



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

A provider of  
**PACKAGING PRODUCTS and  
STRUCTURAL COMPONENTS**  
in the PRC

Interim Report **2014**

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## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

The global economy was relatively stable in the first half of 2014, but the overall consumer market was still far from satisfactory after the European debt crisis. The recovery process is believed to take a long time with some of the countries still facing severe economic challenges. The scaling back of the quantitative easing policy in the United States and increasing cost of labour and raw materials in the PRC have inevitably affected the Group's performance.

### BUSINESS REVIEW

The operating environment for the manufacturing in the PRC remains challenging with increase in wages and inflation. It caused the operating cost to continue increasing. The transaction in relation to the acquisition of View Sun Group Limited lifted up the legal and professional fee that further affected the net profit of the Group.

#### Revenue

An analysis of revenue by products is as follows:

	Six months ended 30 June			
	2014		2013	
	RMB'000	%	RMB'000	%
<i>Packaging products</i>				
Televisions	31,531	30.5	39,476	35.6
Air conditioners	25,752	24.9	25,627	23.1
Washing machines	8,671	8.4	7,598	6.8
Refrigerators	20,381	19.7	21,137	19.0
Water heater	3,697	3.6	2,927	2.7
Information Technology products	4,286	4.1	5,473	4.9
Others	941	0.9	1,429	1.3
<i>Structural components</i>				
For air conditioners	8,142	7.9	7,369	6.6
<b>Total</b>	<b>103,401</b>	<b>100.0</b>	<b>111,036</b>	<b>100.0</b>

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 RMB65,425,000 or 63.3% of total revenue (30 June 2013: approximately RMB72,472,000 or 65.3% 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.

**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 makes 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 2014. 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**

The global economic growth is expected to remain challenging in the immediate future. Downside risks will still continue to dominate the outlook. The electrical appliance market will continue to tackle difficulties in the near future. The management will remain cautious of the Group's business outlook. The Group will continue to take actions on resources optimization and operation cost control in 2014. The Group will continue on with the cost initiatives. It is particularly important under the current unstable economic situation and the increasing operating cost pressure in the PRC.

The Group believed these prudent approaches will do our utmost for the greatest benefits of our shareholders and employees.

**FINANCIAL REVIEW****Revenue**

Revenue of the Group for the six months ended 30 June 2014 amounted to approximately RMB103,401,000, representing a decrease of approximately RMB7,635,000 or 6.9% as compared to approximately RMB111,036,000 in the six months ended 30 June 2013. The decrease was primarily due to decrease in purchase orders of televisions placed by the Group's customers.

**Cost of sales**

For the six months ended 30 June 2014, cost of sales for the Group amounted to approximately RMB86,397,000, decreased by approximately RMB4,157,000 or 4.6% when compared to approximately RMB90,554,000 for the six months ended 30 June 2013. The decrease in cost of sales is consistent with the decrease in revenue. Gross profit margin decreased from approximately 18.4% for the six months ended 30 June 2013 to approximately 16.4% for the six months ended 30 June 2014. The decrease in the gross profit margin was due to the increase in direct labour costs and depreciation of property, plant and equipment.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

	Six months ended 30 June			
	2014		2013	
	RMB'000	%	RMB'000	%
Raw materials	56,684	65.6	61,197	67.6
Direct labour costs	7,931	9.2	7,156	7.9
Manufacturing overhead	21,782	25.2	22,201	24.5
Staff costs	1,354	1.6	1,004	1.1
Depreciation	5,011	5.8	4,038	4.5
Utilities	12,103	14.0	13,697	15.1
Processing charges	2,494	2.9	2,647	2.9
Rental expenses	724	0.8	741	0.8
Others	96	0.1	74	0.1
<b>Total</b>	<b>86,397</b>	<b>100.0</b>	<b>90,554</b>	<b>100.0</b>

### Other income

Other income mainly included interest income on bank deposits and others. For the six months ended 30 June 2014, other income amounted to approximately RMB553,000, decreased by approximately RMB258,000 or 31.8% when compared to approximately RMB811,000 for the six months ended 30 June 2013. The decrease was mainly due to the decrease in sales of unused ancillary parts.

