A provider of
PACKAGING PRODUCTS and STRUCTURAL COMPONENTS in the PRC

Annual Report 2011

Jin Bao Bao Holdings Limited
金寶寶控股有限公司
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 01239

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chao Pang Ieng *(chairman and chief executive officer)*
Ms. Zhou Zheng Bin
Ms. Chen Fen
Mr. Zuo Ji Lin

Independent Non-Executive Directors

Mr. Chan Chun Chi
Mr. Yu Xi Chun
Mr. Wu Hao Tian

COMPANY SECRETARY

Mr. Tsoi Ka Shing

AUDIT COMMITTEE

Mr. Chan Chun Chi *(chairman)*
Mr. Yu Xi Chun
Mr. Wu Hao Tian

REMUNERATION COMMITTEE

Mr. Wu Hao Tian *(chairman)*
(appointed as chairman on 16 March 2012)
Mr. Chao Pang Ieng (resigned as chairman on 16 March 2012)
Mr. Chan Chun Chi

NOMINATION COMMITTEE

Mr. Yu Xi Chun *(chairman)*
(appointed as chairman on 16 March 2012)
Ms. Chen Fen (resigned as chairman on 16 March 2012)
Mr. Wu Hao Tian

REVIEW COMMITTEE (ESTABLISHED ON 16 MARCH 2012)

Mr. Chan Chun Chi *(chairman)*
(appointed as chairman on 16 March 2012)
Mr. Yu Xi Chun (appointed on 16 March 2012)
Mr. Wu Hao Tian (appointed on 16 March 2012)

LEGAL ADVISER TO THE COMPANY

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

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
31st Floor, Gloucester Tower
The Landmark, 11 Pedder Street
Central, Hong Kong

COMPLIANCE ADVISER

Cinda International Capital Limited
45th Floor, COSCO Tower
183 Queen's Road Central, Hong Kong

PRINCIPAL BANKER

Standard Chartered Bank (Hong Kong) Limited
Bank of China Limited
China Construction Bank Corporation

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 BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Clifton House, 75 Fort Street
PO Box 1350, Grand Cayman KY1-1008
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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China Merchants Tower
Shun Tak Centre
Nos. 168-200 Connaught Road Central
Hong Kong

STOCK CODE

01239

COMPANY WEBSITE

www.jinbaobao.com.hk

CHAIRMAN'S STATEMENT

Dear Shareholders

On behalf of the board (the "Board") of directors (the "Directors") of Jin Bao Bao Holdings Limited (the "Company", together with its subsidiaries collectively referred to as the "Group"), I herewith present all shareholders our annual report of the Group for the year ended 31 December 2011. In 2011, global economy still remained on a very slow and rocky road to recovery. Consumer confidence continued to be shattered by the unstable US economy and the European sovereign debt crisis. However, the People's Republic of China (the "PRC") domestic market, the focus of our principal business, maintained a robust growth and was the second largest economy in the world. With concerted efforts of our staff, the Group's revenue and gross profit have recorded approximately 28.2% and 14.6% growth, respectively, compared to those of last year. However, recognition of one-off expense, listing expenses, resulted in a decrease in the profit from operations for the year.

Jin Bao Bao Holdings Limited was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 18 November 2011. The initial public offering enabled the Group to access the international capital market while uplift the standard of its brand building and corporate governance.

BUSINESS REVIEW

The Group's revenue was approximately RMB212,834,000, an increase of 28.2% compared with that of last year. The gross profit of the Group was approximately RMB61,393,000, representing 28.8% of the revenue with a drop of 3.5% compared with that of last year. Profit attributable to owners of the Company was approximately RMB29,906,000, representing a drop of 16.3% compared with that of last year (2010: RMB35,725,000). The drop was due to the one-off expenses (listing expense) charged to the year. If this one-off expense was excluded, the Group's normal profit from operations would be approximately RMB42,457,000, representing an increase of 5.1% compared with that of last year. Earnings per share for the year was RMB19.2 cents (2010: RMB23.8 cents). If the one-off expense were excluded, earnings per share would be RMB23.0 cents.

OUTLOOK

The economy of US and Europe has not seen improvements since the financial crisis in 2008. In the PRC, continuous increase in cost for coming few years is expected by all manufacturers. It is anticipated tough business environment will linger on for a considerable period. To overcome the adversities, the Group will diversify the product portfolio and continue to expand the customer base to broaden the income stream.

While the overall economy and consumer confidence seem to have been bottomed out, Greece and the rest of Europe might post uncertainties and risks to the global economy. To cope with these challenges, the Group will continue to implement a number of stringent cost optimization measures to reduce operating costs in order to maintain its competitiveness. Moreover, the Group will further strengthen its relationship with existing customers and diversify its customer base. The Group believes that it will make a positive contribution to the Group's profit in the future.

The Directors are optimistic about the future development of the Group's business and will continue to implement our well-established business strategies to enhance the Company's value and to bring outstanding return to the Company's shareholders.

APPRECIATION

Last but not least, I would like to take this opportunity to thank the management and staff for their dedication and hard work during these challenging times. The Group will strive to strengthen our leading position in the industry.

Chao Pang Ieng
Chairman and executive Director

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The Company has complied with the Code during the period from 18 November 2011 (the “Listing Date”) to 31 December 2011, except for the follows:

Under code provision A.1.1 of the Code, the Board shall meet regularly and at least four times a year at approximately quarterly intervals. As the Company became listed on 18 November 2011, the Board and the Board committees, including the Audit Committee, Nomination Committee and Remuneration Committee, only convened and held one meeting from the Listing Date to 31 December 2011.

Under code provision A.2.1, which states that the roles of chairman and chief executive officer (“CEO”) should be separated and should not be performed by the same individual. Mr. Chao Pang Ieng, who acts as the chairman and the CEO of the Company, is also responsible for the overall business strategy and development and management of the Group. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive Directors and senior management, who are in charge of different functions, complement the role of the chairman and the CEO. The Board believes that this structure is conducive to strong and consistent leadership which enables the Group to operate efficiently. As such, the structure is beneficial to the Group and the Shareholders as a whole.

The Company understands the importance to comply with the code provision A.2.1 and will continue to consider the feasibility of appointing a CEO. The Company will make timely announcement if such decision has been made.

Save as disclosed above, the Board considered that the Company had complied with the code provisions set out in the Code during the year ended 31 December 2011.

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Upon specific enquiries of all Directors, each of them confirmed that they complied with the required standards set out in the Model Code during the period since the Listing Date to 31 December 2011.

BOARD OF DIRECTORS

Members of the Board of Directors

As at the date of this annual report, the Board comprised the following Directors, including (i) executive Directors, Mr. Chao Pang Ieng (Chairman), Ms. Zhou Zheng Bin, Ms. Chen Fen and Mr. Zuo Ji Lin; and (ii) independent non-executive Directors, Mr. Chan Chun Chi, Mr. Yu Xi Chun and Mr. Wu Hao Tian.

The biographies of all the Directors are set out in the section headed “Directors and Senior Management” in this annual report. All Directors have the relevant experiences for effectively carrying out their duties.

CORPORATE GOVERNANCE REPORT

In accordance to Listing Rules 3.10, the Company has already appointed three independent non-executive Directors and at least one of them has accounting expertise to assist the management in formulating development strategies of the Group, and to ensure that the preparation of the financial reports and other mandatory reports by the Board are in strict adherence to appropriate standards in order to protect the interests of the shareholders and the Company. The Company has received confirmation of independence from each of the independent non-executive Directors in accordance with rule 3.13 of the Listing Rules, and believes that, as at the date of this annual report, they were independent to the Company in accordance with the relevant requirement of the Listing Rules.

Save as Ms. Zhou Zheng Bin being the spouse of Mr. Chao Pang Ieng, there are no other relationships among the members of the Board.

Responsibilities of Directors

All newly appointed Directors received comprehensive, formal training on the first occasion of their appointments and were ensured to have a proper understanding of the businesses and development of the Group and that they were fully aware of their responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and corporate governance policies of the Company.

To facilitate the Directors to discharge their responsibilities, they are continuously updated with regulatory developments, business and market changes and the strategic development of the Group. There is no change in the composition of the Board since the Listing Date.

Supply of and Access to Information

In respect of regular Board meeting, and so far as practicable in all other cases, an agenda accompanied by the relevant Board papers are sent to all Directors in a timely manner and at least 3 days before the intended date of a Board meeting.

All Directors are entitled to have access to Board papers, minutes and related materials.

The Operation of the Board

The Board supervises the management of the business and affairs of the Company. The Board's primary duty is to ensure the viability of the Company and to ensure that it is managed in the best interests of the shareholders as a whole while taking into account the interests of other stakeholders. The Group has adopted internal guidelines in setting forth matters that require the Board's approval. Apart from its statutory responsibilities, the Board is also responsible for formulating the development targets and objectives, material acquisitions and disposals, material capital investment, dividend policies, the appointment and removal of directors and senior management, remuneration policies and other major operation and financial issues of the Company. The powers and duties of the Board include convening shareholders' meetings and reporting the Board's work at shareholders' meetings, implementing resolutions passed at shareholders' meetings, determining business plans and investment plans, formulating annual budget and final accounts, formulating proposals for profit distributions and for the increase or reduction of registered capital as well as exercising other powers, functions and duties as conferred by the Memorandum and Articles of Association. Daily business operations and administrative functions of the Group are delegated to the management.

Code A.1.1 stipulates that the Board shall convene meetings regularly with at least four board meetings every year (approximately once a quarter).

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2011, the Board held three meetings.

Subsequent to 31 December 2011 and up to the date of this annual report, one meeting was held by the Board.

The attendance of the Directors at the Board meeting is as follows:

Directors	Attendance/Meetings held during the year ended 31 December 2011 and up to the date of this annual report
Executive Directors	
Mr. Chao Pang Ieng *(Chairman)*	4/4
Ms. Zhou Zheng Bin	4/4
Ms. Chen Fen	4/4
Mr. Zuo Ji Lin	4/4
Independent Non-executive Directors	
Mr. Chan Chun Chi	4/4
Mr. Yu Xi Chun	4/4
Mr. Wu Hao Tian	4/4

In general, the notices of meetings of the Board of the Company are sent to all Directors through email and fax before the dates of meetings. In order to enable the Directors to consider the issues to be approved in the meetings with adequate time, the notices of regular board meetings will be sent to all Directors 14 days prior to the convening of the meeting while prior notification of the convening of ad hoc board meetings will be made to Directors in due course. In order to provide all Directors with a full picture of the latest operating conditions of the Company, the management representatives of the Company will report the latest operating conditions of the Company and the implementation of the issues resolved in the last Board meeting to all the Directors before the convening of the meeting.

COMMITTEES UNDER THE BOARD

The Audit Committee, the Remuneration Committee and the Nomination Committee were established under the Board. These committees perform supervision and control of the Company based on their written terms of reference.

Audit Committee

The Company established the Audit Committee on 10 June 2011 with written terms of reference in compliance with the code provisions of the Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee consists of three independent non-executive Directors, namely, Mr. Chan Chun Chi (an independent non-executive Director with the appropriate professional qualifications as required under rule 3.10(2) of the Listing Rules who serves as chairman of the Audit Committee), Mr. Yu Xi Chun and Mr. Wu Hao Tian. The Audit Committee shall meet at least twice a year.

The written terms of reference of the Audit Committee are in line with the code provisions of the Code and are available upon request and on the Company's website.

CORPORATE GOVERNANCE REPORT

The Audit Committee has reviewed the accounting principles, accounting standards and methods adopted by the Company together with the management, discussed the matters concerning the internal controls, as well as reviewed the Group's audited annual results for the year ended 31 December 2011. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors.

The accounts for the year were audited by HLB Hodgson Impey Cheng whose term of office will expire upon the forthcoming annual general meeting. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganized as HLB Hodgson Impey Cheng Limited. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be nominated for appointment as the auditors of the Company at the forthcoming annual general meeting.

The Audit Committee had held one meeting since the Listing Date up to 31 December 2011.

Subsequent to 31 December 2011 and up to the date of this annual report, one meeting was held by the Audit Committee.

The attendance of the members of the Audit Committee at the Audit Committee meeting is as follows:

Members	Attendance/Meetings held subsequent to Listing Date and up to the date of this annual report
Mr. Chan Chun Chi *(Chairman)*	2/2
Mr. Yu Xi Chun	2/2
Mr. Wu Hao Tian	2/2

In compliance with the amendments to the Listing Rules which has been effective on 1 April 2012, the written terms of reference of the Audit Committee adopted by the Company pursuant to the Board's resolution passed on 10 June 2011 has been revised on 16 March 2012.

