Interim Report 2012

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

Management Discussion and Analysis

Overview

Market conditions during the first half of this financial year were more difficult than that of last year. This is mainly due to the sluggishness of the economy of the United States. At the same time, European economic conditions were even worse where the European sovereign debt crisis was deepening. Furthermore, the demand in the People's Republic of China (the "PRC") market was restrained by the tightening of the real estate policies, causing a lack of growth drivers in the PRC market. As a result, the consumer confidence and demand for the consumer electrical appliances industry were weakened and in turn affecting demand for the products of Jin Bao Bao Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group").

Business Review

The PRC Government's gradual withdrawal of the policies of "Rural Area Subsidized Electrical Appliances Purchase Policy" (for certain provinces and cities), "Home Appliances Replacement Subsidy" and "Energy Efficient Product Subsidy Policy", rendered corporate development a challenging task. As a consequence, the Group's revenue amounted to approximately RMB85,343,000 for the six months ended 30 June 2012, representing a decrease of approximately 15.1% as compared to the revenue of approximately RMB100,559,000 for the six months ended 30 June 2011.

Revenue

An analysis of revenue by products is as follows:

	Six months ended 30 June			
	2012		2011	
	RMB'000	**%**	RMB'000	%
Packaging products				
Televisions	**27,010**	**31.7**	32,701	32.5
Air conditioners	**20,325**	**23.8**	25,524	25.4
Washing machines	**8,853**	**10.4**	9,060	9.0
Refrigerators	**10,486**	**12.3**	16,229	16.2
Water heater	**3,112**	**3.6**	1,102	1.1
Others	**2,254**	**2.6**	546	0.5
Structural components				
For air conditioners	**13,303**	**15.6**	15,397	15.3
Total	**85,343**	**100.0**	100,559	100.0

The revenue by product type remained relatively stable. Revenue derived from the Group's products for televisions and air conditioners (including packaging products and structural components) made the largest and second largest contributions to the Group's total revenue, amounting to approximately RMB60,638,000 or 71.1% of total revenue (30 June 2011: approximately RMB73,622,000 or 73.2% of total revenue).

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

Management Discussion and Analysis

Supply of raw materials

The Group purchases raw materials and components necessary for the manufacturing of its packaging products and structural components from independent third parties. The raw materials mainly include expanded polystyrene ("EPS") and expanded polyolefin ("EPO"). The Group retains a list of approved suppliers of raw materials and components and only make its purchases from the list. The Group has established long-term commercial relationships with its major suppliers for stable supply and timely delivery of high quality raw materials and components. The Group had not experienced any major difficulties in procuring raw materials and components necessary for the manufacture of its packaging products for the six months ended 30 June 2012. The Group continues to diversify its suppliers of raw materials and components to avoid over reliance on a single supplier for any type of raw materials and components.

Production capacity

The Group's three factories are capable of a maximum annual manufacturing capacity, in aggregate, of 15,100 tonnes of packaging products and structural components. The current production capacity enables the Group to promptly respond to market demand and expand its market position.

Future Outlook

It is believed that the sustained weakness in the economy of the United States and the outcome of the European sovereign debt crisis will cloud worldwide economic prospects. This doubt will in turn dampen the consumer's confidence and demand. In the PRC, challenges will also persist in the operating environment for the manufacturing sectors with increases in raw material prices and increase in costs like manpower costs, logistic and selling costs. The management will remain cautious about the Group's business outlook.

To overcome the challenges ahead, the Group will continue to allocate more resources to technology innovation and equipment expansion and renovation in the coming period. Through streamlining the Group's production processes, improving its production techniques, replacing old machines with energy-efficient ones and renovating mould designs, the Group will be able to enhance its 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 the Group's product portfolio. These strategies are expected to strengthen the Group's competitive edge in securing orders and cost reduction.

The Group believed that the above prudent and proactive approaches will reinforce its top-tier position in the industry at all times in the economic cycle.

Financial Review

Revenue

Revenue of the Group for the six months ended 30 June 2012 amounted to approximately RMB85,343,000, representing a decrease of approximately RMB15,216,000, or 15.1% as compared to approximately RMB100,559,000 in the six month ended 30 June 2011. The decrease was primarily due to an overall decrease in purchase orders placed by the Group's customers and in particular, the decrease in the sales of air conditioners (including packaging products and structural components).

