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

Annual Report

2016

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ling Zheng *(Chairman)*
(appointed on 27 September 2016)
Mr. He Xiaoming *(Vice Chairman)*
Ms. Ngai Mei *(appointed on 28 February 2017)*
Ms. Xie Yan *(appointed on 22 January 2016)*
Mr. Liu Liangjian
(resigned on 22 January 2016)
Mr. Gui Shutao *(appointed on 14 October 2016 and resigned on 17 November 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 (THE "REMUNERATION COMMITTEE")

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

NOMINATION COMMITTEE (THE "NOMINATION COMMITTEE")

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

REVIEW COMMITTEE (THE "REVIEW COMMITTEE")

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

COMPANY SECRETARY

Ms. Choi Yee Man

AUDITORS

Zenith CPA Limited
Rooms 2103–05, 21/F
Dominion Centre
43–59 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
Bank of China Limited
Industrial and Commercial Bank of China Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Estera 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

REGISTERED OFFICE

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

HEADQUARTERS 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

STOCK CODE

01239

COMPANY WEBSITE

www.jinbaobao.com.hk

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Jin Bao Bao Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present all shareholders of the Company (the "**Shareholders**") the annual report of the Company for the year ended 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is an investment holding company, and through its subsidiaries, is principally engaged in the business of (i) design, manufacture and sale of packaging products and structural components in the People's Republic of China (the "**PRC**"); (ii) provision of corporate secretarial and consultancy services; and (iii) property investment.

Packaging Products and Structural Components Business

Revenue

Most of the Group's customers under the packaging products and structural components business are leading consumer electrical appliance manufacturers in the PRC.

An analysis of revenue by products is as follows:

	Year ended 31 December			
	2016		2015	
	RMB'000	**%**	RMB'000	%
Packaging products				
Televisions	**74,060**	**32.2**	60,730	32.1
Air conditioners	**44,051**	**19.1**	29,983	15.9
Washing machines	**35,921**	**15.6**	28,707	15.2
Refrigerators	**30,659**	**13.3**	31,086	16.4
Water heaters	**11,763**	**5.1**	10,613	5.6
Information technology products	**15,683**	**6.8**	18,824	10.0
Others	**387**	**0.2**	277	0.1
Structural components				
For air conditioners	**17,764**	**7.7**	8,828	4.7
Total	**230,288**	**100.0**	189,048	100.0

The revenue by product type remained relatively stable. During the current year, 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 segment revenue, amounting approximately RMB135,875,000 or 59.0% of total segment revenue (2015: approximately RMB99,541,000 or 52.7% of total revenue and segment revenue).

Cost of sales

The following table sets out a breakdown of the cost of sales for the periods stated below:

	Year ended 31 December			
	2016		2015	
	RMB'000	**%**	RMB'000	%
Raw materials	**124,183**	**67.3**	92,517	62.3
Direct labour costs	**21,540**	**11.7**	17,367	11.7
Manufacturing overhead	**38,669**	**21.0**	38,723	26.0
Staff costs	**2,675**	**1.5**	3,874	2.6
Depreciation	**5,642**	**3.1**	6,181	4.2
Utilities	**21,623**	**11.7**	20,102	13.5
Processing charges	**7,817**	**4.2**	6,780	4.5
Rental expenses	**573**	**0.3**	1,453	1.0
Others	**339**	**0.2**	333	0.2
Total	**184,392**	**100.0**	148,607	100.0

For the year ended 31 December 2016, the cost of sales amounted to approximately RMB184,392,000, increased by approximately RMB35,785,000 or 24.1% when compared to that of approximately RMB148,607,000 for the year ended 31 December 2015.

The operating environment for manufacturing industries remained tough. Even the revenue recorded an increase in the current year, 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 21.4% for the year ended 31 December 2015 to approximately 19.9% for the year ended 31 December 2016.

Supply of raw materials

The Group purchases raw materials and components necessary for the manufacturing of the Group's 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 purchases from the list. The Group has established long-term commercial relationships with its major suppliers for a stable supply and timely delivery of high quality raw materials and components. The Group had not experienced any major difficulties in procuring raw materials and components necessary for the manufacture of packaging products for the year ended 31 December 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 Group's three factories are capable of a maximum annual manufacturing capacity, in aggregate, of 19,000 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.

Provision of Corporate Secretarial and Consultancy Services Business

On 10 November 2016, the Company (as the purchaser) entered into a sale and purchase agreement (the "**SPA**") with Shining Praise Limited (the "**Shining Praise**", as the vendor), pursuant to which the Company has conditionally agreed to acquire the entire issued share capital of Treasure Found Investments Limited ("**Treasure Found**"), and all indebtedness, obligations and liabilities due, owing or incurred by Treasure Found to Shining Praise at the consideration of HK$250,000,000 (the "**Consideration**") satisfied by cash by the Company (the "**2nd Acquisition**"). Treasure Found, through its wholly-owned subsidiaries, namely PV Holdings Limited and PV Advisory Services Limited, is principally engaged in the provision of corporate secretarial and consultancy services business.

The completion of the 2nd Acquisition took place on 14 November 2016 and Treasure Found and its subsidiaries (collectively referred to as "**Treasure Found Group**") have become subsidiaries of the Company since then. Since the completion of the 2nd Acquisition on 14 November 2016, Treasure Found Group contributed approximately RMB145,449,000 to the Group's revenue and profit of approximately RMB32,844,000 to the Group's consolidated profit, with the gross profit margin of approximately 44.8% for the year ended 31 December 2016.

Details of the 2nd Acquisition have been disclosed in the announcements of the Company dated 10 November 2016 and 14 November 2016 (the "**Announcements**").

As disclosed in the Announcements, Shining Praise has irrevocably and unconditionally guaranteed to the Company that the audited consolidated profit before tax of Treasure Found Group for the year ending 31 December 2017 shall not be less than HK$30,000,000 (the "**Guaranteed Profit**") (the "**Profit Guarantee**"). If the actual audited consolidated profit before tax of Treasure Found Group for the year ending 31 December 2017 shall be less than the relevant Guaranteed Profit, the Consideration shall be reduced accordingly based on the relevant formula. Please refer to the Announcements for the details of the Profit Guarantee and adjustment mechanism to the Consideration. Further announcement(s) will be made by the Company in relation to the Profit Guarantee for the year ending 31 December 2017 as and when appropriate.

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**"), and the total amount of shareholders' loan owing by Gorgeous Assets to Winning Global under the S&P Agreement at the consideration of HK$60,000,000, which was satisfied by the Company by allotting and issuing of a total of 200,000,000 shares of the Company (the "**Consideration Share(s)**") at the issue price of HK$0.3 per Consideration Share to Winning Global (or its nominees) (the "**1st 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 1st Acquisition was completed and a total of 200,000,000 Consideration Shares were allotted and issued. After the completion of the 1st Acquisition, the Property was served as investment property and still at vacant possession and no revenue was generated from this business segment for the year ended 31 December 2016.

Details of the 1st Acquisition have been disclosed in the announcements of the Company dated 13 May 2016 and 16 May 2016.

FUTURE OUTLOOK

Packaging Products and Structural Components Business

During the year, the Group has been experiencing challenging operating conditions because of slowing growth in the PRC, even though the turnover of the packaging products and structural components business of the Group has been improved for the year ended 31 December 2016 as compared to prior year. The operating environment for manufacturing industries in the PRC remains tough. The increase in consumers' awareness and demands for more environmental-friendly packaging products gives rise to higher raw materials costs. Meanwhile, although the Group applied multiple plans and improvements for a more effective production process, worker shortage in industrial districts still caused the labour cost as a percentage of revenue of the Group to increase three years in a row. Given the fact that these costs associated with the manufacturing of the packaging products and structural components continue to increase and are expected to persist, the profit margin from this segment has therefore been adversely affected and may continue to decline.

In view of the unsatisfactory business and financial performance of packaging products and structural components business for the abovementioned reasons, 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.

Provision of Corporate Secretarial and Consultancy Services Business

Despite an uncertain start of 2016, the global economy has been recovering steadily leading by the economic rebound of the United States. Under the PRC's "One Belt One Road" strategy, we expect more cross-border business activities to arise. The Board believes that it will booster the demands for our provision of corporate secretarial and consultancy services in Hong Kong, which is a bridge connecting the PRC and the world with well-established stock exchange and financial infrastructure. As the Group has the required resources and expertise in this aspect, the Board is confident that its provision of corporate secretarial and consultancy services business can take advantage of this situation and receive a stable grow in the coming years. The Group will also consider extending its scope of services to the financial and/or securities market by acquiring the money lenders' license and/or the licenses to conduct the regulated activities under the Securities and Futures Ordinance (the "**SFO**") in order to fully harvest the favorable business opportunities in these areas expected in the coming year.

Property Investment Business

In view of the recent high record sale for land bidding/auction in Hong Kong, we are optimistic on the price trend of property in long term. The Company will continue to look for opportunities to optimise the property portfolio of the Group.

Having witnessed the immediate impact contributed by the new businesses acquired by the Company in 2016 and the challenging operating environment for manufacturing industries in the PRC, the Company is looking for any opportunities to reallocate its resources from the packaging products and structural components business to the business of provision of corporate secretarial and consultancy services and also other suitable business opportunities in the future to accelerate the business growth of the Group.

In order to capture any investment opportunities in a timely manner and/or optimising the financial position of the Group, the Company will continue to explore fund raising opportunities that may arise in the market or may realise the existing investment to raise sufficient funds to achieve such purpose.

FINANCIAL REVIEW

Financial results

For the year ended 31 December 2016, the Group recorded the revenue of approximately RMB375,737,000, representing an increase of 98.8% when compared to that of approximately RMB189,048,000 for the year ended 31 December 2015.

Profit attributable to owners of the Company was approximately RMB15,755,000 for the year ended 31 December 2016 when compared to loss of approximately RMB2,563,000 for the year ended 31 December 2015.

Basic and diluted earnings per share were RMB0.16 cents respectively (2015: basic and diluted loss per share of RMB0.03 cents respectively).

Liquidity and financial resources

As at 31 December 2016, bank balances and cash of the Group amounted to approximately RMB162,533,000 of which approximately 81.8% was denominated in Hong Kong dollars ("**HK$**"), approximately 0.1% was denominated in US Dollars and the rest was denominated in RMB (2015: approximately RMB65,667,000 of which approximately 2.5% was denominated in HK$ and the rest was denominated in RMB).

As at 31 December 2016, the Group's bank borrowing of approximately RMB1,000,000 had variable interest rates and was repayable within one year, which was secured by the Group's buildings and prepaid land lease payments (2015: approximately RMB500,000). As at 31 December 2016 and 2015, all of the bank borrowings were denominated in RMB.

