Jin Cai Holdings Company Limited
金 彩 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1250

Annual Report 2013

Contents

Financial Highlights

The shares of Jin Cai Holdings Company Limited (the "Company") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 July 2013.

The board (the "Board") of directors (the "Director") of the Company is pleased to present the annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2013 together with the comparative figures for the corresponding period in 2012.

	Notes	**Year ended December 31** **2013** **RMB'000**	2012 RMB'000	Approximate change
Revenue		**171,779**	183,347	-6.3%
Profit before taxation		**36,250**	50,761	-28.6%
Profit and total comprehensive income for the year attributable to:				
Owners of the Company		**21,249**	31,005	-31.6%
Non-controlling interests		**–**	4,553	-100.0%
		21,249	35,558	-40.2%
Proposed final dividend per share		**HK6 cents**	–	N/A
Total trade and bills receivables turnover days	(i)	**220.6**	178.1	
Total trade and bills payables turnovers days	(ii)	**216.2**	147.2	
Average inventories turnover days	(iii)	**43.5**	53.3	

Notes:

(i) Total trade and bills receivables turnover days were derived from dividing the average of the opening and ending balances of total trade and bills receivables of the Group for the year by the revenue for the year and multiplied by the number days for the year (365 days for the year ended 31 December 2013 and 366 days for the year ended 31 December 2012).

(ii) Total trade and bills payables turnover days were derived from dividing the average of the opening and ending balances of total trade and bills payables of the Group for the year by the cost of sales for the year and multiplied by the number days for the year (365 days for the year ended 31 December 2013 and 366 days for the year 31 December 2012).

(iii) Average inventories turnover days were derived from dividing the average of the opening and ending balances of inventories of the Group for the year by the cost of sales for the year and multiplied by the number days for the year (365 days for the year ended 31 December 2013 and 366 days for the year ended 31 December 2012).

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Huang Li
Mr. Zheng Hua

Non-executive Director

Mr. Huang Chao

Independent non-executive Directors

Mr. Zeng Shiquan
Professor Lam Sing Kwong Simon
Mr. Tam Tak Kei Raymond

COMPANY SECRETARY

Ms. Lam Kit Yan FCPA

REGISTERED OFFICE

Clifton House
75 Fort Street, PO Box 1350
Grand Cayman, KY1-1108
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No.21 Jianlong Street, Bao'an Community
Henggang Sub-district, Longgang District
Shenzhen City, Guangdong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2312, Tower One, Times Square
1 Matheson Street, Causeway Bay
Hong Kong

AUDIT COMMITTEE

Mr. Tam Tak Kei Raymond *(Chairman)*
Mr. Huang Chao
Professor Lam Sing Kwong Simon

REMUNERATION COMMITTEE

Professor Lam Sing Kwong Simon *(Chairman)*
Mr. Huang Chao
Mr. Zeng Shiquan

NOMINATION COMMITTEE

Ms. Huang Li *(Chairman)*
Mr. Tam Tak Kei Raymond
Mr. Zeng Shiquan

CORPORATE WEBSITE ADDRESS

www.jincaiholding.com

AUTHORISED REPRESENTATIVES

Ms. Huang Li
Ms. Lam Kit Yan

COMPLIANCE ADVISER

First Shanghai Capital Limited
19th Floor
Wing On House
71 Des Voeux Road Central
Hong Kong

PRINCIPAL BANKERS

Ping An Bank Company Ltd.
China Construction Bank Corporation
China Merchants Bank
Standard Chartered Bank (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Ltd.
Clifton House
75 Fort Street, PO Box 1350
Grand Cayman, KY1-1108
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAWS

Loong & Yeung
Suites 2001-2005, 20th Floor
Jardine House, 1 Connaught Place
Central
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

Chairman's Statement

Dear shareholders:

On behalf of the Board of Jin Cai Holdings Company Limited, I present the annual report of the Group for the year ended 31 December 2013.

The listing of the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing") marked a major milestone for the Group. The net proceeds from the Listing amounted to approximately RMB42.0 million (after Listing expenses). The Listing further strengthened the capital base of the Group and established a platform for the Group to expand its business. For the year ended 31 December 2013, the Group's turnover amounted to approximately RMB171.8 million, which marked a decrease of approximately 6.3% as compared with the same period in 2012 (approximately RMB183.3 million). The gross profit amounted to approximately RMB67.1 million, which was roughly equivalent to the same period in 2012, while gross profit margin increased by 2.5 percentage points to approximately 39.1%. Profits attributable to owners of the Company amounted to approximately RMB21.2 million, which marked a decrease of approximately 31.6% as compared with the same period in 2012 (approximately RMB31.0 million). Basic earnings per share attributable to the owners of the Company were approximately RMB8 cents. The Board recommended the payment of any final dividend for the year ended 31 December 2013 of HK6 cents per share, or HK$19.2 million (equivalent to approximately RMB15.2 million).

The stable growth of the PRC's economy has supported the development of the cigarette industry. According to the section headed "Industry Overview" in the prospectus of the Company dated 24 June 2013 (the "Prospectus"), China possesses a smoking population of 346 million. China is also the largest cigarette manufacturer, accounting for over 40% of the global production volume as in 2012.

Besides, the cigarette industry has been growing steadily in China over the past few years. From 2008 to 2012, the compound annual growth rate of China's cigarette packaging industry was 3.5%. It is foreseen that the compound annual growth rate of China's cigarette packaging industry will stay steady at 1.5% between 2013 and 2017. Therefore, with the substantial development of cigarette industry and our own advantages, the Group was able to achieve a stable result during the year of 2013.

Despite the PRC has launched various anti-smoking and anti-graft policies, the Group is confident that the outlook of China's cigarette market will maintain optimistic as there is still room for the growth of market demand given that China's smoking population is huge.

In order to expand production capacity, the Group has commenced the construction of the Huizhou Production Base since 2012, which has three planned phases with an estimated aggregate gross floor area of approximately 60,658 sq.m. The construction work and the relevant completion and acceptance procedures of phase I of the Huizhou Production Base with a gross floor area of approximately 9,644.16 sq.m. have been completed on 30 June 2013. After the completion of relocation with the machinery being installed thereon, the total production capacity of the Group will increase from approximately 300,000 cases to approximately 400,000 cases per annum.

Looking ahead, it is expected that the cigarette industry will continue to develop sustainably given China's stable economic growth. In order to seize the market opportunities, the Group will continue to implement the business strategies as follows: 1. strengthen sales and marketing efforts to enhance relationship with existing customers and develop business with potential customers; 2. proactively expand production capacity and construct the Huizhou Production Base; 3. strategically explore value-enhancing vertical integration opportunities, such as the expansion of operation to cover the manufacture of transfer paper; 4. diversify product mix and expand its product portfolio to paper packages for products such as medicine, wine, tea or other luxury goods, and paper cups; 5. continue to enhance design and development capabilities. We have full confidence on the future development of the Group, and believe that the Group will accomplish splendid results in the future.

On behalf of the Board, I would like to express my gratitude to the continuous support of all the shareholders, investors and customers. The management team and all staff members of the Group will persist in striving for better results for the Group and bringing magnificent returns to the shareholders of the Company.

HUANG Li
Chairman

Hong Kong, 28 March 2014

Management Discussion and Analysis

INDUSTRY REVIEW

According to National Bureau of Statistics of the People's Republic of China, gross domestic product of the PRC grew by 7.7% in 2013. Good economic development together with increasing consumer expenditure and smoker population brought higher market demand on cigarette, thus further enhancing the development of the cigarette packaging industry.

According to the October 2013 edition of the World Economic Outlook published by the International Monetary Fund, the economic growth rate of China in 2014 is projected to fall to 7.25%. It is mainly because policy-makers are making great efforts in avoiding further stimulation of the economy, so that the targets of maintaining financial stability and accelerating a more balanced and sustainable economic growth could be achieved. According to the section headed "Industry Overview" in the Prospectus, the PRC possesses the largest smoking population in the world, which accounted for over one-third of the world's smoking population as in 2012. China is also the largest cigarette manufacturer, accounting for over 40% of the global production volume.

At the same time, the ongoing industry consolidation process is able to provide solid market opportunities for the major cigarette manufacturers in the PRC, which also becomes one of their future growth impetuses. Starting from 2010, the State Tobacco Monopoly Administration (中國國家煙草專賣局) (the "STMA") announced the "532" and "461" plans to further the consolidation process and enhance the business scale of top-tier cigarette brands. Being an approved supplier of these key cigarette brands, the Group is well-positioned to maintain and expand its business as a result of the consolidation of the cigarette industry in the PRC.

BUSINESS REVIEW

Business Performance

The Group is principally engaged in the design, printing and sale of cigarette packages in the PRC. Products of the Group mainly include paper cigarette packages for four cigarette brands, two of which are among the 30 key cigarette brands across the national market (重點骨幹卷煙品牌) identified by the STMA in 2008. Products of the Group are primarily sold to provincial tobacco industrial companies (省級中煙工業公司) which are state-owned cigarette manufacturers in the PRC. Four of the sixteen state-owned provincial tobacco industrial companies in the PRC were the major customers of the Group and all of the Group's sales were made to customers in the PRC during the year ended 31 December 2013.

Sales and Marketing

During the year ended 31 December 2013, the Group employed 7 sales and marketing staff, who were primarily responsible for providing after-sales services to the Group's customers.

Production Capacity

During the year ended 31 December 2013, the Group carried out its cigarette package design and production activities solely at its production base located in Shenzhen, Guangdong Province, the PRC. For the year ended 31 December 2013, the production capacity of the Group was 300,000 cases per annum. Since 2012, the Group has commenced the construction of a new production base in Huizhou, Guangdong Province, the PRC (the "Huizhou Production Base"). The construction work and the relevant completion and acceptance procedures of phase I of the Huizhou Production Base, with a gross floor area of approximately 9,644.16 sq. m., have been completed by the first half year of 2013.

Quality Control

As at 31 December 2013, the Group had a total number of 105 quality control staff. The Group also imported a variety of quality control equipment from overseas to facilitate the quality control processes of the Group.

The Company was accredited with ISO9001:2008 by Universal Certification Service Co., Ltd. since 2009. The level of quality control of the Group is widely recoganised by our customers.

FINANCIAL PERFORMANCE

Revenue

For the year ended 31 December 2013, the Group's revenue was approximately RMB171.8 million, which represented a decrease of approximately RMB11.6 million or 6.3% as compared with the same period in 2012.

The following table sets forth the breakdown of the Group's revenue for the year ended 31 December 2013 and 2012:

Cigarette brand

	For the year ended 31 December			
	2013		2012	
	RMB'000	**%**	RMB'000	%
Cigarette brand A	**116,163**	**67.6%**	123,477	67.3%
Cigarette brand B	**36,671**	**21.3%**	22,436	12.2%
Cigarette brand C	**7,309**	**4.3%**	25,067	13.7%
Cigarette brand D	**8,590**	**5.0%**	8,542	4.7%
Others	**3,046**	**1.8%**	3,825	2.1%
	171,779		183,347	

Revenue from Cigarette Brand A was approximately RMB116.2 million for the year ended 31 December 2013, representing approximately 67.6% of the total revenue which remained stable as compared with the year ended 31 December 2012. Revenue from Cigarette Brand B increased from approximately RMB22.4 million for the year ended 31 December 2012 to approximately RMB36.7 million for the year ended 31 December 2013. The increase was due to more orders for cigarette packages of Cigarette brand B were placed to the Group during the year ended 31 December 2013. Revenue from Cigarette Brand C decreased from approximately RMB25.1 million for the year ended 31 December 2012 to approximately RMB7.3 million for the year ended 31 December 2013. The decrease was due to the change of production plans of the customer. Revenue from Cigarette Brand D remained stable at approximately RMB8.6 million for the year ended 31 December 2013 as compared with approximately RMB8.5 million for the year ended 31 December 2012.

