Associated liabilities have been recognised and included in bank and other borrowings.

31. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following transactions with related parties:

a) CONTINUING CONNECTED TRANSACTIONS

The related party transaction listed below constitutes continuing connected transactions as defined in Chapter 14A of the Listing Rules. Particulars of the continuing connected transactions are detailed in the Report of the Directors.

	2013	2012
	HK$'000	*HK$'000*
Sale of goods	**1,060**	44

The related party is wholly-owned by the ultimate controlling shareholder of the Company.

b) ACQUISITION OF REMAINING 35% EQUITY INTEREST IN 合肥榮豐

On 30 December 2013, the Group entered into an acquisition agreement with Hefei Xing Tai Asset Management Co., Ltd, a company controlled by Stated-owned Asset Supervision and Administration Commission of Hefei Municipal Government (the "Vendor"), pursuant to which the Group would purchase 35% equity interest in 合肥榮豐 (the "Acquisition") from the Vendor at a consideration of approximately HK$13,345,000 (equivalent to RMB 10,426,000). The Vendor holds 35% equity interest in 合肥榮豐 and is therefore a connected person of the Company.

The completion of the Acquisition shall take place within 1 month from the date of acquisition agreement, or such later date as may be agreed in writing between the Vendor and the Group. The Acquisition was completed on 5 March 2014 and full amount of the consideration of approximately HK$13,345,000 was paid to the Vendor. Upon completion of the Acquisition, 合肥榮豐 has become an indirect wholly-owned subsidiary of the Company.

32. OPERATING LEASE COMMITMENTS – AS LESSEE

The Group leases certain of its office premises under operating lease arrangements. The leases run for an initial period of one to three years (2012: one year), with an option to renew the lease when all terms are renegotiated. The terms of the leases require the Group to pay security deposits.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Within one year	**2,824**	1,160
In the second to fifth years inclusive	**3,207**	–
	6,031	1,160

33. CAPITAL COMMITMENTS

The Group's authorised capital commitments outstanding at the end of the reporting period and not provided for in the financial statements are as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Contracted but not provided for		
Construction of dormitory	–	1,042
Construction of production facilities	**8,053**	14,034
Purchase of property, plant and equipment	**3,714**	6,819
	11,767	21,895

34. ULTIMATE HOLDING COMPANY AND CONTROLLING PARTY

As at 31 December 2013, the directors regard Haijing Holdings Limited, a company incorporated in the British Virgin Islands, as the ultimate holding company.

The directors regard Mr. Chao through his direct shareholding in Haijing Holdings Limited as being the ultimate controlling party.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include pledged deposits, bank balances, borrowings, financial assets at fair value through profit or loss, trade and other receivables and trade and other payables. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk, currency risk and equity price risk. The policies on how management mitigates these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) CREDIT RISK

i) As at 31 December 2013, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

ii) In respect of trade and other receivables, in order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition are performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group does not require collateral in respect of its financial assets. Debts are usually due between 90 and 120 days from the date of billing.

The Group's exposure to credit risk of trade and other receivables is influenced mainly by the individual characteristics of each customer. At the end of the reporting period, the Group had certain concentration of credit risk as 30% (2012: 29%) and 51% (2012: 50%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively.

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

a) CREDIT RISK *(Continued)*

iii) The credit risk on liquid funds and notes receivable is limited because the counterparties are mainly banks with high credit ratings assigned by international credit-rating agencies.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 21 to the consolidated financial statements.

iv) At the end of the reporting period, the Company had a concentration of credit risk of the amounts due from subsidiaries of which 92.6% (2012: 92.7%) was due from a subsidiary.

b) LIQUIDITY RISK

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to Company's board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group relies on bank and other borrowings as a significant source of funding. At 31 December 2013, the Group has HK$62,033,000 available un-utilised banking facilities (2012: HK$90,402,000).

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

b) LIQUIDITY RISK *(Continued)*

The following liquidity tables set out the remaining contractual maturities at the end of the reporting period of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates at the end of the reporting period) and the earliest date the Group and the Company are required to pay:

Group

	2013			2012		
	Within 1 year or on demand	**Total contractual undiscounted cash flows**	**Carrying amount**	Within 1 year or on demand	Total contractual undiscounted cash flows	Carrying amount
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Bank and other borrowings	**206,904**	**206,904**	**203,343**	198,276	198,276	195,368
Trade and other payables	**130,982**	**130,982**	**130,982**	98,811	98,811	98,811
	337,886	**337,886**	**334,325**	297,087	297,087	294,179

Company

	2013			2012		
	Within 1 year or on demand	**Total contractual undiscounted cash flows**	**Carrying amount**	Within 1 year or on demand	Total contractual undiscounted cash flows	Carrying amount
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings	**67,058**	**67,058**	**67,000**	64,540	64,540	64,500
Other payables	**453**	**453**	**453**	467	467	467
	67,511	**67,511**	**67,453**	65,007	65,007	64,967

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

c) INTEREST RATE RISK

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank and other borrowings. Details of interest rates of the Group's and the Company's bank and other borrowings at the end of the reporting period are set out in note 24 to the consolidated financial statements. The Group closely monitors interest rate level and outlook as well as potential impact on the Group's result and financial position arising from volatility of interest rates.

The bank and other borrowings of the Group of HK$82,031,000 (2012: HK$95,050,000) which are fixed rate instruments are insensitive to any change in interest rates. A change in market interest rates at the end of the reporting period would not affect profit or loss.