As at 31 December 2016, the Group's other borrowings of (i) approximately RMB179,147,000 (2015: approximately RMB167,546,000) had fixed interest rate at 10% per annum and was repayable within one year, which was secured by the entire issued share capital of a wholly-owned subsidiary of the Company; and (ii) approximately RMB53,744,000 (31 December 2015: Nil) had fixed interest rate at 24% per annum, were repayable within one year and were unsecured. The aforesaid borrowings were denominated in HK$.

Capital expenditure

Capital expenditure of the Group mainly includes the purchase of property, plant and equipment and investment property. For the year ended 31 December 2016, capital expenditure of the Group amounted to approximately RMB64,311,000 (2015: approximately RMB10,317,000).

Capital commitment

As at 31 December 2016, the Group had capital commitment of approximately RMB3,070,000 (2015: approximately RMB9,022,000).

Contingent liabilities

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

Pledge of assets

The Group had pledged (i) assets of buildings and prepaid land lease payments to the bank in the amount of approximately RMB3,388,000 as at 31 December 2016 (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 31 December 2016 and 2015.

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 1st Acquisition pursuant to the general mandate granted at the annual general meeting of the Company dated 28 May 2015. As at 31 December 2016 and the date of this annual 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 annual report.

Segment information

Details of segment information of the Group for the year ended 31 December 2016 are set out in Note 5 to the audited consolidated financial statements.

Gearing ratio

As at 31 December 2016, the gearing ratio was 0.95 (2015: 0.86), which was measured on the basis of the Group's total borrowings divided by total equity.

Foreign exchange risk

Business transactions of the Group are mainly denominated in HK$ and RMB. 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 monitors foreign exchange exposure. In the view of the fluctuation of RMB in recent years, the Group will consider hedging significant foreign currency exposure should the need arise.

Human resources and training

As at 31 December 2016, the Group has 618 employees (2015: 604 employees). Total employee benefit expenses amounted to approximately RMB40,253,000 (2015: approximately RMB33,136,000). The Group has a management team (including product design and development team) with extensive industry experience. 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.

APPRECIATION

Lastly, on behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to our Shareholders, customers, suppliers and business partners for their unremitting support, and the management team and all our staff for their contributions.

On behalf of the Board

Ling Zheng
Chairman and Executive Director

Hong Kong, 23 March 2017

CORPORATE GOVERNANCE PRACTICES

The Company recognises the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability and to earn the confidence of Shareholders and the public. The Board strives to adhere to the principles of corporate governance and adopt sound corporate governance practices to meet the legal and commercial standards by focusing on areas such as internal control, fair disclosure and accountability to all Shareholders.

For the year ended 31 December 2016, the Company has adopted the code provisions (the "**Code Provision(s)**") set out in the Corporate Governance Code (the "**CG Code**") contained in the Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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 year ended 31 December 2016, except for Code Provision A.2.1.

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. Mr. Liu Liangjian ("**Mr. Liu**"), the former chairman and chief executive officer of the Company, 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 had 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. On 27 September 2016, Mr. Ling Zheng replaced Ms. Xie Yan as the chairman of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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. Each of the existing Directors, upon specific enquiries by the Company, confirmed that they have complied with the Model Code during the year ended 31 December 2016.

BOARD OF DIRECTORS

Members of the Board of Directors

As at the date of this annual report, the Board comprised the following Directors, (i) executive Directors, Mr. Ling Zheng (Chairman), Mr. He Xiaoming (Vice Chairman), Ms. Ngai Mei and Ms. Xie Yan; and (ii) independent non- executive Directors, Mr. Lee Chi Hwa, Joshua, Mr. Lam Chi Wai and Mr. Chan Chun Kau.

The biographies of all Directors are set out in the section headed "Biographical Details of Directors" in this annual report. All Directors have the relevant experiences for effectively carrying out their respective duties.

In accordance with Rule 3.10 of the Listing Rules, the Company has already appointed three independent non-executive Directors and at least one of them has accounting expertise to assist the management in formulating development strategies of the Group, and to ensure that the preparation of the financial reports and other mandatory reports by the Board are in strict adherence to appropriate standards in order to protect the interests of the Shareholders and the Company. The Company has received annual confirmation of independence from each of the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules, and believes that, for the year ended 31 December 2016 and up to the date of this annual report, they were independent to the Company in accordance with the relevant requirements of the Listing Rules.

Responsibilities of Directors

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

To facilitate the Directors to discharge their responsibilities, they are continuously updated with regulatory developments, business and market changes and the strategic development of the Group.

Supply of and Access to Information

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

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

The Operation of the Board

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

Delegation by the Board

The management, consisting of executive Directors along with other senior executives, is delegated with responsibilities for implementing the strategy and direction as adopted by the Board from time to time, and conducting the day-to-day operations of the Group. Executive Directors and senior executives meet regularly to review the performance of the businesses of the Group as a whole, co- ordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management including circumstances where management should report back, and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

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

During the year ended 31 December 2016, the Board held 6 meetings. The attendance of the Directors at the Board meetings is as follows:

Directors	**Meetings attended/held**
Executive Directors	
Mr. Ling Zheng *(Chairman) (appointed on 27 September 2016)*	1/2
Mr. He Xiaoming *(Vice Chairman)*	6/6
Ms. Xie Yan *(appointed on 22 January 2016)*	5/5
Mr. Liu Liangjian *(Resigned on 22 January 2016)*	1/1
Mr. Mr. Gui Shutao *(appointed on 14 October 2016 and resigned on 17 November 2016)*	0/1
Independent Non-Executive Directors	
Mr. Lee Chi Hwa, Joshua	5/6
Mr. Lam Chi Wai	6/6
Mr. Chan Chun Kau	6/6

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

CORPORATE GOVERNANCE DUTIES

The Board is responsible for performing the corporate governance duties as set out in the Code Provision D.3.1. During the year ended 31 December 2016, the Board had reviewed and discussed the corporate governance policy of the Group and was satisfied with the effectiveness of the corporate governance policy of the Group.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Code Provision A.6.5 of the CG Code provides that Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

During the year, all Directors were provided with regular updates on the Group's business and operation and information which covered topics including but not limit to the CG Code, the disclosure and compliance of inside information, updates and changes in relation to legislative and regulatory requirements in which the Group conducts its business for their study and reference. During the year, all Directors had participated in continuous professional development to develop and refresh their knowledge and skills pursuant to the CG Code. All Directors (being Mr. Ling Zheng, Mr. He Xiaoming, Ms. Xie Yan, Mr. Lee Chi Hwa, Joshua, Mr. Lam Chi Wai and Mr. Chan Chun Kau) received regular briefings and updates from the company secretary of the Company on the Group's business, operations and corporate governance matters, studied publications, books and other reading materials or attended seminars or workshops delivered by professionals, which are relevant to their duties and responsibilities.

COMMITTEES UNDER THE BOARD

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

Audit Committee

The Company established the Audit Committee on 10 June 2011 with written terms of reference in compliance with the Code Provisions of the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee consists of three independent non-executive Directors, namely, Mr. Lee Chi Hwa, Joshua (an independent non-executive Director with the appropriate professional qualifications as required under Rule 3.10(2) of the Listing Rules who serves as Chairman of the Audit Committee), Mr. Lam Chi Wai and Mr. Chan Chun Kau.

The written terms of reference of the Audit Committee are in line with the Code Provisions of the CG Code and the latest version of such terms of reference are available upon request, on the Company's website and the Stock Exchange's website.

During the year ended 31 December 2016, the Audit Committee had considered, reviewed and discussed areas of concerns during the audit process, the compliance of company policy, the internal control procedures and the corporate governance of the Group and had approved the annual audited financial statements and the interim financial statements, respectively. There is no disagreement between the Board and the Audit Committee regarding the selection and appointment of the external auditors.

The Audit Committee had held 2 meetings during the year ended 31 December 2016.

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

Directors	**Meetings attended/held**
Mr. Lee Chi Hwa, Joshua *(Chairman)*	2/2
Mr. Lam Chi Wai	2/2
Mr. Chan Chun Kau	2/2

Nomination Committee

The Company established the Nomination Committee pursuant to a resolution of the Directors passed on 10 June 2011. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of the Board's succession, and to ensure that the candidates to be nominated as Directors are experienced and high caliber individuals. The Nomination Committee consists of three independent non-executive Directors, namely, Mr. Lee Chi Hwa, Joshua, Mr. Lam Chi Wai and Mr. Chan Chun Kau. Mr. Lee Chi Hwa, Joshua is the Chairman of the Nomination Committee.

The written terms of reference of the Nomination Committee are in line with the Code Provisions of the CG Code and the latest version of such terms of reference are available upon request, on the Company's website and the Stock Exchange's website.

The Nomination Committee shall meet at least once every year for reviewing the structure, size and composition of the Board and assessing the independence of the independent non-executive Directors and other related matters.

The Nomination Committee had held 3 meetings during the year ended 31 December 2016.

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

Directors	**Meeting attended/held**
Mr. Lee Chi Hwa, Joshua *(Chairman)*	3/3
Mr. Lam Chi Wai	3/3
Mr. Chan Chun Kau	3/3

During the year ended 31 December 2016, the Nomination Committee had reviewed the structure, size and composition of the Board and the retirement and re-appointment arrangement of the Directors at the Company's forthcoming annual general meeting.

Board Diversity Policy

The Board has adopted a board diversity policy in accordance with the requirement set out in the CG Code (the "**Board Diversity Policy**") and discussed all measurable objectives set for implementing the policy. The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

The Nomination Committee will monitor the implementation of the Board Diversity Policy and review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Remuneration Committee

The Company established the Remuneration Committee pursuant to a resolution of the Directors passed on 10 June 2011 in compliance with the Code Provisions of the CG Code. The Company has adopted the Code Provisions to make recommendations to the Board to determine the remuneration packages of individual executive Directors and the members of senior management. The primary duties of the Remuneration Committee include: (i) reviewing the terms of the remuneration package of each Director and member of senior management, and making recommendations to the Board regarding any adjustment thereof; and (ii) reviewing and evaluating the performance of individual executive Directors for determining the amount of bonus (if any) payable to them. The Remuneration Committee comprises three independent non-executive Directors, namely Mr. Lee Chi Hwa, Joshua, Mr. Lam Chi Wai and Mr. Chan Chun Kau. Mr. Lam Chi Wai is the Chairman of the Remuneration Committee.

The written terms of reference of the Remuneration Committee adopted by the Board are in line with the Code Provisions of the CG Code and the latest version of such terms of reference are available upon request, on the Company's website and the Stock Exchange's website. The Remuneration Committee shall meet at least once every year for reviewing the remuneration policies.

The Remuneration Committee had held 1 meeting during the year ended 31 December 2016.

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

Directors	**Meeting attended/held**
Mr. Lam Chi Wai *(Chairman)*	1/1
Mr. Lee Chi Hwa, Joshua	1/1
Mr. Chan Chun Kau	1/1

During the year ended 31 December 2016, the Remuneration Committee reviewed the existing remuneration policies of the Company.

