



Jin Bao Bao Holdings Limited
金寶寶控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1239

Interim Report
2015



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BOARD OF DIRECTORS

Executive Directors

Mr. Liu Liangjian
(Chairman and Chief Executive Officer)
(appointed on 5 March 2015)

Mr. He Xiaoming
(Vice Chairman) (appointed on 5 March 2015)

Mr. Chao Pang leng (resigned on 5 March 2015)

Ms. Chen Fen (resigned on 5 March 2015)

Mr. Zuo Ji Lin (resigned on 5 March 2015)

Independent Non-Executive Directors

Mr. Lee Chi Hwa, Joshua
(appointed on 5 March 2015)

Mr. Lam Chi Wai (appointed on 5 March 2015)

Mr. Chan Chun Kau (appointed on 5 March 2015)

Mr. Chan Chun Chi (resigned on 5 March 2015)

Mr. Yu Xi Chun (resigned on 5 March 2015)

Mr. Wu Hao Tian (resigned on 5 March 2015)

AUDIT COMMITTEE

Mr. Lee Chi Hwa, Joshua
(Chairman) (appointed on 5 March 2015)

Mr. Lam Chi Wai (appointed on 5 March 2015)

Mr. Chan Chun Kau (appointed on 5 March 2015)

Mr. Chan Chun Chi (resigned on 5 March 2015)

Mr. Yu Xi Chun (resigned on 5 March 2015)

Mr. Wu Hao Tian (resigned on 5 March 2015)

REMUNERATION COMMITTEE

Mr. Lam Chi Wai
(Chairman) (appointed on 5 March 2015)

Mr. Lee Chi Hwa, Joshua
(appointed on 5 March 2015)

Mr. Chan Chun Kau (appointed on 5 March 2015)

Mr. Wu Hao Tian (resigned on 5 March 2015)

Mr. Chao Pang leng (resigned on 5 March 2015)

Mr. Chan Chun Chi (resigned on 5 March 2015)

NOMINATION COMMITTEE

Mr. Lee Chi Hwa, Joshua
(Chairman) (appointed on 5 March 2015)

Mr. Lam Chi Wai (appointed on 5 March 2015)

Mr. Chan Chun Kau (appointed on 5 March 2015)

Mr. Yu Xi Chun (resigned on 5 March 2015)

Ms. Chen Fen (resigned on 5 March 2015)

Mr. Wu Hao Tian (resigned on 5 March 2015)

REVIEW COMMITTEE

Mr. Lee Chi Hwa, Joshua
(Chairman) (appointed on 5 March 2015)

Mr. Lam Chi Wai (appointed on 5 March 2015)

Mr. Chan Chun Kau (appointed on 5 March 2015)

Mr. Chan Chun Chi (resigned on 5 March 2015)

Mr. Yu Xi Chun (resigned on 5 March 2015)

Mr. Wu Hao Tian (resigned on 5 March 2015)

COMPANY SECRETARY

Ms. Choi Yee Man (appointed on 1 June 2015)

Mr. Chan Wing Fai (resigned on 1 June 2015)

PRINCIPAL BANKER

Standard Chartered Bank (Hong Kong) Limited
Bank of China Limited
China Construction Bank Corporation
Bank of Communications Co., Ltd.
Hong Kong Branch

REGISTERED OFFICE

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

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit No. 2118, 21st Floor
China Merchants Tower
Shun Tak Centre
Nos. 168–200 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

01239

COMPANY WEBSITE

www.jinbaobao.com.hk

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Revenue	4	95,951	103,401
Cost of sales		(74,852)	(86,397)
Gross profit		21,099	17,004
Other income		335	553
Other gains and losses — net	5	(15)	(32)
Selling and distribution expenses		(6,313)	(5,993)
Administrative expenses		(6,174)	(7,027)
Other operating expenses		(44)	(37)
Profit from operations		8,888	4,468
Finance costs	6	(4,033)	(145)
Profit before tax		4,855	4,323
Income tax expense	7	(2,612)	(1,613)
Profit for the period	8	2,243	2,710
Other comprehensive (loss)/income, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		(1)	595
Other comprehensive (loss)/income for the period, net of tax		(1)	595
Total comprehensive income for the period		2,242	3,305
Profit for the period attributable to:			
Owners of the Company		2,243	2,710
Total comprehensive income for the period attributable to:			
Owners of the Company		2,242	3,305
		RMB cents	(Restated) RMB cents
Earnings per share — basic and diluted	10	0.02	0.03