Nomination Committee

The Company established the Nomination Committee pursuant to a resolution of the Directors passed on 10 June 2011. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of the Board's succession, and to ensure that the candidates to be nominated as Directors are experienced, high caliber individuals. The Nomination Committee consists of two independent non-executive Directors, namely, Mr. Yu Xi Chun and Mr. Wu Hao Tian and one executive Director, namely, Ms. Chen Fen. Mr. Yu Xi Chun is the chairman of the Nomination Committee.

The written terms of reference of the Nomination Committee are in line with the code provisions of the Code and are available upon request and on the Company's website.

The Nomination Committee shall meet at least once every year for reviewing the structure, size and composition of the Board, assessing the independence of the independent non-executive Directors and other related matters. The Nomination Committee had held one meeting since the Listing Date up to 31 December 2011.

CORPORATE GOVERNANCE REPORT

Subsequent to 31 December 2011 and up to the date of this annual report, one meeting was held by the Nomination Committee to review the structure, size and composition of the Board, and to assess the independence of independent non-executive Directors.

The attendance of the members of the Nomination Committee at the Nomination Committee meeting is as follows:

Members	Attendance/Meetings held subsequent to Listing Date and up to the date of this annual report
Mr. Yu Xi Chun (appointed as Chairman on 16 March 2012)	2/2
Ms. Chen Fen (resigned as Chairperson on 16 March 2012)	2/2
Mr. Wu Hao Tian	2/2

In compliance with the with the amendments to the Listing Rules which has been effective on 1 April 2012, the written terms of reference of the Nomination Committee adopted by the Company pursuant to the Board's resolution passed on 10 June 2011 has been revised on 16 March 2012).

Remuneration Committee

The Company established the Remuneration Committee pursuant to a resolution of the Directors passed on 10 June 2011 in compliance with the code provisions of the Code. The primary duties of the Remuneration Committee include mainly: (i) reviewing the terms of the remuneration package of each Director and member of senior management, and making recommendations to the Board regarding any adjustment thereof; and (ii) reviewing and evaluating the performance of individual executive Directors for determining the amount of bonus (if any) payable to them. No Director shall participate in any discussion about his or her own remuneration. The Remuneration Committee comprises two independent non-executive Directors, namely Mr. Chan Chun Chi and Mr. Wu Hao Tian and one executive Director, namely, Mr. Chao Pang Ieng. Mr. Wu Hao Tian is the chairman of the Remuneration Committee.

The written terms of reference of the Remuneration Committee adopted by the Board are in line with the code provisions of the Code and are available upon request and on the Company's website. The Remuneration Committee had held one meeting since the Listing Date up to 31 December 2011 and one meeting after the reporting period up to the date of this annual report to review the remuneration policies of the Company, the remuneration packages of the Directors for the year 2011, and the proposals on remuneration packages of the Directors for the year 2012.

CORPORATE GOVERNANCE REPORT

The attendance of the members of the Remuneration Committee at the Remuneration Committee meeting is as follows:

Members	Attendance/Meetings held subsequent to Listing Date and up to the date of this annual report
Mr. Wu Hao Tian (appointed as Chairman on 16 March 2012)	2/2
Mr. Chao Pang Ieng (resigned as Chairman on 16 March 2012)	2/2
Mr. Chan Chun Chi	2/2

In compliance with the with the amendments to the Listing Rules which has been effective on 1 April 2012, the written terms of reference of the Remuneration Committee adopted by the Company pursuant to the Board's resolution passed on 10 June 2011 has been revised on 16 March 2012).

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial term of 3 years commencing from 10 June 2011 and subject to termination by either party upon giving not less than 3 months' prior written notice to the other party.

Each of the independent non-executive Directors has entered into a service contract with the Company for an initial term of 2 years commencing from 10 June 2011 and subject to termination by either party upon giving with not less than 3 months' prior written notice to the other party.

In accordance with Article 108(a) of the Articles of Association of the Company, at each annual general meeting, at least one-third of the Directors shall retire from office by rotation. Each director shall retire at least once every three years and such Directors shall include those who have been assumed the longest term of office since their last election or re-election.

In accordance with Article 112 of the Articles of Association of the Company, new directors appointed in the year shall retire from office by rotation and offer themselves for re-election at the forthcoming annual general meeting. As such, all Directors will retire from office in the forthcoming annual general meeting, and being eligible and if willing, offer themselves for re-election.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

All Directors acknowledge their responsibility for preparing the accounts and the financial statements for the year ended 31 December 2011. The auditors to the Company acknowledges their reporting responsibilities in the auditors' report on the financial statements for the year ended 31 December 2011. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the financial statements.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

During the year ended 31 December 2011, the remuneration paid or payable to the Company's auditors, HLB Hodgson Impey Cheng, is set out as follow:

Services rendered	Paid/payable Fee HK$'000
Statutory audit services	480
Non-statutory audit services:	
Reporting accountants in relation to the listing	2,600
	3,080

INTERNAL CONTROL

The Board is responsible for maintaining the effective internal control system of the Group. The Board will regularly review of the effectiveness of all material supervision, including financial supervision, operating supervision, compliance supervision and risk management system.

COMMUNICATION WITH SHAREHOLDERS

The Company endeavours to maintain an on-going dialogue with its shareholders and in particular, through annual general meetings or other general meetings to communicate with the shareholders and encourage their participation.

The Company will ensure that there are separate resolutions for separate issues proposed at the general meetings.

The Company will continue to maintain an open and effective investor communication policy and to update investors on relevant information on the Group's business in a timely manner, subject to relevant regulatory requirement.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

The Board is committed to providing clear and full performance information of the Group to shareholders through the publication of interim and annual reports. In additional to dispatching circulars, notices, financial reports to shareholders, addition information is also available to shareholders from the Group's website. Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice is given. The chairman and Directors are available to answer question on the Group's businesses at the meeting.

Shareholders have statutory rights to call for special general meetings and put forward agenda items for considerations by shareholders. Pursuant to rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, all the resolutions put to vote at the annual general meeting will be taken by way of poll. The chairman of the annual general meeting will explain the detailed procedure for conducting a poll at the commencement of the annual general meeting.

The Group values feedback from shareholders on its effort to promote transparency and foster investor relationships. Comments and suggestions are always welcomed.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Since the financial tsunami in 2008, the global economic recovery has remained sluggish. U.S economy has remained weak while the European sovereign debt crisis has been deepening. In order to maintain the steady development of its domestic economy, under the aftermath of uncertainties in the global economic condition, the PRC government continuously introduced various measures to increase domestic demands. On the other hand, given the comparatively high inflation rate in the year of 2011, the PRC government strived to improve people's standard of living and implemented various relieving or beneficial measures such as rural urbanisation, water conservancy reform and affordable housing construction. Various policies aimed at expanding domestic demands and maintaining people's standard of living have brought substantial business opportunities for the development of the consumer electrical appliances industry and in turn demand for our products.

BUSINESS REVIEW

During the period between 2007 and 2009, the PRC Government promulgated various policies in respect of the consumer electrical appliance industry, namely, the "Rural Area Subsidized Electrical Appliances Purchase Policy", the "Home Appliances Replacement Policy" and the "Energy Efficient Product Subsidy Policy", which encouraged, to a certain extent, the demand for consumer electrical appliances and packaging products in the PRC. Benefiting from the above favourable policies and growth of economic environment in the PRC, the Group's revenue amounted to approximately RMB212,834,000 for the year 2011, representing an increase of approximately 28.2% as compared to the revenue of approximately RMB166,079,000 in 2010.

Revenue

An analysis of revenue by products is as follows:

	Year ended 31 December			
	2011		2010	
	RMB'000	**%**	RMB'000	%
Packaging products				
Televisions	**80,634**	**37.9**	61,988	37.3
Air conditioners	**46,866**	**22.0**	31,493	19.0
Washing machines	**24,191**	**11.4**	23,421	14.1
Refrigerators	**28,301**	**13.3**	28,037	16.9
Others	**4,385**	**2.0**	1,966	1.2
Structural components				
For air conditioners	**28,457**	**13.4**	19,174	11.5
Total	**212,834**	**100**	166,079	100

The revenue by product type remained relatively stable. Revenue derived from our products for televisions and air conditioners (including packaging products and structural components) made the largest and second largest contributions to our total revenue respectively, amounting approximately RMB155,957,000 or 73.3% of total revenue. (2010: RMB112,655,000 or 67.8% of total revenue.)

Most of our customers are leading consumer electrical appliance manufacturers in the PRC. All of our revenue was derived from the sale of our packaging products and structural components to our customers in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

Supply of raw materials

We purchase raw materials and components necessary for the manufacturing of our packaging products and structural components from independent third parties. The raw materials mainly include expanded polystyrene ("EPS") and expanded polyolefin ("EPO"). We retain a list of approved suppliers of raw materials and components and only make our purchases from the list. We have established long-term commercial relationships with our major suppliers for stable supply and timely delivery of high quality raw materials and components. We had not experienced any major difficulties in procuring raw materials and components necessary for the manufacture of our packaging products for the year ended 31 December 2011. We continue to diversify our suppliers of raw materials and components to avoid overly reliance on a single supplier for any type of raw materials and components.

Production capacity

Our three factories have a maximum annual manufacturing capacity, in aggregate, of 15,100 tonnes of packaging products and structural components. The current production capacity enables us to promptly respond to increasing market demand and expand our market position.

Financial Review

Revenue

Revenue of the Group for the year ended 31 December 2011 amounted to approximately RMB212,834,000, representing an increase of approximately RMB46,755,000, or 28.2% as compared to approximately RMB166,079,000 for the year ended 31 December 2010. The increase was mainly due to an increase in sales of our air conditioners' structural components and television packaging products. The year-on-year growth for these two products was 48.4% and 30.1% respectively. This is due to overall increase in customer demand for consumer electrical appliances and in turn for our products.

Cost of sales

For the year ended 31 December 2011, cost of sales for the Group amounted to approximately RMB151,441,000, increased by approximately RMB38,955,000 or 34.6% when compared to approximately RMB112,486,000 for the year ended 31 December 2010. The increase in cost of sales is consistent with the increase in revenue. Gross profit ratio decreased from 32.3% for the year ended 31 December 2010 to 28.8% for the year ended 31 December 2011. The decrease in the gross profit margins was due to the increase in number of direct labour and increase in salary for them and the increase manufacturing overhead, in particular, cost of utilities on the back of the increase in consumption of utility and rates of utility contributed.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table set out a breakdown of our cost of sales for the periods stated:

	Year ended 31 December			
	2011		2010	
	RMB'000	**%**	RMB'000	%
Raw materials	**105,181**	**69.4**	77,538	68.9
Direct labour costs	**11,304**	**7.5**	8,260	7.3
Manufacturing overhead	**34,956**	**23.1**	26,688	23.8
Staff costs	**1,809**	**1.2**	954	0.8
Depreciation	**5,050**	**3.3**	4,000	3.6
Utilities	**21,831**	**14.4**	15,315	13.6
Processing charges	**4,738**	**3.1**	4,895	4.4
Rental expenses	**1,452**	**1.0**	1,442	1.3
Others	**76**	**0.1**	82	0.1
Total	**151,441**	**100**	112,486	100

Other income

Other income mainly included interest income on bank deposits and others. For the year ended 31 December 2011, other income amounted to approximately RMB598,000, increased by approximately RMB260,000 or 76.9% when compared to approximately RMB338,000 for the year ended 31 December 2010. The increase was mainly due to the increase in sales of unused ancillary parts.

Other gains and losses - net

Other gains and losses - net mainly comprised of net losses/gains on disposal of property, plant and equipment, nets losses arising from changes in fair value of held-for-trading investments and net foreign exchange losses. For the year ended 31 December 2011, other gains and losses - net amounted to approximately RMB1,309,000, increased by approximately RMB862,000 or 192.8% when compared to approximately RMB447,000 for the year ended 31 December 2010. The increase was mainly caused by an increase in net losses arising from changes in fair value of held-for-trading investments.

Selling and distribution expenses

For the year ended 31 December 2011, selling and distribution costs amounted to approximately RMB9,109,000, increased by approximately RMB2,849,000 or 45.5% when compared to approximately RMB6,260,000 for the year ended 31 December 2010. The increase was mainly due to an increase in salary expenses for sales and marketing staff and transportation costs in relation to delivery of products to our customers.

Administrative expenses

For the year ended 31 December 2011, administrative expenses amounted to approximately RMB8,554,000, increased by approximately RMB2,434,000 or 39.8% when compared to approximately RMB6,120,000 for the year ended 31 December 2010. The increase was mainly due to an increase in office maintenance expenses, traveling, transportation expenses and other expenses on the back of the increase in the business activities during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Other operating expenses

For the year ended 31 December 2011, other operating expenses amounted to approximately RMB562,000, decreased by approximately RMB153,000 or 21.4% when compared to approximately RMB715,000 for the year ended 31 December 2010. The decrease was mainly due to less compensation paid to customers in respect of defective products.