### Other gains and losses — net

Other gains and losses — net mainly comprised net losses on disposal of property, plant and equipment, and foreign exchange gains or losses. For the six month ended 30 June 2014, other gains and losses — net losses amounted to approximately RMB32,000, decreased by approximately RMB493,000 or 106.9% when compared to net gains of approximately RMB461,000 for the six months ended 30 June 2013. The decrease was mainly due to there was a foreign exchange gain over the same period last year.

### Selling and distribution expenses

For the six months ended 30 June 2014, selling and distribution expenses amounted to approximately RMB5,993,000, increased by approximately RMB690,000 or 13.0% when compared to approximately RMB5,303,000 for the six months ended 30 June 2013. 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 2014, administrative expenses amounted to approximately RMB7,207,000, increased by approximately RMB1,340,000 or 23.6% when compared to approximately RMB5,687,000 for the six months ended 30 June 2013. The increase was mainly due to an increase in legal and professional fee for the Period.

### Other operating expenses

For the six months ended 30 June 2014, other operating expenses amounted to approximately RMB37,000, increased by approximately RMB2,000 or 5.7% when compared to approximately RMB35,000 for the six months ended 30 June 2013. 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 2014, profit from operations of the Group amounted to approximately RMB4,468,000, decreased by approximately RMB6,261,000 or 58.4% when compared to approximately RMB10,729,000 for the six months ended 30 June 2013. Decrease in profit from operations was mainly due to increase in administrative expenses and the continuous rise of operating costs.

**Finance costs**

For the six months ended 30 June 2014, finance costs amounted to approximately RMB145,000, increased by approximately RMB25,000 or 20.8% when compared to approximately RMB120,000 for the six months ended 30 June 2013. The increase was mainly due to the increase in finance costs arising from early redemption of note receivables.

**Profit before tax**

For the six months ended 30 June 2014, profit before tax for the Group amounted to approximately RMB4,323,000, decreased by approximately RMB6,286,000 or 59.3% when compared to approximately RMB10,609,000 for the six months ended 30 June 2013. Decrease in profit before tax was mainly due to increase in administrative expenses and the continuous rise of operating costs.

**Income tax expense**

For the six months ended 30 June 2014, income tax expense for the Group amounted to approximately RMB1,613,000, decreased by approximately RMB1,355,000 or 45.7% when compared to approximately RMB2,968,000 for the six months ended 30 June 2013. This decrease was mainly due to a decrease in profit of the PRC subsidiaries of the Company which led to a decrease in income tax expense for the Period.

**Profit for the Period**

For the six months ended 30 June 2014, profit attributable to owners of the Company amounted to approximately RMB2,710,000, decreased by approximately RMB4,931,000 or 64.5% when compared to approximately RMB7,641,000 for the six months ended 30 June 2013. The decrease in the profit for the Period was mainly due to increase in administrative expenses and the continuous rise of operating costs.

**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 RMB7,503,000 (31 December 2013: approximately RMB7,674,000).

**Contingent liabilities**

As at 30 June 2014, the Group had no material contingent liabilities.

**Pledge of Assets**

As at 30 June 2014, the Group has pledged assets of buildings and prepaid lease payments to the bank in the amount of approximately RMB3,619,000 (31 December 2013: the Group has pledged assets of buildings and prepaid lease payments to the bank in the amount of approximately RMB3,816,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Liquidity and Financial Resources

As at 30 June 2014, bank balances and cash of the Group amounted to approximately RMB63,684,000 of which approximately 4.0% was denominated in HK dollars and the rest was denominated in RMB (31 December 2013: approximately RMB56,736,000 of which approximately 6.3% was denominated in HK dollars and the rest was denominated in RMB).