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		50,506	50,825
Prepaid lease payments		2,633	2,670
Deposit for acquisition of subsidiaries	11	158,115	–
Deferred tax assets		148	483
		211,402	53,978
Current assets			
Inventories		10,373	10,224
Prepaid lease payments		71	71
Trade and other receivables	12	141,946	133,565
Cash and bank balances		39,107	37,006
		191,497	180,866
Current liabilities			
Trade and other payables	13	39,742	31,779
Bank borrowings		2,000	2,000
Amount due to ultimate holding company	14	909	–
Current tax liabilities		1,102	2,497
		43,753	36,276
Net current assets		147,744	144,590
Total assets less current liabilities		359,146	198,568
Non-current liabilities			
Other borrowing	15	158,115	–
Deferred tax liabilities		593	372
		158,708	372
Net assets		200,438	198,196
Capital and reserves			
Equity attributable to the owners of the Company			
Share capital	16	7,966	1,632
Reserves		192,472	196,564
Total equity		200,438	198,196

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	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 (audited)	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 (unaudited)	1,632	129,446	(27,434)	(680)	(8)	26,557	10,296	74,634	214,443
At 1 January 2015 (audited)	1,632	102,490	(27,434)	(1,362)	(8)	30,222	10,296	82,360	198,196
Profit for the period	-	-	-	-	-	-	-	2,243	2,243
Other comprehensive loss for the period	-	-	-	(1)	-	-	-	-	(1)
Total comprehensive income/(loss) for the period	-	-	-	(1)	-	-	-	2,243	2,242
Issue of bonus shares (Note 16(c))	6,334	-	-	-	-	-	-	(6,334)	-
At 30 June 2015 (unaudited)	7,966	102,490	(27,434)	(1,363)	(8)	30,222	10,296	78,269	200,438

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Net cash generated from operating activities	5,216	15,267
Net cash used in investing activities	(161,152)	(8,848)
Net cash generated from/(used in) financing activities	158,043	(72)
Net increase in cash and cash equivalents	2,107	6,347
Cash and cash equivalents at the beginning of period	37,006	56,736
Effect of foreign exchange rate changes, net	(6)	601
Cash and cash equivalents at the end of period represents by: Cash and bank balances	39,107	63,684

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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 and the shares of the Company (the “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. Until 27 January 2015, its parent and ultimate holding company was Rich Gold International Limited (“Rich Gold”), a company incorporated in the British Virgin Islands and wholly-owned by Mr. Chao Pang leng. With effect from 27 January 2015, its parent and ultimate holding company is Trend Rich Enterprises Limited (“Trend Rich”), a company incorporated in the British Virgin Islands and wholly-owned by Mr. Liu Liangjian.

The address of the Company’s registered office is PO Box 1350, Clifton House, 75 Fort Street, 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 (i.e. Hong Kong dollars (“HK\$")). 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 financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 (the “Period”) are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2014.

For the Period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 19	Defined Benefit Plan: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

The application of the above amendments to HKFRSs for the Period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE AND SEGMENT INFORMATION

The directors of the Company (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 organised 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 2015 as shown in the condensed consolidated statement of profit or loss and other comprehensive income and the total segment assets and total segment liabilities are equivalent to total assets and total liabilities respectively 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 2015 are attributable to customers located in the PRC. Substantially all the assets of the Group are located in the PRC.

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	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Revenue		
Sales of packaging products and structural components	95,951	103,401

5. OTHER GAINS AND LOSSES — NET

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Net losses on disposal of property, plant and equipment	12	8
Foreign exchange loss	3	24
Total	15	32

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCE COSTS

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Interest on bank and other borrowings wholly repayable within five years	4,030	72
Finance costs arising on early redemption of note receivables	3	73
Total	4,033	145

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Current tax:		
— PRC Enterprise Income Tax ("EIT")	2,055	1,300
Under provision in prior years:		
— PRC EIT	—	6
Deferred tax	557	307
Total tax charge for the period	2,612	1,613

(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 2015 (for the six months ended 30 June 2014: Nil).