Further particulars regarding Directors' and chief executive's remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in Note 10 to the audited consolidated financial statements. As the members of the Board coincide with the members of the senior management of the Group and the remuneration of Directors have been disclosed, no disclosure about the remuneration payable to members of senior management could be made.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of Mr. He Xiaoming, Mr. Lee Chi Hwa, Joshua, Mr. Lam Chi Wai and Mr. Chan Chun Kau was appointed for an initial term of one year commencing from 5 March 2015. Ms. Xie Yan, Mr. Ling Zheng and Ms. Ngai Mei were appointed for an initial term of one year commencing from 22 January 2016, 27 September 2016 and 28 February 2017 respectively. All of their appointments are renewable automatically for successive term of one year each commencing from the next day after the expiry of the then current term of appointed and subject to termination by either party upon giving not less than 3 months' prior written notice to the other party.

In accordance with article 112 of the Articles of Association, any Director appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting. Mr. Ling Zheng and Ms. Ngai Mei will retire from office as the executive Directors at the forthcoming annual general meeting of the Company and each of them, being eligible, will offer themselves for re-election respectively.

In accordance with Article 108(a) of the Articles of Association, at each annual general meeting, at least one third of the Directors shall retire from office by rotation. Each director shall retire at least once every three years and such Directors shall include those who have been assumed the longest term of office since their last election or re-election. Mr. Lee Chi Hwa, Joshua and Mr. Chan Chun Kau will retire from office as independent non-executive Directors respectively by rotation at the forthcoming annual general meeting of the Company and both of them, being eligible, will offer themselves for re-election.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

All Directors acknowledge their responsibility for preparing the accounts and the consolidated financial statements of the Company for the year ended 31 December 2016. The auditors to the Company acknowledge their reporting responsibilities in the independent auditors' report on the consolidated financial statements for the year ended 31 December 2016. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

COMPANY SECRETARY

The company secretary of the Company, Ms. Choi Yee Man ("**Ms. Choi**"), appointed on 1 June 2015, is responsible for facilitating the process of Board meetings, as well as communications among Board members, with Shareholders and the management of the Company. Ms. Choi is a fellow member of the Hong Kong Institute of Certified Public Accountants. She holds a bachelor's degree in Business Administration from City University of Hong Kong. She possesses extensive experience in the area of accounting, finance, auditing and internal control.

During the year ended 31 December 2016, Ms. Choi undertook not less than 15 hours of professional training to update her skills and knowledge in compliance with Rule 3.29 of the Listing Rules.

AUDITORS' REMUNERATION

Remuneration to the external auditors of the Company amounted to HK$1,100,000 for the provision of annual audit services for the year ended 31 December 2016.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for establishing, maintaining and monitoring a sound and effective system of internal control and risk management of the Group. The Group's risk management and internal control system is designed to safeguard the shareholders' investment and the Group's assets against misappropriation and unauthorised disposition, to identify and manage key risks that may impact the Group's performance and to ensure strict compliance with relevant laws and regulations. However, systems of risk management and internal control, no matter how well designed and operated, can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate, the risk of failure to achieve business objectives.

The Board has established process on an ongoing basis for identifying, evaluating and managing the significant risks faced by the Group and this process includes enhancing the systems of risk management and internal control from time to time in response to the changes to the business environment or regulatory guidelines.

In addition, the Group has engaged an independent professional advisor to assist the Board and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group and in performing the internal audit functions for the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

Report on review of risk management and internal control systems is submitted to the Audit Committee and the Board at least once a year. During the year ended 31 December 2016, the Board, through the Audit Committee, had performed annual review of the effectiveness and adequacy of the systems of risk management and internal controls of the Group covering all material controls in area of financial, operational and compliance controls and risk management functions. No material internal control aspects of any significant problems were identified. The Board and the Audit Committee considered that (i) the key areas of the Group's risk management and internal control systems are reasonably implemented during the year; and (ii) there were adequate staff with appropriate and adequate qualifications and experience, resources for accounting, internal audit and financial reporting functions, and adequate training programmes had been provided during the year. The Board will regularly review their adequacy and effectiveness.

COMMUNICATION WITH SHAREHOLDERS

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

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

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

GENERAL MEETINGS WITH SHAREHOLDERS

The Company's annual general meeting provides a useful platform for direct communication between the Board and Shareholders. Separate resolutions are proposed on each substantially separate issue at the general meetings.

During the year ended 31 December 2016, the Company held 1 general meeting, which was the annual general meeting (the "**2016 AGM**") held on 14 June 2016.

The attendance record of the Directors at the general meetings during the year ended 31 December 2016 is set out below:

Directors	**Meetings attended/held**
Executive Directors	
Ms. Xie Yan *(appointed on 22 January 2016)* *(Chairperson from 22 January 2017 to 22 September 2017)*	1/1
Mr. He Xiaoming *(Vice Chairman)*	0/1
Independent Non-executive Directors	
Mr. Lee Chi Hwa, Joshua	1/1
Mr. Lam Chi Wai	1/1
Mr. Chan Chun Kau	1/1

The Company's external auditors also attended the 2016 AGM.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

Pursuant to article 64 of the Articles of Association, extraordinary general meetings of the Company (the "**EGM(s)**") shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid-up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s), as a result of the failure of the Board to convene the EGM(s), shall be reimbursed to the requisitionist(s) by the Company.

Putting enquiries to the Board

To ensure effective communication between the Board and the Shareholders, the Company has adopted a Shareholders' communication policy (the "**Policy**") on 16 March 2012. Under the Policy, the Company's information shall be communicated to the Shareholders mainly through general meetings, including annual general meetings, the Company's financial reports (interim reports and annual reports), and its corporate communications and other corporate publications on the Company's website and the Stock Exchange's website. Shareholders may at any time make a request for the Company's information to the extent that such information is publicly available. Any such questions shall be first directed to the company secretary of the Company at the Company's principal place of business in Hong Kong at Unit No. 2118, 21st Floor, China Merchants Tower, Shun Tak Centre, Nos. 168–200 Connaught Road Central, Hong Kong.

Putting forward proposals at Shareholders' meeting

The number of Shareholders necessary for putting forward a proposal at a Shareholders' meeting shall be any number of Shareholders representing not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings at the date of the request. Any such proposals shall be first directed to the company secretary of the Company at the Company's principal place of business in Hong Kong at Unit No. 2118, 21st Floor, China Merchants Tower, Shun Tak Centre, Nos. 168–200 Connaught Road Central, Hong Kong.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and the Shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website at www.jinbaobao.com.hk.

During the year ended 31 December 2016, there had been no significant change in the Company's constitutional documents.

PERMITTED INDEMNITY

The Company has arranged appropriate insurance covers in respect of any possible legal action against the Directors and officers of the Group and the insurance coverage is reviewed on an annual basis.

EXECUTIVE DIRECTORS

Mr. Ling Zheng (凌正) ("Mr. Ling"), aged 56, is the Chairman and an Executive Director of the Company since 27 September 2016. He is the founder and chief executive officer of Dazhi Investment Group Company Limited* (大志投資集團有限公司) ("**Dazhi**"), which is a comprehensive business group headquartered in the Anhui Province, the PRC ("**Anhui**"), and principally engaged in the businesses of real estate investment and provision of integrated financial services. Dazhi is the vice president unit of Anhui People's Government Decision-making Magazine Council* (人民政府決策雜誌社理事會). Mr. Ling is also the executive vice president of Hefei Investment and Financing Association* (合肥投融資商會) and vice president of Anhui Business Global Council* (徽商全球理事會).

Mr. He Xiaoming (何笑明) ("Mr. He"), aged 43, is the Vice Chairman and an Executive Director of the Company since 5 March 2015. Mr. He has extensive business management and hospitality experience. He is the chairman of Beijing Langyi International Investment Co., Ltd.* (北京朗逸國際投資有限公司), which is principally engaged in development and management of hotels and other real estate assets.

Ms. Ngai Mei (魏薇) ("Ms. Ngai"), aged 34, is an Executive Director of the Company since 28 February 2017. Ms. Ngai is also a director of 4 subsidiaries of the Company. Ms. Ngai graduated from Manchester Metropolitan University, UK and has more than ten years working experience in corporate management and merger and acquisition. She once worked in China Minsheng Banking Corporation Limited ("**CMBC**"), during which time she participated in the CMBC Initial Public Offerings, was responsible for overall planning of overseas investor relations and participated in various large roadshows cooperated closely with investment banks, financial public relation and related professional teams. She also joined the acquisition of Asia Commercial Bank and participated in the license application of CMBC's Hong Kong Branch. Ms. Ngai was also responsible for investor relations and corporate financing of Hong Kong listed companies, leading a number of financing projects.

Ms. Xie Yan (謝雁) ("Ms. Xie"), aged 34, is an Executive Director of the Company since 22 January 2016 and was the Chairperson of the Company during the period from 22 January 2016 to 27 September 2016. Ms. Xie is also a director of 8 subsidiaries of the Company. She holds a bachelor degree in Commerce in Accounting and Business Law from University of Sydney in Australia. She is a member of CPA Australia since 2006. She worked for PricewaterhouseCoopers in both Guangzhou and Australia for four years and she has over 8 years of experience in the field of management, property investment, finance, auditing, accounting and taxation.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Chi Hwa, Joshua (李智華) ("Mr. Lee"), aged 44, is an Independent Non-Executive Director since 5 March 2015, and is the Chairman of the Audit Committee, the Nomination Committee and the Review Committee and a member of the Remuneration Committee of the Company. Mr. Lee is a fellow member of the Association of Chartered Certified Accountants and a member of Hong Kong Institute of Certified Public Accountants. Mr. Lee has extensive experience in the fields of auditing, accounting and finance. Mr. Lee currently serves as an independent non-executive director of China Fortune Investments (Holding) Limited (stock code: 8116), Code Agriculture (Holdings) Limited (stock code: 8153) and Focus Media Network Limited (stock code: 8112), all of which are listed on the Growth Enterprise Market of the Stock Exchange, and Hao Tian Development Group Limited (stock code: 474) and Clear Lift Holdings Limited (stock code: 1341), all of which are listed on the Main Board of the Stock Exchange; and an executive director and company secretary of China Healthcare Enterprise Group Limited (formerly known as Telefield International (Holdings) Limited) (stock code: 1143), which is listed on the Main Board of the Stock Exchange. He was an independent non-executive director of King Stone Energy Group Limited (stock code: 663) from January 2012 to April 2013 and China Minsheng Drawin Technology Group Limited (formerly known as South East Group Limited) (stock code: 726) from December 2013 to February 2015.