As at 30 June 2014, the Group's bank borrowings of approximately RMB2,000,000 had variable interest rates and were repayable within one year, which were secured by the Group's buildings and prepaid lease payments (31 December 2013: approximately RMB2,000,000 had variable interest rates and were repayable within one year, which were secured by the Group's buildings and prepaid lease payments). As at 30 June 2014 and 31 December 2013, all of the bank borrowings were denominated in RMB.

### 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 2014, there was no gearing ratio available as at 30 June 2014 (31 December 2013: 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 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 Group's management will continue to monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

## MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF VIEW SUN GROUP LIMITED

On 20 December 2013, the Company entered into a sale and purchase agreement (the "S&P Agreement") with Grand Dynamic Developments Limited (the "Vendor") and Mr. Chao Pang Ieng (the chairman and chief executive officer of the Company, an executive Director and a controlling shareholder of the Company) (the "Guarantor") in relation to the acquisition by the Company and the disposal by the Vendor of the 10,001 shares of US\$1.00 each in the share capital of View Sun Group Limited (the "Target Company") ("Sale Shares"), representing the entire issued share capital in the Target Company as at the date of the S&P Agreement (the "Acquisition").

Pursuant to the S&P Agreement, the Vendor has conditionally agreed to sell and the Company has conditionally agreed to purchase the Sale Shares at a consideration of RMB195,000,000 (the "Consideration"). The Consideration shall be satisfied by the Company issuing to the Vendor (or its nominee) the promissory note at completion of the S&P Agreement ("Completion"). The Consideration was determined after arm's length negotiations between the Vendor and the Company after taking into account a number of factors including the business nature and the business prospects of the Target Company, Full Link International (HK) Limited (the "HK Company"), 西安華朗達企業管理諮詢有限公司 (Xi'an Hualangda Enterprise Management Consulting Company Limited\*) (the "PRC Company 1"), 西安海豐匯新能源技術服務有限公司 (Xi'an Haifenghui New Energy Technical Services Company Limited\*) (the "PRC Company 2") and 西安新環能源有限公司 (Xi'an Xinhuan Energy Company Limited\*) (the "Project Company") (collectively referred to the "Target Group"), net assets value of the Project Company as at 31 August 2013, historical financial performance of the Project Company, the profit guarantee made by the Vendor and the Guarantor regarding the net profit after tax of the Project Company and the preliminary estimation of the fair value of the Project Company of RMB239,750,000 pursuant to the business valuation carried out by Asset Appraisal Limited, an independent valuer, under the market approach using the price-to-earnings ratios of comparable companies as at 30 November 2013.

The Project Company is a limited liability company (solely invested by corporation) established in the PRC, which is wholly owned by the PRC Company 2. The PRC Company 2 is a limited liability company (invested by wholly foreign owned enterprise) established in the PRC, which is wholly owned by the PRC Company 1. The PRC Company 1 is a limited liability company (solely invested by corporation in Taiwan, Hong Kong or Macau) established in the PRC, which is wholly owned by the HK Company. The HK Company is an investment holding company and was incorporated in Hong Kong, which is wholly owned by the Target Company. The Target Company is an investment holding company incorporated in the British Virgin Islands.

The Project Company is principally engaged in the research and development, design, fabrication, engineering, installation, sale and servicing of waste heat energy recovery (WHER) boilers in the PRC. With its extensive experiences and fabricating capability, it can design and produce WHER boilers according to clients' unique user requirement. Since June 2012, the Project Company has further expanded their shares in the WHER market and participates in the turnkey WHER projects (including WHER boilers, gas turbines and power generators). The Target Group is able to design, manufacture, install and maintain the entire WHER system for the customers with the aim to reduce energy cost.