Other expenses

For the year ended 31 December 2011, other expenses amounted to approximately RMB5,926,000. Other expenses were the listing expenses in relation to the listing of the Company in November 2011 which were recognized in profit and loss during the year.

Profit from operations

For the year ended 31 December 2011, profit from operations of the Group amounted to approximately RMB36,531,000, decreased by approximately RMB3,858,000 or 9.6% when compared to approximately RMB40,389,000 for the year ended 31 December 2010. Decrease in profit from operations was mainly due to a one-off effect of listing expense of approximately RMB5,926,000. If this one-off expense were excluded, the Group's normal profit from operations would be approximately RMB42,457,000, representing an increase of 5.1% when compared with last year. This was mainly due to an increase in revenue and gross profit for the year ended 31 December 2011.

Finance costs

For the year ended 31 December 2011, finance costs amounted to approximately RMB1,074,000, increased by approximately RMB373,000 or 53.2% when compared to approximately RMB701,000 for the year ended 31 December 2010. The increase was mainly due to the increase in finance costs arising from early redemption of note receivables.

Profit before tax

For the year ended 31 December 2011, profit before tax for the Group amounted to approximately RMB35,457,000, decreased by approximately RMB4,231,000 or 10.7% when compared to approximately RMB39,688,000 for the year ended 31 December 2010. Decrease in profit before taxation was mainly due to arise of one-off effect of listing expense of approximately RMB5,926,000 during the year. If this one-off expense were excluded, the Group's normal profit before tax would be approximately RMB41,383,000, representing an increase of 4.3% compared with that of last year. This was mainly due to an increase in revenue and gross profit for the year ended 31 December 2011.

Income tax expenses

For the year ended 31 December 2011, income tax expenses for the Group amounted to approximately RMB5,551,000, increased by approximately RMB1,588,000 or 40.1% when compared to approximately RMB3,963,000 for the year ended 31 December 2010. This increase was mainly due to (i) an increase in profit before tax of the PRC subsidiaries of the Group and (ii) an increase in deferred tax. For the year ended 31 December 2011, deferred tax recognized in consolidated statement of comprehensive income was approximately RMB364,000, increased by RMB5,000 when compared to approximately RMB359,000 for the year ended 31 December 2010.

Profit for the year

For the year ended 31 December 2011, profit attributable to owners of the Company amounted to approximately RMB29,906,000, decreased by approximately RMB5,819,000 or 16.3% when compared to approximately RMB35,725,000 for the year ended 31 December 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

TRADE AND OTHER RECEIVABLES

Trade receivables of the Group include credit sales that the Group's customers should pay for the Group's products. Other receivables of the Group include note receivables and prepayments, deposits and other receivables. Trade and other receivables of the Group as at 31 December 2011 amounted to RMB117,406,000, increased by approximately RMB32,629,000 or 38.5% when compared to trade and other receivables as at 31 December 2010 which amounted to RMB84,777,000. Increase in trade and other receivables was mainly due to an increase in credit sales with certain customers that have a good co-operation relationship with the Group. As at 31 December 2011, trade receivables of the Group amounted to approximately RMB78,369,000, representing a significant increase of approximately RMB22,066,000 when compared to trade receivables of the Group as at 31 December 2010 amounted to approximately RMB56,303,000.

GEARING RATIO

Details of the gearing ratio of the Group as at 31 December 2011 are set out in Note 32 to the consolidated financial statements.

INVENTORIES

As at 31 December 2011, inventories owned by the Group amounted to approximately RMB9,896,000, representing a deduction of approximately RMB1,282,000 or 11.5% when compared to inventories amounted to approximately RMB11,178,000 as at 31 December 2010. The main reason of deduction in inventories was that as the Group improved operating activities cash flow management, it systematically reduced inventories turnover cycle from 36.3 days in 2010 to 23.9 days in 2011.

PROPERTIES, PLANT AND EQUIPMENT

Properties, plants and equipment owned by the Group include buildings, leasehold improvements, plant and machinery, office equipment, motor vehicles, moulds and construction in progress. As at 31 December 2011, the book value of properties, plants and equipment owned by the Group amounted to approximately RMB41,699,000, showing an increase of approximately RMB647,000 or 1.6% when compared to that of approximately RMB41,052,000 for the last corresponding year. Increase in properties, plants and equipment was mainly due to addition of plant and machinery and moulds.

TRADE AND OTHER PAYABLES

Trade and other payables of the Group mainly include trade and note payables, receipts in advance, accruals, other taxes payable and others. As at 31 December 2011, trade and other payables of the Group amounted to approximately RMB47,538,000, showing an increase of approximately RMB15,360,000 or 47.7% when compared to that of approximately RMB32,178,000 as at 31 December 2010. Increase in trade and other payables was mainly due to an increase in receipts in advance from customers which increased from approximately RMB3,380,000 as at 31 December 2010 to approximately RMB11,637,000 as at 31 December 2011.

CAPITAL EXPENDITURE

Capital expenditure of the Group mainly included the purchase of properties, plants and equipment. During the year under review, capital expenditure of the Group amounted to approximately RMB8,033,000 (2010: approximately RMB4,326,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE RISK

Transactional currency exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. Substantially all the Group's sales and purchases are denominated in the functional currency of the operating units making the sales (i.e. RMB), and substantially all the costs are denominated in the units' functional currency. Accordingly, the directors of the Company consider that the Group is not exposed to significant foreign currency risk.

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

CONTINGENT LIABILITIES

As at 31 December 2011, the Group had no material contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2011, the Group has pledged assets of bank notes, buildings, prepaid lease payments and bank deposits to the bank in the amount of approximately RMB5,693,000 (2010: approximately RMB4,877,000).

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2011, bank balances and cash of the Group amounted to approximately RMB80,141,000 (2010: approximately RMB42,440,000).

As of 31 December 2011, the Group had bank borrowings of approximately RMB3,292,000 (2010: approximately RMB4,000,000), which were secured by the Group's bank notes, buildings and prepaid lease payments and bank deposits.

FUTURE OUTLOOK

Looking forward, the Directors consider that the economy of the United States of America and Europe will not have much improvement or may even further deteriorate. It is believed that the macroeconomic environment will continue to be challenging. The management of the Company will remain cautious about the Group's business outlook.

As surging production cost in the PRC is greatly affecting our overall performance, the Group plans to allocate more resources to technology innovation and equipment expansion and renovation in the coming year. Through streamlining our production processes, improving our production techniques, replacing old machines with energy-efficient ones and renovating mould designs, we will be able to enhance our production effectiveness and qualified rate, while reducing water and energy consumption and production costs. At the same time, the Group will continue to seek opportunities for quality improvements, raw-material application developments and new customers to enhance our product portfolio. These progressive strategies are beneficial to the cost control and the expansion of the customer base of our Group, and hence stabilize the cost and ensure a sustainable growth of revenue.

We believe that these forward-looking measures will consolidate the leading position of the Group and pave the foundation of our success in the future.

HUMAN RESOURCES AND TRAINING

As at 31 December 2011, the Group has a number of 587 employees. Total employee benefit expenses amounted to approximately RMB20,576,000 (2010: RMB15,162,000). The Group has a management team with extensive industry experience (including product design and development team). The team comprises certain management personnel and technicians from various departments who have extensive experience in and knowledge of the manufacturing of packaging products and structural components. During the year under review, the Group adopted a human oriented management concept to involve the staff in the management and development of the Group. The Group has implemented a strict selection process for hiring its employees and a number of initiatives to enhance the productivity of its employees. The Group conducts periodic performance reviews for its employees, and adjusts their salaries and bonuses accordingly. In addition, the Group has implemented training programs for employees in various positions.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chao Pang Ieng (周鵬鷹), aged 48, is the Chairman of the Company, an executive Director and one of the founders of the Group. Mr. Chao was appointed as a Director on 4 January 2011 and redesignated as an executive Director on 10 June 2011. Mr. Chao is also the chief executive officer of the Company. Mr. Chao has more than sixteen years of experience in packaging materials business. He has been the director of all the subsidiaries of the Company. Mr. Chao is the spouse of Ms. Zhou, an executive Director. Relying on his working experience in packaging materials industry, Mr. Chao is primarily responsible for the overall strategic planning and business development of the Group.

Ms. Zhou Zheng Bin (周鄭斌), aged 48, was appointed as an executive Director on 10 June 2011. Ms. Zhou is the spouse of Mr. Chao, the Chairman of the Company and an executive Director. Ms. Zhou obtained a bachelor of education from Guangzhou Physical Education Institute (廣州體育學院) in July 1985, and had been a teacher at Guangzhou Physical Education Institute (廣州體育學院) from July 1985 to May 1990. Starting from 1995, Ms. Zhou has been assisting Mr. Chao in his packaging business, and since January 2003, Ms. Zhou has been a director of Conca Investments Limited, a former shareholder of Chongqing Guangjing Packing Materials CO., LTD. (重慶光景包裝製品有限公司) ("Chongqing Guangjing"), Chuzhou Chuangce Packaging Materials Company Limited (滁州創策包裝材料有限公司) ("Chuzhou Chuangce") and Sichuan Jinghong Packing Materials CO., LTD. (四川景虹包裝製品有限公司) ("Sichuan Jinghong"). Relying on her working experience in packaging materials industry, Ms. Zhou is primarily responsible for the operation of the Group and to assist Mr. Chao in formulating the overall strategic planning and business development of the Group.

Ms. Chen Fen (陳蕡), aged 44, was appointed as an executive Director on 10 June 2011. Ms. Chen obtained a bachelor of economics majoring in financial accounting from Shenzhen University (深圳大學) in June 1989. She was accredited as an assistant accountant by the Ministry of Finance, the PRC in December 1992, and then obtained a certificate of accounting professional issued by Ministry of Finance in Nan Shan District, Shenzhen in May 2005. She was a director of Sichuan Jinghong from September 2005 to August 2008. Prior to joining the Group in September 2005, she had been the finance manager of Shenzhen Li Da Silk Garment Company Limited (深圳利達絲綢服裝有限公司) from July 1989 to October 1997. Relying on her academic and professional qualification in accounting and finance, Ms. Chen is primarily responsible for the financial management and operation of the Group.

Mr. Zuo Ji Lin (左際林), aged 45, was appointed as an executive Director on 10 June 2011. Mr. Zuo is also the marketing director of the Group and the general manager of Chongqing Guangjing and Chuzhou Chuangce. Mr. Zuo graduated from Zhuzhou Metallurgical Industrial School (株州冶金工業學校), majoring in financial accounting of industrial enterprises in July 1992. He was a director of Sichuan Jinghong from September 2005 to August 2008. Prior to joining the Group in April 2001 as the general manager of Chuzhou Chuangce, Mr. Zuo had been the finance manager of Shenzhen Chuangce Investment Development Company Limited (深圳市創策投資發展有限公司) from June 1999 to June 2000, and had been the general manager of Mu Dan Jiang Hua Sheng Packaging Company Limited (牡丹江華升包裝有限公司) from June 2000 to April 2001. Relying on his academic qualification in relation to financial accounting and his working experience in packaging materials industry, Mr. Zuo is primarily responsible for the marketing management and operation of the Group.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chun Chi (陳駿志), aged 33, is an independent non-executive Director, the chairman of the Audit Committee, a member of the Remuneration Committee and the Chairman of the Review Committee. Mr. Chan joined the Group as an independent non-executive Director on 10 June 2011. Mr. Chan obtained a degree of bachelor of arts in accounting from The Hong Kong Polytechnic University in November 2004 and is a member of The Hong Kong Institute of Certified Public Accountants. Since August 2010, Mr. Chan has been serving as an accounting manager of a company whose shares are listed and traded on the Main Board of the Stock Exchange. Prior to this, Mr. Chan worked at several accounting firms, namely, K.S. Li & Company from August 2004 to March 2005, T.K. Lo & Company from March 2005 to April 2006, C. W. Leung & Co. from April 2006 to August 2007, and CCIF CPA Limited from August 2007 to July 2010, and was responsible for, among other things, audit works and preparation of financial statements for listed companies and tax related matters for clients.

Mr. Yu Xi Chun (虞熙春), aged 49, is an independent non-executive Director, a member of the Audit Committee, the Chairman of the Nomination Committee and a member of the Review Committee. Mr. Yu joined the Group as an independent non-executive Director on 10 June 2011. Mr. Yu has been a certified accountant in the PRC since October 1994. Mr. Yu joined Shenzhen CCTY Certified Public Accountants (深圳正大華明會計師事務所) in August 2005 and currently serves as a chief partner thereof, responsible mainly for management and audit related works. For the period between August 2004 and August 2005, Mr. Yu served in Shenzhen You Xin Certified Accountants (深圳友信會計師事務所) as a certified accountant. For the period between November 1994 to July 2004, Mr. Yu worked in Shenzhen Yong Ming Certified Public Accountants Company Limited (深圳市永明會計師事務所有限公司) as audit manager, chief auditor and partner, respectively. On 1 March 1999, Mr. Yu obtained the qualification of registered tax agent from State Administration of Taxation of the PRC. Since November 2008, Mr. Yu has been an independent director in Shenzhen Deren Electronic Company Limited (深圳市得潤電子股份有限公司), a company listed on the Shenzhen Stock Exchange.