Management Discussion and Analysis

Cost of sales

For the six months ended 30 June 2012, cost of sales for the Group amounted to approximately RMB66,171,000, decreased by approximately RMB4,291,000 or 6.1% when compared to approximately RMB70,462,000 for the six months ended 30 June 2011. The decrease in cost of sales is consistent with the decrease in revenue. Gross profit ratio decreased from 29.9% for the six months ended 30 June 2011 to 22.5% for the six months ended 30 June 2012. The decrease in the gross profit margins was due to the increase in wages of direct labour and the increase in manufacturing overhead in particular, cost of utilities on the back of the increase in consumption of utility and rates of utility contributed.

The following table sets out a breakdown of the Group's cost of sales for the periods stated:

	Six months ended 30 June			
	2012		2011	
	RMB'000	**%**	RMB'000	%
Raw materials	**42,786**	**64.7**	49,494	70.2
Direct labour costs	**5,591**	**8.5**	5,404	7.7
Manufacturing overhead	**17,794**	**26.8**	15,564	22.1
Staff costs	**1,142**	**1.7**	746	1.0
Depreciation	**3,563**	**5.4**	2,092	3.0
Utilities	**10,189**	**15.4**	9,617	13.6
Processing charges	**2,150**	**3.2**	2,334	3.3
Rental expenses	**690**	**1.0**	754	1.1
Others	**60**	**0.1**	21	0.1
Total	**66,171**	**100.0**	70,462	100.0

Other income

Other income mainly included interest income on bank deposits and others. For the six months ended 30 June 2012, other income amounted to approximately RMB570,000, increased by approximately RMB269,000 or 89.4% when compared to approximately RMB301,000 for the six months ended 30 June 2011. 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 net losses/gains on disposal of property, plant and equipment, net losses arising from changes in fair value of held-for-trading investments and foreign exchange losses. For the six month ended 30 June 2012, other gains and losses – net amounted to approximately RMB172,000, decreased by approximately RMB1,066,000 or 86.1% when compared to approximately RMB1,238,000 for the six months ended 30 June 2011. The decrease was mainly due to the disposal of all held-for-trading investments in the year 2011.

Management Discussion and Analysis

Selling and distribution expenses

For the six months ended 30 June 2012, selling and distribution costs amounted to approximately RMB4,399,000, increased by approximately RMB464,000 or 11.8% when compared to approximately RMB3,935,000 for the six months ended 30 June 2011. 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 the Group's customers.

Administrative expenses

For the six months ended 30 June 2012, administrative expenses amounted to approximately RMB5,310,000, increased by approximately RMB1,950,000 or 58.0% when compared to approximately RMB3,360,000 for the six months ended 30 June 2011. The increase was mainly due to an increase in office maintenance expenses, legal and professional fees and employee benefits expense during the period.

Other operating expenses

For the six months ended 30 June 2012, other operating expenses amounted to approximately RMB126,000, increased by approximately RMB71,000 or 129.1% when compared to approximately RMB55,000 for the six months ended 30 June 2011. The increase was mainly due to more compensation paid to customers in respect of defective products.

Profit from operations

For the six months ended 30 June 2012, profit from operations of the Group amounted to approximately RMB9,735,000, decreased by approximately RMB12,075,000 or 55.4% when compared to approximately RMB21,810,000 for the six months ended 30 June 2011. Decrease in profit from operations were mainly due to an overall decrease in purchase orders placed by the Group's customers and an increase in office maintenance expenses, legal and professional fees and employee benefits expense during the period.

Finance costs

For the six months ended 30 June 2012, finance costs amounted to approximately RMB328,000, decreased by approximately RMB104,000 or 24.1% when compared to approximately RMB432,000 for the six months ended 30 June 2011. The decrease was mainly due to the decrease in finance costs arising from early redemption of note receivables.

Profit before tax

For the six months ended 30 June 2012, profit before tax for the Group amounted to approximately RMB9,407,000, decreased by approximately RMB11,971,000 or 56.0% when compared to approximately RMB21,378,000 for the six months ended 30 June 2011. Decrease in profit before taxation were mainly due to an overall decrease in purchase orders placed by the Group's customers and an increase in office maintenance expenses, legal and professional fees and employee benefits expense during the period ended 30 June 2012.

