



Jin Bao Bao Holdings Limited

金寶寶控股有限公司

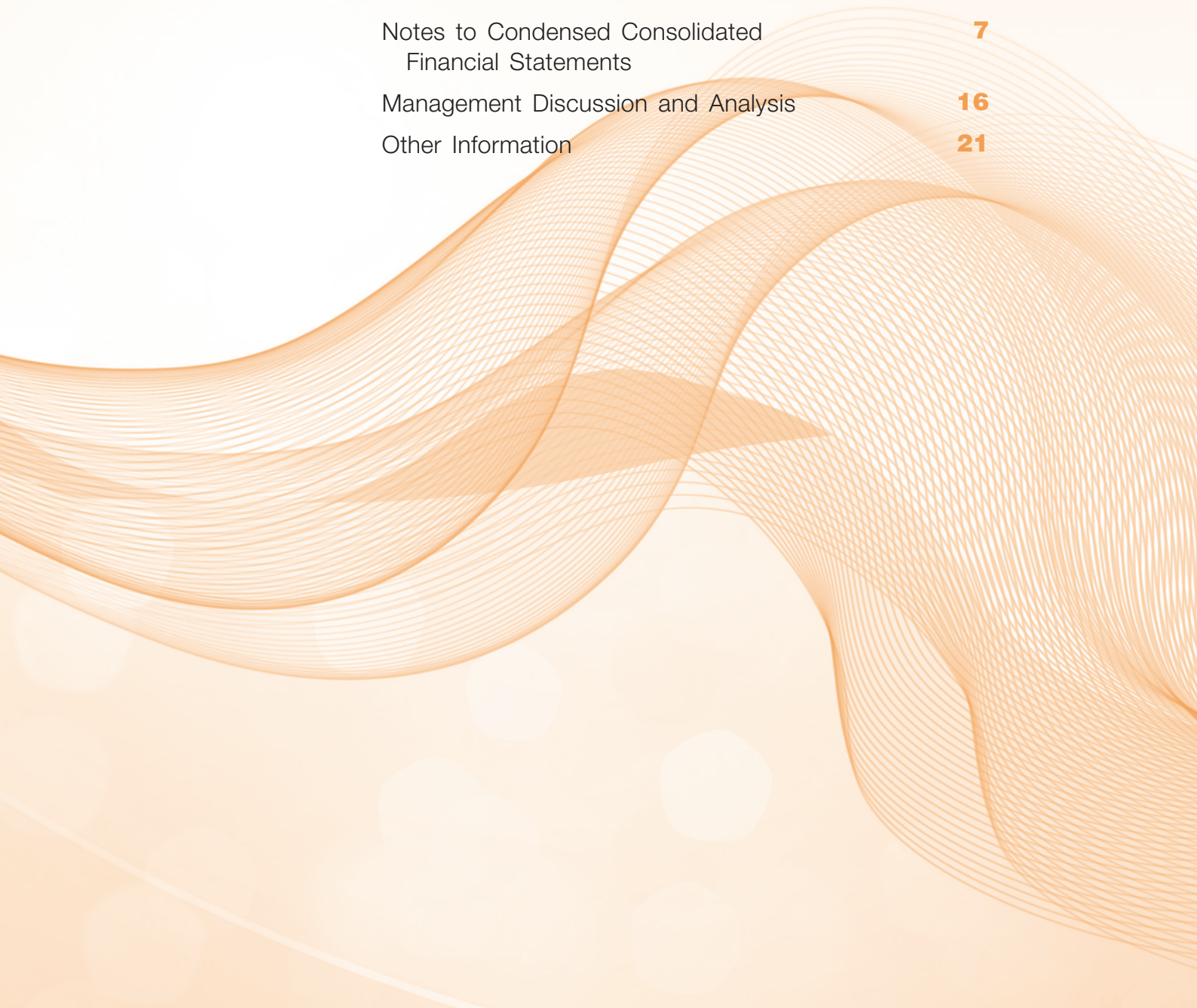
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1239

Interim Report **2016**



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Xie Yan (*Chairperson*)
(appointed on 22 January 2016)
Mr. He Xiaoming (*Vice Chairman*)
Mr. Liu Liangjian
(resigned on 22 January 2016)