Mr. Lam Chi Wai (林智偉) ("Mr. Lam"), aged 39, is an Independent Non-Executive Director since 5 March 2015, and is the Chairman of the Remuneration Committee, and a member of the Audit Committee, the Nomination Committee and the Review Committee of the Company. Mr. Lam holds a Master of Science in Accountancy from the Hong Kong Polytechnic University. Mr. Lam had years of experience in the field of business accounting, auditing and corporate secretarial services. He is a member of Association of Chartered Certified Accountants. Mr. Lam is an independent non-executive director of Ngai Shun Holdings Limited (a company listed on the Stock Exchange with Stock Code: 1246) since 15 July 2015.

Mr. Chan Chun Kau (陳振球) ("Mr. Chan"), aged 42, is an Independent Non-Executive Director since 5 March 2015, and is a member of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Review Committee of the Company. Mr. Chan graduated from Trinity College, Cambridge University of England with a bachelor degree in computer science and laws. He is a solicitor in Hong Kong and is a partner of two law firms in Hong Kong, namely Cheung and Choy, Solicitors and J.S. Gale & Co., and the sole proprietor of Lawrence Chan & Co. His main practice area is commercial, corporate finance and capital markets. Mr. Chan is also the company secretary of China Energy Development Holdings Limited (stock code: 228) and TC Orient Lighting Holdings Limited (stock code: 515), both of which are listed on the Main Board of the Stock Exchange. Between 3 June 2013 and 13 January 2016, Mr. Chan was an independent non-executive director of Universal Technologies Holdings Limited (stock code: 1026), which is listed on the Main Board of the Stock Exchange.

The Directors present the annual report and the audited consolidated financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the Company's subsidiaries as at 31 December 2016 are set out in Note 1 to the audited consolidated financial statements in this annual report.

BUSINESS REVIEW

Details of (i) business review and (ii) future development of the Group's business are set out respectively in the sections headed "Business review" and "Future outlook" under "Letter from the Board" of this annual report from pages 3 to 6.

Principal Risks and Uncertainties

Our Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to our Group's businesses. The followings are the key risks and uncertainties identified by our Group.

Market Risks

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market prices, like foreign exchange rates, interest rates and equity prices. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Business Risk

Performance of our Group's core business will be affected by various factors, including but not limited to the economic conditions of PRC and Hong Kong and the performance of Hong Kong property market, which would not be mitigated even with careful and prudent investment strategy and strict control procedures.

Manpower and Retention Risk

The Group may face the risk of not being able to attract and retain key personnel and talents with appropriate and required skills, experience and competence which would meet the business objectives of the Group. The Group will provide attractive remuneration package to suitable candidates and personnel, but may lead to the increment of labor cost.

Foreign Exchange Rates Risk

As part of the Group's assets and liabilities were denominated in HK$, in view of the potential RMB exchange rate fluctuations, our Group will continue to closely monitor the exposure and take any actions when appropriate.

Liquidity Risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, the Group's management closely monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

The financial risk management policies and practices of the Group are set out in Note 37 to the audited consolidated financial statements.

There may be other risks and uncertainties in addition to those shown below which are not known to our Group or which may not be material now but could turn out to be material in the future.

Environmental Policies and Performance

The Group is committed to the long term sustainability of the environment and communities in which it operates. As a responsible corporation, the Group has complied with all relevant laws and regulations regarding environmental protection, health and safety, workplace conditions and employment and incorporates environmental friendly practices into its daily course of business to achieve efficient use of resources, water and energy saving and waste reduction.

In accordance with Rule 13.91 of the Listing Rules, the Company will publish an Environmental, Social and Governance ("**ESG**") Report within three months after the publication of this annual report in compliance with the provisions set out in the ESG Reporting Guide in Appendix 27 to the Listing Rules.

Compliance with the Relevant Laws and Regulations

The Group recognises the importance of compliance with regulatory requirements and the risk of noncompliance with the applicable rules and regulations. To the best knowledge of the Directors, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the year ended 31 December 2016. There was no material breach of or non-compliance with the applicable laws and regulations by the Group for the year ended 31 December 2016.

Relationship with Suppliers, Customers and other Stakeholders

The Group understands the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and Shareholders. During the year ended 31 December 2016, there were no material and significant dispute between the Group and its key stakeholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2016 and financial position of the Group as at 31 December 2016 are set out in the audited consolidated financial statements on pages 34 to 36 in this annual report.

The Directors do not recommend the payment of any dividends for the year ended 31 December 2016 (2015: Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets, liabilities and equity of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Company, is set out on page 86 of this annual report. This summary does not form part of the audited consolidated financial statements in this annual report.

USE OF PROCEEDS FROM THE PLACING AND PUBLIC OFFER

The Company was successfully listed on the Main Board of the Stock Exchange on 18 November 2011 by way of placing 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 31 December 2016, the Group had used net proceeds of approximately HK$31,993,000, 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$16,493,000 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$12,507,000 as at 31 December 2016.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 14 to the audited consolidated financial statements in this annual report.

RESERVES

Details of the movements of reserves of the Group during the year ended 31 December 2016 are set out in the consolidated statement of changes in equity in page 37.

Movements in the distributable reserves of the Company and the Group during the year ended 31 December 2016 are set out in Note 40 to the audited consolidated financial statements and in the consolidated statement of changes in equity in page 37.

BANK BORROWINGS

Details of bank borrowings of the Group are set out in Note 24 to the audited consolidated financial statements in this annual report.

REMUNERATION POLICY

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

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

Details of the remuneration of Directors and chief executive are set out in Note 9 to the audited consolidated financial statements in this annual report.

RETIREMENT SCHEMES

The Group participates in defined contribution retirement plans which cover the Group's eligible employees in the PRC and a Mandatory Provident Fund Scheme for the employee(s) in Hong Kong. Particulars of these retirement plans are set out in Note 3.4 to the audited consolidated financial statements in this annual report.

SHARE OPTION SCHEME

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

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

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

The total number of securities available for issue under the Scheme as at the date of this annual report was 1,020,000,000 Shares which represented 10% of the issued share capital of the Company as at the date of this annual report. The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

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

During the period between the date of the listing of Shares on the Main Board of the Stock Exchange and 31 December 2016, no option has been granted by the Company under the Scheme.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographies of Directors and senior management of the Company are set out in the section headed "Biographical Details of Directors" in this annual report.

DIRECTORS AND SERVICE CONTRACTS

The Directors during the year and up to the date of this annual report were as follows:

Executive Directors

Mr. Ling Zheng *(Chairman) (appointed on 27 September 2016)*
Mr. He Xiaoming *(Vice Chairman)*
Ms. Ngai Mei *(appointed on 28 February 2017)*
Ms. Xie Yan *(appointed on 22 January 2016)*
Mr. Liu Liangjian *(appointed on 5 March 2015 and resigned on 22 January 2016)*
Mr. Gui Shutao *(appointed on 14 October 2016 and resigned on 17 November 2016)*

Independent Non-Executive Directors

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

As at 31 December 2016, none of the Directors has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

The Directors consider that those related party transactions disclosed in Note 34 to the audited consolidated financial statements fall under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) in Chapter 14A of the Listing Rules but are exempt from any of the reporting, annual review, announcement or independent shareholders' approval requirements under the Listing Rules as they are the service contracts of the Directors.

COMPETING INTERESTS

To the best knowledge of the Directors, none of the Directors and their respective associates (as defined in the Listing Rules) are considered to have any interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as Directors to represent the interests of the Company and/or the Group, during the year.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board confirmed that it has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and based on the confirmations received, the Company considers that the independent non-executive Directors remain to be independent.

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

As at 31 December 2016, the interests and short positions of each 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 to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in the Ordinary Shares of the Company:

Name of Director(s)	Capacity/Nature of Interest	Number of Shares held	Approximate percentage of the Company's total issued share capital
Mr. Ling Zheng	Beneficial owner	930,000,000	9.12%

Save as disclosed above, as at 31 December 2016, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section of "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above, at no time during the year ended 31 December 2016 was the Company, any of its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

So far as is known to the Directors, as at 31 December 2016, 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
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 *(Note)*	Beneficial owner	1,900,000,000	18.63%
Riverwood Asset Management (Cayman) Ltd. *(Note)*	Investment manager	1,900,000,000	18.63%
Atlantis Capital Holdings Limited *(Note)*	Interest of controlled corporation	1,900,000,000	18.63%
Ms. Liu Yang *(Note)*	Interest of controlled corporation	1,900,000,000	18.63%

Note: Riverwood China Growth Fund is an open-ended investment company beneficially owning 1,900,000,000 Shares. Riverwood Asset Management (Cayman) Limited is the discretionary investment manager of Riverwood China Growth Fund, and is directly and wholly-owned by Atlantis Capital Holdings Limited. Ms. Liu Yang beneficially holds the entire issued share capital of Atlantis Capital Holdings Limited, which in turn, beneficially held 1,900,000,000 Shares. For the purposes of the SFO, Ms. Liu Yang is deemed or taken to be interested in all the Shares held by Riverwood China Growth Fund.

Save as disclosed above, as at 31 December 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.

DIRECTORS' INTEREST IN CONTRACTS AND CONNECTED TRANSACTIONS

Save as disclosed in this annual report, none of the Directors had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2016.

KEY CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2016, sales to the Group's five largest customers accounted for approximately 89.5% (2015: approximately 88.6%) of the annual revenue and the sales to the largest customer included therein accounted for approximately 37.3% (2015: approximately 28.6%). For the year ended 31 December 2016, purchases from the Group's five largest suppliers accounted for approximately 81.7% (2015: approximately 58.7%) of the annual purchases and the purchases from the largest supplier included therein accounted for approximately 25.2% (2015: approximately 24.1%).

None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers during the year ended 31 December 2016.

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

For the year ended 31 December 2016, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any listed securities of the Company.

ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

Save as disclosed in this annual report, for the year ended 31 December 2016, there was no material acquisition, disposal or significant investment by the Group.

PRE-EMPTIVE RIGHTS

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float as required under the Listing Rules throughout the year ended 31 December 2016 and as at the date of this annual report.

CORPORATE GOVERNANCE

The Company had adopted the Code Provisions set out in the CG Code in Appendix 14 to the Listing Rules. The Company has complied with the Code Provision of the CG Code for the year ended 31 December 2016, save for the exceptions explained in the Corporate Governance Report in this annual report.

AUDITORS

The Company's financial statements for the years ended 31 December 2011 to 2015 were audited by HLB Hodgson Impey Cheng Limited ("**HLB**").

HLB has resigned as the auditor of the Company with effect from 6 January 2017 as the Company could not reach a consensus with HLB on the audit fee for the financial year ended 31 December 2016 and Zenith CPA Limited has been appointed by the Directors as the new auditor of the Company with effect from 6 January 2017 to fill the casual vacancy following the resignation of HLB.

The Company's financial statements for the year ended 31 December 2016 were audited by Zenith CPA Limited.