In December 1989, Mr. Yu graduated from a telecourse in accounting from Anhui Finance and Trade College (安徽財貿學院). In addition, Mr. Yu had received forty hours of training in respect of independent director of public listed companies jointly organized by the China Securities Regulatory Commission and the School of Management of Fudan University, the PRC for the period between 14 January 2002 and 18 January 2002.

Mr. Wu Hao Tian (吳昊天), aged 46, is an independent non-executive Director and a member of the Audit Committee, the Chairman of the Remuneration Committee, a member of the Nomination Committee and a member of the Review Committee. Mr. Wu joined the Group as an independent non-executive Director on 10 June 2011. Mr. Wu holds a bachelor's degree in finance (金融系) awarded by the Hunan College of Finance (湖南財經學院) in July 1986 and a master's degree in Economics awarded by Finance Institute of the People's Bank of China (中國人民銀行轂行金融研究所) in April 1989. Since November 2009, Mr. Wu has been the general manager in Shenzhen City Jin Li Chuang Xin Investment Company Limited (深圳市金立創新投資有限公司). For the period between August 2006 and May 2008, Mr. Wu had been the general manager in Shenzhen City Chuang Xin Investment Guarantee Company (深圳市創新投資擔保公司). For the period between November 2004 and December 2005, Mr. Wu had been the chief executive officer of Credit Orienwise Group Ltd. (中國中科智擔保集團股份有限公司). In addition, for the period between August 2007 and August 2010, Mr. Wu was a director in Shenzhen World Union Properties Consultant Co., Ltd. (深圳世聯地產顧問股份有限公司) and since March 2009, Mr. Wu has been a supervisor in Xiamen Savings Environmental Co., Ltd. (廈門三維絲環保股份有限公司), both companies are listed on the Shenzhen Stock Exchange.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Jiang Xian Geng (江獻庚), aged 40, is the Production Director of our Group and the deputy general manager of Chongqing Guangjing. He was appointed as the Production Director of our Group on 10 June 2011. Mr. Jiang graduated from Hunan University (湖南大學), majoring in industrial management engineering, in June 1996, and from State-run Jiangnan Machinery Factory Middle Technical School (國營江南機器廠中等專業學校), majoring in machinery production, in July 1992. He was accredited as a business administration and economics specialist by the Ministry of Personnel, the PRC in November 2002. From October 2004 to July 2008, he served as the head of office of Chuzhou Chuangce. He has been the deputy general manager of Chongqing Guangjing since July 2008. Relying on his academic qualification in relation to production operations and machinery management, Mr. Jiang is primarily responsible for the production management of our Group.

Mr. Xia Hui Sheng (夏會生), aged 44, is the Technical Director of our Group and the general manager of Sichuan Jinghong. He was appointed as the Technical Director of our Group on 10 June 2011. Mr. Xia graduated from Chongqing Architectural Engineering Institute (重慶建築工程學院), majoring in applied computer technology, in July 1991. Mr. Xia served as the head of human resources department of Bo Xi Yang Refrigeration Company Limited (博西揚製冷有限公司) from June 1997 to March 2001. He then served as the head of office in Chuzhou Chuangce from April 2001 to June 2002. From June 2002 to October 2004, he served as the deputy general manager of Mu Dan Jiang Hua Sheng Packaging Company Limited (牡丹江華升包裝有限公司) and the deputy general manager of Chongqing Guangjing from November 2004 to August 2005. He has been the general manager of Sichuan Jinghong since August 2005. Relying on his working experience in packaging materials business, Mr. Xia is primarily responsible for the technical management of our Group.

Mr. Tsoi Ka Shing (蔡嘉誠), aged 31, is the Company Secretary and Financial Controller of our Group. He was appointed as the Company Secretary and Financial Controller of our Group on 10 June 2011. Mr. Tsoi obtained a bachelor of business from University of Technology, Sydney in July 2005. He was accredited as a Certified Practicing Accountant by CPA Australia and the Hong Kong Institute of Certified Public Accountants in November 2009 and May 2011, respectively. Prior to joining our Group in 2010 as the Company Secretary and Financial Controller, Mr. Tsoi had been a senior accountant and an assistant audit manager in SHINEWING (HK) CPA Limited from August 2009 to November 2010, an auditor in Deloitte Touche Tohmatsu, CCIF CPA Limited and Yau and Wong, CPA from July 2005 to August 2009.

DIRECTORS' REPORT

The Directors are pleased to present the annual report for the year ended 31 December 2011 together with the audited consolidated financial statements to the Shareholders.

CORPORATE REORGANIZATION

The Company was incorporated in the Cayman Islands under the Companies Law, Cap 22 of the Cayman Islands as an exempted company with limited liability on 4 January 2011.

Pursuant to the group reorganization (the "Reorganization") in preparation of the listing of the shares of the Company on the Main Board of the Stock Exchange, the Company became the holding company of the group formed after completion of the Reorganization.

Details of the Reorganization are set out in the paragraph headed "Corporate Reorganization" in Appendix V "Statutory and General Information" to the prospectus of the Company the ("Prospectus") dated 8 November 2011.

The Company's shares were listed on the Main Board of the Stock Exchange on 18 November 2011.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2011 are set out in Note 31 to the consolidated financial statements.

PRINCIPAL BUSINESS

The Company is an investment holding company whose subsidiaries are principally engaged in the design, manufacture and sale of packaging products made primarily of EPS and EPO for packaging of consumer electrical appliances such as televisions, air conditioners, washing machines and refrigerators in the PRC.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and equity of the Group for the last four financial years, as extracted from the financial statements and the Prospectus, is set out on page 84 of this report. This summary does not form part of the consolidated financial statements in this annual report.

USE OF PROCEEDS FROM THE PLACING AND THE PUBLIC OFFER

The Company was successfully listed on the Main Board of the Stock Exchange on 18 November 2011 by way of placing (the "Placing") and public offer (the "Public Offer") of a total of 50,000,000 shares in the Company (the "Shares") at the offer price of HK$1.25 per Share (the "Listing").

The proceeds received by the Company from the Placing and Public Offer, after deducting the relevant costs of the Placing and the Public Offer, amounted to approximately HK$44,500,000 in total. As at 31 December 2011, the Group had not used any proceeds from the Placing and the Public Offer.

DIRECTORS' REPORT

RESULTS AND DIVIDEND

The Group's profit for the year ended 31 December 2011 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 30 to 32.

The Directors recommend, subject to shareholders' approval at the forthcoming annual general meeting (the "AGM") to be held on 25 May 2012, the payment of a final dividend of HK6.00 cents (approximately RMB4.88 cents) per Share for the year ended 31 December 2011 to those shareholders whose names appear on the register of members of the Company on 5 June 2012. The final dividend is expected to be paid no later than 6 July 2012.

CLOSURE OF REGISTER OF MEMBERS

The AGM is scheduled to be held on 25 May 2012. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 23 May 2012 to 25 May 2012 (both dates inclusive), during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 22 May 2012.

In order to ascertain the entitlement to the final dividend for the year ended 31 December 2011 (if approved at the AGM), the register of members of the Company will be closed from 1 June 2012 to 5 June 2012 (both dates inclusive) during which period no transfer of Shares will be effected. In order to qualify for the proposed final dividend (if approved at the AGM), all transfers of Shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 31 May 2012.

RESERVES

The details of the movements of reserves of the Company and the Group during the year is set out in Note 25 to the consolidated financial statements.

As at 31 December 2011, the Company had distributable reserves of approximately RMB159,585,000.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographies of Directors and senior management are set out in the section headed "Directors and Senior Management" in this annual report.

BANK BORROWINGS

Details of bank borrowings of the Group are set out in Note 22 to the consolidated financial statements.

DIRECTORS' REPORT

DIRECTORS AND SERVICE CONTRACTS

The Directors up to the date of this report are set as follows:

Executive Directors
Mr. Chao Pang Ieng *(Chairman)*
Ms. Zhou Zheng Bin
Ms. Chen Fen
Mr. Zuo Ji Lin

Independent Non-Executive Directors
Mr. Chan Chun Chi
Mr. Yu Xi Chun
Mr. Wu Hao Tian

Each Director has entered into a service contract with the Company. The service term of each executive Director is from 10 June 2011 to 9 June 2014 whereas the service term of each independent non-executive Director is from 10 June 2011 to 9 June 2013. These service contracts may be terminated by either party giving not less than three months' prior notice in writing. As at 31 December 2011, none of the Directors of the Company has a service contract with the Company which is not determinable within one year without payment compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as contracts regarding the Reorganization and the offering relating to the listing of shares of the Company, none of the Company or any of its subsidiaries had entered into a contract of significance in which a Director is or was materially interested, either directly or indirectly, subsisted as at 31 December 2011 or at any time during 2011.

COMPETING INTERESTS

None of the Directors, and the substantial shareholders had any interest in any business, which competed with or might compete with the business of the Group.

The Board has established a review committee (the "Committee") comprising all the independent non-executive Directors which was delegated with the authority to review on an annual basis of the non-competition undertaking given by Mr. Chao Pang Ieng and Rich Gold International Limited (collectively, the "Covenantors") in the deeds of non-competition (the "Deeds of Non-competition") entered into by, among others, the Covenantors dated 10 June 2011 (an extract of the material terms of the Deeds of Non-competition had been set out in the Prospectus). The Covenantors confirmed that (a) they have provided all information necessary for the enforcement of the Deeds of Non-competition as requested by the Committee from time to time; and (b) from the effective date (10 June 2011) of the Deeds of Non-competition and up to 31 December 2011, they had complied with the Deeds of Non-competition. The Committee also confirmed that they were not aware of any non-compliance with the Deeds of Non-competition by the Covenantors during the same period.

DIRECTORS' REPORT

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board confirmed that it has received from each of the independent non-executive Directors an annual confirmation of his or her independence and considers, based on the confirmations received, the independent non-executive Directors remain independent.

REMUNERATION POLICY

The Directors and senior management of the Company receive compensation in the form of fees, salaries, allowances, benefits in kind or discretionary bonuses relating to the performance of the Group. The Group also reimburse the Directors and senior management for expenses which are necessarily and reasonably incurred for providing services to the Group or discharging their duties in relation to the operations of the Group. When reviewing and determining the specific remuneration packages for the executive Directors and senior management, the remuneration committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment elsewhere in the Group and desirability of performance-based remuneration.

Details of the remuneration of Directors are set out in Note 11 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2011, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

1. Long Positions in the Shares of the Company ("Shares"):

Name of Directors	Capacity/ Nature of Interest	Number of shares held	Approximately percentage of the Company's total issued share capital
Mr. Chao Pang Ieng *(Note 1)*	Interest of controlled corporation	150,000,000	75%
Ms. Zhou Zheng Bin *(Note 2)*	Interest of spouse	150,000,000	75%

DIRECTORS' REPORT

2. Long Positions in the Ordinary Shares of the Associated Corporation

Name of Directors	Name of associated corporation	Capacity/Nature of Interest	Approximate percentage of interests in the associated corporation
Mr. Chao Pang Ieng *(Note 1)*	Rich Gold International Limited ("Rich Gold")	Beneficial owner	100%
Ms. Zhou Zheng Bin *(Note 2)*	Rich Gold	Interest of spouse	100%

Notes:

1. Mr. Chao beneficially held the entire issued share capital of Rich Gold, which in turn, beneficially held 150,000,000 Shares. For the purposes of the SFO, Mr. Chao is deemed or taken to be interested in all the Shares held by Rich Gold. Mr. Chao is also our Chairman, chief executive officer of our Company, an executive Director and the sole director of Rich Gold.

2. Ms. Zhou is the spouse of Mr. Chao. For the purposes of the SFO, Ms. Zhou is deemed or taken to be interested in all the Shares and the share in Rich Gold in which Mr. Chao is interested. Ms. Zhou is an executive Director.

Save as disclosed above, as at 31 December 2011, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section of "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above, at no time during the year was the Company, any of its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' LONG POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

To the knowledge of the Directors, as at 31 December 2011, as recorded in the register required to be kept by the Company under Section 336 of the SFO, the following persons (except the Directors and chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

DIRECTORS' REPORT

Long Positions in Shares and Underlying Shares

Name of Shareholder	Capacity/ Nature of Interest	Number of shares held	Approximately percentage of the Company's total issued share capital
Rich Gold	Beneficial owner	150,000,000	75%

Except for the disclosed above, as at 31 December 2011, the Directors were not aware of any interests or short positions in the Shares and underlying shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company under Section 336 of the SFO, except those held by directors or chief executives of the Company.