(ii) PRC

Pursuant to relevant PRC tax laws and regulations and a written approval obtained from local tax authorities, 重慶光景包裝製品有限公司 (Chongqing Guangjing Packing Materials Co. Ltd.*) is subject to the PRC EIT rate at 15% for the six months ended 30 June 2015 and 30 June 2014.

Other PRC subsidiaries are subject to the PRC EIT rate at 25% for the six months ended 30 June 2015 and 30 June 2014.

* English translation of the Chinese name of the PRC entity is for identification purpose only

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Depreciation of property, plant and equipment	4,300	5,178
Amortisation of prepaid lease payments	37	37
Auditors' remuneration	34	31
Operating lease rentals in respect of premises	726	946
Cost of inventories recognised as an expense (including write-down recognised on inventories)	46,579	56,684
Directors' emoluments	153	394
Other employee salaries and benefits	14,541	14,139
Contributions to retirement benefits schemes, excluding those of Directors	2,144	1,732
Total employee benefits expenses	16,838	16,265

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9. DIVIDENDS

No dividends were paid, declared or proposed during the Period, nor has any dividend been proposed since the end of the reporting period (for the six months ended 30 June 2014: HK17.00 cents per share).

10. EARNINGS PER SHARE — BASIC AND DILUTED

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

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited) (Restated)
Earnings for the purpose of basic and diluted earnings per share	2,255	2,710
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	10,000,000,000	10,000,000,000

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. EARNINGS PER SHARE — BASIC AND DILUTED *(Continued)*

The denominator for the purpose of calculating basic and diluted earnings per share for the six months ended 30 June 2014 has been restated to reflect the share subdivision and bonus issue during the six months ended 30 June 2015 as detailed in Note 16 to the condensed consolidated financial statements.

For the six months ended 30 June 2015 and 30 June 2014, 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 10,000,000,000 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 2015 and 30 June 2014.

11. DEPOSIT FOR ACQUISITION OF SUBSIDIARIES

The amount represents the refundable earnest money paid to the vendors under the memorandum of understanding dated 31 March 2015 entered into among the Company, Wise Up Holdings Limited and Green Kingdom Group Limited (as the vendors) and Goooco Group Limited (as the guarantor) (the "MOU") in relation to a possible acquisition by the Company of 100% of the issued share capital of Golden Phone Investments Limited ("Golden Phone"). Upon the expiry of the MOU, the said earnest money should be repaid to the Company within one month. The said earnest money is denominated in HK\$, and secured by a share mortgage of Golden Phone and the guarantor.

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Trade receivables	62,613	71,413
Note receivables (Note)	76,537	60,089
Prepayments, deposits and other receivables	2,796	2,063
Total	141,946	133,565

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

12. 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 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Within 90 days	59,501	60,871
91–180 days	2,825	10,439
181–365 days	190	103
Over 365 days	97	–
Total	62,613	71,413

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 recognised 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 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Within 90 days	580	–
91–180 days	190	103
Over 365 days	97	–
Total	867	103

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 2015 (31 December 2014: Nil).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. TRADE AND OTHER PAYABLES

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Trade payables	32,038	28,183
Receipts in advance	–	27
Accruals	3,018	1,055
Interest payable	3,953	–
Other taxes payable	431	1,744
Others	302	770
Total	39,742	31,779

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

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 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Within 90 days	25,858	25,273
91–180 days	4,003	968
181–365 days	1,935	1,811
Over 365 days	242	131
Total	32,038	28,183

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.

14. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount due to ultimate holding company is unsecured, non-interest bearing and has no fixed terms of repayment.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. OTHER BORROWING

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Other loan repayable within five years	158,115	–

The other loan is denominated in HK\$, secured by a mortgage and bear an interest charge at 10% per annum.