Gross Profit and Gross Profit Margin

The Group recorded a gross profit of approximately RMB67.1 million for the year ended 31 December 2013, which was roughly equivalent to the gross profit recorded in year ended 31 December 2012. The overall gross profit margin increased by 2.5 percentage points from 36.6% for the year ended 31 December 2012 to 39.1% for the year ended 31 December 2013. The increase in gross profit margin of the Group was mainly because the Group actively enhanced the quality control measures to reduce the possibility of producing defective products, which lowered the production cost and thus increased the gross profit margin.

Other Income and Gains

Other income and gains mainly referred to income from sale of packaging materials, interest income and government grants. For the year ended 31 December 2013, other income and gains increased by approximately RMB0.9 million to approximately RMB1.2 million as compared with the same period in 2012. The increase of such relevant income was mainly attributable to the receipt of government grants amounting to RMB850,000 in support of Shenzhen Oceania Printing Company Limited ("Shenzhen Oceania"), an indirect wholly-owned subsidiary of the Company.

Selling and Distribution Expenses

Selling and distribution expenses of the Group increased by approximately RMB0.9 million or 29.0% from approximately RMB3.1 million for the year ended 31 December 2012 to approximately RMB4.0 million for the year ended 31 December 2013. The increase of the Group's selling and distribution expenses was mainly attributable to the increase of delivery expenses, travelling expenses and staff costs.

Administrative Expenses

Administrative expenses of the Group increased by approximately RMB5.7 million or 57.6% from approximately RMB9.9 million for the year ended 31 December 2012 to approximately RMB15.6 million for the year ended 31 December 2013. The increase of administrative expenses of the Group was mainly attributable to the increase in the Company's regulatory expenses, staff costs, utilities expenses, legal and professional fees and loss in foreign exchange.

Listing Expenses

The listing expenses of the Group increased by approximately RMB8.2 million or 372.7% from approximately RMB2.2 million for the ended 31 December 2012 to approximately RMB10.4 million for the year ended 31 December 2013, which were primarily professional fees in connection with the Listing.

Finance Costs

Finance costs increased by approximately RMB0.6 million or 42.9% to approximately RMB2.0 million for the year ended 31 December 2013 from approximately RMB1.4 million for the year ended 31 December 2012. The increase of finance costs was due to the increase of interest rate of the Group's bank loan during the year ended 31 December 2013. No interest was capitalised during the year ended 31 December 2013 (2012: Nil).

Taxation
The Group's income tax slightly decreased by approximately RMB0.2 million from approximately RMB15.2 million for the year ended 31 December 2012 to approximately RMB15.0 million for the year ended 31 December 2013.

The effective tax rate of the Group was approximately 41.4% for the year ended 31 December 2013, which increased by approximately 11.4 percentage points when compared with approximately 30.0% for year ended 31 December 2012. The increase was attributable to the decrease in profit before taxation of the Group for the year ended 31 December 2013 as profit before taxation of Shenzhen Oceania was off-set by losses incurred by other companies within the Group which have not yet commenced generating assessable profits.

Profit and Total Comprehensive Income Attributable to Owners of the Company
As a result of the foregoing, profit and total comprehensive income attributable to owners of the Company decreased by approximately 31.6% from approximately RMB31.0 million for the year ended 31 December 2012 to approximately RMB21.2 million for the year ended 31 December 2013.

Liquidity and Financial Resources
The Group recorded net current assets of approximately RMB122.0 million as at 31 December 2013, while the net current assets as at 31 December 2012 was approximately RMB49.6 million. The Group maintained a stable and healthy liquidity position during the year ended 31 December 2013. With the net proceeds of approximately RMB42.0 million raised from the Listing, the Group further strengthened its net current assets position. It is reasonable to foresee that the Group will have sufficient resources to repay its liabilities and commitments when they are due and the Group is able to sustain the existing business operation in the foreseeable future, having considered the cash position of the Group and that the Group has unutilised bank borrowing facilities of approximately RMB22.5 million as at 31 December 2013. The Group recorded current liabilities of approximately RMB108.7 million as at 31 December 2013 (2012: approximately RMB107.3 million).

As at 31 December 2013, the cash and cash equivalents of the Group amounted to approximately RMB102.1 million denominated in Hong Kong Dollars ("HK$") and RMB, while this amount was approximately RMB30.9 million as at 31 December 2012. Such increase was mainly due to the net proceeds received from Listing.

For the year ended 31 December 2013, the Group's net cash inflow from operating activities, net cash outflow used in investment activities and net cash inflow from financing activities amounted to approximately RMB46.0 million, RMB17.9 million and RMB43.6 million respectively. For the year ended 31 December 2012, the Group's net cash inflow from operating activities, net cash outflow used in investment activities and net cash outflow used in financing activities amounted to approximately RMB48.7 million, RMB17.2 million and RMB27.2 million respectively.

Borrowings and Gearing Ratio
The total interest-bearing borrowings of the Group as at 31 December 2013 were RMB24.0 million (2012: RMB29.6 million) which were denominated in RMB with effective interest rate of 7.80% (2012: 6.94%). All these borrowings are at floating interest rate and repayable within one year. The Group's gearing ratio (defined as total bank borrowings divided by the sum of total bank borrowings and total equity at end of the year multiplied by 100%) decreased from approximately 19.8% as at 31 December 2012 to approximately 10.9% as at 31 December 2013. The decrease of gearing ratio was mainly due to the increase in total equity of the Group.

Capital Expenditure

The Group's total capital expenditure amounted to approximately RMB12.1 million for the year ended 31 December 2013, which were mainly attributable to the construction of the Huizhou Production Base and purchase of plant and machinery.

Capital Commitments

As at 31 December 2013, the Group had capital commitments of approximately RMB0.7 million (2012: approximately RMB7.2 million), for acquisition of property, plant and equipment and construction of the Huizhou Production Base.

Charge on Assets

As at 31 December 2013, the Group had pledged bank deposits of approximately RMB13.8 million (2012: Nil) to a bank in the PRC to secure banking facilities granted to the Group.

Significant Investments, Material Acquisitions and Disposal of Subsidiaries and Associated Companies

In preparation for the Listing, the Company undertook the corporate reorganisation, the details of which were set out in the section headed "History, Corporate Reorganisation and Group Structure" of the Prospectus. On 24 May 2013, the Company completed the corporate reorganisation, pursuant to which the Company became the ultimate holding company of the Group.

Save as disclosed herein, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company during the year ended 31 December 2013.

Contingent Liabilities

As at 31 December 2013, the Group did not have any significant contingent liabilities (2012: Nil).

Foreign Exchange Risk

The Group's transactions were mainly conducted in RMB, the functional currency of the Group, and the major receivables and payables are denominated in RMB. The Group's exposure to foreign currency risk related primarily to certain bank balances and cash, other receivables and other payables maintained in Hong Kong Dollars. The Group did not use derivative financial instruments to hedge against the volatility associated with foreign currency transactions and other financial assets and liabilities arising in the ordinary course of business during the year ended 31 December 2013.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2013, the Group employed a total of 272 employees (2012: 298 employees) with total staff cost (including staff welfare expenses but excluding Directors' remuneration) amounted to approximately RMB14.5 million for the year ended 31 December 2013 (2012: approximately RMB12.5 million).

The Company has established a remuneration committee on 11 June 2013 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to all employees of the Group, including social insurance coverage, provident funds and bonus.

The Group mainly determines staff remuneration on basis of the competence, qualifications and performance of individual employee and the salary trends in Hong Kong and PRC. The staff remuneration will be reviewed regularly.

The emoluments of the Directors and senior management are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

The remuneration committee will regularly review and determine from time to time the remuneration and compensation of the Directors and the senior management of the Group.

The Company has also adopted a share option scheme as incentive to the Directors and eligible employees, details of the scheme are set out in the paragraph headed "Share Option Scheme" under the section of "Directors' Report" in this annual report.

FUTURE OUTLOOK

Looking forward, the Group will spare no efforts to reinforce its position in the cigarette packaging industry of Jiangxi Province, the PRC, expand the sales network, diversify product mix and continue the construction work of the Huizhou Production Base, thus enhancing its competitive advantages in the long-term and maximizing the shareholders' value.

In order to expand business and increase income, the Group endeavors to leverage its existing approved supplier status to expand its product portfolio to other cigarette brands or sub-brands manufactured by the Group's existing customers. The Group intends to develop new business with existing customers for the supply of cigarette packages for more brands which the Group has not previously produced for. To cope with this business strategy, the Group proposes to set up sales offices in the cities where the Group's major customers are located (i.e. Nanchang, Jiangxi Province, Kunming, Yunnan Province, Wuhan, Hubei Province and Chengdu, Xichuan Province).

On the other hand, the Group is actively looking for opportunities to expand its product portfolio to paper packages for other products, such as medicine, wine, tea or other luxury goods, and paper cups, to fully utilize its specialized expertise and production capacity and thus increase our source of income.

FINAL DIVIDEND

The Board has proposed a final dividend of HK6 cents per share (2012: Nil) for the year ended 31 December 2013. Subject to the approval by the shareholders of the Company at the forthcoming annual general meeting of the Company for the year ended 31 December 2013. If the resolution for the proposed final dividend is passed at the forthcoming annual general meeting, such dividend will be payable on or about 27 June 2014 to the shareholders of the Company whose names appear on the register of members on 13 June 2014.

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Ms. Huang Li（黃莉）, aged 50, was appointed as a Director on 29 November 2012 and re-designated as an executive Director on 10 June 2013. She was also appointed as the chairman of the Board on 11 June 2013. Ms. Huang is the chairman of the nomination committee of the Company.

Ms. Huang is responsible for the overall business strategies and management of the Group. Ms. Huang has more than 13 years of experience in the paper packaging industry in the PRC. Ms. Huang had been the chairman of the board of Shenzhen Oceania from March 2000 to August 2012. At the time she ceased to be the chairman of the board of Shenzhen Oceania in August 2012, she was then immediately re-appointed as the sole executive director of Shenzhen Oceania in August 2012. From January 2001 to August 2012, she had been the general manager of Shenzhen Oceania, and was responsible for implementing the policies of the board of Shenzhen Oceania and the general management of Shenzhen Oceania. She is also the executive director and general manager of 惠州金彩印務有限公司 (Huizhou Jin Cai Printing Company Limited, or "Huizhou Jin Cai"), an indirect wholly-owned subsidiary of the Company, since August 2008. Ms. Huang has become the sales director of Super Future Investments Limited, an indirect wholly-owned subsidiary of the Company, since February 2013 and she is also one of the authorised representatives of the Company. She is a director of all the subsidiaries of the Company.

Before joining Shenzhen Oceania in 2000, Ms. Huang started her trading business of cigarette ancillary materials such as paper materials and cellophane. Since the establishment of Shenzhen Oceania, Ms. Huang has focused on the development of cigarette packaging business of Shenzhen Oceania.

Ms. Huang obtained a bachelor degree in highway engineering from the department of highway of Chang'an University（長安大學）(formerly known as Xi'an Highway Institute（西安公路學院）) in July 1983.

Mr. Huang Chao is the son of Ms. Huang, and Mr. Zheng Hua is her brother-in-law.

As at the date of this annual report, Ms. Huang is the beneficial owner of the entire issued capital of Ocean Ahead International Limited, which in turn holds 240,000,000 Shares representing 75% of the issued share capital of the Company.

Mr. Zheng Hua（鄭華）, aged 54, was appointed as an executive Director on 10 June 2013. He was also appointed as the chief executive officer of the Company on 11 June 2013.

Mr. Zheng is responsible for the general management and daily operation of the Group. Mr. Zheng has more than 13 years of experience in the paper packaging industry in the PRC. Mr. Zheng was a director of Shenzhen Oceania from November 2001 to August 2012 and has been the general manager of Shenzhen Oceania since August 2012, responsible for implementing the policy of the board of Shenzhen Oceania and the general management of Shenzhen Oceania. Mr. Zheng has been a deputy general manager of Huizhou Jin Cai, since August 2008, and is responsible for assisting the general manager of Huizhou Jin Cai. Mr. Zheng started to gain access to and possessed knowledge and experience in relation to paper packaging industry when he joined Shenzhen Oceania in 2001.