A resolution for reappointment of Zenith CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Ling Zheng
Chairman and Executive Director

Hong Kong, 23 March 2017

ZENITH 誠豐
ASSURANCE | TRANSACTIONS | ADVISORY

TO THE SHAREHOLDERS OF JIN BAO BAO HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Jin Bao Bao Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 34 to 85, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirement of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

TO THE SHAREHOLDERS OF JIN BAO BAO HOLDINGS LIMITED *(continued)*

(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS *(continued)*

Key audit matters	**How our audit addressed the key audit matter**
Impairment assessments for goodwill	
The carrying amount of goodwill at 31 December 2016 was RMB206,565,000. Management determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Relevant disclosures are included in notes 4 and 17 to the financial statements for the year ended 31 December 2016.	Management prepared discounted cash flow models to assist with the impairment assessment. We involved evaluating the discounted cash flow models, and assumption and parameters used by management and the Group, giving particular attention to the forecasted revenue, cost and results. Our procedures included testing the assumptions used in the cash flow forecast, obtaining corroborative evidence to support the growth rate by comparing it to historic inflation rates, and assessing the reasonableness of the discount rates applied by comparing it to the current market condition for the cash generating unit. We also carried out audit procedures on management's sensitivity calculations and then assessed the disclosures on the impairment testing, specifically the key assumptions that had the most significant effect on the determination of the recoverable amount of the goodwill, such as the discount rate and growth rate.
Going concern assessment	
As disclosed in note 2 to the consolidated financial statements, notwithstanding that the Group has net current liabilities of RMB67,507,000 as at 31 December 2016, this condition indicated a condition that may cast significant doubt on the Group's ability to continue as a going concern. In preparation of the Group's consolidated financial statements, management had made an assessment on its working capital sufficiency and, with the support of a cash flow forecast for the 15 months ending 31 March 2018, has concluded that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for at least next twelve months from the end of the reporting period. Accordingly, the consolidated financial statements have been prepared on the going concern basis. The going concern assessment was based on cash flow forecast that required significant judgement and assumptions about inherently uncertain future outcomes of events and conditions.	Our procedures in relation to the management's assessment of going concern included assessing the appropriateness of the key assumptions adopted by the management in preparation of the cash flow forecasts, reasonableness of key assumptions used based on our knowledge of the business, industry and historical data. We reconciling input data to supporting evidence, such as loan repayment schedules, availability of credit facility letters and agreements, drafted consultancy services contracts for the Group's financial support. We also considered the impact of reasonably possible downside effects in the assumptions underlying the cash flow forecasts and assessed the possible mitigating actions identified by management.

TO THE SHAREHOLDERS OF JIN BAO BAO HOLDINGS LIMITED *(continued)*

(Incorporated in the Cayman Islands with limited liability)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

TO THE SHAREHOLDERS OF JIN BAO BAO HOLDINGS LIMITED *(continued)*

(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

TO THE SHAREHOLDERS OF JIN BAO BAO HOLDINGS LIMITED *(continued)*

(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheng Po Yuen.

Zenith CPA Limited
Certified Public Accountants
Cheng Po Yuen
Practising Certificate Number: P04887
Hong Kong
23 March 2017

Consolidated Statement of Profit or Loss

Year ended 31 December 2016

	Notes	**2016** **RMB'000**	2015 RMB'000 (Re-presented)
REVENUE	6	**375,737**	189,048
Cost of sales		**(264,710)**	(148,607)
Gross profit		**111,027**	40,441
Other income and gains	6	**3,177**	950
Selling and distribution expenses		**(16,579)**	(12,414)
Administrative expenses		**(19,591)**	(12,921)
Other expenses		**(5,147)**	(1,527)
Finance costs	7	**(19,900)**	(12,240)
PROFIT BEFORE TAX	8	**52,987**	2,289
Income tax expense	11	**(37,232)**	(4,852)
PROFIT/(LOSS) FOR THE YEAR AND ATTRIBUTABLE TO OWNERS OF THE PARENT		**15,755**	(2,563)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For profit/(loss) for the year	13	**RMB0.16 cents**	RMB(0.03) cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
PROFIT/(LOSS) FOR THE YEAR	**15,755**	(2,563)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(2,926)**	111
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(2,926)**	111
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR AND ATTRIBUTABLE TO OWNERS OF THE PARENT	**12,829**	(2,452)

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000 (Re-presented)
NON-CURRENT ASSETS			
Property, plant and equipment	14	**65,585**	51,567
Investment property	15	**40,308**	—
Prepaid land lease payments	16	**2,528**	2,599
Goodwill	17	**206,565**	—
Deferred tax assets	26	**26**	340
Total non-current assets		**315,012**	54,506
CURRENT ASSETS			
Inventories	18	**14,294**	7,934
Prepaid land lease payments	16	**71**	71
Trade and notes receivables	19	**142,511**	99,881
Prepayments, deposits and other receivables	20	**5,644**	175,064
Cash and bank balances	21	**162,533**	65,667
Total current assets		**325,053**	348,617
CURRENT LIABILITIES			
Trade payables	22	**109,463**	18,727
Other payables and accruals	23	**45,714**	4,370
Interest-bearing bank and other borrowings	24	**233,891**	500
Due to the ultimate holding company	25	**—**	1,916
Tax payable		**3,492**	898
Total current liabilities		**392,560**	26,411
NET CURRENT (LIABILITIES)/ASSETS		**(67,507)**	322,206
TOTAL ASSETS LESS CURRENT LIABILITIES		**247,505**	376,712
NON-CURRENT LIABILITIES			
Other payables	23	**—**	12,566
Interest-bearing bank and other borrowings	24	**—**	167,546
Deferred tax liabilities	26	**2,185**	856
Total non-current liabilities		**2,185**	180,968
Net assets		**245,320**	195,744
EQUITY			
Equity attributable to owners of the parent			
Share capital	27	**8,126**	7,958
Reserves	29	**237,194**	187,786
Total equity		**245,320**	195,744

Mr. Ling Zheng
Director

Mr. He Xiaoming
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

	Share capital RMB'000 *(note 27)*	Share premium account RMB'000	Special reserve RMB'000 *(note 29(c))*	Exchange fluctuation reserve RMB'000	PRC capital reserve RMB'000 *(note 29(a))*	PRC statutory reserves RMB'000 *(note 29(b))*	Shareholders' contributions RMB'000 *(note 29(d))*	Retained profits RMB'000	Total equity RMB'000
At 1 January 2015	1,632	102,490	(27,434)	(1,362)	(8)	30,222	10,296	82,360	198,196
Loss for the year	–	–	–	–	–	–	–	(2,563)	(2,563)
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	–	–	–	111	–	–	–	–	111
Total comprehensive income/(loss) for the year	–	–	–	111	–	–	–	(2,563)	(2,452)
Issue of bonus shares	6,326	–	–	–	–	–	–	(6,326)	–
At 31 December 2015 and 1 January 2016	7,958	102,490	(27,434)	(1,251)	(8)	30,222	10,296	73,471	195,744
Profit for the year	–	–	–	–	–	–	–	15,755	15,755
Other comprehensive loss for the year:									
Exchange differences on translation of foreign operations	–	–	–	(2,926)	–	–	–	–	(2,926)
Total comprehensive (loss)/income for the year	–	–	–	(2,926)	–	–	–	15,755	12,829
Issue of shares	168	36,579	–	–	–	–	–	–	36,747
Transfer from retained profits	–	–	–	–	–	1,682	–	(1,682)	–
At 31 December 2016	**8,126**	**139,069***	**(27,434)***	**(4,177)***	**(8)***	**31,904***	**10,296***	**87,544***	**245,320**

* These reserve accounts comprise the consolidated reserves of RMB237,194,000 (2015: RMB187,786,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000 (Re-presented)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**52,987**	2,289
Adjustments for:			
Finance costs	7	**19,900**	12,240
Interest income	6	**(429)**	(482)
Loss on disposal of items of property, plant and equipment	8	**4,492**	638
Depreciation	8	**8,890**	8,838
Amortisation of prepaid land lease payments	8	**71**	71
Changes in fair value of investment property	6	**(1,266)**	—
		84,645	23,594
(Increase)/decrease in inventories		**(6,360)**	2,290
(Increase)/decrease in trade receivables		**(42,084)**	31,621
Decrease/(increase) in prepayments, deposits and other receivables		**2,197**	(5,455)
Increase/(decrease) in trade payables		**90,736**	(9,456)
Increase in other payables and accruals		**8,229**	774
Cash generated from operations		**137,363**	43,368
Interest received		**429**	482
Interest paid		**(219)**	(56)
People's Republic of China ("**PRC**") income tax paid		**(3,572)**	—
Withholding tax paid		**(31,215)**	(5,824)
Net cash flows from operating activities		**102,786**	37,970
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(27,574)**	(10,317)
Refundable earnest money refunded/(paid)		**167,546**	(160,927)
Proceeds from disposal of items of property, plant and equipment		**174**	100
Acquisition of subsidiaries	30	**(205,481)**	—
Net cash flows used in investing activities		**(65,335)**	(171,144)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other loans		**56,244**	161,427
Repayment of bank loans		**(2,000)**	(2,000)
(Decrease)/increase in amount due to the ultimate holding company		**(1,916)**	1,916
Interest paid		**(32)**	(115)
Net cash flows from financing activities		**52,296**	161,228
NET INCREASE IN CASH AND CASH EQUIVALENTS		**89,747**	28,054
Cash and bank balances at beginning of year		**65,667**	37,006
Effect of foreign exchange rate changes, net		**7,119**	607
CASH AND CASH EQUIVALENT AT END OF YEAR		**162,533**	65,667
ANALYSIS OF BALANCE OF CASH EQUIVALENTS			
Cash and bank balances	21	**162,533**	65,667

1. CORPORATE AND GROUP INFORMATION

Jin Bao Bao Holdings Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The registered office of the Company is located at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company is located at Unit 2118, 21/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.