16. SHARE CAPITAL

	Par value HK\$	Number of Shares '000	Nominal value of Shares HK\$'000
Authorised			
At 1 January 2014 (audited), 31 December 2014 (audited) and 1 January 2015 (audited)	0.01	1,000,000	10,000
Share subdivision (Note a)	N/A	9,000,000	–
Increase in authorised share capital (Note b)	0.001	190,000,000	190,000
At 30 June 2015 (unaudited)	0.001	200,000,000	200,000

	Par value HK\$	Number of Shares '000	Nominal value of Shares HK\$'000	Equivalent nominal value of Shares RMB'000
Issued and fully paid				
At 1 January 2014 (audited), 31 December 2014 (audited) and 1 January 2015 (audited)	0.01	200,000	2,000	1,632
Share subdivision (Note a)	N/A	1,800,000	–	–
Bonus issue (Note c)	0.001	8,000,000	8,000	6,334
At 30 June 2015 (unaudited)	0.001	10,000,000	10,000	7,966

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. SHARE CAPITAL (Continued)

Notes:

- a. As disclosed in the circular of the Company dated 18 May 2015, a share subdivision on the basis that each issued and unissued share with the par value of HK\$0.01 each in the share capital of the Company had been subdivided into 10 subdivided shares with the par value of HK\$0.001 each with effective from 4 June 2015. Prior to the effective date of share subdivision, there were 200,000,000 issued shares, after the share subdivision, the number of issued shares changed to 2,000,000,000.
- b. Pursuant to an ordinary resolution passed at the Company's extraordinary general meeting held on 3 June 2015, the Company's authorised share capital was increased from HK\$10,000,000 divided into 1,000,000,000 ordinary shares of HK\$0.01 each to HK\$200,000,000 divided into 200,000,000,000 subdivided shares of HK\$0.001 each upon the share subdivision becoming effective. Details of the increase in authorised share capital were set out in the circular of the Company dated 18 May 2015.
- c. On 3 June 2015, the shareholders of the Company (the "Shareholders") approved by way of poll the bonus issue on the basis of 4 bonus shares for every 1 subdivided share held on the record date of 10 June 2015. 8,000,000,000 bonus shares with the par value of HK\$0.001 each were allotted and issued on 17 June 2015. Details of the bonus issue were set out in the circular of the Company dated 18 May 2015.

17. OPERATING LEASES

The Group as lessee

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

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Within one year	2,433	1,905
In the second to fifth years inclusive	963	1,889
Total	3,396	3,794

Operating lease payments represent rentals payable by the Group for warehouse and office premises. Leases are negotiated and rentals are fixed for terms ranging from one to three years (31 December 2014: one to three years). The Group does not have an option to purchase the leased asset at the expiry of the lease period.

18. RELATED PARTY DISCLOSURE

Save as disclosed elsewhere in the condensed consolidated financial statements, there was no other significant related party transactions and balances during the six months ended 30 June 2015 and 30 June 2014.

19. EVENT AFTER THE END OF THE REPORTING PERIOD

There was no material event subsequent to the end of the interim period ended 30 June 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is an investment holding company, and through its subsidiaries, is principally engaged in the design, manufacture and sale of packaging products and structural components in the PRC.

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.

An analysis of revenue by products is as follows:

	Six months ended 30 June			
	2015		2014	
	RMB'000	%	RMB'000	%
<i>Packaging products</i>				
Televisions	30,787	32.1	31,531	30.5
Air conditioners	17,196	17.9	25,752	24.9
Washing machines	11,919	12.4	8,671	8.4
Refrigerators	16,932	17.7	20,381	19.7
Water heater	4,682	4.9	3,697	3.6
Information Technology products	7,138	7.4	4,286	4.1
Others	139	0.1	941	0.9
<i>Structural components</i>				
For air conditioners	7,158	7.5	8,142	7.9
Total	95,951	100.0	103,401	100.0

The revenue by product types 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 RMB55,141,000 or 57.5% of total revenue (30 June 2014: approximately RMB65,425,000 or 63.3% of total revenue).