Before joining Shenzhen Oceania in 2001, Mr. Zheng assumed various positions from 1982 to 1989, including being the assistant engineer of 石油部青海石油管理局鑽井公司辦公室 (Qinghai Petroleum Management Bureau Well-drilling Company Office, Ministry of Petroleum*) and the head of 青海省重工廳辦公室 (Ministry of Heavy Industry Office, Qinghai Province*). From 1990 to 1995, Mr. Zheng was the project manager of 中國石油開發公司海南公司 (China Petroleum Exploration Company Hainan Company*) and 海南省燃化總公司 (Hainan Province Combustion Headquarter*). Mr. Zheng was the senior engineer and the manager of 南方石油勘探開發有限責任公司 (South Oil Exploration and Development Co., Ltd.*) from 1996 to 2001.

Mr. Zheng graduated from the Department of Geology of Northwest University（西北大學）with a major in petroleum and natural gas geology in January 1982.

Mr. Zheng was qualified as a geologist by 青海石油管理局 (Qinghai Petroleum Management Bureau*) in April 1991. He was also qualified as a senior engineer by the Personnel and Labour Protection Office of Henan Province（海南省人事勞動廳）in March 1995.

Mr. Zheng is the brother-in-law of Ms. Huang Li and the uncle of Mr. Huang Chao.

* *For identification purpose only*

Biographies of Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. Huang Chao（黃超）, aged 26, was appointed as a non-executive Director on 10 June 2013. Mr. Huang is a member of the audit committee and the remuneration committee of the Company.

Mr. Huang joined Shenzhen Oceania as a consultant in international market in July 2012 for a term of four years until July 2016, and started to gain access to and possessed knowledge and experience in the paper packaging industry when he joined Shenzhen Oceania.

Mr. Huang obtained a degree of bachelor of commerce – professional accounting from the Macquarie University in April 2012.

Mr. Huang is the son of Ms. Huang Li and the nephew of Mr. Zheng Hua.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zeng Shiquan（曾石泉）, aged 66, was appointed as an independent non-executive Director on 10 June 2013. Mr. Zeng is a member of the nomination committee and the remuneration committee of the Company.

Prior to joining the Group, Mr. Zeng was appointed as the chairman of the board of 深圳市特發集團有限公司 (Shenzhen City Tefa Group Company Limited*) for a term of four years in August 1998. He was also appointed as the vice chairman of the board of 長和投資有限公司 (Concord Investments Company Limited*) from July 1995 to July 2007.

Mr. Zeng graduated from the department of political economics of Wuhan University（武漢大學）in July 1970. He graduated from Sun Yat-sen University（中山大學）as a research student in political economy in December 1981.

He was accredited as a senior economist by the Shenzhen City Job Title Reform Leadership Unit（深圳市職稱改革領導小組）in February 1993. Mr. Zeng has passed the Training Course for Independent Directors of Listed Companies（上市公司獨立董事培訓班）jointly held by the Securities Association of China（中國證券業協會）and the School of Management, Fudan University（復旦大學管理院）in July 2003.

Mr. Zeng had been an independent director of 深圳市特爾佳科技股份有限公司 (Shenzhen Terca Technology Co., Ltd.*) (Stock code: 002213), whose shares are listed on the Shenzhen Stock Exchange, until March 2014, an independent director of 深圳市証通電子股份有限公司 (SZZT Electronics Co., Ltd.*) (Stock code: 002197), whose shares are listed on the Shenzhen Stock Exchange, until March 2013. Mr. Zeng has been appointed an independent director of 深圳鍵橋通訊技術股份有限公司 (Shenzhen Keybridge Communications Co., Ltd.*) (Stock code: 002316) since January 2013, whose shares are listed on the Shenzhen Stock Exchange.

* *For identification purpose only*

Professor Lam Sing Kwong Simon (林誠光), aged 55, was appointed as an independent non-executive Director on 10 June 2013. Professor Lam is the chairman of the remuneration committee of the Company and the member of audit committee of the Company.

Professor Lam obtained a doctorate degree in commerce from the Faculty of Economics and Commerce at The Australian National University in April 1996.

Professor Lam joined The University of Hong Kong as a full-time teaching staff in September 1989 and is now the Professor of Management at the Faculty of Business and Economics of The University of Hong Kong. He has published a number of academic papers and case analysis in the topics of corporate strategy, organization development and operations management.

Before joining The University of Hong Kong, Professor Lam had worked as a Regional Support Manager for the Canadian Imperial Bank of Commerce from 1987 to 1989.

Since May 2009, Professor Lam has been an independent non-executive director of Overseas Chinese Town (Asia) Holdings Limited (stock code: 03366), whose shares are listed on the Main Board of the Stock Exchange.

Mr. Tam Tak Kei, Raymond (譚德機), aged 51, was appointed as an independent non-executive Director on 10 June 2013. Mr. Tam is the chairman of the audit committee of the Company and the member of the nomination committee of the Company.

Mr. Tam graduated from University of Kent at Canterbury in the United Kingdom with a bachelor of arts degree in accounting with computing in July 1985. He has been a member of The Institute of Chartered Accountants in England and Wales since 1990 and a member of the Hong Kong Institute of Certified Public Accountants since 1995. Mr. Tam acted as the financial controller of international law firms for nine years and has over 27 years of professional accounting experience and is currently the finance director of a Hong Kong-based auction company and the company secretary of Branding China Group Limited (stock code: 08219).

Mr. Tam also acts as an independent non-executive director of Sunley Holdings Limited (stock code: 01240) since September 2012, Zebra Strategic Holdings Limited (stock code: 08260) since June 2012, Vision Fame International Holding Limited (stock code: 01315) since December 2011, Tianjin Jinran Public Utilities Company Limited (formerly known as Tianjin Tianlian Public Utilities Company Limited) (stock code: 01265, formerly 08290) since February 2011 and Ngai Shun Holdings Limited (stock code: 01246) since September 2013. Mr. Tam had been an independent non-executive director of Sun Innovation Holdings Limited, shares of which are listed on the Main Board of the Stock Exchange (stock code: 00547), until his resignation with effect from 9 August 2013.

SENIOR MANAGEMENT

Mr. Li Wei（李偉）, aged 49, is the chief administrative officer of the Group, responsible for administrative management of the Group. Mr. Li has more than 13 years of experience in business administration and corporate management. Prior to joining the Group, Mr. Li was an engineer in the after-sales department of 深圳中施機械設備有限公司 (Castic-SMP Machinery Corp. Ltd.*) from June 1992 to October 1993. Mr. Li assumed various positions in 深圳中航經銷公司 (CATIC Shenzhen Group Supply & Service Co.*) from October 1993 to April 2006, including the manager of its Guangzhou office from October 1993 to January 2001, the senior engineer from November 1998 to April 2006, the deputy manager in January 2001 to January 2002 and the general manager from January 2002 to April 2006. Mr. Li joined Shenzhen Oceania as the chief administrative officer since April 2006, responsible for, among other things, establishing and optimising the rules and the system of Shenzhen Oceania in accordance with the relevant PRC laws and regulations, modifying the handbook for employees, participating various trainings on production safety, handling legal matters and employment disputes, liaising with relevant governmental authorities and obtaining and reviewing the required permits. Mr. Li has also been assisting in the organisation and establishment work of Huizhou Jin Cai, including, among other things, the compliance matters in the acquisition of the Huizhou Site, the business registration of Huizhou Jin Cai, the annual review of its business licence, the application and annual review of Huizhou Jin Cai's printing permit and environmental conservation permit.

In July 1986, Mr. Li graduated from the Northwestern Polytechnical University（西北工業大學）in aircraft design. In March 2001, Mr. Li passed the training course of business management held by the School of Economics and Management of Tongji University（同濟大學經濟與管理學院）. He obtained a degree of master of business administration from the Southern California University in March 2001.

Mr. Wu Ying（吳鷹）, aged 46, is the deputy general manager of the Group, responsible for production management of the Group. Mr. Wu has more than 21 years of experience in printing mechanics, printing technology and printing production management. From August 1991 to August 1992, Mr. Wu had worked in 江西印刷公司 (Jiangxi Printing Company*), and he had worked in 江西深盈彩印有限公司 (Jiangxi Shenying Color Printing Co., Ltd.) from August 1992 to February 2000.

Mr. Wu obtained a graduation certificate from the Beijing Institute of Graphic Communication（北京印刷學院）in printing mechanics in July 1991. In December 1998, Mr. Wu was qualified as an engineer by the personnel department of Jiangxi Province, the PRC.

Mr. Wu has joined Shenzhen Oceania as a deputy general manager since December 2006 and has been responsible for production and assisting the general manager of Shenzhen Oceania.

* *For identification purpose only*

Ms. Lam Kit Yan（林潔恩）, aged 39, is the company secretary and chief financial officer of the Company, responsible for compliance and financial management of the Group. Ms. Lam has more than 14 years of experience in accountancy and auditing. She started working in Paul Chan & Partners（陳茂波合夥會計師行）, the certified public accountants in September 1997 and was promoted to accountant I before she left in August 2001. She joined in the audit department of PKF（梁學濂會計師事務所）in September 2001 and was promoted to senior supervisor in September 2004 and further promoted to audit manager in June 2006 until she left the post in September 2007. During her employment with PKF, she was involved in a wide variety of works including auditing, taxation, accounting, system effectiveness and efficiency review, financial due diligence, works associated with initial public offerings, mergers and acquisitions as well as other assignments. Ms. Lam had been employed as a manager in KPMG from September 2007 to January 2010. From June 2010 to October 2011, Ms. Lam worked as a senior manager in Crowe Horwath (HK) CPA Limited. Ms. Lam has became the finance manager of Super Future Investments Limited, an indirect wholly-owned subsidiary of the Company, since February 2013.

Ms. Lam obtained a degree of bachelor of business administration from The Chinese University of Hong Kong（香港中文大學）in December 1997. Ms. Lam has been registered as a certified tax adviser since 2010 and was admitted as a fellow of The Taxation Institute of Hong Kong in July 2012. She has also been a member of the Hong Kong Institute of Certified Public Accountants since February 2001. Ms. Lam is also one of the authorised representatives of the Company.

Mr. Han Peng（韓鵬）, aged 34, is the sales director of the Group, responsible for sales and marketing of the Group. He has joined Shenzhen Oceania as the assistant to the general manager of Shenzhen Oceania since August 2006. Since September 2010, Mr. Han has also held the position of the chief sales representative of Shenzhen Oceania and is responsible for the sales and marketing of Shenzhen Oceania.

Mr. Han obtained a graduation certificate from 河南財政稅務高等專科學校 (Henan Finance and Taxation College*) in July 2000.

* *For identification purpose only*

OVERVIEW

The Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Directors continuously observe the principles of good corporate governance in the interests of shareholders and devote considerable effort to identifying and formalizing best practice. The Group's corporate governance practices are based on the principles and the code provisions in the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Board considered that the Company had complied with all the applicable code provisions of the Code from 5 July 2013 (the "Listing Date") up to the date of this annual report.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the standard for securities transactions by Directors. The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions from the Listing Date up to the date of this report.

THE BOARD OF DIRECTORS

The Board comprises six Directors, among whom there are two executive Directors, one non-executive Director and three independent non-executive Directors.

The following table sets forth certain information regarding the Directors from the Listing Date to 31 December 2013:

Name	Age	Position	Roles and responsibilities	Date of appointment/ Re-designation
Ms. Huang Li (黃莉)	50	Chairman and Executive Director	Overall business strategies and management, chairman of the nomination committee and one of the authorised representatives of the Company	Appointed as a Director on 29 November 2012 and re-designated as an executive Director on 10 June 2013
Mr. Zheng Hua (鄭華)	54	Executive Director and the chief executive officer of the Company	General management and daily operation	10 June 2013
Mr. Huang Chao (黃超)	26	Non-executive Director	Member of the audit committee and the remuneration committee	10 June 2013

Name	Age	Position	Roles and responsibilities	Date of appointment/ Re-designation
Mr. Zeng Shiquan (曾石泉)	66	Independent non-executive Director	Member of the remuneration committee and the nomination committee	10 June 2013
Professor Lam Sing Kwong Simon (林誠光)	55	Independent non-executive Director	Member of the audit committee Chairman of the remuneration committee	10 June 2013
Mr. Tam Tak Kei Raymond (譚德機)	51	Independent non-executive Director	Chairman of the audit committee Member of the nomination committee	10 June 2013

The names and biographical details of the Directors are set out in the section entitled "Biographies of Directors and Senior Management" in this annual report. Mr. Huang Chao is the son of Ms. Huang Li, and Mr. Zheng Hua is her brother-in-law. Save as disclosed above, there are no other relationship (including financial, business, family or other material/relevant relationship(s)) among members of the Board.