During the year, the Group was involved in the following principal activities:

- design, manufacture and sale of packaging products and structural components
- provision for corporate secretarial and consultancy services
- property investment

With effect from 19 January 2016, Trend Rich Enterprise Limited, a company incorporated in the British Virgin Islands ("**BVI**"), ceased to be the holding company and ultimate holding company of the Company.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Champion Ace Limited[1, 2, 4]	BVI	US$1	100	—	Investment holding
Legendary Finance Limited[4]	Hong Kong	HK$1	—	100	Investment holding
Peace Bright Investment Trading Limited[2]	BVI/Hong Kong	US$2	100	—	Investment holding
Cheng Hao International Limited[2]	BVI	US$2	—	100	Investment holding
Metro Master Limited[2]	Hong Kong	HK$1	—	100	Investment holding
Chuzhou Chuangce Packaging Materials Company Limited[#] ("**滁州創策包裝材料有限公司**")[2, 3]	PRC	RMB25,000,000	—	100	Design, manufacture and sale of packaging products and structural components
Chongqing Guangjing Packaging Materials Co. Ltd[#] ("**重慶光景包裝製品有限公司**")[2, 3]	PRC	US$3,300,000	—	100	Design, manufacture and sale of packaging products and structural components
Sichuan Jinghong Packaging Co. Ltd[#] ("**四川景虹包裝製品有限公司**")[2, 3]	PRC	RMB40,880,000	—	100	Design, manufacture and sale of packaging products and structural components
Sichuan Hejing Packing Materials Co. Ltd[#] ("**四川和景包裝製品有限公司**")[2, 3]	PRC	RMB33,000,000	—	100	Design, manufacture and sale of packaging products and structural components

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ registration	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Focus Profit Limited[1, 4]	Hong Kong	HK$1	100	—	Investment holding
Focus Profit Corporate Management Consulting (Shenzhen) Co. Ltd[#] (“**澤中企業管理諮詢(深圳)有限公司**”)[2, 3, 4]	PRC	RMB10,000,000	—	100	Provision for consultancy services
Gorgeous Assets Limited[1, 2]	BVI	US$100	100	—	Property investment
Treasure Found Investments Limited[1, 2]	BVI	US$1	100	—	Investment holding
PV Holdings Limited[1, 2]	BVI	US$1	—	100	Provision for consultancy services
PV Advisory Services Limited[1]	Hong Kong	HK$1	—	100	Provision for corporate secretarial and consultancy services

[#] The English names of the Chinese entities are translation of their Chinese names and are included herein for identification purpose only.
[1] Acquired during the year
[2] Not audited by Zenith CPA Limited
[3] Registered as wholly-foreign-owned enterprises under PRC law
[4] Incorporated during the year

2. BASIS OF PRESENTATION

In the preparation of these financial statements for the year ended 31 December 2016, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the Group has interest-bearing bank and other borrowings of RMB233,891,000 and capital commitment of RMB3,070,000 as at 31 December 2016. Based on the cash flow projections prepared by the management of the Company with reference to the current business and financing plans of the Group, the directors of the Company consider the Group will be able to finance its future working capital and fulfill its financial obligations as and when they fall due in the foreseeable future.

Accordingly, the consolidated financial statements have been prepared on the going concern basis.

3.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment property which has been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary and (ii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
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 HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs

Other than as explained below, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;
(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) The HKAS 27 (2011) Amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying HKFRSs and electing to change to the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements are required to apply the change retrospectively. The amendments are not applicable to the Group's consolidated financial statements.

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(d) *Annual Improvements to HKFRSs 2012–2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

- HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

- HKFRS 7 *Financial Instruments: Disclosures*: Clarifies that the disclosures in respect of the offsetting of financial assets and financial liabilities in HKFRS 7 are not required in the condensed interim financial statements, except where the disclosures provide a significant update to the information reported in the most recent annual report, in which case the disclosures should be included in the condensed interim financial statements. The amendments are not applicable to the Group's annual consolidated financial statements.

- HKFRS 7 *Financial Instruments: Disclosures*: Clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the HKFRS 7 disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments. The amendments have had no impact on the Group as the Group does not have any servicing contracts.

- HKAS 19 *Employee Benefits*: Clarifies that market depth of high quality corporate bonds used for discounting the post-employment benefit obligation for defined benefit plans is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendment has had no impact on the Group as the Group does not have any defined benefit plans.

- HKAS 34 *Interim Financial Reporting*: Clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report. The amendment also specifies that the information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. The amendment is not applicable to the Group's annual consolidated financial statements.

3.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

3.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implement issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int *27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement

The Group measures its investment property at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets *(continued)*

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

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

Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and plant and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment property

Investment property is interest in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. A property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the end of the reporting period.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment property *(continued)*

Gains or losses arising from changes in the fair values of investment property are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in other expenses in the statement of profit or loss.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on weighted average method. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of consultancy services, is recognised when the services are rendered; and

(c) interest income, is recognised using the effective interest rate method.

Share-based payment arrangements

Equity-settled share-based payments to employees and other providing similar services are measured at the fair value of the equity instruments at the grant date.

At the end of the reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity-settled employee benefits reserve.

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

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred.

Foreign currencies

The Company's functional currency is the Hong Kong dollar while the presentation currency of these financial statements is RMB. In the opinion of the directors, as the Group's operations are mainly in the PRC, the use of RMB as the presentation currency is more appropriate for the presentation of the Group's results and financial position. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using the functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The major judgements, estimates and assumptions that have the most significant effect on the amount recognised in the financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Withholding taxes arising from the distributions of dividends

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated. Estimating the recoverability amount requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2016 was RMB206,565,000. Further details are set out in note 17 to the financial statements.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and variable selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. The directors assess the estimations at the end of each reporting period.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Impairment of trade and other receivables

The Group makes impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of the customers and other debtors and the current market condition. The directors reassess the impairment at the end of each reporting period.

Depreciation of property, plant and equipment

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

5. OPERATING SEGMENT INFORMATION

For management purpose, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the sales of packaging products and structural components segment;
(b) the corporate secretarial and consultancy services segment; and
(c) the property investment segment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, deferred tax liabilities, tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

5. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2016	Sales of packaging products and structural components RMB'000	Corporate secretarial and consultancy services RMB'000	Property investment RMB'000	Total RMB'000
Segment revenue:				
Revenue from external customers	230,288	145,449	—	375,737
Segment results	12,737	65,033	1,238	79,008
Reconciliation:				
Interest income				429
Finance costs				(19,900)
Corporate and other unallocated expenses				(6,550)
Profit before tax				52,987
Other segment information:				
Depreciation	8,890	—	—	8,890
Write-back of inventories to net realisable value, net	(531)	—	—	(531)
Fair value gains on investment property	—	—	1,266	1,266
Amortisation of prepaid land lease payments	71	—	—	71
Loss on disposal of items of property, plant and equipment	4,492	—	—	4,492
Capital expenditure*	27,574	—	36,737	64,311

* Capital expenditure consists of additions to property, plant and equipment and investment property including assets from acquisition of subsidiaries.

5. OPERATING SEGMENT INFORMATION *(continued)*

31 December 2016	Sales of packaging products and structural components RMB'000	Corporate secretarial and consultancy services RMB'000	Property investment RMB'000	Total RMB'000
Segment assets	259,538	337,462	40,320	637,320
Reconciliation:				
Deferred tax assets				26
Corporate and other unallocated assets				2,719
Total assets				640,065
Segment liabilities	37,721	80,798	—	118,519
Reconciliation:				
Interest-bearing bank and other borrowings				233,891
Tax payable				3,492
Deferred tax liabilities				2,185
Corporate and other unallocated liabilities				36,658
Total liabilities				394,745

No operating segment was presented during the year ended 31 December 2015 as the Group basically operated in one single segment, ie., the sales of packaging products and structural components segment.

Geographical information

(a) Revenue from external customers

	2016 RMB'000	2015 RMB'000
Hong Kong	5,425	—
Mainland China	230,288	189,048
South Korea	140,024	—
	375,737	189,048

The revenue information is based on the locations of the customers.

5. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information *(continued)*

(b) Non-current assets

	2016 RMB'000	2015 RMB'000
Hong Kong	246,873	3
Mainland China	68,113	54,163
	314,986	54,166

The non-current asset information is based on the locations of the assets and excludes deferred tax assets.

Information about major customers

Revenue of RMB175,774,000 (2015: RMB139,422,000) was derived from sales of packaging products and structural components segment to three customers, while the revenue of RMB140,024,000 was derived from a new segment of corporate secretarial and consultancy services to a single customer during the year. A summary of revenue earned from each of these major customers is set out below:

	2016 RMB'000	2015 RMB'000
Customer A	140,024	N/A
Customer B	66,234	49,170
Customer C	64,542	54,141
Customer D	44,998	36,111
	315,798	139,422

6. REVENUE AND OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; and the value of consultancy services rendered, received and receivable during the year.

An analysis of revenue and other income and gains is as follows:

	2016 RMB'000	2015 RMB'000
Revenue		
Sales of packaging products and structural components	230,288	189,048
Corporate secretarial and consultancy services	145,449	—
	375,737	189,048
Other income and gains		
Bank interest income	429	482
Foreign exchange differences, net	748	—
Fair value gains on investment property *(note 15)*	1,266	—
Government grant	527	—
Others	207	468
	3,177	950

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2016 RMB'000	2015 RMB'000
Interest on bank loans	**32**	115
Interest on other loans	**19,649**	12,069
Finance costs arising on early redemption of note receivables	**219**	56
	19,900	12,240

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2016 RMB'000	2015 RMB'000
Cost of inventories sold		**124,714**	92,542
Cost of services provided		**80,319**	—
Depreciation	*14*	**8,890**	8,838
Minimum lease payments under operating leases		**1,128**	1,945
Amortisation of prepaid land lease payments#	*16*	**71**	71
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 9)*):			
— Wages and salaries		**36,986**	28,280
— Pension scheme contributions		**3,267**	4,856
		40,253	33,136
Auditors' remuneration		**980**	388
Foreign exchange differences, net		**(748)**	760
(Write-back)/write-down of inventories to net realisable value, net##		**(531)**	47
Loss on disposal of items of property, plant and equipment*		**4,492**	638

Item is included in "Administrative expenses" in the consolidated statement of profit or loss.

Item is included in "Cost of sales" in the consolidated statement of profit or loss.

* Item is included in "Other expenses" in the consolidated statement of profit or loss.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of directors) Regulation, is as follows:

	Fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2016				
Executive directors				
Mr. He Xiaoming	**283**	**–**	**–**	**283**
Mr. Liu Liangjian *(note (v))*	**19**	**–**	**–**	**19**
Ms. Xie Yan *(note (xii))*	**388**	**–**	**–**	**388**
Mr. Ling Zheng *(note (xiii))*	**–**	**–**	**–**	**–**
Mr. Gui Shutao *(note (xiv))*	**–**	**–**	**–**	**–**
Independent non-executive directors				
Mr. Chan Chun Kau	**102**	**–**	**–**	**102**
Mr. Lam Chi Wai	**102**	**–**	**–**	**102**
Mr. Lee Chi Hwa, Joshua	**102**	**–**	**–**	**102**
	996	**–**	**–**	**996**
2015				
Executive directors				
Mr. He Xiaoming *(note (iv))*	–	–	–	–
Mr. Liu Liangjian *(note (v))*	–	239	–	239
Mr. Zuo Ji Lin *(note (ix))*	–	50	2	52
Ms. Chen Fen *(note (x))*	–	31	2	33
Mr. Chao Pang Ieng *(note (xi))*	–	31	2	33
Independent non-executive directors				
Mr. Chan Chun Kau *(note (i))*	79	–	–	79
Mr. Lam Chi Wai *(note (ii))*	79	–	–	79
Ms. Lee Chi Hwa, Joshua *(note (iii))*	79	–	–	79
Mr. Wu Hao Tian *(note (vi))*	11	–	–	11
Mr. Yu Xi Chun *(note (vii))*	11	–	–	11
Mr. Chan Chun Chi *(note (viii))*	17	–	–	17
	276	351	6	633

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

Notes:

(i) Mr. Chan Chun Kau was appointed as an independent non-executive director of the Company on 5 March 2015.