Independent Non-Executive Directors

Mr. Lee Chi Hwa, Joshua
Mr. Lam Chi Wai
Mr. Chan Chun Kau

AUDIT COMMITTEE (THE “AUDIT COMMITTEE”)

Mr. Lee Chi Hwa, Joshua (*Chairman*)
Mr. Lam Chi Wai
Mr. Chan Chun Kau

REMUNERATION COMMITTEE

Mr. Lam Chi Wai (*Chairman*)
Mr. Lee Chi Hwa, Joshua
Mr. Chan Chun Kau

NOMINATION COMMITTEE

Mr. Lee Chi Hwa, Joshua (*Chairman*)
Mr. Lam Chi Wai
Mr. Chan Chun Kau

REVIEW COMMITTEE

Mr. Lee Chi Hwa, Joshua (*Chairman*)
Mr. Lam Chi Wai
Mr. Chan Chun Kau

COMPANY SECRETARY

Ms. Choi Yee Man

PRINCIPAL BANKER

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

REGISTERED OFFICE

P.O. 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

Estera Trust (Cayman) Limited
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 2016

	Notes	Six months ended 30 June	
		2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Revenue	4	99,372	95,951
Cost of sales		(79,947)	(74,852)
Gross profit		19,425	21,099
Other income		292	335
Other losses — net	5	(4,678)	(15)
Selling and distribution expenses		(6,546)	(6,313)
Administrative expenses		(10,919)	(6,174)
Other operating expenses		(996)	(44)
(Loss)/Profit from operations		(3,422)	8,888
Finance costs	6	(8,827)	(4,033)
(Loss)/Profit before tax		(12,249)	4,855
Income tax expense	7	(674)	(2,612)
(Loss)/Profit for the period	8	(12,923)	2,243
Other comprehensive expense, net of income tax <i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		(13,783)	(1)
Other comprehensive expense for the period, net of tax		(13,783)	(1)
Total comprehensive (expense)/income for the period		(26,706)	2,242
(Loss)/Profit for the period attributable to:			
Owners of the Company		(12,923)	2,243
Total comprehensive (expense)/income for the period attributable to:			
Owners of the Company		(26,706)	2,242
		RMB cents	RMB cents
(Loss)/Earnings per share — basic and diluted	10	(0.13)	0.02

Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	Notes	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		49,521	51,567
Investment property		37,325	—
Prepaid lease payments		2,561	2,599
Deferred tax assets		266	340
		89,673	54,506
Current assets			
Inventories		9,328	7,934
Prepaid lease payments		71	71
Trade and other receivables	11	315,092	274,945
Cash and bank balances		42,437	65,667
		366,928	348,617
Current liabilities			
Trade and other payables	12	36,472	23,097
Bank borrowings		500	500
Other borrowing	13	5,994	—
Amount due to the ultimate holding company	14	—	1,916
Current tax liabilities		418	898
		43,384	26,411
Net current assets		323,544	322,206
Total assets less current liabilities		413,217	376,712
Non-current liabilities			
Other payables	12	21,409	12,566
Deferred tax liabilities		930	856
Other borrowing	13	171,270	167,546
		193,609	180,968
Net assets		219,608	195,744
Capital and reserves			
Equity attributable to the owners of the Company			
Share capital	15	8,126	7,958
Reserves		211,482	187,786
Total equity		219,608	195,744

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	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 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 expense for the period	—	—	—	(1)	—	—	—	—	(1)
Total comprehensive income/(expense) for the period	—	—	—	(1)	—	—	—	2,243	2,242
Issue of bonus shares (Note 15(c))	6,326	—	—	—	—	—	—	(6,326)	—
At 30 June 2015 (unaudited)	7,958	102,490	(27,434)	(1,363)	(8)	30,222	10,296	78,277	200,438

	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 2016 (audited)	7,958	102,490	(27,434)	(1,251)	(8)	30,222	10,296	73,471	195,744
Loss for the period	—	—	—	—	—	—	—	(12,923)	(12,923)
Other comprehensive expense for the period	—	—	—	(13,783)	—	—	—	—	(13,783)
Total comprehensive expense for the period	—	—	—	(13,783)	—	—	—	(12,923)	(26,706)
Acquisition of a subsidiary (Note 15(d))	168	50,402	—	—	—	—	—	—	50,570
At 30 June 2016 (unaudited)	8,126	152,892	(27,434)	(15,034)	(8)	30,222	10,296	60,548	219,608