Each of Ms. Huang Li, Mr. Zheng Hua, Mr. Huang Chao, Mr. Zeng Shiquan, Professor Lam Sing Kwong Simon and Mr. Tam Kei Raymond will retire from office as Directors at the forthcoming annual general meeting of the Company to be held on 5 June 2014, being eligible, offer themselves for re-election pursuant to Article 112 of the articles of association of the Company (the "Articles of Association ").

In compliance of Rule 3.10(1) of the Listing Rules, the Board currently comprises three independent non-executive Directors representing more than one-third of the Board. Pursuant to paragraph 12B of Appendix 16 of the Listing Rules, each of the independent non-executive Directors has confirmed by annual confirmation that he has complied with the independence criteria set out in Rule 3.13 of the Listing Rules. The Directors consider that all three Independent Non-Executive Directors are independent under these independence criteria and are capable to effectively exercise independent judgement. Amongst the three independent non-executive Directors, both Professor Lam Sing Kwong Simon and Mr. Tam Tak Kei Raymond have the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2) of the Listing Rules.

The Board is responsible for the leadership and control of the Company and overseeing the Group's businesses, strategic decisions and performance. The management is delegated with the authority and responsibility by the Board for the management and administration of the Group.

The Board is responsible for the corporate governance functions under code provision D.3.1 of the Code. The Board has reviewed and discussed the corporate governance policy of the Group and is satisfied with the effectiveness of the cooperate governance policy.

The Board has delegated various responsibilities to the Board committees including the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") (collectively, the "Board Committees"). Further details of these committees are set out below.

PROFESSIONAL DEVELOPMENT OF THE DIRECTORS

Newly appointed Directors will receive guideline and reference materials to enable them to familiarise with the Group's business operations and Board's policies.

The Company is committed to arranging and funding suitable training to all Directors for their continuous professional development. Each Director is briefed and updated from time to time to ensure that he/she is fully aware of his responsibilities under the Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group. All the Directors also understand the importance of continuous professional development and are committed to participating in any suitable training to develop and refresh their knowledge and skills.

Below is a summary of the training the Directors had received during the year under review:

Name of Directors	Type of trainings
Ms. Huang Li	A & B
Mr. Zheng Hua	A & B
Mr. Huang Chao	A & B
Mr. Zeng Shiquan	A & B
Professor Lam Sing Kwong Simon	A & B
Mr. Tam Tak Kei Raymond	A & B

A: attending seminars/workshops/forums
B: reading newspapers, journals and updates relating to the economy, tobacco industry or director's duties and responsibilities etc.

BOARD MEETINGS

One Board meeting was held from the Listing Date to 31 December 2013. Ad-hoc meetings will also be convened if necessary to discuss the overall strategy as well as the operation and financial performance of the Group. Notice of Board meeting was sent to all Directors at least 14 days prior to a regular board meeting. Reasonable notices will be given to the Directors for ad-hoc board meetings. Directors may participate either in person or through electronic means of communications.

All relevant materials were sent to all the Directors relating to the matters brought before the meetings. All the Directors have been provided with sufficient resources to discharge their duties, and, upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances, at the Company's expenses. All Directors will have the opportunity to include matters in the agenda for Board meetings.

The members and attendance of the Board meeting are as follows:

	Attendance/Meeting held from the Listing Date to 31 December 2013
Ms. Huang Li (Chairman)	1/1
Mr. Zheng Hua	1/1
Mr. Huang Chao	1/1
Mr. Zeng Shiquan	1/1
Professor Lam Sing Kwong Simon	1/1
Mr. Tam Tak Kei Raymond	1/1

The forthcoming annual general meeting to be held on 5 June 2014 will be the first general meeting of the Company from the Listing Date.

Directors' Service Contract

Each of the executive Directors has entered into a service agreement with the Company for an initial term commencing on the Listing Date and ending on the conclusion of the 2015 annual general meeting of the Company to be held in 2016, subject to the termination provision therein. Each of the executive Directors or the Company may terminate the appointment by giving the other party not less than six months' prior notice in writing.

The non-executive Director has entered into a service agreement with the Company for an initial term commencing on the Listing Date and ending on the conclusion of the 2014 annual general meeting of the Company to be held in 2015, subject to the termination provision therein. The non-executive Director or the Company may terminate the appointment by giving the other party not less than six months' prior notice in writing.

Each of the independent non-executive Directors has entered into a service agreement with the Company as an independent non-executive Director for a term commencing on the Listing Date and ending on the conclusion of the 2014 annual general meeting of the Company to be held in 2015. Each of the independent non-executive Directors or the Company may terminate the appointment by giving the other party not less than six months' prior notice in writing.

No Director has entered into any service agreement with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

Chairman and Chief Executive Officer

Under provision A.2.1 of the Code, the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual. During the year ended 31 December 2013, Ms. Huang Li is the Chairman who provides leadership to the Board but she would not be involved in the day-to-day management of the Group's business. Mr. Zheng Hua, was appointed as the Chief Executive Officer of the Company and his role is to oversee the general management and daily operation of the Group.

Remuneration of Directors and Senior Management

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
Up to HK$1,000,000	4

Particulars regarding Directors' 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 10 and 33(c) to the consolidated financial statements in this annual report, respectively.

COMPANY SECRETARY

The company secretary of the Company is Ms. Lam Kit Yan who is a full time employee of the Company. She reports to the Chairman of the Board and the Chief Executive Officer. She is responsible for advising the Board on compliance matters. Ms. Lam Kit Yan has duly complied with the relevant professional training requirement under 3.29 of the Listing Rules.

BOARD COMMITTEES

The Board has established specific committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, with written terms of reference which are available for viewing on the website of the Company and the Stock Exchange to assist them in the effective implementation of their functions. Specific responsibilities have been delegated to the above committees.

Audit Committee

The Company has established the Audit Committee on 11 June 2013 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Code. The Audit Committee consists of three members namely, Mr. Tam Tak Kei Raymond (an independent non-executive Director), Mr. Huang Chao (a non-executive Director) and Professor Lam Sing Kwong Simon (an independent non-executive Director). The chairman of the Audit Committee is Mr. Tam Tak Kei Raymond. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities assigned by the Board.

From the Listing Date to 31 December 2013, the Audit Committee has reviewed the Group's internal controls and reviewed the Group's first interim results and report for the six months ended 30 June 2013 before submission to the Board for approval. The Group's final results for the year ended 31 December 2013 had been reviewed by the Audit Committee before submission to the Board for approval. The Audit Committee has also reviewed this annual report, and confirms that it is complete and accurate and complies with the Listing Rules.

The members and attendance of the Audit Committee meeting are as follows:

	Attendance/Meeting held from the Listing Date to 31 December 2013
Mr. Tam Tak Kei Raymond (Chairman)	1/1
Mr. Huang Chao	1/1
Professor Lam Sing Kwong Simon	1/1

Remuneration Committee

The Company has established the Remuneration Committee on 11 June 2013 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Code. The Remuneration Committee consists of Professor Lam Sing Kwong Simon (an independent non-executive Director), Mr. Huang Chao (a non-executive Director) and Mr. Zeng Shiquan (an independent non-executive Director). The chairman of the Remuneration Committee is Professor Lam Sing Kwong Simon. The primary duties of the Remuneration Committee are to evaluate the performance and make recommendations to the Board regarding the remuneration package of the Directors and senior management and employee benefit arrangements, so as to ensure that the levels of remuneration and compensation are appropriate.

Since the shares of the Company were listed on 5 July 2013, the members of Remuneration Committee did not hold any meeting during the year under review.

Nomination Committee

The Company has established the Nomination Committee on 11 June 2013 with written terms of reference in compliance with the Code. The Nomination Committee consists of Ms. Huang Li (an executive Director), Mr. Tam Tak Kei Raymond (an independent non-executive Director) and Mr. Zeng Shiquan (an independent non-executive Director), a majority of whom are independent non-excutive Directors. The chairman of the Nomination Committee is Ms. Huang Li. The primary function of the Nomination Committee is to make recommendations to the Board on the appointment and removal of Directors.

The terms of reference of the nomination committee of the Company was amended on 28 August 2013 to include the review of the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy as one of its duty. All Board appointments will be based on a range of diversity perspectives, which would include but not limited to gender, age, education background, professional experience, skills, knowledge and length of service.

Since the shares of the Company were listed on 5 July 2013, the members of Nomination Committee did not hold any meeting during the year under review.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Group, in accordance with accounting principles generally accepted in Hong Kong. The statement by the auditor of the Company about their responsibilities for the financial statements is set out in the independent auditor's report contained in this annual report.

EXTERNAL AUDITOR'S REMUNERATION

The Company engaged Deloitte Touche Tohmatsu as its external auditor for the year ended 31 December 2013. The Audit Committee has been notified of the nature and the service charges of non-audit services for reviewing interim results to be performed by Deloitte Touche Tohmatsu and considered that these non-audit services have no adverse effect on the independence of the auditor. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor. During the year ended 31 December 2013, the fee paid/payable to Deloitte Touche Tohmatsu in respect of its statutory audit services provided to the Company was approximately RMB972,000. Fees for non-audit services for the same period was approximately RMB260,000.

INTERNAL CONTROLS

The Board is responsible for the internal control of the Group and for reviewing its effectiveness. Procedures have been designed to ensure maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, ensure compliance of applicable laws, rules and regulations.

Procedures have been set up for safeguarding assets against unauthorized use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. Qualified management of the Group maintains and monitors the internal control systems on an ongoing basis. The Board has conducted a review of the effectiveness of the internal control system of the Group and is satisfied that the Group has fully complied with the Code in respect of internal controls during the year ended 31 December 2013.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

On 11 June 2013, the Company has adopted an amended and restated memorandum and articles of association which had been uploaded to the website of the Company and the Stock Exchange. Save as disclosed above, there had been no significant changes in the constitutional documents of the Company during the year ended 31 December 2013.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board through the Company Secretary whose contact details are as follows:

The Company Secretary
Jin Cai Holdings Company Limited
Suite 2312, Tower One, Times Square,
1 Matheson Street, Casueway Bay,
Hong Kong
Email:
jackquelinelam@jincaiholding.com

PROCEDURES FOR CONVENING GENERAL MEETINGS BY SHAREHOLDERS

Pursuant to Article 64 of the Articles of Association, the Board may whenever it thinks fit call extraordinary general meetings. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETING

Shareholders are requested to follow Article 64 of the Articles of Association for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "Procedures for convening general meetings by shareholders".

Pursuant to Article 113 of the Articles of Association, no person (other than a retiring Director) shall be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

The Directors are pleased to present to the Shareholders this annual report and the audited consolidated financial statements for the year ended 31 December 2013 (the "Year").

GROUP REORGANIZATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 29 November 2012. In preparing for the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the companies now comprising the Company and its subsidiaries (hereinafter collectively referred to as the "Group") underwent the corporate reorganisation (the "Corporate Reorganisation") to rationalise the group structure. As a result of the Corporate Reorganisation, the Company became the holding company of the Group on 24 May 2013. Details of the Corporate Reorganisation are more fully explained in the section headed "History, Corporate Reorganisation and Group Structure – Corporate Reorganisation" of the Prospectus. The Group resulting from the Corporate Reorganisation is regarded as a continuing entity.

The Company's shares were listed on the Stock Exchange on 5 July 2013.