(ii) Mr. Lam Chi Wai was appointed as an independent non-executive director of the Company on 5 March 2015.

(iii) Mr. Lee Chi Hwa, Joshua was appointed as an independent non-executive director of the Company on 5 March 2015.

(iv) Mr. He Xiaoming was appointed as an executive director of the Company on 5 March 2015.

(v) Mr. Liu Liangjian was appointed as an executive director of the Company on 5 March 2015 and resigned his position as an executive director of the Company on 22 January 2016.

(vi) Mr. Wu Hao Tian resigned his position as an independent non-executive director of the Company on 5 March 2015.

(vii) Mr. Yu Xi Chun resigned his position as an independent non-executive director of the Company on 5 March 2015.

(viii) Mr. Chan Chun Chi resigned his position as an independent non-executive director of the Company on 5 March 2015.

(ix) Mr. Zuo Ji Lin resigned his position as an executive director of the Company on 5 March 2015.

(x) Ms. Chen Fen resigned her position as an executive director of the Company on 5 March 2015.

(xi) Mr. Chao Pang Ieng resigned his position as an executive director of the Company on 5 March 2015.

(xii) Ms. Xie Yan was appointed as an executive director of the Company on 22 January 2016.

(xiii) Mr. Ling Zheng was appointed as an executive director of the Company on 27 September 2016.

(xiv) Mr. Gui Shutao was appointed as an executive director of the Company on 14 October 2016 and resigned on 17 November 2016.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2015: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

None of the five highest paid employees during the year was directors and chief executive (2015: one director, and details of whose remuneration are set out in note 9 above). Details of the remuneration for the year of the five (2015: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2016	2015
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,854**	510
Pension scheme contributions	**51**	33
	1,905	543

10. FIVE HIGHEST PAID EMPLOYEES *(continued)*

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2016	2015
Nil to RMB1,000,000	**5**	4

11. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the years ended 31 December 2016 and 2015. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

The PRC Enterprise Income Tax ("**EIT**") in respect of operations in the PRC has been calculated at the applicable tax rate of 25% (2015: 25%) on the estimated assessable profits for the years ended 31 December 2016 and 2015, or otherwise, 15% (2015: 15%) on the profits of the Group's entities operated in the PRC that were assessed as Encourage Industries in Western Regions Enterprise ("西部地區鼓勵類企業").

Withholding tax represented withholding tax paid in respect of the Group's income from the provision of consultancy services to a customer who located outside Hong Kong.

	2016	2015
	RMB'000	RMB'000
Current — Hong Kong		
Charge for the year	**971**	—
Current — PRC		
Charge for the year	**3,199**	4,199
Underprovision in prior years	**204**	26
	3,403	4,225
Withholding tax	**31,215**	—
Deferred *(note 26)*	**1,643**	627
Total tax charge for the year	**37,232**	4,852

11. INCOME TAX EXPENSE *(continued)*

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

	2016 RMB'000	2015 RMB'000
Profit before tax	**52,987**	2,289
Tax at domestic tax rates applicable to profits of taxable entities in the countries concerned	**(759)**	1,348
Income not subject to tax	**(97)**	(309)
Expenses not deductible for tax	**5,204**	3,303
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**1,329**	484
Effect of withholding tax at 22% on the Group's income from the provision of consultancy services	**31,215**	—
Underprovision in prior years	**204**	26
Tax losses not recognised	**136**	—
Tax charges at the Group's effective rate of 70.3% (2015: 212%)	**37,232**	4,852

12. DIVIDENDS

The directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings/(loss) per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent of RMB15,755,000 (2015: loss of RMB2,563,000) and the weighted average number of 10,123,497,268 ordinary shares (2015: 10,000,000,000 ordinary shares) in issue during the year.

The diluted earnings/(loss) per share amounts is equal to the basic earnings/(loss) per share as there were no dilutive potential ordinary shares in issue during the years ended 31 December 2016 and 2015.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Moulds RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2016								
At 31 December 2015 and at 1 January 2016:								
Cost	25,497	276	67,785	648	2,950	27,990	1,120	126,266
Accumulated depreciation	(11,198)	(276)	(44,460)	(508)	(1,948)	(16,309)	–	(74,699)
Net carrying amount	14,299	–	23,325	140	1,002	11,681	1,120	51,567
At 1 January 2016, net of accumulated depreciation	14,299	–	23,325	140	1,002	11,681	1,120	51,567
Additions	169	–	1,337	25	1,506	5,099	19,438	27,574
Depreciation provided during the year *(note 8)*	(1,247)	–	(2,754)	(45)	(363)	(4,481)	–	(8,890)
Transfers	–	–	6,281	–	–	–	(6,281)	–
Disposals	–	–	(3,000)	(12)	(12)	(1,642)	–	(4,666)
At 31 December 2016, net of accumulated depreciation	13,221	–	25,189	108	2,133	10,657	14,277	65,585
At 31 December 2016:								
Cost	25,666	295	59,357	556	4,344	28,131	14,277	132,626
Accumulated depreciation	(12,445)	(295)	(34,168)	(448)	(2,211)	(17,474)	–	(67,041)
Net carrying amount	13,221	–	25,189	108	2,133	10,657	14,277	65,585
31 December 2015								
At 1 January 2015:								
Cost	23,421	261	64,947	661	3,101	23,663	4,321	120,375
Accumulated depreciation	(10,022)	(261)	(44,174)	(473)	(1,591)	(13,029)	–	(69,550)
Net carrying amount	13,399	–	20,773	188	1,510	10,634	4,321	50,825
At 1 January 2015, net of accumulated depreciation	13,399	–	20,773	188	1,510	10,634	4,321	50,825
Additions	–	–	520	11	3	6,115	3,668	10,317
Depreciation provided during the year *(note 8)*	(1,176)	–	(2,511)	(57)	(493)	(4,601)	–	(8,838)
Transfers	2,076	–	4,793	–	–	–	(6,869)	–
Disposals	–	–	(250)	(3)	(18)	(467)	–	(738)
Exchange realignment	–	–	–	1	–	–	–	1
At 31 December 2015, net of accumulated depreciation	14,299	–	23,325	140	1,002	11,681	1,120	51,567
At 31 December 2015:								
Cost	25,497	276	67,785	648	2,950	27,990	1,120	126,266
Accumulated depreciation	(11,198)	(276)	(44,460)	(508)	(1,948)	(16,309)	–	(74,699)
Net carrying amount	14,299	–	23,325	140	1,002	11,681	1,120	51,567

At 31 December 2016, the Group's buildings with a net carrying amount of RMB2,193,000 (2015: RMB2,320,000) were pledged to secure general banking facilities granted to the Group (note 24).

15. INVESTMENT PROPERTY

	2016 RMB'000
Addition (from acquisition) *(note 31)*	**36,735**
Net gain from a fair value adjustment *(note 6)*	**1,266**
Exchange realignment	**2,307**
Carrying amount at 31 December	**40,308**

The Group's investment property is a residential apartment in Hong Kong. The directors of the Company have determined that the class of its investment property's asset is residential property, based on the nature, characteristics and risks of the property.

The Group's investment property was revalued on 31 December 2016 based on valuations performed by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at HK$45,000,000 (equivalent to RMB40,308,000). During the year, the Group's management has decided to appoint which external valuer to be responsible for the external valuation of the Group's property. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuer on the valuation assumptions and valuation when the valuation is performed for financial reporting.

Particulars of the Group's investment property are as follows:

Location	Use	Tenure	Attributable Interest of the Group
Tower 1, One Silversea 18 Hoi Fai Road Tai Kok Tsui, Kowloon Hong Kong	Residential	Medium term lease	100%

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment property:

	Fair value measurement as at 31 December 2016			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Residential property	**—**	**—**	**40,308**	**40,308**

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

15. INVESTMENT PROPERTY *(continued)*

Fair value hierarchy *(continued)*

The fair value of the investment property was determined using the comparison approach based on market comparables of similar properties and with adjustments made on factors such as location, size, age, condition and aspects of the properties.

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment property:

Investment property held by the Group	Valuation techniques	Significant unobservable inputs	Range or weighted average 2016
Residential unit in Tower 1, One Silversea 18 Hoi Fai Road Tai Kok Tsui, Kowloon Hong Kong	Sales comparison method	Estimated sales value (per sq.ft.) (RMB)	**23,130 to 24,039**

The sales comparison method is adopted by making reference to comparable market transactions in the assessment of the fair value of a property interest. The approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors, including the transaction date, level of floor, environmental atmosphere, size of apartment and etc.

16. PREPAID LAND LEASE PAYMENTS

	2016 RMB'000	2015 RMB'000
Carrying amount at 1 January	**2,670**	2,741
Recognised during the year *(note 8)*	**(71)**	(71)
Carrying amount at 31 December	**2,599**	2,670
Current portion included in prepayments, deposits and other receivables	**(71)**	(71)
Non-current portion	**2,528**	2,599

At 31 December 2016, the Group's prepaid land lease payments with net carrying amount of RMB1,195,000 (2015: RMB1,229,000) were pledged to secure general banking facilities granted to the Group (note 24).

17. GOODWILL

	2016 RMB'000
Acquisition of a subsidiary *(note 30)*	**206,565**
Impairment during the year	**–**
Cost and net carrying amount at 31 December	**206,565**

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the Consultancy cash generating unit (the "**Consultancy CGU**") for impairment testing.

The recoverable amount of the Consultancy CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projection is 23.32%. The growth rate used to extrapolate the cash flows of the Consultancy CGU beyond the five-year period is 4.75%, which was the same as the long term average gross domestic products growth rate in Hong Kong from 1980 to 2016.

Assumptions were used in the value-in-use calculation of the Consultancy CGU for 31 December 2016. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

The average gross margins of 50% and average revenue growth rate of 3% to reflect the deterioration of the Consultancy CGU with reference to the performance in the past year and the management's estimates. Used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

The discount rate of 23.32% is used with reference to the current market data for the relevant industry and comparable companies.

The terminal growth rate of 4.75% is used with reference to the Hong Kong's average inflation rate in the past 37 years.

The values assigned to the key assumptions on the budgeted gross margins, and discount rates are consistent with external information sources.

18. INVENTORIES

	2016 RMB'000	2015 RMB'000
Raw materials	**6,367**	1,487
Work in progress	**145**	223
Finished goods	**5,646**	4,271
Packaging materials and consumables	**2,136**	1,953
	14,294	7,934

19. TRADE AND NOTES RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables		
— from sales of packaging products and structural components	**96,122**	68,067
— from rendering of corporate secretarial and consultancy services	**231**	—
Notes receivables	**46,158**	31,814
	142,511	99,881

The Group's trading terms with its customers are mainly on credit, or otherwise sales on cash terms are required. The credit period is generally one month, extending to 6 months for major customers. Notes receivables are received from customers under the ordinary course of business. All of them are bank acceptance bills with maturity period within six months.