The Acquisition constitutes a major transaction of the Company under Rule 14.06 of the Listing Rules. Besides, as the Vendor is wholly-owned by the Guarantor, Mr. Chao Pang leng, who is a controlling shareholder of the Company, the chairman and chief executive officer of the Company and an executive Director interested in 150,000,000 shares of the Company, representing 75% of the issued share capital of the Company, the Vendor is a connected person (as defined in the Listing Rules) to the Company, and the Acquisition also constitutes a connected transaction of the Company and is subject to the reporting, announcement and the independent shareholders' approval requirements under the Listing Rules.

On 12 February 2014, the Company, the Vendor and the Guarantor agreed in writing to extend the long stop date for parties to fulfill conditions in the S&P Agreement from 28 February 2014 to 31 March 2014 or such other date as the Company and the Vendor may agree in writing. On 31 March 2014, the Company, the Vendor and the Guarantor agreed in writing to further extend the long stop date for parties to fulfill conditions in the S&P Agreement from 31 March 2014 to 18 May 2014 or such other date as the Company and the Vendor may agree in writing.



## MANAGEMENT DISCUSSION AND ANALYSIS

As set out in the circular of the Company dated 18 February 2014, transactions contemplated under the S&P Agreement are conditional upon fulfillment of certain conditions as detailed in the circular on or before 18 May 2014 (the "Extended Long Stop Date"). As certain condition has not been fulfilled as at the Extended Long Stop Date, and the Vendor and the Company have not agreed on any further extension of the Extended Long Stop Date, the S&P Agreement has therefore lapsed on 18 May 2014 and the obligations of the parties to the S&P Agreement had ceased and determined and neither party shall have any claim under the S&P Agreement against the other save in respect of any rights already accrued.

The Board considers that the lapse of the S&P Agreement will not have any material adverse impact on the business, operation and financial position of the Group, and is in the best interests of the Company and the independent Shareholders as a whole.

Details of the Acquisition and poll results regarding the Acquisition have been set out in the announcements of the Company dated 20 December 2013, 15 January 2014, 24 January 2014, 10 February 2014, 12 February 2014, 18 March 2014, 1 April 2014 and 19 May 2014 respectively, and the circular dated 18 February 2014 published by the Company.

\* English translation of the Chinese names of the PRC entities are for identification purpose only.

### HUMAN RESOURCES AND TRAINING

As at 30 June 2014, the Group has a number of 621 employees (30 June 2013: 622 employees). Total employee benefit expenses amounted to approximately RMB16,265,000 (30 June 2013: RMB13,013,000). 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.

## 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 2014, 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 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 the 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 Ordinary 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 leng (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 leng (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:

- Mr. Chao Pang leng 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 Pang leng is deemed or taken to be interested in all the Shares held by Rich Gold. Mr. Chao Pang leng is also the chairman and chief executive officer of the Company, an executive Director and the sole director of Rich Gold.
- Ms. Zhou Zheng Bin is the spouse of Mr. Chao Pang leng. 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 Pang leng is interested. Ms. Zhou Zheng Bin resigned her position as an executive Director on 13 January 2014.

## OTHER INFORMATION

Save as disclosed above, as at 30 June 2014, 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 OF THE COMPANY

So far as is known to the Directors, as at 30 June 2014, 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:

#### 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, as at 30 June 2014, 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

During the six months ended 30 June 2014, the Company had not granted any share options.

### 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 throughout the Period.

### COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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 have complied with the required standards set out in the Model Code throughout the Period.

### 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 an 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 2014, 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 bank loan and HK\$2,900,000 had been used as general working capital. The remaining net proceeds to be used for the establishment of a factory in Wuhu City have been deposited into banks.

### ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

Save as disclosed in the paragraph headed "Major and Connected Transaction in Relation to the Acquisition of View Sun Group Limited" in this interim report, for the six months ended 30 June 2014, there was no material acquisition, disposal or investment by the Group.