Management Discussion and Analysis

Income tax expense

For the six months ended 30 June 2012, income tax expense for the Group amounted to approximately RMB2,296,000, increased by approximately RMB1,209,000 or 111.2% when compared to approximately RMB1,087,000 for the six months ended 30 June 2011. This increase was mainly due to refund of an over provision of RMB3,544,000 of income tax during the period ended 30 June 2011. No over provision was incurred in the period.

Profit for the period

For the six months ended 30 June 2012, profit attributable to owners of the Company amounted to approximately RMB7,111,000, decreased by approximately RMB13,180,000 or 65.0% when compared to approximately RMB20,291,000 for the six months ended 30 June 2011. The decrease in the profit for the period is mainly due to (i) overall decline in economic growth in the PRC causing the decrease in the demand for consumer electrical appliances which in turn weakened the demand for the Group's products; and (ii) significant increase in administrative expenses.

Capital expenditure

Capital expenditure of the Group mainly included the purchase of properties, plants and equipment. During the period, capital expenditure of the Group amounted to approximately RMB5,282,000 (31 December 2011: approximately RMB8,033,000).

Contingent liabilities

As at 30 June 2012, the Group had no material contingent liabilities.

Pledge of Assets

As at 30 June 2012, the Group has pledged assets of buildings and prepaid lease payments to the bank in the amount of approximately RMB4,679,000 (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).

Liquidity and Financial Resources

As of 30 June 2012, bank balances and cash of the Group amounted to approximately RMB72,917,000 of which approximately 4.4% was denominated in HK dollar (31 December 2011: approximately RMB80,141,000 of which approximately 44% was denominated in HK dollar).

As of 30 June 2012, the Group had bank borrowings, repayable within one year, of approximately RMB2,000,000, which were secured by the Group's buildings and prepaid lease payments. (31 December 2011: approximately RMB3,292,000 which were secured by the Group's bank notes, buildings and prepaid lease payments and bank deposits).

Management Discussion and Analysis

Gearing ratio

The calculation of gearing ratio is net debt (i.e. debt minus cash and cash equivalents) divided by equity. As the Group was not in the position of net debt as at 30 June 2012, there was no gearing ratio available as at 30 June 2012 (31 December 2011: N/A).

Foreign exchange risk

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 foreign currency hedging policy.

Human Resources and Training

As at 30 June 2012, the Group has a number of 601 employees (30 June 2011: 607 employees). Total employee benefit expenses amounted to approximately RMB11,075,000 (30 June 2011: RMB9,440,000). The Group has a management team (including product design and development team) with extensive industry experience. 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. 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.

Other Information

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 30 June 2012, the interests and short positions of the directors of the Company (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 required to be notified to the Company and The Stock Exchange of Hong Kong Limited (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") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange, to be notified to the Company and the Stock Exchange, were as follows:

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

Name of Directors	Capacity/ Nature of Interest	Number of Shares held	Approximate 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%

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

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

Notes:

1. Mr. Chao Pang Ieng ("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 the Chairman, chief executive officer of the Company, an executive Director and the sole director of Rich Gold.

2. Ms. Zhou Zheng Bin ("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.

Other Information

Save as disclosed above, as at 30 June 2012, 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.

Substantial Shareholders' Long Positions in the Shares and Underlying Shares

So far as is known to the Directors, as at 30 June 2012, 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 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long Positions in Shares and Underlying Shares

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

Save as disclosed above, and as at 30 June 2012, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

Share Option Scheme

During the six months ended 30 June 2012, the Company had not granted any share options.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. Upon specific enquiries of all Directors, each of them confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2012.

Other Information

Audit Committee

This interim report is unaudited and has not been reviewed by the auditor of the Company. The audit committee of the Company (comprises all the independent non-executive Directors) has reviewed the accounting principles, accounting standards and methods adopted by the Company together with the management, discussed matters concerning the internal controls, as well as reviewed the Group's unaudited condensed consolidated interim financial statements for the period and this interim report.

Use of Proceeds from the Placing and 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 at the offer price of HK$1.25 per Share.

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 30 June 2012, the Group had used net proceeds of approximately HK$5,600,000, of which HK$2,700,000 has been used for the repayment of the bank loan and HK$2,900,000 had been used for as general working capital. The remaining net proceeds have been deposited into banks which are intended to be applied in accordance with the proposed application set forth in the Company's prospectus dated 8 November 2011.