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Net cash (used in)/generated from operating activities	(23,930)	5,216
Net cash used in investing activities	(6,997)	(161,152)
Net cash generated from financing activities	4,059	158,043
Net (decrease)/increase in cash and cash equivalents	(26,868)	2,107
Cash and cash equivalents at the beginning of period	65,667	37,006
Effect of foreign exchange rate changes, net	3,638	(6)
Cash and cash equivalents at the end of period represents by:		
Cash and bank balances	42,437	39,107

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 on 4 January 2011 and its shares (the “**Share(s)**”) are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 18 November 2011. With effect from 27 January 2015, its parent and ultimate holding company was Trend Rich Enterprises Limited (“**Trend Rich**”), a company incorporated in the British Virgin Islands and wholly-owned by Mr. Liu Liangjian. With effect from 19 January 2016, Trend Rich ceased to be the parent and ultimate holding company of the Company.

The address of the Company’s registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. 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**”) and property investment.

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 currency of the Group’s operating subsidiaries is 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 (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**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 2016 (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 2015.

In the current interim 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 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 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.

4. REVENUE AND SEGMENT INFORMATION

The directors of the Company (the “**Director(s)**”) 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 2016 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 2016 are attributable to customers located in the PRC.

	Six months ended 30 June	
	2016 RMB’000 (unaudited)	2015 RMB’000 (unaudited)
Revenue		
Sales of packaging products and structural components	99,372	95,951

5. OTHER LOSSES — NET

	Six months ended 30 June	
	2016 RMB’000 (unaudited)	2015 RMB’000 (unaudited)
Net losses on disposal of property, plant and equipment	4,678	12
Net foreign exchange losses	—	3
Total	4,678	15

6. FINANCE COSTS

	Six months ended 30 June	
	2016 RMB’000 (unaudited)	2015 RMB’000 (unaudited)
Interest on bank borrowings	19	72
Interest on other borrowings	8,808	3,958
Finance costs arising on early redemption of notes receivables	—	3
Total	8,827	4,033

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Current tax:		
– PRC Enterprise Income Tax (“EIT”)	681	2,055
Under provision in prior year:		
– PRC EIT	1	–
Deferred tax	(8)	557
Total income tax recognised in profit or loss	674	2,612

(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 2016 (for the six months ended 30 June 2015: 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 2016 and 30 June 2015.

Other PRC subsidiaries are subject to the PRC EIT rate at 25% for the six months ended 30 June 2016 and 30 June 2015.

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

8. (LOSS)/PROFIT FOR THE PERIOD

(Loss)/profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Depreciation of property, plant and equipment	4,365	4,300
Amortisation of prepaid lease payments	37	37
Auditors' remuneration	220	34
Operating lease rentals in respect of premises	1,028	726
Cost of inventories recognised as an expense (including write-down recognised on inventories)	51,276	46,579
Directors' emoluments	558	153
Other employee salaries and benefits	18,327	14,541
Contributions to retirement benefits schemes, excluding those of Directors	1,497	2,144
Total employee benefits expenses	20,382	16,838

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 2015: Nil).

10. (LOSS)/EARNINGS PER SHARE – BASIC AND DILUTED

The calculation of basic (loss)/earnings per share is based on the loss attributable to the owners of the Company of approximately RMB12,923,000 (for the six months ended 30 June 2015: profit attributable to the owners of the Company of approximately RMB2,243,000) and the weighted average number of 10,046,153,846 ordinary shares (30 June 2015: 10,000,000,000 ordinary shares) in issue during the six months ended 30 June 2016.

The diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as there were no dilutive potential ordinary shares in issue during the six months ended 30 June 2016 and 30 June 2015.

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Trade receivables	72,694	68,067
Notes receivables (Note)	54,911	31,814
Prepayments, deposits and other receivables	187,487	175,064
Total	315,092	274,945

Note: Notes 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.