### DIVIDENDS

Subsequent to 30 June 2014, the Board has resolved to declare an interim dividend of HK17 cents per share totalling not less than HK\$34,000,000 for the six months ended 30 June 2014 (30 June 2013: HK12 cents per share totalling not less than HK\$24,000,000). The interim dividend is payable on or around 13 October 2014 to the shareholders of the Company whose names appear on the Company's register of members on 30 September 2014.

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 26 September 2014 to 30 September 2014 (both dates inclusive) for the purpose of determining the entitlements of the members of the Company to the interim dividend. No transfer of shares may be registered during the said period. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, should be lodged with the Company's Share Registrars in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 25 September 2014.

### AUDIT COMMITTEE

The interim results for the Period are unaudited and have not been reviewed by the auditors of the Company. The audit committee of the Company (comprised all the independent non-executive Directors) has reviewed the accounting principles, accounting standards and methods adopted by the Company together with the Group's management, discussed the 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.

## OTHER INFORMATION

### CORPORATE GOVERNANCE

During the six months ended 30 June 2014, the Company has adopted the code provisions (the "Code Provision(s)") set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules.

The Board periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the Code. The Company was in compliance with the applicable Code Provisions for the six months ended 30 June 2014, except for the details set out below.

Code Provision A.2.1 states that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Chao Pang leng, who acts as the chairman and the chief executive officer of the Company, is responsible for the overall business strategy and development and management of the Group. The Board meets regularly to consider major matters affecting the operations of the Group. The Board considers that this structure does 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 and will continue to consider the feasibility of appointing a separate chief executive.

### REMUNERATION POLICY

The Group determines its employee salaries with reference to the prevailing market salary rate of respective locations, experience as well as performance of such employees. In order to motivate the Group's employees and retain talent, the Group has adopted the employee incentives, which include the share option scheme and bonus sharing arrangement. The employee incentives are available to the Group's employees who are considered qualified for such incentives by the management members of the Group based on their performances in the period under review.

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 reimburses the Directors and senior management of the Company 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.

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 (unaudited) RMB'000	2013 (unaudited) RMB'000
Revenue	4	103,401	111,036
Cost of sales		(86,397)	(90,554)
Gross profit		17,004	20,482
Other income		553	811
Other gains and losses — net	5	(32)	461
Selling and distribution expenses		(5,993)	(5,303)
Administrative expenses		(7,027)	(5,687)
Other operating expenses		(37)	(35)
Profit from operations		4,468	10,729
Finance costs	6	(145)	(120)
Profit before tax		4,323	10,609
Income tax expense	7	(1,613)	(2,968)
<b>Profit for the period</b>	8	<b>2,710</b>	<b>7,641</b>
<b>Other comprehensive income, net of income tax</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Currency translation differences		595	(983)
<b>Other comprehensive income for the period, net of tax</b>		<b>595</b>	<b>(983)</b>
<b>Total comprehensive income for the period</b>		<b>3,305</b>	<b>6,658</b>
<b>Profit for the period attributable to:</b>			
Owners of the Company		2,710	7,641
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the Company		3,305	6,658
		<b>RMB Cents</b>	RMB Cents
<b>Earnings per share — basic and diluted</b>	9	<b>1.4</b>	<b>3.8</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	30 June 2014 (unaudited) RMB'000	31 December 2013 (audited) RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		46,151	41,538
Prepaid lease payments		2,703	2,741
Deferred tax assets		169	448
		<b>49,023</b>	<b>44,727</b>
<b>Current assets</b>			
Inventories		9,954	10,462
Prepaid lease payments		71	71
Trade and other receivables	10	120,570	137,535
Current tax assets		186	–
Cash and bank balances		63,684	56,736
		<b>194,465</b>	<b>204,804</b>
<b>Current liabilities</b>			
Trade and other payables	11	27,017	34,558
Bank borrowings		2,000	2,000
Current tax liabilities		–	1,835
		<b>29,017</b>	<b>38,393</b>
<b>Net current assets</b>		<b>165,448</b>	<b>166,411</b>
<b>Total assets less current liabilities</b>		<b>214,471</b>	<b>211,138</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		28	–
<b>Net assets</b>		<b>214,443</b>	<b>211,138</b>
<b>Capital and reserves</b>			
Share capital		1,632	1,632
Reserves		212,811	209,506
<b>Total equity</b>		<b>214,443</b>	<b>211,138</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	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 2013	1,632	148,623	(27,434)	4	(8)	24,269	10,296	55,146	212,528
Profit for the period	-	-	-	-	-	-	-	7,641	7,641
Other comprehensive income for the period	-	-	-	(983)	-	-	-	-	(983)
Total comprehensive income for the period	-	-	-	(983)	-	-	-	7,641	6,658
At 30 June 2013	1,632	148,623	(27,434)	(979)	(8)	24,269	10,296	62,787	219,186
	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 2014	1,632	129,446	(27,434)	(1,275)	(8)	26,557	10,296	71,924	211,138
Profit for the period	-	-	-	-	-	-	-	2,710	2,710
Other comprehensive income for the period	-	-	-	595	-	-	-	-	595
Total comprehensive income for the period	-	-	-	595	-	-	-	2,710	3,305
At 30 June 2014	1,632	129,446	(27,434)	(680)	(8)	26,557	10,296	74,634	214,443