Acquisition, Disposal and Significant Investment

During the six months ended 30 June 2012, there was no material acquisition, disposal or investment by the Group.

Dividends

A final dividend of HK6.00 cents per Share in respect of the year ended 31 December 2011 was declared and paid to the owners of the Company on 6 July 2012 (31 December 2010: N/A).

The board of Directors (the "Board") did not recommend the payment of interim dividend for the six months ended 30 June 2012 (30 June 2011: Nil).

Other Information

Corporate Governance

During the period from 1 January 2012 to 31 March 2012, the Company has applied the principles of the Code on Corporate Governance Practices (the "Code") (which had been amended and had taken effect from 1 April 2012 (the "Revised Code")) and complied with all the code provisions (the "Code Provisions") and certain recommended best practices set out in the Code, save for the deviation from Code Provision A.2.1, which states that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. During the period from 1 April 2012 to 30 June 2012, the Company has complied with all the Code Provisions of the Revised Code, save for the deviation from Code Provision A.2.1, which states that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Chao, who acts as the chairman and the chief executive officer 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 chief executive. The Board believes that this structure is conducive to strong and consistent leadership which enables the Group to operate efficiently.

The Company understands the importance to comply with the Code Provision A.2.1 of the Revised Code and will continue to consider the feasibility of appointing a separate chief executive.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Notes	Six months ended 30 June 2012 (unaudited) RMB'000	2011 (audited) RMB'000
Revenue	4	**85,343**	100,559
Cost of sales		**(66,171)**	(70,462)
Gross profit		**19,172**	30,097
Other income		**570**	301
Other gains and losses – net	5	**(172)**	(1,238)
Selling and distribution expenses		**(4,399)**	(3,935)
Administrative expenses		**(5,310)**	(3,360)
Other operating expenses		**(126)**	(55)
Profit from operations		**9,735**	21,810
Finance costs	6	**(328)**	(432)
Profit before tax		**9,407**	21,378
Income tax expense	7	**(2,296)**	(1,087)
Profit for the period	8	**7,111**	20,291
Other comprehensive income for the period			
Exchange differences on translating foreign operations		**137**	2
Total comprehensive income for the period		**7,248**	20,293
Profit attributable to:			
Owners of the Company		**7,111**	20,291
Total comprehensive income attributable to:			
Owners of the Company		**7,248**	20,293
		RMB cents	RMB cents
Earnings per share – basic and diluted	9	**3.6**	13.5

Condensed Consolidated Statement of Financial Position

As at 30 June 2012

	Notes	30 June 2012 (unaudited) RMB'000	31 December 2011 (audited) RMB'000
Non-current assets			
Property, plant and equipment		**42,924**	41,699
Prepaid lease payments		**3,004**	2,883
Deferred tax assets		**1,141**	79
		47,069	44,661
Current assets			
Inventories		**10,940**	9,896
Prepaid lease payments		**74**	71
Trade and other receivables	10	**105,558**	117,406
Current tax assets		**3,407**	3,208
Pledged bank deposits		**–**	231
Cash and bank balances		**72,917**	80,141
		192,896	210,953
Current liabilities			
Trade and other payables	11	**26,765**	47,538
Bank borrowings		**2,000**	3,292
		28,765	50,830
Net current assets		**164,131**	160,123
Total assets less current liabilities		**211,200**	204,784
Non-current liabilities			
Deferred tax liabilities		**230**	1,062
Net assets		**210,970**	203,722
Capital and reserves			
Share capital		**1,632**	1,632
Reserves		**209,338**	202,090
Total equity		**210,970**	203,722

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Foreign currency translation reserve RMB'000	PRC capital reserve RMB'000	PRC statutory reserves RMB'000	Shareholders' contributions RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2011	92,603	–	–	–	(8)	16,988	–	48,029	157,612
Profit for the period	–	–	–	–	–	–	–	20,291	20,291
Other comprehensive income for the period	–	–	–	2	–	–	–	–	2
Total comprehensive income for the period	–	–	–	2	–	–	–	20,291	20,293
Transfer to reserves	–	–	–	–	–	3,873	–	(3,873)	–
Corporate Reorganization	(92,603)	120,037	(27,434)	–	–	–	–	–	–
Dividend recognized as distribution	–	–	–	–	–	–	–	(34,346)	(34,346)
At 30 June 2011	–	120,037	(27,434)	2	(8)	20,861		30,101	143,559