SHARE OPTION SCHEME

As to attract and retain the eligible persons, to provide additional incentive to them and to promote the success of the business of the Group, the Company conditionally adopted a share option scheme (the "Scheme") on 10 June 2011 whereby the Board are authorised, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the Shares to, inter alia, any employees (full-time or part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group. The Scheme became unconditional on 18 November 2011 and shall be valid and effective for a period of ten years commencing on 10 June 2011, subject to the early termination provisions contained in the Scheme.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.00. The subscription price of a Share in respect of any particular option granted under the Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

The Company shall be entitled to issue options, provided that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme does not exceed 10% of the shares in issue on the Listing Date. The Company may at any time refresh such limit, subject to the Company's shareholders' approval and issue of a circular in compliance with the Listing Rules. In any event, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company shall not exceed 30% of the shares in issue from time to time.

The total number of securities available for issue under the Scheme as at the date of this report was 20,000,000 Shares which represented 10% of the issued share capital of the Company as at the date of this report. The total number of shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

DIRECTORS' REPORT

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

During the period between the date of the listing of shares of the Company on the Main Board of the Stock Exchange and 31 December 2011, no share option has been granted by the Company under the Scheme.

CONTINUING CONNECTED TRANSACTION

There are no 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 as at 31 December 2011.

None of the related party transactions set out in Note 28 to the consolidated financial statements falls under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

KEY CUSTOMERS AND SUPPLIERS

For the year under review, sales to the Group's five largest customers accounted for approximately 97.9% (2010: 99.2%) of the total sales for the year and sales to the largest customer included therein accounted for approximately 40.9% (2010: 38.2%). Purchases from the Group's five largest suppliers accounted for approximately 86.0% (2010: 80.1%) of the total purchases for the year and purchases from the largest supplier included therein accounted for approximately 37.6% (2010: 32.5%).

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers during the year.

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

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the period from the Listing Date to 31 December 2011.

ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

During 2011, apart from the Reorganization as set out in the paragraph headed "Corporate Reorganization" in Appendix V "Statutory and General Information" to the Prospectus, there was no material acquisition, disposal or investment by the Group.

PRE-EMPTIVE RIGHTS

There are no relevant provisions for pre-emptive rights under the Company's Articles of Association or the laws of Cayman Islands, and therefore the Company is not obliged to offer new Shares on a pro-rata basis to existing shareholders.

PUBLIC FLOAT

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

DIRECTORS' REPORT

CORPORATE GOVERNANCE

The Company has applied the code provisions set out in the Code contained in Appendix 14 to the Listing Rules. Since its listing on the Stock Exchange, the Company has complied with the code provisions of the Code for the year ended 31 December 2011, save for the exceptions explained in the Corporate Governance Report in this annual report.

AUDITORS

The accounts for the year were audited by HLB Hodgson Impey Cheng whose term of office will expire upon the AGM. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganized as HLB Hodgson Impey Cheng Limited. A resolution for the appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming AGM.

INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2011

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
JIN BAO BAO HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Jin Bao Bao Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 83, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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 auditors' 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 auditors consider 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.

INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2011

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, 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.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 16 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Revenue	5	212,834	166,079
Cost of sales		(151,441)	(112,486)
Gross profit		61,393	53,593
Other income	6	598	338
Other gains and losses – net	7	(1,309)	(447)
Selling and distribution expenses		(9,109)	(6,260)
Administrative expenses		(8,554)	(6,120)
Other operating expenses		(562)	(715)
Other expenses	10	(5,926)	–
Profit from operations		36,531	40,389
Finance costs	8	(1,074)	(701)
Profit before tax		35,457	39,688
Income tax expense	9	(5,551)	(3,963)
Profit for the year	10	29,906	35,725
Other comprehensive income for the year			
Exchange differences on translating foreign operations		259	–
Total comprehensive income for the year		30,165	35,725
Profit attributable to:			
Owners of the Company		29,906	35,725
Total comprehensive income attributable to:			
Owners of the Company		30,165	35,725
		RMB cents	RMB cents
Earnings per share-basic and diluted	13	19.2	23.8

Details of dividends are disclosed in Note 12 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	14	**41,699**	41,052
Prepaid lease payments	15	**2,883**	2,954
Deferred tax assets	23	**79**	59
		44,661	44,065
Current assets			
Inventories	16	**9,896**	11,178
Prepaid lease payments	15	**71**	71
Held-for-trading investments	17	**–**	9,811
Trade and other receivables	18	**117,406**	84,777
Amount due from a related company	19	**–**	388
Current tax assets		**3,208**	1,405
Pledged bank deposits	20	**231**	333
Cash and bank balances	20	**80,141**	42,440
		210,953	150,403
Current liabilities			
Trade and other payables	21	**47,538**	32,178
Bank borrowings	22	**3,292**	4,000
		50,830	36,178
Net current assets		**160,123**	114,225
Total assets less current liabilities		**204,784**	158,290

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Non-current liabilities			
Deferred tax liabilities	23	**1,062**	678
Net assets		**203,722**	157,612
Capital and reserves			
Share capital	24	**1,632**	92,603
Reserves	25	**202,090**	65,009
Total equity		**203,722**	157,612

The consolidated financial statements were approved and authorized for issue by the Board of Directors on 16 March 2012 and signed on its behalf by:

Director *Director*

STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	**2011** **RMB'000**
Non-current assets		
Investments in subsidiaries	*31*	**–**
Current assets		
Amounts due from subsidiaries	*31*	**119,735**
Cash and bank balances	*20*	**41,759**
		161,494
Current liabilities		
Amounts due to subsidiaries	*31*	**277**
		277
Net current assets		**161,217**
Net assets		**161,217**
Capital and reserves		
Share capital	*24*	**1,632**
Reserves	*25*	**159,585**
Total equity		**161,217**

Director *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Share capital RMB'000 *(Note 24)*	Share premium RMB'000	Special reserve RMB'000 *(Note 25(c))*	Foreign currency translation reserve RMB'000	PRC capital reserve RMB'000 *(Note 25(a))*	PRC statutory reserves RMB'000 *(Note 25(b))*	Shareholders' contributions RMB'000 *(Note 25(d))*	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2010	92,603	–	–	–	(8)	14,304	–	38,922	145,821
Profit for the year	–	–	–	–	–	–	–	35,725	35,725
Total comprehensive income for the year	–	–	–	–	–	–	–	35,725	35,725
Transfer to reserves	–	–	–	–	–	2,684	–	(2,684)	–
Dividend recognized as distribution *(Note 12)*	–	–	–	–	–	–	–	(23,934)	(23,934)
Balance at 31 December 2010 and 1 January 2011	92,603	–	–	–	(8)	16,988	–	48,029	157,612
Profit for the year	–	–	–	–	–	–	–	29,906	29,906
Other comprehensive income for the year	–	–	–	259	–	–	–	–	259
Total comprehensive income for the year	–	–	–	259	–	–	–	29,906	30,165
Transfer to reserves	–	–	–	–	–	3,873	–	(3,873)	–
Corporate Reorganization *(Note 24)*	(92,603)	120,037	(27,434)	–	–	–	–	–	–
Capitalization issue *(Note 24)*	1,224	(1,224)	–	–	–	–	–	–	–
Shares issued under placing and public offering *(Note 24)*	408	50,600	–	–	–	–	–	–	51,008
Share issue expenses	–	(11,013)	–	–	–	–	–	–	(11,013)
Shareholders' contributions arising from waiver of a shareholder's loan *(Note 25 (d))*	–	–	–	–	–	–	10,296	–	10,296
Dividend recognized as distribution *(Note 12)*	–	–	–	–	–	–	–	(34,346)	(34,346)
Balance at 31 December 2011	**1,632**	**158,400**	**(27,434)**	**259**	**(8)**	**20,861**	**10,296**	**39,716**	**203,722**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
Cash flows from operating activities		
Profit before tax	**35,457**	39,688
Adjustments for:		
Finance costs	**1,074**	701
Interest income	**(123)**	(131)
Net losses/(gains) on disposal of property, plant and equipment	**67**	(300)
Net losses arising on changes in fair value of held-for-trading investments	**1,241**	746
Depreciation of property, plant and equipment	**7,198**	6,451
Amortization of prepaid lease payments	**71**	75
	44,985	47,230
Movements in working capital		
Decrease/(increase) in inventories	**1,282**	(2,381)
Decrease/(increase) in held-for-trading investments	**8,570**	(10,557)
Increase in trade and other receivables	**(32,629)**	(11,745)
Increase/(decrease) in trade and other payables	**15,360**	(4,680)
Cash generated from operations	**37,568**	17,867
Interest paid	**(859)**	(294)
Interest received	**123**	131
Income taxes paid	**(6,990)**	(6,669)
Net cash generated by operating activities	**29,842**	11,035
Cash flows from investing activities		
Decrease in pledged bank deposits	**102**	513
Decrease in amounts due from related companies	**388**	25,259
Payments for property, plant and equipment	**(8,033)**	(4,326)
Proceeds from disposal of property, plant and equipment	**117**	669
Net cash (used in)/generated by investing activities	**(7,426)**	22,115

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
Cash flows from financing activities		
Proceeds from bank borrowings	**3,292**	12,000
Repayment of bank borrowings	**(4,000)**	(8,000)
Decrease in amounts due to related companies	**–**	(22)
Proceeds from issue of new shares	**51,008**	–
Payment of transaction costs attributable to issue of new shares	**(11,013)**	–
Increase in a shareholder's loan	**10,296**	–
Decrease in amount due to a director	**–**	(715)
Dividend recognized as distribution	**(34,346)**	(23,934)
Interest paid	**(215)**	(407)
Net cash generated by/(used in) financing activities	**15,022**	(21,078)
Net increase in cash and cash equivalents	**37,438**	12,072
Cash and cash equivalents at the beginning of year	**42,440**	30,368
Effect of foreign exchange rate changes, net	**263**	–
Cash and cash equivalents at the end of year represented by:		
Cash and bank balances	**80,141**	42,440

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

Jin Bao Bao Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 4 January 2011 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 18 November 2011. Its parent and ultimate holding company is Rich Gold International Limited ("Rich Gold"), a company incorporated in the British Virgin Islands and wholly-owned by Mr. Chao Pang Ieng ("Mr. Chao").

The address of the Company's registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of the Company's principal place of business in Hong Kong is Unit No. 2118, 21st Floor, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong. The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the design, manufacture and sale of packaging products and structural components in the People's Republic of China (the "PRC").

Prior to the corporate reorganization undertaken in preparation for the listing of the Company's shares on the Stock Exchange (the "Corporate Reorganization"), the group entities were under the control of Mr. Chao. Through the Corporate Reorganization, the Company became the holding company of the companies now comprising the Group on 9 March 2011. Accordingly, for the purpose of the preparation of the consolidated financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the years presented. The Group comprising the Company and its subsidiaries resulting from the Corporate Reorganization is regarded as a continuing entity. The Group was under the control of Mr. Chao both before and after the Corporate Reorganization.

The consolidated financial statements have been prepared as if the Company had been the holding company of the Group throughout the years presented in accordance with Accounting Guideline 5 *Merger Accounting for Common Control Combinations* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows which include the results, changes in equity and cash flows of the companies comprising the Group have been prepared as if the current group structure had been in existence throughout the years presented, or since their respective dates of incorporation/establishment where it is a shorter period. The consolidated statement of financial position as at 31 December 2010 has been prepared to present the assets and liabilities of the companies comprising the Group as if the current group structure had been in existence at that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. GENERAL INFORMATION AND BASIS OF PRESENTATION (CONTINUED)

Prior to the Corporate Reorganization, 四川景虹包裝製品有限公司 (Sichuan Jinghong Packing Materials CO. LTD.*) ("Sichuan Jinghong"), 滁州創策包裝材料有限公司 (Chuzhou Chuangce Packaging Materials Company Limited*) ("Chuzhou Chuangce") and 重慶光景包裝製品有限公司 (Chongqing Guangjing Packing Materials CO. LTD.*) ("Chongqing Guangjing") were wholly owned by Conca Investments Limited ("Conca Investments"), an investment holding company controlled by Mr. Chao. As part of the Corporate Reorganization, Metro Master Limited ("Metro Master"), an indirect wholly-owned subsidiary of the Company, entered into respective equity transfer agreements with Conca Investments, pursuant to which Conca Investments transferred the entire equity interests in Chuzhou Chuangce, Chongqing Guangjing and Sichuan Jinghong at an aggregated consideration of RMB119,790,000. The aforesaid equity transfer transactions were completed in March 2011 and the Company became the holding company of the Group.