LISTING AND USE OF PROCEEDS

The Shares of the Company was successfully listed on the Main Board of the Stock Exchange on the Listing Date by way of placing (the "Placing") and public offer (the "Public Offer") (together, the "Share Offer") of a total of 80,000,000 Shares at the offer price of HK$0.82 per Share (the "Listing"). Net proceeds raised from the Share Offer were approximately RMB$42.0 million which has been deposited in Hong Kong currency with licensed banks in Hong Kong. As stated in the Prospectus, the Company plans to use the proceeds in (i) procurement and installation of additional equipment and machinery at phase I of the Huizhou Production Base and reserve for the construction of phase II of the Huizhou Production Base; (ii) the expansion of the sales and marketing network of the Group; (iii) the enhancement of the design and development capabilities of the Group; (iv) potential vertical integration; and (v) general working capital purposes. As at 31 December 2013, RMB2.6 million out of the net proceeds from the Share Offer had been utilised for general working capital purposes which has been applied in the manner consistent with that mentioned in the Prospectus.

PRINCIPAL ACTIVITIES

The principal business activity of the Company is investment holding. The principal activities and other particulars of the Company's subsidiaries are set out in note 34 to the consolidated financial statements in this annual report.

RESULTS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 34 of this annual report.

FINAL DIVIDENDS

The Board has proposed a final dividend of HK6 cents per share for the Year (2012: Nil) to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at 13 June 2014, subject to the approval of the Company's shareholders at the forthcoming annual general meeting of the Company.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting is scheduled to be held on Thursday, 5 June 2014.

For the purpose of determining shareholders who are entitled to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 3 June 2014 to Thursday, 5 June 2014, both days inclusive. In order to qualify for the right to attend and vote at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 30 May 2014.

For the purpose of determining shareholders who qualify for the final dividend, the register of members of the Company will be closed from Wednesday, 11 June 2014 to Friday, 13 June 2014, both days inclusive. The record date will be Friday, 13 June 2014. All transfers accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 10 June 2014.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the aggregate sales to the Group's five largest customers accounted for approximately 99.3% of the Group's turnover and sales to the Group's largest customer was approximately 67.6% of the Group's total turnover. During the year ended 31 December 2013, the aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 67.8% of the Group's total purchases, and the purchases attributable to the Group's largest supplier was approximately 22.5% of the Group's total purchases. None of the Directors, their associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had interests in the Group's five largest customers or suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 13 to the consolidated financial statements in this annual report.

BANK BORROWINGS

Details of bank borrowings of the Group as at 31 December 2013 are set out in note 23 to the consolidated financial statements in this annual report.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities of the Group for the last four financial years, as extracted from the audited financial statements in this annual report and the Prospectus, is set out on page 74. This summary does not form part of the consolidated financial statements in this annual report.

SHARE CAPITAL

Details of the Company's share capital for the Year are set out in note 25 to the consolidated financial statements in this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

The shares of the Company were listed on the Main Board of the Stock Exchange on 5 July 2013. As the shares of the Company has not yet been listed on the Stock Exchange before the Listing Date, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities before the Listing Date during the Year.

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company throughout the period from the Listing Date up to 31 December 2013.

TRANSFER TO RESERVES

Profit attributable to equity shareholders, before dividends, of approximately RMB21.2 million (2012: approximately RMB31.0 million) have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity in this annual report.

RELATED PARTIES TRANSACTIONS

There were no connected transactions and continuing connected transactions between the Group and its connected persons (as defined under the Listing Rules) which are subject to the reporting, announcement and the independent shareholders' approval requirement under the Listing Rules from the Listing Date and up to 31 December 2013.

The related party transactions in relation to the key management personnel remuneration as disclosed in Note 33(c) to the consolidated financial statements in this annual report are connected transactions exempt from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.31(6) of the Listing Rules.

The related party transactions in relation to the amount due from a director, a former non-controlling shareholder of a subsidiary and due to a director as disclosed in Note 33(a) to the consolidated financial statements in this annual report took place before the Listing Date during the Year and therefore not subject to the requirements under the Listing Rules.

Save as the transactions aforementioned, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or the controlling shareholder 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, and there were no contract of significance for the provision of services to the Group by the controlling shareholder of the Company.

DIRECTORS

As at the date of this report, the Directors are:

Executive Directors

Ms. Huang Li
Mr. Zheng Hua

Non-executive Director

Mr. Huang Chao

Independent non-executive Directors

Mr. Zeng Shiquan
Professor Lam Sing Kwong Simon
Mr. Tam Tak Kei Raymond

In accordance with Article 108(a) of the Company's Article of Association, at each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

As each of the executive Directors has entered into a service agreement with the Company for an initial term commencing on the Listing Date and ending on the conclusion of the 2015 annual general meeting of the Company to be held in 2016, subject to the termination provision therein. Each of the executive Directors or the Company may terminate the appointment by giving the other party not less than six months' prior notice in writing.

The non-executive Director has entered into a service agreement with the Company for an initial term commencing on the Listing Date and ending on the conclusion of the 2014 annual general meeting of the Company to be held in 2015, subject to the termination provision therein. The non-executive Director or the Company may terminate the appointment by giving the other party not less than six months' prior notice in writing.

Each of the independent non-executive Directors has entered into a service agreement with the Company as an independent non-executive Director for a term commencing on the Listing Date and ending on the conclusion of the 2014 annual general meeting of the Company to be held in 2015. Each of the independent non-executive Directors or the Company may terminate the appointment by giving the other party not less than six months' prior notice in writing.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

BIOGRAPHIES OF DIRECTORS AND OTHER SENIOR MANAGEMENT

The biographical details of Directors and other senior management are disclosed in the section headed "Biographies of Directors and Senior Management" on pages 12 to 17 of this annual report.

DIRECTORS EMOLUMENTS

Details of the Directors emoluments are set out in note 10 to the consolidated financial statements in this annual report. The Directors' remunerations are determined with reference to his duties and responsibilities within the Company.

DIRECTORS' INTERESTS IN CONTRACTS

There was no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest subsisted as at 31 December 2013 or at any time during the year.

MANAGEMENT CONTRACTS

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or any of their respective associates had any interest in a business which competes or likely to compete, either directly or indirectly, with the business of the Group.

COMPLIANCE OF DEED OF NON-COMPETITION

The independent non-executive Directors were delegated with the authority to review, on an annual basis, the compliance with the deed of non-competition dated 18 June 2013 executed by each of Ms. Huang Li and Ocean Ahead International Limited (the "Covenantors") in favour of the Company (for itself and for the benefit of each member of the Group) (the "Deed of Non-competition"). Each of the Covenantors has confirmed that she/it had complied with the Deed of Non-competition from the date of the Deed of Non-competition and up to the date of this annual report.

The independent non-executive Directors were not aware of any non-compliance of the Deed of Non-competition given by the Covenantors since the date of the Deed of Non-competition and up to the date of this annual report. Details of the Deed of Non-competition have been set out in the section headed "Relationship with the Controlling Shareholders" of the Prospectus.

RETIREMENT SCHEMES

The Group participates in a state-managed retirement scheme operated by the PRC government which covers the Group's eligible employees in the PRC and a Mandatory Provident Fund Scheme for the employee in Hong Kong. Particulars of these retirement plans are set out in note 28 to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVES

Pursuant to the relevant rules of the Cayman Islands, the Company's distributable reserves as at 31 December 2013 amounted to approximately RMB45.5 million.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2013, the interests and short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code in Appendix 10 to the Listing Rules are as follows:

(i) Long positions in the shares of the Company

Name of Director	Capacity/Nature	No. of shares interested/held	Percentage of interest
Ms. Huang Li[(1)]	Interest of controlled corporation	240,000,000	75%

(ii) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity/Nature	No. of shares held	Percentage of interest
Ms. Huang Li[(1)]	Ocean Ahead International Limited ("Ocean Ahead")	Beneficial owner	100	100%

Note:

(1) Ms. Huang Li beneficially owns the entire issued share capital of Ocean Ahead. Therefore, Ms. Huang Li is deemed or taken to be interested in all the shares of the Company held by Ocean Ahead for the purposes of the SFO. Ms. Huang Li is the sole director of Ocean Ahead.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

So far as is known to the Directors, as at 31 December 2013, the following persons (not being a Director or chief executive of the Company) had interests or short positions in shares or underlying shares of the Company which fell to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long positions in the shares of the Company

Name of shareholder	Capacity/Nature	No. of shares held	Percentage of shareholding
Ocean Ahead	Beneficial owner	240,000,000	75%

Save as disclosed above, as at 31 December 2013, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which fell to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 11 June 2013 for the primary purpose of attracting and retaining the best available personnel, providing additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers ("Eligible Participants") of the Group and promoting the success of the business of the Group and will remain in force for a period of ten years commencing on the adoption date and shall expire at 10 June 2023 subject to early termination provisions contained in the Scheme. The Board may grant options to Eligible Participants to subscribe for shares in the Company subject to the terms of the Scheme.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. However, the total maximum number of the shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not exceed 30% of the issued share capital of the Company from time to time. Options granted to a substantial shareholder or an independent non-executive Director, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange at the date of the grant) in excess of HK$5 million, within any 12-month period up to and including the date of grant, are subject to shareholders' approval in advance in a general meeting.

Options granted must be taken up within 7 days inclusive of the day on which offer was made, upon payment of HK$1 by the grantee. Options may be exercised at any time for a period determined by its directors which shall not be later than the day immediately preceding the tenth anniversary of the date of grant. The exercise price of the share options shall be a price solely determined by the Board and notified to an Eligible Participant and shall be at least the highest of (i) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of the grant of the options; (ii) the average closing price of the Company's shares as stated in the daily quotations sheets of the Stock Exchange for the five trading days immediately preceding the date of the grant of the option; and (iii) the nominal value of a share of the Company on the date of grant.

As at the date of this report, the total number of securities available for issue under the Scheme was 32,000,000 shares, which represented 10% of the issued share capital of the Company. From the adoption date of the Scheme on 11 June 2013 to 31 December 2013, no share option was granted, exercised, cancelled or lapsed, and there was no the outstanding option under the Scheme as at 11 June 2013 and as at 31 December 2013.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 18 to 24 of this annual report.

CHARITABLE DONATIONS

During the Year, the Group did not make any charitable donation.

CONFIRMATION OF INDEPENDENCE

The Company has received from the independent non-executive Directors confirmations of independence (including an annual confirmation from each of the independent non-executive Directors) pursuant to Rule 3.13 of the Listing Rules and considers that all the independent non-executive Directors are independent of the Company under the Listing Rules.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float since the Listing Date to the date of this annual report as required under the Listing Rules.

AUDITOR

A resolution will be proposed to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

HUANG Li
Chairman
Hong Kong, 28 March 2014

Deloitte.
德勤

TO THE MEMBERS OF JIN CAI HOLDINGS COMPANY LIMITED
金彩控股有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Jin Cai Holdings Company Limited 金彩控股有限公司 (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 73, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other 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 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, in accordance with our agreed terms of engagement, 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.