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 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Within 90 days	65,993	55,964
91–180 days	6,377	11,834
181–365 days	213	269
Over 365 days	111	—
Total	72,694	68,067

11. TRADE AND OTHER RECEIVABLES *(Continued)*

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 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Within 90 days	—	—
91–180 days	213	269
181–365 days	111	—
Over 365 days	—	—
Total	324	269

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 2016 (31 December 2015: Nil).

12. TRADE AND OTHER PAYABLES

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Current liabilities		
Trade payables	31,668	18,727
Receipts in advance	35	34
Accruals	769	1,321
Other taxes payable	946	1,607
Others	3,054	1,408
	36,472	23,097
Non-current liabilities		
Interest payable	21,409	12,566
Total	57,881	35,663

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 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Within 90 days	30,694	17,171
91–180 days	257	407
181–365 days	—	125
Over 365 days	717	1,024
Total	31,668	18,727

The average credit period on purchases of certain goods ranges 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.

13. OTHER BORROWINGS

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Current liabilities		
Other borrowing — unsecured (<i>Note a</i>)	5,994	—
Non-current liabilities		
Other borrowing — secured (<i>Note b</i>)	171,270	167,546
Total	177,264	167,546
Carrying amount repayable:		
Within one year	5,994	—
More than one year, but not exceeding two years	171,270	167,546
Total	177,264	167,546

Notes:

- a. The other borrowing is unsecured and bears interest at 24.00% per annum. The aforesaid borrowing is denominated in HK\$.
- b. The other borrowing is secured by the share charge over the entire issued share capital of a wholly-owned subsidiary of the Company and bears interest at 10.00% per annum. The aforesaid borrowing is denominated in HK\$.

14. AMOUNT DUE TO THE ULTIMATE HOLDING COMPANY

The amount due to the ultimate holding company was interest-free, unsecured and had no fixed terms of repayment. It was repaid during the Period.

15. SHARE CAPITAL

	Number of Shares '000	Nominal value of Shares HK\$'000
Authorised		
Ordinary shares of HK\$0.01 each at 1 January 2015 (audited)	1,000,000	10,000
Share subdivision (Note a)	9,000,000	—
Increase in authorised share capital (Note b)	190,000,000	190,000
Ordinary shares of HK\$0.001 each at 31 December 2015 (audited), 1 January 2016 (audited) and 30 June 2016 (unaudited)	200,000,000	200,000

	Number of Shares '000	Nominal value of Shares HK\$'000	Equivalent nominal value of Shares RMB'000
Issued and fully paid			
Ordinary shares of HK\$0.01 each at 1 January 2015 (audited)	200,000	2,000	1,632
Share subdivision (Note a)	1,800,000	—	—
Bonus issue (Note c)	8,000,000	8,000	6,326
Ordinary shares of HK\$0.001 each at 31 December 2015 (audited) and 1 January 2016 (audited)	10,000,000	10,000	7,958
Acquisition of a subsidiary (Note d)	200,000	200	168
Ordinary shares of HK\$0.001 each at 30 June 2016 (unaudited)	10,200,000	10,200	8,126

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 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.

15. SHARE CAPITAL (Continued)

Notes: (Continued)

- 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.
- d. On 20 May 2016, the Company allotted and issued 200,000,000 Shares with par value of HK\$0.001 each in relation to the Acquisition (as defined hereinafter) pursuant to the general mandate granted at the annual general meeting of the Company dated 28 May 2015. Details are set out in the section headed “Property Investment Business” under “Business Review” of this report.

16. 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 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Within one year	1,075	1,911
In the second to fifth years inclusive	—	—
Total	1,075	1,911

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 2015: one to three years). The Group does not have an option to purchase the leased asset at the expiry of the lease period.

17. RELATED PARTY DISCLOSURE

Save as disclosed elsewhere in the condensed consolidated financial statements, there were no other significant related party transactions and balances during the six months ended 30 June 2016 and 30 June 2015.

18. EVENT AFTER THE END OF THE REPORTING PERIOD

There was no material event subsequent to the end of the interim period ended 30 June 2016.

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 and property investment.