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the respective entity operates (the "functional currency"). The functional currencies of the Group's operating subsidiaries are Renminbi ("RMB"). The consolidated financial statements are presented in RMB, which is different from the functional currency of the Company. The choice of presentation currency is to better reflect the currency that mainly determines economic effects of transactions, events and conditions of the Group.

The principal activities of its subsidiaries are set out in Note 31.

* *English translated name is for identification purpose only.*

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the financial statements for the year, the Group has consistently adopted Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS"), amendments and interpretations issued by the HKICPA, which are effective for financial periods beginning on or after 1 January 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

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

The Group has not early applied the following new and revised standards, amendments or interpretations, that have been issued by the HKICPA but are not yet effective, in the consolidated financial statements:

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosures-Transfers of Financial Assets[1]
HKFRS 7 (Amendments)	Disclosures-Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 9	Financial Instruments[5]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[5]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (2011)	Employee Benefits[4]
HKAS 27 (2011)	Separate Financial Statements[4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[4]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a surface Mine[4]

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2012.
[3] Effective for annual periods beginning on or after 1 July 2012.
[4] Effective for annual periods beginning on or after 1 January 2013.
[5] Effective for annual periods beginning on or after 1 January 2015.
[6] Effective for annual periods beginning on or after 1 January 2014.

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

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

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognized financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 10 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted provided that HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011) and HKAS 28 (2011) are applied early at the same time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The directors anticipate that HKFRS 10 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of HKFRS 10 may have significant impact on amounts reported in the consolidated financial statements. However, the directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements, The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRS require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosures requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

The Group is in the process of making an assessment of what the impact of the other new or revised standards, amendments and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

The principal accounting policies are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

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 (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in 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 amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

Merger accounting for common control combinations

The consolidated financial statements incorporate financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The consolidated statement of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, rebates and discounts.

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, 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 amortized over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognized 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 as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized 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 utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized 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 and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize 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 realized, based on tax rates (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 or deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes (other than construction-in-progress), are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of assets (other than construction-in-progress) less their residual values over their 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

Construction-in-progress includes property, plant and equipment in the course of construction for its own use purposes. Construction-in-progress is carried at cost less any recognized impairment loss. Construction-in-progress is 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 items of property, plant and equipment, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognized 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 recognized in profit or loss.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, held-for-trading investments and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of the reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of comprehensive income in the period in which it arises (only if there are revalued assets in the financial statements), unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognized 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 (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are mainly classified into two specified categories: financial assets "at fair value through profit or loss" ("FVTPL") and "loans and receivables". The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument 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 and points 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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than financial assets classified as at FVTPL, of which interest income is included in other gains and losses-net.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, cash and bank balances, pledged bank deposits and amount due from a related company) are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets 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 financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, 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 and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets 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 recognized 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 against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments

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

Financial liabilities

Financial liabilities (including bank borrowings and trade and other payables) are subsequently measured at amortized cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortized 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 and points 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 recognized on an effective interest basis.

Derecognition

The Group derecognizes 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 recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized 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 recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Listing expenses

Transaction costs that relate jointly to more than one transaction (for example, costs of a concurrent offering of some shares and a stock exchange listing of other shares) are allocated to those transactions using a basis of allocation that is rational and consistent with similar transactions. Only the costs associated with the listing of the new shares and not those attributed to the existing shares are recognized in equity. The Company allocates the listing expenses between the new shares and the existing shares. Where a cost relates to both the newly issued shares and the listing of existing shares, the allocation is made using a rational and consistent method. If costs (such as an underwriting fee) relate solely to the issue of new shares, they are accounted for as a deduction in equity if they are incremental and directly attributable to the issue of new shares. The costs allocated to the listing of existing shares are expensed in profit or loss.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Share-based payment arrangements

Share-based payment transactions of the Company

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognized in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share options reserve will be transferred to retained earnings.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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 recognized 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Withholding taxes arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes from the distribution of dividends from subsidiaries in the PRC according to the relevant tax jurisdictions is subject to judgment on the timing of the payment of the dividend, where the Group considers that if it is probable that the profits of the subsidiaries in the PRC will not be distributed in the foreseeable future, then no withholding taxes are provided.

Key sources of estimation uncertainty

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

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value. The Group assesses annually the residual value and the useful lives of the property, plant and equipment. If the expectation differs from the original estimate, such difference will impact the depreciation and the amortization charged in the year in which such estimate is changed.

Impairment of trade and other receivables

The Group estimates the provisions for impairment of trade and other receivables by assessing their recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgments. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amount of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the provisions at the end of the reporting period.

Write-down of inventories

Inventories are valued at the lower of cost and net realizable value. Also, the Group regularly inspects and reviews its inventories to identify slow-moving and obsolete inventories. The amount of the impairment loss is measured as the difference between inventories' cost and net realizable value.

The identification of impairment of inventories requires the use of judgment and estimate of expected net realizable value. Where the net realizable value is lower than the cost, a material write-down may arise. As at 31 December 2011, the carrying amounts of inventories were approximately RMB9,896,000 (2010: RMB11,178,000), after taking into account write-down recognized on inventories of approximately RMB312,000 (2010: RMB322,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

5. REVENUE AND SEGMENT INFORMATION

The directors of the Company review the Group's internal financial reporting and other information and also obtain other relevant external information in order to assess performance and allocate resources. Operating segment is identified with reference to these.

The directors of the Company consider that the business of the Group is organized in one operating segment which is the design, manufacture and sale of packaging products and structural components in the PRC. Additional disclosure in relation to segment information is not presented as the directors of the Company assess the performance of the sole operating segment identified based on the consistent information as disclosed in the consolidated financial statements.

The total net segment income is equivalent to total comprehensive income for the year as shown in the consolidated statement of comprehensive income and the total segment non-current assets and total segment liabilities are equivalent to total assets and total liabilities as shown in the consolidated statement of financial position.

Details of interest income, depreciation and amortization in relation to the sole operating segment are disclosed in Notes 6 and 10, respectively.

The Company is domiciled in the Cayman Islands with the Group's major operations in the PRC. All external revenues of the Group during the year are attributable to customers located in the PRC. Substantially all the assets of the Group are located in the PRC.

Revenue	2011 RMB'000	2010 RMB'000
Sales of packaging products and structural components	212,834	166,079

Information about major customers

Revenue from customers contributing over 10% of total revenue of the Group during the year is as follows:

	2011 RMB'000	2010 RMB'000
Customer A	87,124	63,401
Customer B	52,808	32,995
Customer C	33,826	37,526
	173,758	133,922

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

6. OTHER INCOME

	2011 RMB'000	2010 RMB'000
Interest income on bank deposits	**123**	131
Others	**475**	207
	598	338

7. OTHER GAINS AND LOSSES – NET

	2011 RMB'000	2010 RMB'000
Net losses/(gains) on disposal of property, plant and equipment	**67**	(300)
Net losses arising on changes in fair value of held-for-trading investments	**1,241**	746
Net foreign exchange losses	**1**	1
	1,309	447

8. FINANCE COSTS

	2011 RMB'000	2010 RMB'000
Interest on bank borrowings wholly repayable within five years	**215**	407
Finance costs arising on early redemption of note receivables	**859**	294
	1,074	701

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

9. INCOME TAX EXPENSE

	2011 RMB'000	2010 RMB'000
Current tax:		
– PRC Enterprise Income Tax ("EIT")	**8,732**	6,390
Over-provision in prior years:		
– PRC EIT	**(3,545)**	(2,786)
Deferred tax *(Note 23)*	**364**	359
Total income tax recognized in profit and loss	**5,551**	3,963

(i) Hong Kong

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profit arising in or derived from Hong Kong for the year.

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit subject to Hong Kong Profits Tax for the year (2010: Nil).

(ii) PRC

Sichuan Jinghong

Pursuant to the relevant laws and regulations in the PRC, Sichuan Jinghong is exempted from EIT for two years starting from its first profit-making year, followed by a 50% reduction in tax rate for the next three years. The tax exemption had expired in 2007 and the tax relief of 50% reduction in tax rate expired in 2010.

In addition, pursuant to relevant PRC laws and regulations and a written approval obtained from the competent local tax authorities, effective on 1 January 2008, Siuchuan Jinghong is entitled to EIT exemption and therefore exempt from tax payment for the fiscal year ended 31 December 2010.

The tax concessions applicable to Sichuan Jinghong had expired in 2010 and it is subject to the statutory EIT rate at 25% from 2011 onwards.

Chongqing Guangjing

Pursuant to relevant PRC tax laws and regulations and a written approval obtained from local tax authorities, Chongqing Guangjing is subject to EIT rate of 15% for the fiscal years ended 31 December 2011 and 2010.

Chuzhou Chuangce

Chuzhou Chuangce is subject to EIT rate at 25% for the fiscal years ended 31 December 2011 and 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

9. INCOME TAX EXPENSE (CONTINUED)

The tax charges for the year can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	2011 **RMB'000**	2010 RMB'000
Profit before tax	**35,457**	39,688
Tax at domestic tax rates applicable to profits of taxable entitles in the countries concerned	**8,181**	8,735
Tax effect of expenses not deductible for tax purpose *(Note i)*	**1,962**	2,039
Tax effect of income not taxable for tax purpose *(Note ii)*	**(1,379)**	–
Tax effect of tax losses not recognized	**311**	–
Utilization of tax losses previously not recognized	**–**	(235)
Tax effect of withholding tax at 5% on the distributable profit of the Group's subsidiaries	**807**	–
Over-provision in prior years *(Note iii)*	**(3,545)**	(2,786)
Tax effect of change in EIT rate	**–**	(228)
Tax effect of tax relief granted to the PRC subsidiaries	**(786)**	(3,562)
Income tax expense for the year	**5,551**	3,963

Notes:

(i) The amounts comprise the tax effect of the PRC subsidiaries' expenses which are in excess of allowable deduction limits, such as entertainment or non-deductible in nature.

(ii) The amounts comprise the tax effect of the PRC subsidiaries' income which are non-taxable in nature.

(iii) The amounts comprise the refund of the PRC EIT after the approval of preferential tax rates from the relevant tax authorities after the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

10. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2011 **RMB'000**	2010 RMB'000
Depreciation of property, plant and equipment	**7,198**	6,451
Amortization of prepaid lease payments	**71**	75
Auditors' remuneration	**411**	9
Operating lease rentals in respect of premises	**2,335**	1,470
Cost of inventories recognized as an expense (including write-down recognized on inventories)	**105,181**	77,670
Write-down of inventories to net realizable value (included in cost of sales)	**312**	322
Other expenses *(Note)*	**5,926**	–

Note:

Other expenses mainly included listing expenses.

	2011 **RMB'000**	2010 RMB'000
Directors' emoluments *(Note 11)*	**652**	71
Other employee salaries and benefits	**17,699**	13,860
Contributions to retirement benefits schemes, excluding those of directors	**2,225**	1,231
Total employee benefits expense	**20,576**	15,162

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

The emoluments paid or payable to the directors of the Company were as follows:

	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits schemes RMB'000	Total RMB'000
Year ended 31 December 2011				
Executive directors				
Mr. Chao	**–**	**95**	**5**	**100**
Ms. Zhou Zheng Bin	**–**	**95**	**5**	**100**
Ms. Chen Fen	**–**	**95**	**5**	**100**
Mr. Zuo Ji Lin	**–**	**217**	**11**	**228**
Independent non-executive directors				
Mr. Chan Chun Chi	**56**	**–**	**–**	**56**
Mr. Yu Xi Chun	**34**	**–**	**–**	**34**
Mr. Wu Hao Tian	**34**	**–**	**–**	**34**
	124	**502**	**26**	**652**
Year ended 31 December 2010				
Executive directors				
Mr. Chao	–	–	–	–
Ms. Zhou Zheng Bin	–	–	–	–
Ms. Chen Fen	–	–	–	–
Mr. Zuo Ji Lin	–	65	6	71
Independent non-executive directors				
Mr. Chan Chun Chi	–	–	–	–
Mr. Yu Xi Chun	–	–	–	–
Mr. Wu Hao Tian	–	–	–	–
	–	65	6	71

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Employees' emoluments

	2011 Number of individuals	2010 Number of individuals
Directors	**3**	1
Non-directors	**2**	4
5 highest-paid individuals	**5**	5

The emoluments of the above non-directors, highest paid individuals were as follows:

	2011 RMB'000	2010 RMB'000
Salaries and other benefits	**478**	290
Contributions to retirement benefits schemes	**8**	17
Total emoluments	**486**	307

The emoluments of each of the above non-directors, highest paid individuals were below HK$1,000,000.