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 judgment, 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 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 Group as at 31 December 2013, and of the Group's profit 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000
Revenue	5	**171,779**	183,347
Cost of sales		**(104,655)**	(116,274)
Gross profit		**67,124**	67,073
Other income and gains	6	**1,163**	225
Selling and distribution expenses		**(3,997)**	(3,098)
Administrative expenses		**(15,622)**	(9,858)
Listing expenses		**(10,443)**	(2,184)
Finance costs	7	**(1,975)**	(1,397)
Profit before taxation		**36,250**	50,761
Taxation	8	**(15,001)**	(15,203)
Profit and total comprehensive income for the year	9	**21,249**	35,558
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**21,249**	31,005
Non-controlling interests		**–**	4,553
		21,249	35,558
Earnings per share	12		
– Basic (RMB)		**0.08**	0.13

Consolidated Statement of Financial Position

At 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	13	**58,910**	53,261
Prepaid lease payments	14	**17,997**	18,408
Deposits for acquisition of property, plant and equipment		**230**	–
		77,137	71,669
Current assets			
Inventories	15	**14,676**	10,293
Prepaid lease payments	14	**411**	411
Trade and bills receivables	16	**98,892**	108,784
Other receivables, deposits and prepayments		**900**	2,440
Amount due from a director	17	**–**	223
Amount due from a former non-controlling shareholder of a subsidiary	18	**–**	3,842
Pledged bank deposits	19	**13,757**	–
Bank balances and cash	19	**102,088**	30,850
		230,724	156,843
Current liabilities			
Trade and bills payables	20	**64,972**	58,999
Other payables and accruals	21	**11,129**	8,827
Amount due to a director	22	**–**	2,397
Tax payable		**8,644**	7,450
Bank borrowings	23	**24,000**	29,600
		108,745	107,273
Net current assets		**121,979**	49,570
Total assets less current liabilities		**199,116**	121,239
Non-current liability			
Deferred taxation	24	**3,880**	1,576
		195,236	119,663
Capital and reserves			
Share capital	25	**2,550**	–
Reserves		**192,686**	119,663
		195,236	119,663

The consolidated financial statements on pages 34 to 73 were approved and authorised for issue by the board of directors on 28 March 2014 and are signed on its behalf by:

HUANG Li
DIRECTOR

ZHENG Hua
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 (Note a)	Special reserves RMB'000 (Note b)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2012	48,000	–	24,385	39	24,471	96,895	25,757	122,652
Profit and total comprehensive income for the year	–	–	–	–	31,005	31,005	4,553	35,558
Dividends recognised as distribution during the year (Note 11)	–	–	–	–	(30,452)	(30,452)	(8,095)	(38,547)
Transfer upon Corporate Reorganisation	(48,000)	–	–	48,000	–	–	–	–
Deemed contribution from controlling shareholder	–	–	–	18,570	–	18,570	–	18,570
Acquisition of additional equity interests from non-controlling shareholders	–	–	–	3,645	–	3,645	(22,215)	(18,570)
At 31 December 2012	–	–	24,385	70,254	25,024	119,663	–	119,663
Profit and total comprehensive income for the year	–	–	–	–	21,249	21,249	–	21,249
Issue of new shares	637	51,639	–	–	–	52,276	–	52,276
Issued of shares by capitalisation of share premium account	1,913	(1,913)	–	–	–	–	–	–
Transaction costs attributable to issue of new shares	–	(4,209)	–	–	–	(4,209)	–	(4,209)
Deemed contribution from controlling shareholder	–	–	–	6,257	–	6,257	–	6,257
At 31 December 2013	2,550	45,517	24,385	76,511	46,273	195,236	–	195,236

Notes:

a. As stipulated by the relevant laws and regulations for enterprises in the People's Republic of China (the "PRC"), the Company's PRC subsidiaries are required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of profit after taxation as reflected in the statutory financial statements of the relevant PRC subsidiaries while the amounts and allocation basis are decided by their board of directors annually. The appropriation to statutory surplus reserve may cease if the balance of the statutory surplus reserve has reached 50% of the relevant PRC subsidiaries' registered capital. The statutory reserves can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

b. Special reserves comprise of:

(i) an amount of RMB39,000, being the difference between the paid-in capital of a subsidiary, 深圳大洋洲印務有限公司 Shenzhen Oceania Printing Company Limited ("Shenzhen Oceania"), and the fair value of the property, plant and equipment invested to Shenzhen Oceania by Asia Modern (Hong Kong) International Limited ("Asia Modern") on 22 November 2000;

(ii) an amount of RMB48,000,000 represented the paid-in capital of Shenzhen Oceania which has been transferred to special reserve as part of the corporate reorganisation set out in note 1;

(iii) an amount of RMB3,645,000, being the difference between the carrying amount of the share of net assets acquired and the consideration of RMB18,570,000 in respect of the acquisition of additional interests in subsidiaries on 23 August 2012. The consideration of RMB18,570,000 was treated as deemed contribution from the controlling shareholder; and

(iv) an amount of RMB6,257,000 represented the amount due to a director, who is also the Controlling Shareholder (defined in note 1), being waived by the Controlling Shareholder during the year. The waiver was accounted for as deemed contribution from the Controlling Shareholder.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	**36,250**	50,761
Adjustments for:		
Depreciation of property, plant and equipment	**5,839**	6,232
Release of prepaid lease payments	**411**	411
Recognition of write-down on obsolete inventories	**2**	246
Interest income	**(160)**	(202)
(Gain) loss on disposals of property, plant and equipment	**(78)**	59
Net foreign exchange loss	**520**	–
Finance costs	**1,975**	1,397
Operating cash flows before movements in working capital	**44,759**	58,904
(Increase) decrease in inventories	**(4,385)**	13,055
Decrease (increase) in trade and bills receivables	**9,892**	(39,040)
Decrease (increase) in other receivables, deposits and prepayments	**1,540**	(1,343)
Increase in trade and bills payables	**5,973**	24,469
(Decrease) increase in other payables and accruals	**(236)**	4,647
Cash generated from operations	**57,543**	60,692
Income tax paid	**(11,503)**	(11,996)
NET CASH FROM OPERATING ACTIVITIES	**46,040**	48,696
INVESTING ACTIVITIES		
Interest received	**160**	202
Deposits paid for and purchase of property, plant and equipment	**(9,067)**	(21,223)
Proceeds from disposals of property, plant and equipment	**736**	–
Advance to director	**(518)**	(1,625)
Repayment from director	**741**	4,301
Advance to a former non-controlling shareholder of a subsidiary	**–**	(4,942)
Repayment from a former non-controlling shareholder of a subsidiary	**3,842**	6,100
Placement of pledge bank deposits	**(13,757)**	–
NET CASH USED IN INVESTING ACTIVITIES	**(17,863)**	(17,187)

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
FINANCING ACTIVITIES		
Dividends paid	**(771)**	(37,776)
Bank loans raised	**30,000**	29,600
Repayment of bank loans	**(35,600)**	(20,000)
Interest paid	**(1,975)**	(1,397)
Advance from a director	**34,804**	59,200
Repayment to a director	**(30,927)**	(56,803)
Proceeds from issue of shares	**52,276**	–
Transaction cost on issue of shares	**(4,209)**	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**43,598**	(27,176)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**71,775**	4,333
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**30,850**	26,517
Effect of foreign exchange rate changes	**(537)**	–
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR REPRESENTING BY BANK BALANCES AND CASH	**102,088**	30,850

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (2007 Revision) Chapter 22 of the Cayman Islands on 29 November 2012. The registered office is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY 1-1108, Cayman Islands, and the address of the principal place of business is No.21 Jianlong Street, Bao'an Community, Henggang Sub-district, Longgang District, Shenzhen City, Guangdong Province, the People's Republic of China (the "PRC" or "China"). The Company is an investment holding company. The principal activities of its subsidiaries are engaged in the design, printing and sale of cigarette packages in the PRC.

In preparing for the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the companies now comprising the Company and its subsidiaries (hereinafter collectively referred to as the "Group") underwent the corporate reorganisation (the "Corporate Reorganisation") to rationalise the group structure. As a result of the Corporate Reorganisation, the Company became the holding company of the Group on 24 May 2013. Details of the Corporate Reorganisation are more fully explained in the section headed "History, Corporate Reorganisation and Group Structure – Corporate Reorganisation" of the prospectus of the Company dated 24 June 2013 (the "Prospectus"). The Group resulting from the Corporate Reorganisation is regarded as a continuing entity. The consolidated statement of financial position as of 31 December 2012, and the related consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the Group for the year ended 31 December 2012 have been prepared on the basis as if the current group structure has been in existence as of that date or throughout the period.

The shares of the Company were listed on the Stock Exchange on 5 July 2013 (the "Listing"). Its ultimate controlling party is Ms. Huang Li (the "Controlling Shareholder").

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and its subsidiaries.

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

For the current year, the Group has applied, for the first time, the new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatory effective for the current year.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income *(Continued)*

Except as described above, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

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

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
5 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

The directors of the Company anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of subsidiaries begin when the Group obtains control over the subsidiaries and cease when the Group loses control of the subsidiaries. Specifically, income and expenses of subsidiaries acquired during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiaries.

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the carrying amount of the net assets attributable to the change in interests 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 owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business.

Revenue from sale of cigarette packages is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Construction in progress for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Leasing

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.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land

Interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

All borrowing costs not associated with qualifying assets are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, other receivables, amount due from a director, amount due from a former non-controlling shareholder of a subsidiary, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's the original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

The carrying amount of the loans and receivables is reduced by the impairment loss directly for all loans and receivables with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent 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.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and bills payables, other payables and accruals, amount due to a director and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities, when and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated useful lives of property, plant and equipment

The Group depreciates the property, plant and equipment over their estimated useful lives, using straight-line method. The estimated useful lives that the Group depreciates the property, plant and equipment reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the assets. Actual economic lives may differ from estimated useful lives. If the actual useful lives of property, plant and equipment is less than the original estimate useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charges for the remaining period.

At 31 December 2013, the carrying amount of property, plant and equipment is RMB58,910,000 (31 December 2012: RMB53,261,000). Details of the useful lives of the property, plant and equipment are disclosed in note 13.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Net realisable value of inventories

The Group writes down inventories for obsolescence based on an assessment of the net realisable value of inventories. Write-down is applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the carrying amount of inventories. The identification of obsolete inventories requires the use of judgment and estimates on the conditions and usefulness of the inventories. The amount of write-down would be changed as a result of the changes in current market conditions subsequently.

At 31 December 2013, the carrying amount of inventories is RMB14,676,000 (31 December 2012: RMB10,293,000).

5. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sales of cigarette packages for the year.

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the chief executive officer of the Group) in order to allocate resources to the segment and to assess its performance.

For management purpose, the Group operates in one business unit based on its products, and has one operating segment: design, printing and sale of cigarette packages. The chief operating decision maker monitors the revenue, results, assets and liabilities of its business unit as a whole based on the monthly sales reports, monthly delivery reports and monthly management accounts, and considers the segment assets and segment liabilities of the Group included all assets and liabilities as stated in the consolidated statement of financial position respectively, and considers the segment revenue and segment results of the Group represented all revenue and profit before taxation as stated in the consolidated statement of profit or loss and other comprehensive income respectively. Accordingly, no analysis of this single reportable and operating segment is presented.

Geographical information

As all the Group's revenue is derived from customers located in the PRC and all the Group's identifiable non-current assets are principally located in the PRC, no geographical segment information is presented.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follow:

	2013 **RMB'000**	2012 RMB'000
Customer A	**116,163**	123,477
Customer B	**36,671**	22,436
Customer C	**N/A***	25,067

* The corresponding revenue did not contribute over 10% of the total sales of the Group.

6. OTHER INCOME AND GAINS

	2013 RMB'000	2012 RMB'000
Gains from sale of packaging materials	**75**	23
Gain on disposals of property, plant and equipment	**78**	–
Government grants (Note)	**850**	–
Interest income	**160**	202
	1,163	225

Note: Government grants represented subsidies from various PRC governmental authorities which had no conditions or limitations attached.

7. FINANCE COSTS

	2013 RMB'000	2012 RMB'000
Interest on bank borrowings wholly repayable within five years	**1,975**	1,397

8. TAXATION

	2013 RMB'000	2012 RMB'000
PRC Enterprise Income Tax ("EIT")		
Current tax	**12,697**	13,627
Deferred tax	**2,304**	1,576
	15,001	15,203

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit subject to Hong Kong Profits Tax during both years.

Under the Law of the PRC on EIT (the "New Tax Law") and Implementation Regulations of the Law, the standard tax rate of the PRC entities was 25% for the years ended 31 December 2013 and 2012.

8. TAXATION *(Continued)*

Upon the New Tax Law and Implementation Regulations, PRC withholding income tax is applicable to dividends payable to investors that are "non-PRC tax resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries to non-PRC tax resident group entities shall be subject to the withholding income tax at 10% or lower tax rate, as applicable. Under the relevant tax treaty, withholding tax rate on distribution to Hong Kong resident companies is 5%.