At 31 December 2013, it is estimated that a general increase/decrease of 100 basis points in interest rates for variable rate borrowings, with all other variables held constant, would increase/decrease the Group's loss after tax and decrease/increase retained profits by approximately HK$1,213,000 (2012: HK$1,003,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for variable rate interest-bearing non-derivative financial instruments in existence at that date. In respect of the exposure to cash flow interest rate risk, the analysis is prepared assuming the interest-bearing financial instruments outstanding at the end of the reporting period were outstanding for the whole year for which the impact of interest rate changes are annualised. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual date of the reporting period. The analysis is performed on the same basis for 2012.

d) CURRENCY RISK

The Group has transactional currency exposure. Such exposure arises from trading transactions denominated in a currency other than the functional currency of an operating unit to which they relate. The Group has no significant foreign currency risk in its PRC operations as the carrying amounts of financial assets and liabilities are denominated in RMB.

e) EQUITY PRICE RISK

The Group's investments in held-for-trading equity securities are measured at fair value at the end of each reporting period with reference to the market price. Therefore, the Group is exposed to equity price risk and management monitors the price movements and takes appropriate actions when required.

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

e) EQUITY PRICE RISK *(Continued)*

The board considers that the equity price risk encountered by the Group is currently insignificant.

f) FAIR VALUE DISCLOSURES

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these consolidated financial statements on a recurring basis at 31 December 2013 across the three levels of the fair value hierarchy defined in HKFRS 13, Fair Value Measurement, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

	Group							
	2013				2012			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets measured at fair value								
Financial assets at fair value through profit or loss	**1,727**	**–**	**–**	**1,727**	5,871	–	–	5,871

During the years ended 31 December 2013 and 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2013 and 2012.

36. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure and makes adjustments, including payment of dividend to shareholders, return of capital to shareholders or issue of new shares or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 2012.

37. EVENTS AFTER THE REPORTING PERIOD

LAPSE OF MEMORANDUM OF UNDERSTANDING ("MOU") IN RESPECT OF THE POSSIBLE ACQUISITION

In February 2013, the Group entered into a non-legally binding MOU with an independent third party (the "Potential Vendor") in relation to a possible acquisition of a business which is engaged in energy saving management. Under the MOU, both the Group and the Potential Vendor would proceed to the negotiation for a legally-binding formal agreement on or before 31 July 2013 and from the date of the MOU to 31 July 2013 ("Exclusivity Period"), the Potential Vendor would not negotiate with any party other than the Group for the possible acquisition. On 31 July 2013, the Group and the Potential Vendor entered into an extension letter to extend the Exclusivity Period to 31 January 2014. By 31 January 2014, no legally-binding formal agreement had been entered into between the Group and the Potential Vendor and the MOU thereby lapsed on 1 February 2014.

GENERAL BANKING FACILITIES

On 13 January 2014, the Group had pledged the lease premium for land with carrying value of approximately HK$6,970,000 to secure a new grant of general banking facilities of approximately HK$4,611,000. The loan is repayable within one year.

PROPOSED SHARE CONSOLIDATION

Pursuant to a Company's board proposal on 24 March 2014, the Company's every 5 issued and unissued shares of HK$0.025 each are consolidated into 1 consolidated share of HK$0.125 each. The share consolidation will become effective upon the passing of an ordinary resolution by the shareholders at the Annual General Meeting and the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the consolidated shares.

Five Year Financial Summary

Year ended 31 December 2013

	Year ended 31 December				
	2013	2012	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Turnover	**575,579**	517,842	520,067	514,262	374,581
(Loss) Profit before tax	**(15,926)**	(21,981)	(14,277)	43,484	21,931
Income tax expense	**(3,857)**	(3,182)	(4,826)	(10,594)	(5,955)
(Loss) Profit for the year	**(19,783)**	(25,163)	(19,103)	32,890	15,976
Attributable to:					
Equity holders of the Company	**(20,059)**	(25,131)	(19,636)	30,828	14,602
Non-controlling interests	**276**	(32)	533	2,062	1,374
	(19,783)	(25,163)	(19,103)	32,890	15,976

	At 31 December				
	2013	2012	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Total assets	**652,691**	619,106	653,621	557,885	424,954
Total liabilities	**(338,033)**	(297,102)	(309,639)	(207,231)	(183,174)
	314,658	322,004	343,982	350,654	241,780
Attributable to:					
Equity holders of the Company	**299,164**	307,229	329,109	334,285	226,287
Non-controlling interests	**15,494**	14,775	14,873	16,369	15,493
	314,658	322,004	343,982	350,654	241,780

Major Properties Held by the Group

Year ended 31 December 2013

	Location	Existing use	Term of lease	Percentage of interest
1.	Factory Complex at the junction of Furong Road and Yuping Road, Hefei Economic and Technological Development Zone, Hefei City, Anhui Province, the PRC	Industrial	Medium	100%
2.	Factory Complex at Ziyun Road, Taohua Industrial Base Hefei Economic and Technological Development Zone, Hefei City, Anhui Province, the PRC	Industrial	Medium	100%
3.	Factory Complex at Wolong Road, Taohua Industrial Base Hefei Economic and Technological Development Zone, Hefei City, Anhui Province, the PRC	Industrial	Medium	65%
4.	Factory Complex at the South of Horizontal Road 47 and the West of Vertical Road 1, Lu Village, Madian Town, Jiaozhou City, Qingdao City, Shangdong Province, the PRC	Industrial	Medium	100%