During the year, no emoluments were paid by the Group to any of the Company's directors or the five highest paid individuals of the Group (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Company's directors waived any emoluments during the year.

12. DIVIDENDS

Prior to the Corporate Reorganization

	2011 RMB'000	2010 RMB'000
Dividends paid by the following companies:		
Chuzhou Chuangce	**5,124**	3,714
Chongqing Guangjing	**3,573**	–
Sichuan Jinghong	**25,649**	20,220
	34,346	23,934

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

12. DIVIDENDS (CONTINUED)

Prior to the Corporate Reorganization (Continued)

The amounts represented the dividends paid by respective companies to their then equity holders prior to the Corporation Reorganization. Accordingly, the rate of dividend and the number of shares ranking for the above dividends have not been presented as such information is not meaningful.

After the Corporate Reorganization

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2011 of HK6.00 cents (approximately RMB4.88 cents) per share has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting of the Company.

13. EARNINGS PER SHARE

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

	2011 **RMB'000**	2010 RMB'000
Earnings for the purpose of basic and diluted earnings per share	**29,906**	35,725
Number of Shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**156,027,397**	150,000,000

For the year ended 31 December 2011, the calculation of the basic earnings per share attributable to owners of the Company is based on (i) the profit attributable to owners of the Company; and (ii) the weighted average number of ordinary shares as adjusted retrospectively 2 shares in issue and 149,999,998 shares issued under the capitalization issue, and included the effect of 50,000,000 shares issued under the placing and public offering as more fully described in Note 25.

For the year ended 31 December 2010, the calculation of the basic earnings per share attributable to owners of the Company is based on (i) the profit attributable to owners of the Company; and (ii) the weighted average number of 150,000,000 shares (comprising 2 shares in issue and 149,999,998 shares issued under the capitalization issue) as if these 150,000,000 shares were outstanding before the Corporate Reorganization.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machinery	Office equipment	Motor vehicles	Moulds	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost								
Balance at 1 January 2010	21,512	–	52,976	516	1,685	9,986	72	86,747
Additions	–	–	751	68	704	2,795	8	4,326
Disposals	–	–	(532)	–	–	(828)	–	(1,360)
Transfer	–	–	72	–	–	–	(72)	–
Balance at 31 December 2010 and 1 January 2011	21,512	–	53,267	584	2,389	11,953	8	89,713
Additions	–	273	1,646	61	581	4,577	895	8,033
Disposals	–	–	(856)	(164)	(519)	(10)	–	(1,549)
Transfer	65	–	811	–	–	–	(876)	–
Effect of foreign currency exchange differences	–	(4)	–	–	–	–	–	(4)
Balance at 31 December 2011	**21,577**	**269**	**54,868**	**481**	**2,451**	**16,520**	**27**	**96,193**
Accumulated depreciation and impairment								
Balance at 1 January 2010	4,698	–	33,290	381	1,043	3,787	–	43,199
Depreciation expense	1,043	–	3,028	45	197	2,138	–	6,451
Eliminated on disposals	–	–	(478)	–	–	(511)	–	(989)
Balance at 31 December 2010 and 1 January 2011	5,741	–	35,840	426	1,240	5,414	–	48,661
Depreciation expense	1,006	29	3,040	42	345	2,736	–	7,198
Eliminated on disposals	–	–	(771)	(147)	(446)	(1)	–	(1,365)
Balance at 31 December 2011	**6,747**	**29**	**38,109**	**321**	**1,139**	**8,149**	**–**	**54,494**
Carrying amounts								
Balance at 31 December 2011	**14,830**	**240**	**16,759**	**160**	**1,312**	**8,371**	**27**	**41,699**
Balance at 31 December 2010	15,771	–	17,427	158	1,149	6,539	8	41,052

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment other than construction-in-progress are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the term of the leases, or 20 years whichever is the shorter
Leasehold improvements	20% or over the relevant lease terms whichever is shorter
Plant and machinery	10%-20%
Office equipment	20%
Motor vehicles	20%-40%
Moulds	20%

The carrying amounts of buildings shown above comprise:

	2011 **RMB'000**	2010 RMB'000
Situated on leasehold land in the PRC under medium-term lease	**14,830**	15,771

At 31 December 2011, buildings with a carrying amounts of approximately RMB2,803,000 (2010: RMB3,142,000) were pledged as collaterals to secure certain short-term bank loans (Note 22) of the Group.

15. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2011 **RMB'000**	2010 RMB'000
Leasehold land in the PRC under medium-term lease	**2,954**	3,025
Analyzed for reporting purposes as:		
Current assets	**71**	71
Non-current assets	**2,883**	2,954
	2,954	3,025

The Group's prepaid lease payments are amortized on a straight-line basis over the term of the leases of the land use rights.

At 31 December 2011, prepaid lease payments with carrying amounts of approximately RMB1,367,000 (2010: RMB1,402,000) were pledged to secure certain short-term bank loans (Note 22) of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

16. INVENTORIES

	2011 RMB'000	2010 RMB'000
Raw materials	**3,021**	4,069
Work-in-progress	**112**	116
Finished goods	**5,120**	5,186
Packaging materials and consumables	**1,643**	1,807
	9,896	11,178

17. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments include:

	2011 RMB'000	2010 RMB'000
Listed securities:		
– Equity securities listed in the PRC	**–**	9,811

Fair values are determined with reference to quoted market bid prices.

18. TRADE AND OTHER RECEIVABLES

	2011 RMB'000	2010 RMB'000
Trade receivables	**78,369**	56,303
Note receivables	**37,883**	27,345
Prepayments, deposits and other receivables	**1,154**	1,129
	117,406	84,777

The above trade and other receivables are denominated in the functional currencies of the relevant group entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

The following is an aged analysis of the Group's trade receivables (net of allowance for doubtful debts) at the end of the reporting period, presented based on the invoice date:

	2011 RMB'000	2010 RMB'000
Within 90 days	70,001	51,303
91-180 days	8,048	4,563
181-365 days	86	56
Over 365 days	234	381
Total	78,369	56,303

The Group normally allows a credit period ranging from 30 days to 180 days, to its trade customers with trading history, or otherwise sales on cash terms are required.

Before accepting any new customers, the Group assesses the potential customers' credit quality and defines credit limits by customers.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of the reporting period for which the Group has not recognized an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Age of receivables that are past due but not impaired

	2011 RMB'000	2010 RMB'000
Within 90 days	–	4,655
91-180 days	86	–
181-365 days	–	56
Over 365 days	234	381
Total	320	5,092

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

There was no provision for impairment losses in respect of trade receivables from third party customers at 31 December 2011 (2010: Nil).

At 31 December 2011, note receivables with a carrying amounts of approximately RMB1,292,000 (2010: Nil) were pledged as collaterals to secure certain short-time bank loans (Note 22) of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

19. AMOUNT DUE FROM A RELATED COMPANY

Name of related company	Maximum amounts outstanding during the year RMB'000	2011 RMB'000	2010 RMB'000
Conca Investments	**388**	**–**	388

The amount due arose from temporary fund transfers, which was non-trade in nature. The amount due from the above related company was unsecured, interest-free and had no fixed term of repayment.

The above balance is denominated in the functional currencies of the relevant group entities.

20. CASH AND BANK BALANCES/PLEDGED BANK DEPOSITS

Cash and bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less which carry interest at market rates ranging and from 0.01% to 1.21% per annum at 31 December 2011 (2010: from 0.36% to 1.35% per annum).

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to approximately RMB231,000 at 31 December 2011 (2010: RMB333,000), have been pledged to secure note payables (Note 21) and are therefore classified as current assets. The pledged bank deposits will be released upon the settlement of relevant note payables. Pledged bank deposits are denominated in RMB, the functional currency of the relevant group entities.

Certain of the Group's cash and bank balances with an aggregate amount of approximately RMB44,830,000 at 31 December 2011 (2010: RMB42,433,000), were denominated in RMB which is not a freely convertible currency in the international market. The government of the PRC has implemented foreign exchange control and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the government of the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

21. TRADE AND OTHER PAYABLES

	2011 RMB'000	2010 RMB'000
Trade payables	**29,758**	26,159
Note payables	**231**	333
Receipts in advance	**11,637**	3,380
Accruals	**2,130**	974
Other taxes payable	**2,518**	70
Others	**1,264**	1,262
	47,538	32,178

The above trade and other payables are denominated in the functional currencies of the relevant group entities.

The following is an aged analysis of the Group's trade payables at the end of the reporting period, presented based on the invoice date:

	2011 RMB'000	2010 RMB'000
Within 90 days	**28,623**	23,864
91-180 days	**818**	2,030
181-365 days	**246**	94
Over 365 days	**71**	171
	29,758	26,159

The average credit period on purchases of certain goods is ranging from 30 days to 90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

At 31 December 2011, note payables were secured by a charge over certain of the Group's assets (Notes 20 and 29).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

22. BANK BORROWINGS

	2011 RMB'000	2010 RMB'000
Bank loans-secured	**3,292**	4,000
Carrying amount repayable:		
Amounts due on demand or within one year shown under current liabilities	**3,292**	4,000

At 31 December 2011, bank loans were secured by a charge over certain of the Group's assets (Note 29) and bear interest ranging from 5.56% to 9% per annum (2010: 5.56% per annum).

23. DEFERRED TAXATION

The following are the major deferred tax assets/(liabilities) recognized and movements thereon during the year:

	Write-down of inventories RMB'000	**Provision for unrealized profits** RMB'000	**Withholding tax** RMB'000	**Total** RMB'000
At 1 January 2010	–	(260)	–	(260)
Credit/(charge) to profit and loss	59	(418)	–	(359)
At 31 December 2010 and 1 January 2011	59	(678)	–	(619)
Credit/(charge) to profit and loss	20	423	(807)	(364)
At 31 December 2011	**79**	**(255)**	**(807)**	**(983)**

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2011 RMB'000	2010 RMB'000
Deferred tax assets	**79**	59
Deferred tax liabilities	**(1,062)**	(678)
	(983)	(619)

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23. DEFERRED TAXATION (CONTINUED)

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of the profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries amounting to approximately RMB20,705,000 (2010: Nil) as the Group is able to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reserve in the foreseeable future.

At the end of the reporting period, the Group has unused tax losses of approximately RMB331,000 (2010: Nil) available for offset against future profits that may be carried forward indefinitely. No deferred tax been recognized in respect of the tax losses due to the unpredictability of future profit streams.

24. SHARE CAPITAL

	Number of shares	Share capital HK$
Authorized		
Ordinary shares of HK$0.01 each		
At the date of incorporation	38,000,000	**380,000**
Increase in authorized share capital on 10 June 2011	962,000,000	**9,620,000**
Ordinary shares of HK$0.01 each at 31 December 2011	1,000,000,000	**10,000,000**
Issued and fully paid		
Ordinary shares of HK$0.01 each		
At the date of incorporation	1	**0.01**
Issue of new share on 4 April 2011	1	**0.01**
Capitalization issue on 18 November 2011	149,999,998	**1,499,999.98**
Shares issued under placing and public offering on 18 November 2011	50,000,000	**500,000.00**
Ordinary shares of HK$0.01 each at 31 December 2011	200,000,000	**2,000,000.00**

	RMB'000
Shown on the consolidated statement of financial position at 31 December 2011	**1,632**

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24. SHARE CAPITAL (CONTINUED)

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 4 January 2011 with an initial authorized share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each and one share was issued thereafter. On 4 April 2011, one share of the Company was allotted and issued to Rich Gold, at a consideration of HK$142,316,243 (equivalent to approximately RMB120,037,000). Pursuant to the written resolutions passed by the shareholder of the Company on 10 June 2011, the authorized share capital of the Company was increased from HK$380,000 to HK$10,000,000 by the creation of an additional of 962,000,000 shares of HK$0.01 each, each ranking pari passu with the shares then in issue in all respects.

The directors were authorised to capitalize the amount of HK$1,499,999.98 (equivalent to approximately RMB1,224,000) standing to the credit of the share premium account of the Company and to appropriate such amount as capital to pay up in full at par 149,999,998 shares for allotment and issue to the then existing shareholder of in the Company. On 18 November 2011, the directors allotted and issued such shares as aforesaid and gave effect to the capitalization issue.

On 18 November 2011, the Company issued 50,000,000 shares pursuant to the Company's initial public offering and placing at a price of HK$1.25 per share upon the listing of the shares of the Company on the Stock Exchange.

For the purpose of the preparation of the consolidated statement of financial position, the balance of share capital at 31 December 2010 represents the aggregate of the share and paid-in capital of the subsidiaries comprising the Group held by Mr. Chao, the controlling shareholder, prior to the Corporate Reorganization.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

25. RESERVES

The Group

(a) PRC capital reserve

Exchange differences relating to the translation of the capital contributions by the equity owners of the Group's PRC subsidiaries from foreign currency to RMB are recognized directly in the PRC capital reserve.