The tax charge for the year can be reconciled to the profit before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	2013 **RMB'000**	2012 RMB'000
Profit before taxation	**36,250**	50,761
Tax at the standard tax rate of 25%	**9,062**	12,690
Tax effect of expenses not deductible for tax purpose	**3,247**	742
Tax effect of income not taxable for tax purpose	**(2)**	–
Tax effect of tax losses not recognised	**399**	155
Deferred tax on undistributed earnings of PRC subsidiaries	**2,304**	1,576
Others	**(9)**	40
Tax charge for the year	**15,001**	15,203

9. PROFIT FOR THE YEAR

	2013 RMB'000	2012 RMB'000
Profit for the year has been arrived at after charging:		
Staff costs:		
Directors' emoluments (Note 10)	**566**	208
Other staff costs		
Salaries and other benefits	**14,507**	12,540
Retirement benefits scheme contributions	**2,440**	1,354
	17,513	14,102
Auditor's remuneration	**1,232**	77
Net foreign exchange loss	**520**	–
Depreciation of property, plant and equipment	**5,839**	6,232
Release of prepaid lease payments	**411**	411
Operating lease rentals in respect of rented premises	**2,056**	1,727
Cost of inventories recognised as an expense	**103,193**	114,300
Recognition of write-down on obsolete inventories (included in cost of sales)	**2**	246
Loss on disposals of property, plant and equipment	**–**	59

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the 6 (2012: 2) directors were as follows:

	Fee RMB'000	Salaries and other benefits RMB'000	Incentive performance bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2013					
Executive directors					
Ms. Huang Li	**56**	**115**	**–**	**5**	**176**
Mr. Zheng Hua	**56**	**54**	**–**	**17**	**127**
	112	**169**	**–**	**22**	**303**
Non-executive director					
Mr. Huang Chao	**56**	**39**	**–**	**–**	**95**
Independent non-executive directors					
Mr. Zeng Shi Quan	**56**	**–**	**–**	**–**	**56**
Mr. Lam Sing Kwong Simon	**56**	**–**	**–**	**–**	**56**
Mr. Tam Talk Kei Raymond	**56**	**–**	**–**	**–**	**56**
	168	**–**	**–**	**–**	**168**
	336	**208**	**–**	**22**	**566**
For the year ended 31 December 2012					
Executive directors					
Ms. Huang Li	–	120	11	–	131
Mr. Zheng Hua	–	63	7	7	77
	–	183	18	7	208

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS *(Continued)*

Ms. Huang Li is also the Chief Executive of the Company and her emoluments disclosed above include those for services rendered by her as the Chief Executive.

Incentive performance bonus was determined by the management having regard to the performance of directors of the Company and the Group's operation results.

Employees

The five highest paid individuals included 1 (2012: 1) director and the Chief Executive of the Company. The emoluments of the remaining 4 (2012: 4) individuals are as follows:

	2013 RMB'000	2012 RMB'000
Salaries and other benefits	**866**	512
Retirement benefit schemes contributions	**117**	85
	983	597

Each of their emoluments during the years ended 31 December 2013 and 2012 was within HK$1,000,000.

No emoluments have been paid by the Group to any of the directors or the five highest paid individuals (included directors and employees) 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. None of the directors nor the Chief Executive waived any emoluments during the years ended 31 December 2013 and 2012.

11. DIVIDENDS

Prior to the corporate reorganisation, Shenzhen Oceania had declared dividends to its then equity owners as follows:

	2013 RMB'000	2012 RMB'000
Asia Modern	–	30,452
Non-controlling interests	–	8,095
	–	38,547

A final dividend in respect of the year ended 31 December 2013 of HK6 cents (2012: Nil) per share, amounting to HK$19,200,000 (equivalent to approximately RMB15,202,000) (2012: Nil), has been proposed by the Board and is subject to approval by the shareholders in the forthcoming annual general meeting.

12. EARNINGS PER SHARE

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

	2013 RMB'000	2012 RMB'000
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**21,249**	31,005

	2013 '000	2012 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**279,452**	240,000

The weighted average number of ordinary shares for the purpose of basic earnings per share for the years ended 31 December 2013 and 2012 has been retrospectively adjusted to reflect 999 shares issued pursuant to the Corporate Reorganisation on 24 May 2013 and 239,999,000 shares issued upon capitalisation on 5 July 2013 as disclosed in note 25.

No diluted earnings per share are presented as there is no potential dilutive shares in issue during both years.

13. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST					
At 1 January 2012	73,528	2,598	4,114	–	80,240
Additions	3,013	–	16	18,757	21,786
Disposals	(190)	–	(402)	–	(592)
At 31 December 2012	76,351	2,598	3,728	18,757	101,434
Additions	6,591	–	120	5,435	12,146
Disposals	(6,576)	–	(2)	–	(6,578)
At 31 December 2013	**76,366**	**2,598**	**3,846**	**24,192**	**107,002**
DEPRECIATION					
At 1 January 2012	38,096	1,402	2,976	–	42,474
Provided for the year	5,394	499	339	–	6,232
Eliminated on disposals	(171)	–	(362)	–	(533)
At 31 December 2012	43,319	1,901	2,953	–	48,173
Provided for the year	5,343	284	212	–	5,839
Eliminated on disposals	(5,918)	–	(2)	–	(5,920)
At 31 December 2013	**42,744**	**2,185**	**3,163**	**–**	**48,092**
CARRYING VALUES					
At 31 December 2013	**33,622**	**413**	**683**	**24,192**	**58,910**
At 31 December 2012	33,032	697	775	18,757	53,261

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis, after taking into account of their residual values, over the following useful lives:

Plant and machinery	5 years to 10 years
Motor vehicles	5 years
Furniture, fixtures and equipment	5 years

14. PREPAID LEASE PAYMENTS

	2013 RMB'000	2012 RMB'000
Analysed for reporting purposes as:		
Current assets	**411**	411
Non-current assets	**17,997**	18,408
	18,408	18,819

The prepaid lease payments represent payments for land use rights in the PRC which are held under medium-term lease.

15. INVENTORIES

	2013 RMB'000	2012 RMB'000
Raw materials	**3,290**	4,465
Work in progress	**6,174**	4,008
Finished goods	**5,212**	1,820
	14,676	10,293

16. TRADE AND BILLS RECEIVABLES

	2013 RMB'000	2012 RMB'000
Trade receivables	**43,892**	57,784
Bills receivables	**55,000**	51,000
	98,892	108,784

The Group generally allows credit period of 90 days to its trade customers. For certain major customers, the Group accepts settlement of trade receivables by bank bills with maturity period from 90 days to 180 days.

16. TRADE AND BILLS RECEIVABLES *(Continued)*

The following is an aged analysis of trade receivables presented based on the date of delivery of goods, which approximated the date on which revenue was recognised.

	2013 **RMB'000**	2012 RMB'000
0 to 90 days	**42,944**	56,752
91 to 180 days	**948**	200
181 to 360 days	**–**	832
	43,892	57,784

The following is an aged analysis of bills receivables presented based on the date of issuance of bills at the end of reporting period:

	2013 **RMB'000**	2012 RMB'000
0 to 90 days	**50,200**	51,000
91 to 180 days	**4,800**	–
	55,000	51,000

Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by each customer. Limits attributed to customers are reviewed once a year.

The trade and bill receivables that are neither past due nor impaired is mainly due from those customers which have long-term relationship with the Group and the repayment history of these customers were good.

Included in Group's trade receivables are receivables with the following carrying amounts which are past due as at the end of each reporting period for which the Group has not provided for impairment loss. Aging of trade and bills receivables which are past due but not impaired:

	2013 **RMB'000**	2012 RMB'000
Over 90 days	**948**	1,032

The average age of these receivables is 110 days at 31 December 2013 (2012: 190 days). The Group does not hold any collateral over these balances.

17. AMOUNT DUE FROM A DIRECTOR

Amount due from a director disclosed pursuant to section 161B of the Companies Ordinance was as follows:

			Maximum amount outstanding during the year	
	2013 **RMB'000**	2012 RMB'000	**2013** **RMB'000**	2012 RMB'000
Mr. Zheng Hua	**–**	223	**513**	390

The amount was unsecured, non-interest bearing and was fully repaid during the year.

18. AMOUNT DUE FROM A FORMER NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

	2013 **RMB'000**	2012 RMB'000
深圳市焯威佳奇投資有限公司 Shenzhen City Zhuowei Jiaqi Investment Company Limited ("Shenzhen Zhuowei Jiaqi")	**–**	3,842

The amount represented advance to a former non-controlling shareholder of a subsidiary which was non-trade, unsecured, non-interest bearing and was fully repaid during the year.

19. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Bank balances carry interest at rates which range from 0.01% to 1.35% (2012: 0.35% to 0.5%) per annum.

Pledged bank deposits represents deposits pledged to a bank to secure banking facilities granted to the Group. The pledged bank deposits carried variable interest rate of 0.35% per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

The Group's pledged bank deposits, bank balances and cash that are denominated in currency other than the functional currencies of the respective group entities are set out below:

	2013 **RMB'000**	2012 RMB'000
Hong Kong Dollars ("HK$")	**39,413**	288

20. TRADE AND BILLS PAYABLES

	2013 RMB'000	2012 RMB'000
Trade payables	**37,458**	58,999
Bills payables	**27,514**	–
	64,972	58,999

The average credit period on purchases of goods is 90 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2013 RMB'000	2012 RMB'000
0 to 90 days	**34,824**	47,021
91 to 180 days	**1,718**	11,551
181 to 360 days	**707**	196
Over 360 days	**209**	231
	37,458	58,999

The following is an aged analysis of bills payables presented based on the date of issuance of bills at the end of reporting period:

	2013 RMB'000	2012 RMB'000
0 to 90 days	**22,475**	–
91 to 180 days	**5,039**	–
	27,514	–

21. OTHER PAYABLES AND ACCRUALS

	2013 RMB'000	2012 RMB'000
Other payables and accruals	**2,507**	1,926
Payable for acquisition of property, plant and equipment	**3,309**	–
Other taxes payables	**3,895**	4,494
Salaries payables	**1,321**	1,546
Dividends payables (Note)	**–**	771
Other deposits	**97**	90
	11,129	8,827

Note: The amount represented dividends payables to the former equity owners of Shenzhen Oceania.

22. AMOUNT DUE TO A DIRECTOR

The amount was unsecured, non-interest bearing and was waived by the director, who is also the Controlling Shareholder, during the year.

23. BANK BORROWINGS

	2013 RMB'000	2012 RMB'000
Unsecured and floating-rate bank borrowings	**24,000**	29,600

The Group's floating-rate borrowings are subject to interest at 130% of RMB Benchmark Loan Rate issued by the People's Bank of China. The effective interest rates on the Group's borrowings were as follows:

	2013 %	2012 %
Floating-rate borrowings	**7.80**	6.94

24. DEFERRED TAXATION

The following is the major deferred tax liabilities recognised and movements thereon during the year:

	Undistributed earnings of PRC subsidiary RMB'000
At 1 January 2012	–
Charge to profit or loss	1,576
At 31 December 2012 and 1 January 2013	1,576
Charge to profit or loss	2,304
At 31 December 2013	**3,880**

The Group had unused tax losses of RMB5,944,000 at 31 December 2013 (2012: RMB4,349,000), which were available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The tax losses will expire in 5 years after the year of commencement of the business of the subsidiary, 惠州金彩印務有限公司 ("Huizhou Jin Cai"). Huizhou Jin Cai has not yet commenced business during the year.

25. SHARE CAPITAL

The share capital as at 31 December 2012 of the Group represented the issued and fully paid share capital of the Company. Details of the movement of the share capital of the Company are as follow:

	Number of shares	**Share capital** HK$'000
Ordinary shares of HK$0.01 each		
Authorised		
At 29 November 2012 (date of incorporation) and at 31 December 2012	38,000,000	380
Increase on 11 June 2013 (Note a)	1,962,000,000	19,620
At 31 December 2013	**2,000,000,000**	**20,000**
Issued and fully paid		
At 29 November 2012 (date of incorporation) and at 31 December 2012	1	–
Issued pursuant to the Corporate Reorganisation on 24 May 2013 (Note b)	999	–
Issued during the year (Note c)	319,999,000	3,200
At 31 December 2013	**320,000,000**	**3,200**

25. SHARE CAPITAL *(Continued)*

	2013 RMB'000
Presented in the consolidated statement of financial position as	**2,550**

Notes:

(a) Pursuant to the resolutions passed by the sole shareholder of the Company on 11 June 2013, the authorised share capital of the Company was increased from HK$380,000 to HK$20,000,000 by the creation of additional 1,962,000,000 ordinary shares of HK$0.01 each.