Packaging Products and Structural Components Business

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			
	2016		2015	
	RMB'000	%	RMB'000	%
<i>Packaging products</i>				
Televisions	29,237	29.4	30,787	32.1
Air conditioners	18,178	18.3	17,196	17.9
Washing machines	14,073	14.2	11,919	12.4
Refrigerators	16,840	16.9	16,932	17.7
Water heater	4,524	4.6	4,682	4.9
Information Technology products	10,291	10.3	7,138	7.4
Others	255	0.3	139	0.1
<i>Structural components</i>				
For air conditioners	5,974	6.0	7,158	7.5
Total	99,372	100.0	95,951	100.0

The revenue by product types remained relatively stable. For the six months ended 30 June 2016, the 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 RMB53,389,000 or 53.7% of total revenue (for the six months ended 30 June 2015: approximately RMB55,141,000 or 57.5% of total revenue).

There was an increase in the Group's revenue of approximately RMB3,421,000 or 3.6% from approximately RMB95,951,000 for the six months ended 30 June 2015 to approximately RMB99,372,000 for the six months ended 30 June 2016, which was mainly due to the increase in purchase orders related to washing machines and information technology products 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			
	2016		2015	
	RMB'000	%	RMB'000	%
Raw materials	51,193	64.0	46,579	62.2
Direct labour costs	9,891	12.4	8,904	11.9
Manufacturing overhead	18,863	23.6	19,369	25.9
Staff costs	1,297	1.6	1,760	2.4
Depreciation	1,835	2.3	3,925	5.2
Utilities	11,172	14.0	10,613	14.2
Processing charges	3,816	4.8	2,264	3.0
Rental expenses	674	0.8	721	1.0
Others	69	0.1	86	0.1
Total	79,947	100.0	74,852	100.0

For the six months ended 30 June 2016, the Group's cost of sales amounted to approximately RMB79,947,000, increased by approximately RMB5,095,000 or 6.8% when compared to that of approximately RMB74,852,000 for the six months ended 30 June 2015.

The operating environment for manufacturing industries remained tough. Even the revenue was recorded an increase in the current period, the Group is still facing a challenge of increasing raw material costs, manufacturing overheads and direct labour costs, as a result of the increase in commodities prices, the increase in average level of wages and general inflation in the PRC. Such increase was far more than the increment in revenue, and thus the gross profit margin decreased from approximately 22.0% for the six months ended 30 June 2015 to approximately 19.5% for the six months ended 30 June 2016.

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 2016. 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 current production capacity enables the Group to promptly respond to market demand and strengthen its market position.

Property Investment Business

On 13 May 2016, the Company (as the purchaser) and Winning Global Holdings Limited ("**Winning Global**", as the vendor) entered into the sale and purchase agreement (the "**S&P Agreement**") in relation to the acquisition of the entire issued share capital of Gorgeous Assets Limited ("**Gorgeous Assets**") (the "**Sale Share**"), and the total amount of shareholders' loan owing by Gorgeous Assets to Winning Global under the S&P Agreement (the "**Sale Loan**") at the consideration of HK\$60,000,000 (the "**Consideration**"), which was satisfied by the Company by allotting and issuing of a total of 200,000,000 Shares (the "**Consideration Shares**") at the issue price of HK\$0.3 per Consideration Share to Winning Global (or its nominees) (the "**Acquisition**"). The sole asset of Gorgeous Assets is a residential property situated at One SilverSea, No. 18 Hoi Fai Road, Kowloon, Hong Kong with a gross floor area of approximately 1,568 square feet (the "**Property**").

On 20 May 2016, the Acquisition was completed and a total of 200,000,000 Consideration Shares were allotted and issued (the "**Completion**"). After the Completion, the Property was still at vacant possession and no revenue was generated from this business segment for the six months ended 30 June 2016.

Details of the Acquisition have been disclosed in the announcements of the Company dated 13 May 2016 and 16 May 2016 respectively.

FUTURE OUTLOOK

As the business and financial performance of the existing business of the Group has been adversely affected by the uncertain global economic environment in the Period and the tough operating environment for manufacturing industries in the PRC, the Company therefore from time to time seeks attractive investment opportunities to broaden and diversify its income source and to accelerate the Group's business and earnings growth and long-term development. In order to capture any investment opportunities in a timely manner, the Company will continue to explore fund raising opportunities that may arise in the market to raise sufficient funds to achieve such purpose. With respect to the Property acquired by the Company in May 2016, the Directors are of the view that the Group may be benefited from any long term capital gain if the Property appreciates in value in the future as well as possible stable rental income in the future.