(b) PRC statutory reserves

As stipulated by the relevant laws and regulations for foreign investment enterprises in the PRC, the Company's PRC subsidiaries are required to maintain two statutory reserves, being an enterprise expansion fund and a statutory surplus reserve fund which are non-distributable. Appropriations to such reserves are made out of net profit after taxation reported in the statutory financial statements of the PRC subsidiaries while the amounts and allocation basis are decided by their Board of Directors annually but must not be less than 10% of the net profit after tax, until such reserves reach 50% of the registered capital of the relevant subsidiaries. The statutory surplus reserve fund can be used to make up their prior year losses, if any, and can be applied in conversion into capital by means of capitalization issue. The enterprise expansion fund is used for expanding the capital base of the PRC subsidiaries by means of capitalization issue.

(c) Special reserve

Special reserve of the Group represents the difference between the aggregate amount of considerations paid by the Group for the acquisition of Chuzhou Chuangce, Chongqing Guangjing and Sichuan Jinghong, and the aggregate amount of paid-in capital of the aforesaid subsidiaries acquired pursuant to the Corporate Reorganization.

(d) Shareholders' contributions

On 24 October 2011, Rich Gold executed a deed of release in favour of the Company, pursuant to which Rich Gold unconditionally and irrevocably released and discharged the repayment of a shareholder's loan from Rich Gold to the Company in the amount of HK$12,500,000 (equivalent to approximately RMB10,296,000) and any claim regarding such repayment. Such amount was recorded in shareholders' contributions in equity.

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25. RESERVES (CONTINUED)

(e) The Company

	Share premium RMB'000	Foreign currency translation reserve RMB'000	Shareholders' contributions RMB'000 *(Note25(d))*	Accumulated loss RMB'000	Total RMB'000
Loss for the year	–	–	–	(5,896)	(5,896)
Other comprehensive expense for the year	–	(3,215)	–	–	(3,215)
Total comprehensive expense for the year	–	(3,215)	–	(5,896)	(9,111)
Corporate Reorganization *(Note 24)*	120,037	–	–	–	120,037
Capitalization issue *(Note 24)*	(1,224)	–	–	–	(1,224)
Shares issued under placing and public offering *(Note 24)*	50,600	–	–	–	50,600
Share issue expenses	(11,013)	–	–	–	(11,013)
Shareholders' contributions arising from waiver of a shareholder's loan *(Note 25(d))*	–	–	10,296	–	10,296
At 31 December 2011	**158,400**	**(3,215)**	**10,296**	**(5,896)**	**159,585**

26. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the directors, employees, consultants, advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group, and any substantial shareholder of any member of the Group. The Scheme became effective on 10 June 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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26. SHARE OPTION SCHEME (CONTINUED)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within seven days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board of Directors which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

The exercise price of share options is determinable by the Board of Directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of grant of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five business days immediately preceding the date of grant of the share options.

Since the date of adoption of the Scheme, no share option has been granted by the Company under the Scheme.

27. RETIREMENT BENEFIT PLANS

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. The total expenses recognized in the consolidated statement of comprehensive income amounted to approximately RMB2,226,000 for the year ended 31 December 2011 (2010: RMB1,237,000), and represented contributions payable to these plans by the Group at rates specified in the rules of plans.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees. The total expenses recognized in the consolidated statement of comprehensive income amounted to RMB25,000 for the year ended 31 December 2011 (2010: Nil), and represented contributions payable to these plans by the Group at rates specified in the rules of the plans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28. RELATED PARTY DISCLOSURES

(a) Outstanding balances with related party

Details of outstanding balances with related parties of the Group at the end of the reporting period are set out in Note 19.

(b) Transaction with related party

Details of significant related party transaction of the Group during the year ended 31 December 2011 are set out in Note 25(d).

(c) Compensation of key management personnel

The emoluments of the Company's directors, who are also identified as members of key management of the Group, are set out in Note 11.

29. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group or borrowings of the Group (Notes 21 and 22):

	2011 **RMB'000**	2010 RMB'000
Bank notes	**1,292**	–
Buildings	**2,803**	3,142
Prepaid lease payments	**1,367**	1,402
Bank deposits	**231**	333
Total pledged assets	**5,693**	4,877

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

30. OPERATING LEASES

The Group as lessee

	2011 RMB'000	2010 RMB'000
Minimum lease payments paid under operating leases for premises	3,760	4,367

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:

	2011 RMB'000	2010 RMB'000
Within one year	1,880	1,462
In the second to fifth years inclusive	1,880	2,905
	3,760	4,367

Operating lease payments represent rentals payable by the Group for warehouse and office premises. Leases are negotiated and rentals are fixed for terms ranging from one to three years (2010: one to three years). The Group does not have an option to purchase the leased asset at the expiry of the lease period.

31. INVESTMENTS IN SUBSIDIARIES

	The Company 2011 RMB'000
Investments in subsidiaries	
Unlisted investment in a directly owned subsidiary	–

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31. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the Company's subsidiaries as at 31 December 2011 are set out as follows:

Name of subsidiary	Place of incorporation/ establishment	Share capital/ paid-in capital	Proportion ownership interest held by the Company	Principal activities
Cheng Hao International Limited ("Cheng Hao")	British Virgin Islands	US$1	100% (direct)	Investment holding
Metro Master	Hong Kong	HK$1	100% (indirect)	Investment holding
Chuzhou Chuangce	PRC	RMB25,000,000	100% (indirect)	Design, manufacture and sale of packaging products and structural components
Chongqing Guangjing	PRC	US$3,300,000	100% (indirect)	Design, manufacture and sale of packaging products and structural components
Sichuan Jinghong	PRC	RMB40,880,000	100% (indirect)	Design, manufacture and sale of packaging products and structural components

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For the year ended 31 December 2011

31. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Amounts due from subsidiaries

	The Company 2011 RMB'000
Name of subsidiary	
Cheng Hao	24
Metro Master	119,711
	119,735

The amounts due arose from temporary fund transfers, which were non-trade in nature. The amounts due from the above subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The above balances are denominated in the functional currencies of the relevant group entities.

Amounts due to subsidiaries

	The Company 2011 RMB'000
Name of subsidiary	
Chongqing Guangjing	108
Sichuan Jinghong	169
	277

The amounts due arose from temporary fund transfers, which were non-trade in nature. The amounts due from the above subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The above balances are denominated in the functional currencies of the relevant group entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged during both years.

The capital structure of the Group consists of net debt (which includes trade and other payables and bank borrowings), cash and cash equivalents and equity attributable to owners of the Company (comprising issued share capital and reserves).

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of the capital. The Group seeks to 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.

The net debt to equity ratio at the end of the reporting period was as follows:

	2011 **RMB'000**	2010 RMB'000
Debt	**50,830**	36,178
Cash and cash equivalents	**(80,141)**	(42,440)
Net debt	**(29,311)**	(6,262)
Equity	**203,722**	157,612
Net debt-to-equity ratio	**N/A**	N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group		The Company
	2011	2010	**2011**
	RMB'000	RMB'000	**RMB'000**
Financial assets			
At fair value through profit or loss			
Held-for-trading investments	**–**	9,811	**–**
Loans and receivables			
Financial assets included in trade and other receivables	**116,915**	84,445	**–**
Amount due from a related company	**–**	388	**–**
Amounts due from subsidiaries	**–**	–	**119,735**
Pledged bank deposits	**231**	333	**–**
Cash and bank balances	**80,141**	42,440	**41,759**
	197,287	127,606	**161,494**
Financial liabilities			
Financial liabilities at amortized cost			
Financial liabilities included in trade and other payables	**45,023**	32,108	**–**
Amounts due to subsidiaries	**–**	–	**277**
Bank borrowings	**3,292**	4,000	**–**
	48,315	36,108	**277**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount due from a related company, cash and bank balances, pledged bank deposits, trade and other payables, and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments include market risk (including foreign currency risk, interest rate risk and other price 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 effective manner.

There has been no significant change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks during both years.

Foreign currency risk management

Transactional currency exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. Substantially all the Group's sales and purchases are denominated in the functional currency of the operating units making the sales (i.e. RMB), and substantially all the costs are denominated in the units' functional currency. Accordingly, the directors of the Company consider that the Group is not exposed to significant foreign currency risk.

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

Interest rate risk management

The Group's fair value interest rate risk relates primarily to its fixed-rate bank borrowings. The cash flow interest rate risk of the Group relates primarily to the restricted bank deposits and bank balances and cash. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Equity price risk management

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes of the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as held-for-trading investments (Note 17) at 31 December 2010. The Group's listed investments were listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange and were valued at quoted market prices at the 31 December 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

33. FINANCIAL INSTRUMENTS (CONTINUED)

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

Equity price risk management *(Continued)*

Equity price sensitivity analysis

The sensitivity analysis has been determined based on the exposure to equity price risk at the end of the reporting period. If equity prices had been 5% higher/lower, the profit of the Group for the years ended 31 December 2010 and 2011 would increase/decrease by approximately RMB491,000 and Nil, respectively. This is mainly due to the changes in fair value of held-for-trading investments.

The management of the Company determined to discontinue the securities trading activity, the Group disposed of all the investments in the listed equity securities in January 2011 and recorded a net loss arising on changes in fair value and from disposal of held-for-trading investments of approximately RMB1,241,000 for the year ended 31 December 2011.

Credit risk management

At the end of the reporting period, 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 recognized financial assets as stated in the consolidated statement of financial position.

There is significant concentration of credit risk as the top five largest customers account over approximately 97% of the carrying amounts of trade receivables at 31 December 2011 (2010: 99%). In order to minimize the credit risk, the management of the Group generally grants credit terms only to customers with good credit history and also closely monitors overdue trade debt. The recoverable amount of each individual trade debt is reviewed at the end of the reporting period and adequate impairment for doubtful debts has been made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk of the Group is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Liquidity risk management

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

The following table details the Group's and the Company's remaining contractual maturity for its 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 and the Company can be required to pay. The table includes both contractual interest and principal cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

33. FINANCIAL INSTRUMENTS (CONTINUED)

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

Liquidity risk management *(Continued)*

Liquidity table

Non-derivative financial liabilities	Weighted average interest rate %	On demand or less than 1 year RMB'000	More than 1 year RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
The Group					
As at 31 December 2011					
Trade and other payables	**–**	**45,023**	**–**	**45,023**	**45,023**
Bank borrowings	**5.56%-9.0%**	**3,520**	**–**	**3,520**	**3,292**
		48,543	**–**	**48,543**	**48,315**
As at 31 December 2010					
Trade and other payables	–	32,108	–	32,108	32,108
Bank borrowings	5.56%	4,222	–	4,222	4,000
		36,330	–	36,330	36,108
The Company					
As at 31 December 2011					
Amounts due to subsidiaries	**–**	**277**	**–**	**277**	**277**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

33. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair values of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid and ask prices respectively.

- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Fair value measurements recognized in the consolidated statement of financial position

An analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable was as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the years ended 31 December 2010 and 2011, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

The held-for-trading investments at 31 December 2010 were measured using level 1 fair value measurements which are derived from quoted prices (unadjusted) in active market.

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

34. MAJOR NON-CASH TRANSACTIONS

For the year ended 31 December 2011, a shareholder's loan from Rich Gold of HK$12,500,000 (equivalent to approximately RMB10,296,000) was waived and the credit arising was recorded in shareholders' contributions in equity.

FOUR YEARS FINANCIAL SUMMARY

The consolidated results of the Group for the year ended 31 December 2011 and the consolidated assets, liabilities and equity of the Group as at 31 December 2011 are those set out in the financial statements included in this report.

The summary of the consolidated results of the Group for each of the three years ended 31 December 2008, 2009 and 2010 and of the assets, liabilities and equity as at 31 December 2008, 2009 and 2010 have been extracted from the prospectus issued on 8 November 2011 in connection with the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited on 18 November 2011. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years and is presented on the basis as set out in Note 1 to the consolidated financial statements.

No financial statement of the Group for the year ended 31 December 2007 has been published.

The summary below does not form part of the consolidated financial statements.

	Year ended 31 December			
	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS				
Revenue	**212,834**	66,079	121,880	234,503
Gross profit	**61,393**	53,593	34,883	58,386
Profit before tax	**35,457**	40,389	25,534	46,782
Income tax expense	**(5,551)**	(3,963)	(1,310)	(7,241)
Profit for the year (owners of the Company)	**29,906**	35,725	23,596	31,276

	As at 31 December			
	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS, LIABILITIES AND EQUITY				
Total assets	**255,614**	194,468	185,338	216,167
Total liabilities	**51,892**	36,856	39,517	52,891
Total equity	**203,722**	157,612	145,821	163,276