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 (unaudited) RMB'000	2013 (unaudited) RMB'000
Net cash generated by (used in) operating activities	15,267	(3,656)
Net cash used in investing activities	(8,848)	(2,982)
Net cash used in financing activities	(72)	(72)
Net decrease in cash and cash equivalents	6,347	(6,710)
Cash and cash equivalents at the beginning of period	56,736	64,536
Effect of foreign exchange rate changes, net	601	(981)
Cash and cash equivalents at the end of period represents by:		
Cash and bank balances	63,684	56,845

## 1. GENERAL INFORMATION

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 Group is 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. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those adopted in the Group's annual financial statements for the year ended 31 December 2013, except for the adoption of all relevant new and revised Hong Kong Financial Reporting Standards ("HKFRSs") that are effective for accounting periods beginning on or after 1 January 2014.

Adoption of the new and revised HKFRSs does not result in a significant impact on the Group's results of operations and financial position for the current or comparative periods.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 4. REVENUE AND SEGMENT INFORMATION

The Directors 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 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 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 2014 as shown in the condensed consolidated statement of comprehensive income and the total segment 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 2014 are attributable to customers located in the PRC. Substantially all the assets of the Group are located in the PRC.

	<b>Six months ended 30 June</b>	
	<b>2014</b> <b>(unaudited)</b> <b>RMB'000</b>	<b>2013</b> <b>(unaudited)</b> <b>RMB'000</b>
<b>Revenue</b>		
Sales of packaging products and structural components	<b>103,401</b>	111,036

**5. OTHER GAINS AND LOSSES — NET**

	Six months ended 30 June	
	2014 (unaudited) RMB'000	2013 (unaudited) RMB'000
Net losses on disposal of property, plant and equipment	8	46
Foreign exchange (gain)/loss	24	(507)
	<b>32</b>	<b>(461)</b>

**6. FINANCE COSTS**

	Six months ended 30 June	
	2014 (unaudited) RMB'000	2013 (unaudited) RMB'000
Interest on bank borrowings wholly repayable within five years	72	72
Finance costs arising on early redemption of note receivables	73	48
	<b>145</b>	<b>120</b>

**7. INCOME TAX EXPENSE**

	Six months ended 30 June	
	2014 (unaudited) RMB'000	2013 (unaudited) RMB'000
Current tax:		
— PRC Enterprise Income Tax ("EIT")	1,300	3,370
Under provision in prior years:		
— PRC EIT	6	13
Deferred tax	307	(415)
	<b>1,613</b>	<b>2,968</b>

## 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 2014 (30 June 2013: Nil).

#### (ii) PRC

Pursuant to relevant PRC tax laws and regulations and a written approval obtained from local tax authorities, Chongqing Guangjing Packing Materials CO., LTD. is subject to EIT rate at 15% for the six months ended 30 June 2014 and 30 June 2013.