FINANCIAL REVIEW

Financial results

For the six months ended 30 June 2016, the Group recorded the revenue of approximately RMB99,372,000, representing an increase of approximately RMB3,421,000 or 3.6% as compared to that of approximately RMB95,951,000 for the six months ended 30 June 2015.

Loss attributable to owners of the Company was approximately RMB12,923,000 for the six months ended 30 June 2016, decreased by approximately RMB15,166,000 when compared to profit of approximately RMB2,243,000 for the six months ended 30 June 2015.

Basic and diluted loss per share was RMB0.13 cents and RMB0.13 cents respectively for the six months ended 30 June 2016 (for the six months ended 30 June 2015: basic and diluted earnings per share of RMB0.02 cents and RMB0.02 cents respectively).

Liquidity and Financial Resources

As at 30 June 2016, bank balances and cash of the Group amounted to approximately RMB42,437,000 of which approximately 10.3% was denominated in HK dollars and the rest was denominated in RMB (31 December 2015: approximately RMB65,667,000 of which approximately 2.5% was denominated in HK dollars and the rest was denominated in RMB).

As at 30 June 2016, the Group's bank borrowings of approximately RMB500,000 had variable interest rates and were repayable within one year, which were secured by the Group's buildings and prepaid lease payments (31 December 2015: approximately RMB500,000). As at 30 June 2016 and 31 December 2015, all of the bank borrowings were denominated in RMB.

As at 30 June 2016, the Group's other borrowings of (i) approximately RMB171,270,000 (31 December 2015: approximately RMB167,546,000) had fixed interest rate at 10% per annum and was repayable more than one year but not exceeding two years, which was secured by the entire issued share capital of a wholly-owned subsidiary of the Company; and (ii) approximately RMB5,994,000 (31 December 2015: Nil) had fixed interest rate at 24% per annum and was repayable within one year, which was unsecured. The aforesaid borrowings were denominated in HK\$.

Capital structure

On 20 May 2016, the Company allotted and issued 200,000,000 Shares with par value of HK\$0.001 each in relation to the Acquisition pursuant to the general mandate granted at the annual general meeting of the Company dated 28 May 2015. As at 30 June 2016 and the date of this report, a total of 10,200,000,000 Shares with par value of HK\$0.001 each are in issue. Details are set out in the section headed "Property Investment Business" under "Business Review" of this report.

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 RMB3,911,000 (for the six months ended 30 June 2015: approximately RMB3,997,000).

Capital commitment

As at 30 June 2016, the Group had capital commitment of approximately RMB2,883,000 (31 December 2015: approximately RMB9,022,000).

Contingent liabilities

As at 30 June 2016, the Group had no material contingent liabilities (31 December 2015: Nil).

Pledge of Assets

The Group had pledged (i) assets of buildings and prepaid lease payments to the bank in the amount of approximately RMB3,205,000 as at 30 June 2016 (31 December 2015: approximately RMB3,550,000); and (ii) the entire issued share capital of a wholly-owned subsidiary of the Company to the lender as at 30 June 2016 and 31 December 2015.

Gearing ratio

As at 30 June 2016, the gearing ratio was 0.81, (31 December 2015: 0.86), which was measured on the basis of the Group's total borrowings divided by total equity.

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 2016, the Group has a number of 617 employees (30 June 2015: 633 employees). Total employee benefit expenses amounted to approximately RMB20,382,000 for the six months ended 30 June 2016 (for the six months ended 30 June 2015: RMB16,838,000). 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 has adopted an employee-focused management concept to involve the Group's 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 regular performance reviews for its employees. The remuneration, promotion and salary increments of the employees are assessed according to their performance, professional and working experience, and prevailing market practices. In addition, the Group has implemented training programs for employees in various positions.