Facing the tough operating environment for manufacturing industries in the PRC, there was a decrease in the Group's revenue of approximately RMB7,450,000 from approximately RMB103,401,000 for the six months ended 30 June 2014 to approximately RMB95,951,000 for the six months ended 30 June 2015, which was mainly due to the decrease in purchase orders related to air conditioners placed by the Group's customers.

Cost of sales

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

	Six months ended 30 June			
	2015		2014	
	RMB'000	%	RMB'000	%
Raw materials	46,579	62.2	56,684	65.6
Direct labour costs	8,904	11.9	7,931	9.2
Manufacturing overhead	19,369	25.9	21,782	25.2
Staff costs	1,760	2.4	1,354	1.6
Depreciation	3,925	5.2	5,011	5.8
Utilities	10,613	14.2	12,103	14.0
Processing charges	2,264	3.0	2,494	2.9
Rental expenses	721	1.0	724	0.8
Others	86	0.1	96	0.1
Total	74,852	100.0	86,397	100.0

For the six months ended 30 June 2015, the Group's cost of sales amounted to approximately RMB74,852,000, decreased by approximately RMB11,545,000 or 13.4% when compared to that of approximately RMB86,397,000 for the six months ended 30 June 2014. The decrease in cost of sales was far more than the decrease in revenue, and thus the gross profit margin increased from approximately 16.4% for the six months ended 30 June 2014 to approximately 22.0% for the six months ended 30 June 2015, as a result of the decrease in raw material costs and utilities consumed by acquiring, remodifying and upgrading of plant and machines and mould since October 2014.

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 has not experienced any major difficulties in procuring raw materials and components necessary for the manufacture of packaging products for the six months ended 30 June 2015. 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 strengthen its market position.

FUTURE OUTLOOK

As disclosed in the joint announcement issued by Trend Rich and the Company dated 21 January 2015, Trend Rich intended to continue the Group's existing business and in order to broaden its income source and to accelerate the Group's growth and future development, the Company will explore and consider any other investment and business opportunities, including but not limited to the property related business in the PRC, that may arise in the market from time to time that it considers value-enhancing to the Shareholders and/or otherwise in the best interests of the Group.

On 31 March 2015, the Company (as the purchaser) entered into the MOU with Wise Up Holdings Limited and Green Kingdom Group Limited (as the vendors) (the "Vendors") and Gocoo Group Limited (as the guarantor) (the "Guarantor") in relation to a possible acquisition by the Company of 100% of the issued share capital of Golden Phone (as the target company) (the "Proposed Acquisition"). A refundable earnest money of HK\$200,000,000 has been paid by the Company to the Vendors in cash upon signing of the MOU. The Proposed Acquisition represents a promising business opportunity for the Group to broaden its income source and to accelerate its growth and future development. The Company will, as and when appropriate, comply with all relevant requirements, and where necessary, make further announcement(s) in accordance with the Listing Rules and the Securities and Futures Ordinance (the "SFO") if the Proposed Acquisition is materialised.

FINANCIAL REVIEW

Financial results

For the six months ended 30 June 2015, the Group recorded the revenue of approximately RMB95,951,000, representing a decrease of approximately RMB7,450,000 or 7.2% as compared to that of approximately RMB103,401,000 for the six months ended 30 June 2014.

Profit attributable to owners of the Company was approximately RMB2,255,000 for the six months ended 30 June 2015, decreased by approximately RMB455,000 when compared to that of approximately RMB2,710,000 for the six months ended 30 June 2014.

Basic and diluted earnings per share was RMB0.02 cents and RMB0.02 cents respectively (30 June 2014: basic and diluted earnings per share of RMB0.03 cents and RMB0.03 cents (restated) respectively).

Liquidity and Financial Resources

As at 30 June 2015, bank balances and cash of the Group amounted to approximately RMB39,107,000 of which approximately 4.1% was denominated in HK dollars and the rest was denominated in RMB (31 December 2014: approximately RMB37,006,000 of which approximately 6.5% was denominated in HK dollars and the rest was denominated in RMB).

As at 30 June 2015, 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 2014: approximately RMB2,000,000). As at 30 June 2015 and 31 December 2014, all of the bank borrowings were denominated in RMB.