	Share capital RMB'000	**Share premium** RMB'000	**Special reserve** RMB'000	**Foreign currency translation reserve** RMB'000	**PRC capital reserve** RMB'000	**PRC statutory reserves** RMB'000	**Shareholders' contributions** RMB'000	**Retained profits** RMB'000	**Total** RMB'000
At 1 January 2012	**1,632**	**158,400**	**(27,434)**	**259**	**(8)**	**20,861**	**10,296**	**39,716**	**203,722**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7,111**	**7,111**
Other comprehensive income for the period	**–**	**–**	**–**	**137**	**–**	**–**	**–**	**–**	**137**
Total comprehensive income for the period	**1,632**	**158,400**	**(27,434)**	**396**	**(8)**	**20,861**	**10,296**	**46,827**	**210,970**
Transfer to reserves	**–**	**–**	**–**	**–**	**–**	**2,310**	**–**	**(2,310)**	**–**
At 30 June 2012	**1,632**	**158,400**	**(27,434)**	**396**	**(8)**	**23,171**	**10,296**	**44,517**	**210,970**

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(audited)
Net cash (used in)/generated by operating activities	**(761)**	9,081
Net cash used in investing activities	**(5,212)**	(2,604)
Net cash used in financing activities	**(1,390)**	(25,482)
Net decrease in cash and cash equivalents	**(7,363)**	(19,005)
Cash and cash equivalents at the beginning of period	**80,141**	42,440
Effect of foreign exchange rate changes, net	**139**	5
Cash and cash equivalents at the end of period represents by:		
Cash and bank balances	**72,917**	23,440

Notes to Condensed Consolidated Financial Statements

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").

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 condensed 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.

2. Application of New and Revised Hong Kong Financial Reporting Standards

This unaudited condensed consolidated financial information for the six months ended 30 June 2012 has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") the collective term of which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated financial information should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2011.

Except as for the adoption of new and revised HKFRSs issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2012, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements. The Directors anticipate that the application of these new and revised HKFRSs will not have material impact on the condensed consolidated financial information of the Group.

Notes to Condensed Consolidated Financial Statements

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.

HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (Amendments)	Employee Benefits[2]
HKAS 27 (revised 2011)	Separate Financial Statements[2]
HKAS 28 (revised 2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[3]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

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

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.

2. Application of New and Revised Hong Kong Financial Reporting Standards *(Continued)*

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 (revised 2011) and HKAS 28 (revised 2011) are applied early at the same time.

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.

Notes to Condensed Consolidated Financial Statements

3. Significant Accounting Policies

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with Hong Kong Accounting Standard 34 (HKAS 34) "Interim Financial Reporting" issued by the HKICPA.

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

4. 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 condensed consolidated financial statements.

The total net segment income is equivalent to total comprehensive income for the six months ended 30 June 2012 as shown in the condensed 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 condensed consolidated statement of financial position.

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 six months ended 30 June 2012 are attributable to customers located in the PRC. Substantially all the assets of the Group are located in the PRC.

	Six months ended 30 June	
	2012 (unaudited) RMB'000	2011 (audited) RMB'000
Revenue		
Sales of packaging products and structural components	**85,343**	100,559

Notes to Condensed Consolidated Financial Statements

5. Other Gains and Losses – Net

	Six months ended 30 June	
	2012 (unaudited) RMB'000	2011 (audited) RMB'000
Net losses (gains) on disposal of property, plant and equipment	**90**	(3)
Net losses arising on changes in fair value of held-for-trading investments	**–**	1,241
Foreign exchange loss	**82**	–
	172	1,238

6. Finance Costs

	Six months ended 30 June	
	2012 (unaudited) RMB'000	2011 (audited) RMB'000
Interest on bank borrowings wholly repayable within five years	**98**	111
Finance costs arising on early redemption of note receivable	**230**	321
	328	432

7. Income Tax Expense

	Six months ended 30 June	
	2012 (unaudited) RMB'000	2011 (audited) RMB'000
Current tax:		
– PRC Enterprise Income Tax ("EIT")	**1,707**	4,435
Under/(over) provision in prior years:		
– PRC EIT	**12**	(3,544)
Deferred tax	**577**	196
Total income tax recognized in profit and loss	**2,296**	1,087

Notes to Condensed Consolidated Financial Statements

7. Income Tax Expense *(Continued)*

(i) Hong Kong

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group had no assessable profit subject to Hong Kong Profits Tax for the six months ended 30 June 2012 (30 June 2011: Nil).