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

As at 30 June 2016, none of the Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 Part XV of the Securities and Futures Ordinance (the "SFO") and none of the Directors, the chief executive of the Company nor their associates (as defined in the Listing Rules) had any other interests or short positions in the shares of the Company, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be 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 any such Director or the chief executive of the Company is taken or deemed to have under such provisions of the SFO); or (b) were required to be entered into the register maintained by the Company, pursuant to Section 352 of the SFO; or (c) were required to be notified to the Company or the Stock Exchange, 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").

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 2016, as recorded in the register required to be kept by the Company under Section 336 of the SFO, the following persons 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 Shareholders	Capacity/ Nature of Interest	Number of Shares held	Approximate percentage of the Company's total issued share capital
Mr. Huang Youlong	Beneficial owner	2,100,000,000	20.59%
Ms. Zhao Wei	Interest of spouse	2,100,000,000	20.59%
Riverwood China Growth Fund	Beneficial owner	1,900,000,000	18.63%
Riverwood Asset Management (Cayman) Ltd.	Investment manager	1,900,000,000	18.63%
Atlantis Capital Holdings Limited	Interest of controlled corporation	1,900,000,000	18.63%
Ms. Liu Yang	Interest of controlled corporation	1,900,000,000	18.63%
Mr. Ling Zheng	Beneficial owner	930,000,000	9.12%

Other Information

Save as disclosed above, as at 30 June 2016, 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.

SHARE OPTION SCHEME

During the annual general meeting of the Company held on 14 June 2016, the existing scheme mandate limit in respect of granting of options to subscribe for shares of the Company under the share option scheme adopted on 10 June 2011 (the **"Share Option Scheme"**) was refreshed and renewed provided that the total number of shares of the Company which may be allotted and issued pursuant to the grant or exercises of the options under the Share Option Scheme (no option has been granted, outstanding, cancelled, lapsed or exercised under the Share Option Scheme from the date of approval of the of the Share Option Scheme) shall not exceed 10% of the Shares in issue as at 14 June 2016, that was 1,020,000,000 Shares.

During the six months ended 30 June 2016, no share options had been granted, exercised, lapsed or cancelled.

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 and public offer (the **"Placing and Public Offer"**).

The proceeds received by the Company from the Placing and Public Offer, after deducting the relevant costs of the Placing and Public Offer, amounted to approximately HK\$44,500,000 in total. As at 30 June 2016, the Group had used net proceeds of approximately HK\$24,308,000, of which (i) approximately HK\$2,700,000 had been used for the repayment of bank loan; (ii) approximately HK\$2,900,000 had been used as general working capital; (iii) approximately HK\$8,808,000 was used for acquiring, remodifying and upgrading of plant and machines; and (iv) approximately HK\$9,900,000 was used for acquiring and remodifying of mould. The remaining net proceeds to be used for acquiring, remodifying and upgrading of plant and machines amounted to approximately HK\$20,192,000 as at 30 June 2016.

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 2016.

ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

Save as disclosed in this report, for the six months ended 30 June 2016, there was no material acquisition, disposal or investment by the Group.

DIVIDENDS

The board of the Directors (the “**Board**”) has resolved not to declare an interim dividend for the six months ended 30 June 2016 (for the six months ended 30 June 2015: Nil).

SEGMENT INFORMATION

Details of segment information of the Group for the six months ended 30 June 2016 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 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 2016, 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 2016, except for the details set out below.

Code Provision A.2.1 states that the roles of chairman and chief executive should be separated and should not be performed by the same individual. On 5 March 2015, Mr. Liu Liangjian (“**Mr. Liu**”) was appointed to act as the chairman and the chief executive officer of the Company. Mr. Liu was 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 continues to consider the feasibility of appointing a separate chief executive. On 22 January 2016, Mr. Liu has resigned as the chairman, the executive Director and the chief executive officer of the Company and Ms. Xie Yan has been appointed as the chairperson and the executive Director of the Company. Since then, the Company is in compliance with the Code Provision A.2.1.

AUDIT COMMITTEE

The unaudited condensed consolidated financial statements for the six months ended 30 June 2016 have not been reviewed by the auditors of the Company. The audit committee of the Company (comprised all 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 2016 and this report.

On behalf of the Board

Xie Yan

Chairperson and Executive Director

Hong Kong, 25 August 2016

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