Capital structure

On 6 May 2015, the Company announced the share subdivision on the basis that each issued and unissued share with the par value of HK\$0.01 each in the share capital of the Company would be subdivided into 10 subdivided shares with the par value of HK\$0.001 each (the "Share Subdivision"). Prior to the effective date of the Share Subdivision, the authorised share capital of the Company is HK\$10,000,000 divided into 1,000,000,000 shares with the par value of HK\$0.01 each, of 200,000,000 issued shares. Upon the Share Subdivision became effective on 4 June 2015, the number of the Company's authorised and issued shares changed to 10,000,000,000 and 2,000,000,000 respectively with the par value of HK\$0.001.

With effect from 4 June 2015, after the approval from the Shareholders obtained at the extraordinary general meeting of the Company on 3 June 2015, the authorised share capital of the Company increased from HK\$10,000,000 divided into 1,000,000,000 shares of HK\$0.01 each to HK\$200,000,000 divided into 200,000,000,000 subdivided shares of HK\$0.001 each upon the Share Subdivision becoming effective (the "Increase in Authorised Share Capital").

After the approval from the Shareholders obtained at the extraordinary general meeting of the Company on 3 June 2015, the bonus issue was made on the basis of 4 bonus shares for every 1 subdivided share held on the record date of 10 June 2015 (the "Bonus Issue"). On the basis of 2,000,000,000 subdivided shares after the Share Subdivision becoming effective, 8,000,000,000 bonus shares with the par value of HK\$0.001 each were allotted and issued on 17 June 2015. There are 10,000,000,000 issued Shares in total as at 17 June 2015 and the date of this report.

Details of the Share Subdivision, the Increase in Authorised Share Capital and the Bonus Issue have been disclosed in the circular of the Company dated 18 May 2015.

Capital expenditure

Capital expenditure of the Group mainly includes the purchase of properties, plants and equipment. During the Period, capital expenditure of the Group amounted to approximately RMB3,997,000 (for the six months ended 30 June 2014: approximately RMB7,503,000).

Capital commitment

As at 30 June 2015, the Group had no material capital commitment (31 December 2014: Nil).

Contingent liabilities

As at 30 June 2015, the Group had no material contingent liabilities (31 December 2014: Nil).

Pledge of Assets

As at 30 June 2015, the Group has pledged assets of buildings and prepaid lease payments to the bank in the amount of approximately RMB3,771,000 (31 December 2014: approximately RMB3,859,000).

Gearing ratio

As at 30 June 2015, the gearing ratio was 0.80, (31 December 2014: 0.01), which was measured on the basis of the Group's total borrowings divided by total equity.

MANAGEMENT DISCUSSION AND ANALYSIS

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 continues to monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

HUMAN RESOURCES, TRAINING AND REMUNERATION POLICY

As at 30 June 2015, the Group has a number of 633 employees (30 June 2014: 621 employees). Total employee benefit expenses amounted to approximately RMB16,838,000 for the six months ended 30 June 2015 (for the six months ended 30 June 2014: RMB16,265,000). 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.

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.

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 2015, 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 SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") to be notified to the Company and the Stock Exchange, were as follows:

1. Long Positions in the Ordinary Shares of the Company:

Name of Directors	Capacity/ Nature of Interest	Number of Shares held	Approximate percentage of the Company's issued share capital
Mr. Liu Liangjian (Note 1)	Interest of controlled corporation	7,500,000,000	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. Liu Liangjian (Note 1)	Trend Rich	Beneficial owner	100	100%

Note:

- Mr. Liu Liangjian beneficially held the entire issued share capital of Trend Rich, which in turn, beneficially held 7,500,000,000 Shares. For the purposes of the SFO, Mr. Liu Liangjian is deemed or taken to be interested in all the Shares held by Trend Rich. Mr. Liu Liangjian is also the chairman, chief executive officer and executive Director of the Company, and the sole director of Trend Rich.

Save as disclosed above, as at 30 June 2015, 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 2015, 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
Trend Rich	Beneficial owner	7,500,000,000	75%

Save as disclosed above, as at 30 June 2015, 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 2015, no share options had been granted, exercised, lapsed or cancelled.