(ii) PRC

Sichuan Jinghong

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 six months ended 30 June 2012 and 30 June 2011.

Chuzhou Chuangce

Chuzhou Chuangce is subject to EIT rate at 25% for the six months ended 30 June 2012 and 30 June 2011.

8. Profit for the Period

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2012 (unaudited) RMB'000	2011 (audited) RMB'000
Depreciation of property, plant and equipment	**4,145**	3,467
Amortization of prepaid lease payments	**37**	36
Auditors' remuneration	**24**	12
Operating lease rentals in respect of premises	**930**	869
Cost of inventories recognized as an expense (including write-down recognized on inventories)	**42,414**	48,609
Write-down of inventories to net realizable value (included in cost of sales)	**–**	76
Directors' emoluments	**524**	124
Other employee salaries and benefits	**9,180**	8,344
Contributions to retirement benefits schemes, excluding those of Directors	**1,371**	972
Total employee benefits expense	**11,075**	9,440

Notes to Condensed Consolidated Financial Statements

9. Earnings per Share

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

	Six months ended 30 June	
	2012 (unaudited) RMB'000	2011 (audited) RMB'000
Earnings for the purpose of basic and diluted earnings per share	**7,111**	20,291
Number of Shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**200,000,000**	150,000,000

For the period ended 30 June 2012, the calculation of the basic earnings per share attributable to owners of the Company is based on the profit attributable to owners of the Company; and the weighted average number of 200,000,000 ordinary shares.

For the period ended 30 June 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 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 the six months ended 30 June 2012 and 2011.

10. Trade and other Receivables

	At 30 June 2012 (unaudited) RMB'000	At 31 December 2011 (audited) RMB'000
Trade receivables	**62,476**	78,369
Note receivables	**38,987**	37,883
Prepayments, deposits and other receivables	**4,095**	1,154
	105,558	117,406

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

Notes to Condensed Consolidated Financial Statements

10. 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:

	At 30 June 2012 (unaudited) RMB'000	At 31 December 2011 (audited) RMB'000
Within 90 days	**56,102**	70,001
91 – 180 days	**6,358**	8,048
181 – 365 days	**–**	86
Over 365 days	**16**	234
Total	**62,476**	78,369

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

	At 30 June 2012 (unaudited) RMB'000	At 31 December 2011 (audited) RMB'000
Within 90 days	**16**	–
91 – 180 days	**–**	86
181 – 365 days	**–**	–
Over 365 days	**–**	234
Total	**16**	320

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 30 June 2012 (31 December 2011: Nil).

At 30 June 2012, none of note receivables were pledged as collaterals to secure certain short-term bank loans of the Group (31 December 2011: approximately RMB1,292,000).

Notes to Condensed Consolidated Financial Statements

11. Trade and other Payables

	At 30 June 2012 (unaudited) RMB'000	At 31 December 2011 (audited) RMB'000
Trade payables	**22,597**	29,758
Note payables	**–**	231
Receipts in advance	**–**	11,637
Accruals	**1,822**	2,130
Other taxes payable	**1,818**	2,518
Others	**528**	1,264
	26,765	47,538

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:

	At 30 June 2012 (unaudited) RMB'000	At 31 December 2011 (audited) RMB'000
Within 90 days	**17,099**	28,623
91 – 180 days	**4,933**	818
181 – 365 days	**386**	246
Over 365 days	**179**	71
Total	**22,597**	29,758

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 30 June 2012, none of note payables were secured by a charge over certain of the Group's assets (31 December 2011: approximately RMB231,000).

12. Dividends

A final dividend of HK6.00 cents per share in respect of the year ended 31 December 2011 was declared and paid to the owners of the Company on 6 July 2012 (31 December 2010: N/A).

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2012 (30 June 2011: Nil).