Other PRC subsidiaries are subject to PRC EIT at 25% for the six months ended 30 June 2014 and 30 June 2013.

### 8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2014 (unaudited) RMB'000	2013 (unaudited) RMB'000
Depreciation of property, plant and equipment	5,178	3,921
Amortization of prepaid lease payments	37	37
Auditors' remuneration	31	25
Operating lease rentals in respect of premises	946	942
Cost of inventories recognized as an expense (including write-down recognized on inventories)	56,684	61,197
Directors' emoluments	394	529
Other employee salaries and benefits	14,139	11,292
Contributions to retirement benefits schemes, excluding those of Directors	1,732	1,192
Total employee benefits expense	16,265	13,013

## 9. EARNINGS PER SHARE — BASIC AND DILUTED

The calculation of the basic and diluted earnings per share attributable to owners of the Company for the six months ended 30 June 2014 and 30 June 2013 is based on the following data:

	Six months ended 30 June	
	2014 (unaudited) RMB'000	2013 (unaudited) RMB'000
Earnings for the purpose of basic and diluted earnings per share	2,710	7,641
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	200,000,000	200,000,000

For the six months ended 30 June 2014 and 30 June 2013, 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.

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 2014 and 30 June 2013.

## 10. TRADE AND OTHER RECEIVABLES

	At 30 June 2014 (unaudited) RMB'000	At 31 December 2013 (audited) RMB'000
	Trade receivables	70,385
Note receivables (Note)	47,011	58,354
Prepayments, deposits and other receivables	3,174	4,788
	120,570	137,535

Note:

Note receivables are received from customers under the ordinary course of business. All of them are bank acceptance bills with a maturity within six months.

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 aging 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 2014 (unaudited) RMB'000	At 31 December 2013 (audited) RMB'000
Within 90 days	64,599	59,452
91–180 days	5,663	14,941
181–365 days	26	–
Over 365 days	97	–
Total	70,385	74,393

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 aging 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.

**10. TRADE AND OTHER RECEIVABLES** *(Continued)*  
Age of receivables that are past due but not impaired

	At 30 June 2014 (unaudited) RMB'000	At 31 December 2013 (audited) RMB'000
Within 90 days	26	54
91-180 days	97	-
<b>Total</b>	<b>123</b>	54

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 2014 (31 December 2013: Nil).

At 30 June 2014, there was no note receivable pledged as collaterals to secure note payables of the Group (31 December 2013: Nil).

**11. TRADE AND OTHER PAYABLES**

	At 30 June 2014 (unaudited) RMB'000	At 31 December 2013 (audited) RMB'000
Trade payables	23,302	31,560
Accruals	2,252	971
Other taxes payable	1,227	1,364
Others	236	663
	<b>27,017</b>	34,558

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



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 11. TRADE AND OTHER PAYABLES *(Continued)*

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

	At 30 June 2014 (unaudited) RMB'000	At 31 December 2013 (audited) RMB'000
Within 90 days	21,994	30,336
91–180 days	328	322
181–365 days	894	791
Over 365 days	86	111
Total	23,302	31,560

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.

As at 30 June 2014, there was no note payables secured by a charge over certain of the Group's assets (31 December 2013: Nil).

### 12. DIVIDENDS

Subsequent to 30 June 2014, the Board has resolved to declare an interim dividend of HK17 cents per share totalling not less than HK\$34,000,000 for the six months ended 30 June 2014 (30 June 2013: HK12 cents per share totalling not less than HK\$24,000,000). The interim dividend is payable on or around 13 October 2014 to the shareholders of the Company whose names appear on the Company's register of members on 30 September 2014.