CHANGE IN CONTROL AND MANDATORY CASH OFFER

The sale and purchase agreement was entered into between Trend Rich and Rich Gold, a former controlling Shareholder who was interested in 150,000,000 shares, representing 75% of the issued share capital of the Company (the "Sale Share(s)") on 15 January 2015, pursuant to which, among others, Trend Rich agreed to purchase and Rich Gold agreed to sell the Sale Shares for a total cash consideration of HK\$560,000,000 (equivalent to approximately HK\$3.733 per Sale Share). The completion of the sale and purchase agreement took place on 27 January 2015.

Upon the completion of the sale and purchase agreement, Trend Rich and parties acting in concert with it were interested in 150,000,000 shares, representing 75% of the issued share capital of the Company on 27 January 2015, Trend Rich therefore was required to make a mandatory unconditional cash offer for all the issued shares not already owned or agreed to be acquired by it and parties acting in concert with it under Rule 26.1 of the Hong Kong Code on Takeovers and Mergers (the "Offer"). The Offer was closed on 4 March 2015, and Trend Rich had received valid acceptances in respect of a total of 48,000 offer shares under the Offer. On 13 March 2015, Trend Rich disposed of 48,000 shares on the open market in order to assist the Company to restore its public float in compliance with the relevant requirement under the Listing Rules. Details of which has been disclosed in the Company's announcement dated 13 March 2015.

Details of the mandatory unconditional cash offer have been disclosed in the Company's announcements dated 21 January 2015, 27 January 2015, 11 February 2015 and 4 March 2015 respectively and the Company's circular dated 11 February 2015.

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 the way of placing and public offer (the "Placing and Public Offer") of a total of 50,000,000 shares of the Company 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 31 December 2013, the Group had used net proceeds of approximately HK\$5,600,000, of which approximately HK\$2,700,000 had been used for the repayment of bank loan and approximately HK\$2,900,000 had been used as general working capital. On 15 October 2014, the board of the Directors (the "Board") has resolved that the remaining net proceeds of approximately HK\$38,900,000, which originally were intended to use in establishment of a factory in Wuhu City and necessary machines and equipment, was changed the purpose to acquiring, remodifying and upgrading of plant and machines amounting to approximately HK\$29,000,000 and acquiring and remodifying of mould amounting to approximately HK\$9,900,000. Up to 30 June 2015, approximately HK\$3,200,000 was used for acquiring, remodifying and upgrading of plant and machines and approximately HK\$6,007,000 was used for acquiring and remodifying of mould.

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

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2015.

ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

Save as disclosed in this report, for the six months ended 30 June 2015, there was no material acquisition, disposal or investment by the Group.

DIVIDENDS

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2015 (for the six months ended 30 June 2014: HK17.00 cents per share).

SEGMENT INFORMATION

Details of segment information of the Group for the six months ended 30 June 2015 are set out in Note 4 to the unaudited condensed consolidated financial statements.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the terms as contained in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the Company's code of conduct regarding securities transactions and dealings by the Directors. Upon specific enquiries of all existing Directors, each of them confirmed that they have complied with the Model Code throughout the Period.

CORPORATE GOVERNANCE

During the six months ended 30 June 2015, the Company has adopted the code provisions (the "Code Provision(s)") set out in the Corporate Governance Code (the "CG 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 CG Code. The Company was in compliance with the applicable Code Provisions for the six months ended 30 June 2015, 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. On 5 March 2015, Mr. Chao Pang leng ("Mr. Chao"), the former chairman and the chief executive officer of the Company resigned, and Mr. Liu Liangjian ("Mr. Liu") was appointed to act as the chairman and the chief executive officer of the Company. Both Mr. Chao and Mr. Liu are 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.

AUDIT COMMITTEE

The unaudited condensed consolidated financial statements for the six months ended 30 June 2015 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 financial statements for the six months ended 30 June 2015 and this report.

On behalf of the Board

Liu Liangjian

Executive Director and Chairman

Hong Kong, 21 August 2015

In case of any inconsistency, the English text of this report shall prevail over the Chinese text.