(b) Pursuant to the Corporate Reorganisation on 24 May 2013, the Company allotted and issued 999 ordinary shares of HK$0.01 each credited as fully paid to the Controlling Shareholder as consideration for acquisition of the entire issued capital of Meteor River Limited, its wholly owned subsidiary.

(c) On 5 July 2013, the Company allotted and issued 239,999,999 ordinary shares of HK$0.01 each credited as fully paid to the shareholders by the capitalisation of an amount of HK$2,399,990 in the share premium account of the Company at par.

On 5 July 2013, the Company issued a total of 80,000,000 ordinary shares of HK$0.01 each at the HK$0.82 by way of placing and public offer.

All the shares issued during the period from 29 November 2012 (date of incorporation) to 31 December 2012 and the year ended 31 December 2013 ranked pari passu in all respects with the then existing shares in issue.

26. CAPITAL RISK MANAGEMENT

The Groups manages its capital to ensure that companies comprising in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the year.

The capital structure of the Group consists of debt, which include the bank borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

The management review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The management will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

27. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2013 **RMB'000**	2012 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**214,854**	145,944
Financial liabilities		
Amortised cost	**96,109**	95,239

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, other receivables, amount due from a director, amount due from a former non-controlling shareholder of a subsidiary, pledged bank deposits, bank balances and cash, trade and bills payables, other payables and accruals, amount due to a director and bank borrowings. Details of these financial instruments are set out in respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effectively manner.

The Group's cash flow interest rate risk relates primarily to its floating-rate pledged bank deposits, bank balances and bank borrowings. The Group has not entered into interest rate swaps to hedge against its exposure to changes in fair values of the borrowings. Currently, the Group does not have a specific policy to manage their interest rate risk, but will closely monitor the interest rate risk exposure in the future.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of RMB Benchmark Loan Rate of the People's Bank of China on the Group's bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates on floating-rate bank borrowings. The analysis is prepared assuming the floating-rate bank borrowings outstanding at the end of each reporting period were outstanding for the whole year. As the management considers the exposure to interest rate risk in relation to bank balances is insignificant due to the low level of bank interest rate, bank balances are excluded from sensitivity analysis. A 100 basis points increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been increased/decreased by 100 basis points and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by approximately RMB180,000 for the year ended 31 December 2013 (2012: RMB222,000). This is mainly attributable to the Group's exposure to interest rates on its floating-rate bank borrowings.

27. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Currency risk

The Group's transactions were mainly conducted in RMB, the functional currency of the Company and its subsidiaries, and their major receivables and payables are denominated in RMB. The Group's exposure to foreign currency risk related primarily to certain bank balances and cash, other receivables and other payables maintained in HK$.

The carrying amount of the Group's foreign currencies denominated monetary assets and liabilities at the end of the reporting period are as follows:

	2013 **RMB'000**	2012 RMB'000
Assets		
HK$	**39,773**	291
Liabilities		
HK$	**186**	2,672

The following table details the Group's sensitivity to a 3% increase and decrease in RMB against the relevant foreign currency. 3% (2012: 1%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 3% (2012: 1%) change in foreign currency rates. The sensitivity analysis includes bank balances and cash, other receivables and other payables. A negative number below indicates decrease in post-tax profit where RMB strengthens against HK$. For a 3% (2012: 1%) weakening of RMB against the HK$, there would be an equal and opposite impact on the profit.

	2013 **RMB'000**	2012 RMB'000
Profit for the year		
HK$	**(891)**	18

In management's opinion, the sensitivity analysis is not necessarily representative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

27. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk management

As at 31 December 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has concentration of credit risk as 97% (2012: 97%) of the total trade receivables was due from the Group's four largest customers as at 31 December 2013. These largest customers are provincial tobacco industrial companies in the PRC with good reputation and repayment records.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monetary procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are either state-owned banks or banks with high credit ratings located in the PRC.

Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. The Group has available unutilised bank borrowings facilities of approximately RMB22,486,000 as at 31 December 2013 (2012: RMB400,000).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

27. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk management *(Continued)*

	Weighted average effective interest rate %	On demand or less than 3 months RMB'000	3 months to 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
2013					
Trade and bills payables	**–**	**64,972**	**–**	**64,972**	**64,972**
Other payables and accruals	**–**	**7,137**	**–**	**7,137**	**7,137**
Bank borrowings					
– floating rate	**7.80**	**3,434**	**21,285**	**24,719**	**24,000**
		75,543	**21,285**	**96,828**	**96,109**
2012					
Trade and bills payables	–	58,999	–	58,999	58,999
Other payables and accruals	–	4,243	–	4,243	4,243
Amount due to a director	–	2,397	–	2,397	2,397
Bank borrowings					
– floating rate	6.94	514	30,057	30,571	29,600
		66,153	30,057	96,210	95,239

Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate their fair values.

27. FINANCIAL INSTRUMENTS *(Continued)*

c. Transfers of financial assets

The following were the Group's bills receivables that were transferred to suppliers by endorsing those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and trade payables. These financial assets and liabilities are carried at amortised cost in the Group's consolidated statement of financial position.

	2013 RMB'000	2012 RMB'000
Carrying amount of bills receivables	**900**	16,600
Carrying amount of trade payables	**900**	16,600
Net position	**–**	–

28. RETIREMENT BENEFIT PLANS

The employees of the PRC subsidiaries are members of state-managed retirement benefit scheme operated by the PRC Government. The PRC subsidiaries are required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions.

The total expense recognised in profit or loss of approximately RMB2,462,000 for the year ended 31 December 2013 (2012: RMB1,361,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

29. CAPITAL COMMITMENTS

The Group had the following capital commitments:

	2013 RMB'000	2012 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**668**	7,196

30. OPERATING LEASE COMMITMENT

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2013 **RMB'000**	2012 RMB'000
Within one year	**2,169**	1,761
In the second to fifth year inclusive	**2,507**	4,183
	4,676	5,944

Operating lease payments represent rentals payable by the Group for its office and manufacturing premises. Leases are negotiated from two to five years and rentals are fixed over the respective leases.

31. SHARE-BASED PAYMENTS

Equity-settled share option scheme of the Company

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 11 June 2013 for the primary purpose of attracting and retaining the best available personnel, providing additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers ("Eligible Participants") of the Group and promoting the success of the business of the Group and will remain in force for a period of ten years commencing on the adoption date and shall expire at 10 June 2023. The board of directors of the Company may grant options to Eligible Participants to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. However, the total maximum number of the shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not exceed 30% of the issued share capital of the Company from time to time. Options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange at the date of the grant) in excess of HK$5 million, within any 12-month period up to and including the date of grant, are subject to shareholders' approval in advance in a general meeting.

31. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme of the Company *(Continued)*

Options granted must be taken up within 7 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. Options may be exercised at any time for a period determined by its directors which shall not be later than the day immediately preceding the tenth anniversary of the date of grant. The exercise price of the share options must be at least the highest of (i) the nominal value of an ordinary share on the date of grant; (ii) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of the offer of the share options; and (iii) the average closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange for the five trading days immediately preceding the date of the offer.

For the year ended 31 December 2013, no share options had been granted and the Company had no share options outstanding at 31 December 2013.

32. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2013, the Controlling Shareholder waived the amount due to a director of approximately RMB6,257,000. The waiver was accounted for as deemed contribution from the Controlling Shareholder.

During the year ended 31 December 2012, the Group completed the acquisition of 79% and 21% equity interests in Shenzhen Oceania from Asia Modern and the non-controlling shareholders of Shenzhen Oceania at a consideration of RMB69,850,000 and RMB18,570,000, respectively. Such consideration was settled by the Controlling Shareholder.

33. RELATED PARTY TRANSACTIONS

(a) Details of the outstanding balances with related parties are set out in the consolidated statement of financial position and in notes 17, 18 and 22.

(b) On 31 December 2012, Ms. Huang Li, the Controlling Shareholder, provided guarantees to the bank borrowings facilities of the Group and also provided guarantees to banks for granting unsecured loans to the Group of RMB29,600,000. In May 2013, the Group early repaid all outstanding bank borrowings and the guarantees were released accordingly.

(c) Compensation of key management personnel

The remuneration of key management personnel which represent the directors and key executives of the Company during the year were as follows:

	2013 **RMB'000**	2012 RMB'000
Salaries and other benefits	**1,410**	713
Retirement benefit schemes contributions	**139**	92
	1,549	805

The remuneration of directors and key executives is determined having regard to the performance of individuals and market trends.

34. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries at 31 December 2013 and 2012 are as follows:

Name of subsidiary	Place and date of establishment/ incorporation/ operations	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group Directly 2013 & 2012	Indirectly 2013 & 2012	Principal activities
Meteor River Limited	British Virgin Islands 26 January 2011	Ordinary share US$1	100%	–	Investment holding
Super Future Investments Limited	Hong Kong 19 January 2011	Ordinary share HK$1	–	100%	Investment holding
Shenzhen Oceania Printing Company Limited*	PRC 23 March 2000	Registered capital RMB48,000,000	–	100%	Design, printing and sale of cigarette packages
Huizhou Jin Cai#	PRC 20 August 2008	Registered capital RMB22,000,000	–	100%	Inactive

* Company established as foreign invested limited liability company.

\# Limited liability company established in the PRC.

None of the subsidiaries had issued any debt securities at the end of the reporting period or at any time during the year.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2013 RMB'000	2012 RMB'000
Non-current assets		
Investment in a subsidiary	**–**	–
Current assets		
Prepayment	**162**	–
Bank balances and cash	**39,274**	–
	39,436	–
Current liabilities		
Other payables and accruals	**170**	–
Amount due to a subsidiary	**3,100**	–
Amount due to a director	**–**	2,269
	3,270	2,269
Net current assets (liabilities)	**36,166**	(2,269)
	36,166	(2,269)
Capital and reserves		
Shares capital	**2,550**	–
Reserves	**33,616**	(2,269)
	36,166	(2,269)

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Movement in reserves:

	Share premium RMB'000	Special reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 29 November 2012 (date of incorporation)	–	–	–	–
Loss for the period	–	–	(2,269)	(2,269)
At 31 December 2012	–	–	(2,269)	(2,269)
Loss for the year	–	–	(11,874)	(11,874)
Issue of new shares	51,639	–	–	51,639
Issue of shares by capitalisation of share premium account	(1,913)	–	–	(1,913)
Transaction costs attributable to issue of new shares	(4,209)	–	–	(4,209)
Deemed contribution from Controlling Shareholder	–	2,242	–	2,242
At 31 December 2013	**45,517**	**2,242**	**(14,143)**	**33,616**

Four-Year Financial Summary

	Year ended December 31			
	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**171,779**	183,347	179,509	162,575
Cost of sales	**(104,655)**	(116,274)	(108,388)	(96,562)
Gross Profit	**67,124**	67,073	71,121	66,013
Other income and gains	**1,163**	225	2,715	1,889
Selling and distribution expenses	**(3,997)**	(3,098)	(3,701)	(3,031)
Administrative expenses	**(15,622)**	(9,858)	(13,581)	(9,479)
Listing expenses	**(10,443)**	(2,184)	–	–
Finance costs	**(1,975)**	(1,397)	(1,022)	(1,824)
Profit before taxation	**36,250**	50,761	55,532	53,568
Taxation	**(15,001)**	(15,203)	(14,239)	(12,066)
Profit and total comprehensive income for the year	**21,249**	35,558	41,293	41,502
Profit and total comprehensive income for the year attributable to:				
Owners of the Company	**21,249**	31,005	32,621	32,787
Non-controlling interests	**–**	4,553	8,672	8,715
	21,249	35,558	41,293	41,502
ASSETS AND LIABILITIES				
Total assets	**307,861**	228,512	186,902	203,728
Total liabilities	**(112,625)**	(108,849)	(64,250)	(84,943)
Net assets	**195,236**	119,663	122,652	118,785
Total equity attributable to owners of the Company	**195,236**	119,663	96,895	93,840