Before accepting any new customers, the Group assesses the potential customers' credit quality and defines credit limits by customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2016 RMB'000	2015 RMB'000
Within 3 months	**91,940**	55,964
Over 3 to 6 months	**3,349**	11,834
Over 6 to 12 months	**918**	269
Over 12 months	**146**	—
	96,353	68,067

19. TRADE AND NOTES RECEIVABLES *(continued)*

The aged analysis of the trade receivables that are not individually or collectively considered to be impaired is as follow:

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	**95,087**	67,798
Less than 3 months past due	**148**	—
Over 3 to 6 months past due	**972**	269
Over 6 to 12 months past due	**146**	—
	96,353	68,067

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Prepayments	**4,513**	6,314
Deposits	**398**	1,098
Other receivables	**733**	106
Refundable earnest money paid *(note)*	**—**	167,546
	5,644	175,064

Note: At 31 March 2015, the Group entered into the memorandum of understanding (the "**MOU**") with Wise Up Holdings Limited and Green Kingdom Group Limited (collectively, the "**Vendors**") in relation to a possible acquisition of 100% of the issued share capital of Golden Phone Investments Limited (the "**Target Company**"). The refundable earnest money of HK$200,000,000 (equivalent to RMB167,546,000) was paid to the Vendors in cash upon signing of the MOU. The refundable earnest money was secured by a share mortgage over the entire issued share capital of the Target Company. During the year, the refundable earnest money was fully refunded.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

21. CASH AND BANK BALANCES

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB29,527,000 (2015: RMB64,001,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through bank authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rate based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

22. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2016 **RMB'000**	2015 RMB'000
Within 3 months	**103,146**	17,171
Over 3 to 6 months	**3,153**	407
Over 6 to 12 months	**2,863**	125
Over 12 months	**301**	1,024
	109,463	18,727

The trade payables are non-interest bearing and are normally settled on 30 days to 90 days terms.

23. OTHER PAYABLES AND ACCRUALS

	2016 **RMB'000**	2015 RMB'000
Receipt in advance	**263**	34
Accruals	**4,124**	1,321
Interest payables	**34,002**	12,566
Other payables	**7,325**	3,015
	45,714	16,936
Interest payables under non-current liabilities portion	**–**	(12,566)
Current liabilities portion	**45,714**	4,370

Other payables are non-interest bearing and have an average term of three months.

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2016			2015		
	Contractual interest rate (%)	**Maturity**	**RMB'000**	Contractual interest rate (%)	Maturity	RMB'000
Current						
Bank loan — secured *(note (a))*	**5.48**	**On demand**	**1,000**	5.62	On demand	500
Other borrowings:						
— unsecured	**24**	**2017**	**53,744**			—
— secured *(note (b))*	**10**	**2017**	**179,147**			—
			233,891			500
Non-current						
Other borrowing:						
— secured *(note (b))*	**—**	**—**	**—**	10	2017	167,546
			233,891			168,046

Notes:

(a) The Group's bank loan is secured by the Group's buildings and prepaid land lease payments, which had an aggregate carrying value at the end of the reporting period of RMB3,388,000 (2015: RMB3,549,000).

(b) Other loan was secured by share charge over the entire share capital of a wholly-owned subsidiary of the Company.

(c) Except for the secured bank loan which is denominated in RMB, all other borrowings are in Hong Kong dollar.

25. AMOUNT DUE TO THE ULTIMATE HOLDING COMPANY

As at 31 December 2015, the amount due to the ultimate holding company was interest-free, unsecured and had no fixed terms of repayment.

26. DEFERRED TAXATION

The movements in deferred tax assets/(liabilities) during the year are as follows:

	Write-down of inventories RMB'000	Provision for unrealised profits RMB'000	Withholding tax RMB'000	Total RMB'000
At 1 January 2015	148	335	(372)	111
Deferred tax credit/(charged) to the statement of profit or loss during the year *(note 11)*	11	(154)	(484)	(627)
At 31 December 2015 and 1 January 2016	159	181	(856)	(516)
Deferred tax charged to the statement of profit or loss during the year *(note 11)*	(133)	(181)	(1,329)	(1,643)
At 31 December 2016	**26**	**–**	**(2,185)**	**(2,159)**

	2016 RMB'000	2015 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**26**	340
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(2,185)**	(856)
	(2,159)	(516)

Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries in Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

27. SHARE CAPITAL

	Number of share '000	Share capital HK$'000
Authorised		
Ordinary share of HK$0.001 each at 31 December 2015, 1 January 2016 and 31 December 2016	200,000,000	200,000

	Number of shares in issue '000	**Issued share capital** HK$'000	**Share premium account** HK$'000	**Total** HK$'000	**Equivalent to RMB** RMB'000
Issued and fully paid					
At 1 January 2015	200,000	2,000	119,374	121,374	104,122
Share subdivision *(note (a))*	1,800,000	—	—	—	—
Bonus issue *(note (b))*	8,000,000	8,000	—	8,000	6,326
At 31 December 2015 and 1 January 2016	10,000,000	10,000	119,374	129,374	110,448
Issue of ordinary share in relation to acquisition of a subsidiary *(note (c))*	200,000	200	43,400	43,600	36,747
At 31 December 2016	10,200,000	10,200	162,774	172,974	147,195

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) On 3 June 2015, the shareholders of the Company 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.

(c) On 20 May 2016, the Company has completed the acquisition of the entire equity interest of Gorgeous Assets Limited with aggregate consideration of HK$43,600,000 was taken place. Upon such completion, 200,000,000 ordinary shares of the Company with par value of HK$0.001 each were issued as the full payment of the consideration of the acquisition. The fair value of the 200,000,000 ordinary shares of the Company, determined using the closing market price of HK$0.218 per share at the date of completion on 20 May 2016, amounted to HK$43,600,000. Details of which were disclosed in the announcement of the Company dated 13 May 2016 and 16 May 2016.

28. SHARE OPTION SCHEME

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

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

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

The offer of a grant of share options may be accepted within 7 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

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

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

29. RESERVES

The amounts of the Group's reserves and the movement therein for the current and prior years are presented in the consolidated statement of changes in equity on page 37 to the financial statements. The other reserves of the Group are summarised as follows:

(a) PRC capital reserve

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

(b) PRC statutory reserves

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

(c) Special reserve

Special reserve of the Group represents the difference between the aggregate amount of considerations paid by the Group for the acquisition of Chuzhou Chuangce Packaging Materials Company Limited, Chongqing Guangjing Packing Materials Co. Ltd and Sichuan Jinghong Packing Materials Co. Ltd., and the aggregate amount of paid-in capital of the aforesaid subsidiaries acquired pursuant to the corporate reorganisation undertaken during the year ended 31 December 2011.

(d) Shareholders' contributions

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

30. BUSINESS COMBINATION

On 14 November 2016, the Group acquired a 100% equity interest of Treasure Found Investments Limited and its subsidiaries (the "**Treasure Found Group**") from Shining Praise Limited, an independent third party, at the consideration of HK$250,000,000 (equivalent to RMB220,612,000). The Treasure Found Group is engaged in the provision of corporate secretarial and consultancy services. The acquisition was made as part of the Group's strategy to expand its business segment. The purchase consideration for the acquisition was in the form of cash, with HK$250,000,000 (equivalent to RMB220,612,000) paid at the acquisition date.

The fair values of the identifiable assets and liabilities of the Treasure Found Group as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Trade and other receivables	857
Bank balances	15,131
Other payables	(180)
Tax payable	(1,761)
Shareholder's loan	(88,245)
Total identifiable net liabilities at fair value	(74,198)
Sale loan assigned	88,245
	14,047
Goodwill on acquisition	206,565
Satisfied by cash	220,612

An analysis of the cash flows in respect of the acquisition of Treasure Found Group is as follows:

	RMB'000
Cash consideration	(220,612)
Cash and bank balances acquired	15,131
Net outflow of cash and cash equivalents included in cash flows from investing activities	(205,481)

Since the acquisition, Treasure Found Group contributed RMB145,449,000 to the Group's revenue and RMB32,844,000 to the consolidated profit after tax for the year ended 31 December 2016.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit after tax of the Group for the year would have been RMB385,814,000 and RMB27,492,000, respectively.

31. ACQUISITION OF ASSETS AND LIABILITIES

On 20 May 2016, the Group acquired a 100% equity interest in Gorgeous Assets Limited ("**Gorgeous Assets**") from an independent third party. Gorgeous Assets is engaged in property investment in Hong Kong.

At the time of acquisition, Gorgeous Assets had not engaged in any business and accordingly, in the opinion of the directors, the acquisition of Gorgeous Assets does not constitute a business combination but an acquisition of assets and liabilities. For accounting purpose, the cost of acquisition of HK$43,600,000 (equivalent to RMB36,747,000) has been allocated to the following identifiable assets and liabilities of Gorgeous Assets as at the date of acquisition as follows:

	RMB'000
Net asset acquired:	
Investment property *(note 15)*	36,735
Utilities deposits	12
Total identifiable net assets acquired	36,747
Satisfied by:	
200,000,000 ordinary shares	36,747

32. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office premises and warehouse and are negotiated for terms ranging from one to three years.

As at 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating lease falling due as follows:

	2016	2015
	RMB'000	RMB'000
Within one year	**–**	1,911

33. COMMITMENTS

In addition to the operating lease commitments detailed in note 32 above, the Group had the following capital commitments at the end of the reporting period:

	2016	2015
	RMB'000	RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**3,070**	9,022

34. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in these consolidated financial statements, the Group did not enter into any other significant related party transactions during the years ended 31 December 2016 and 2015.

Compensation of key management personnel

The remuneration of directors of the Company, who also represented as members of key management of the Group, are set out in note 9 to the financial statements.

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2016 **RMB'000**	2015 RMB'000
Financial assets		
Loans and receivables		
Trade and notes receivables	**142,511**	99,881
Financial assets included in prepayment, deposits and other receivables	**1,131**	168,750
Cash and bank balances	**162,533**	65,667
	306,175	334,298
Financial liabilities		
Financial liabilities at amortised cost		
Trade payables	**109,463**	18,727
Financial liabilities included in other payables and accruals	**39,463**	14,008
Interest-bearing bank and other borrowings	**233,891**	168,046
Due to the ultimate holding company	**—**	1,916
	382,817	202,697

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

At the end of the reporting period, the Group did not have any financial assets and financial liabilities that were measured at fair value measurements hierarchy.

During the years ended 31 December 2016 and 2015, there were no transfer of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, deposits, cash and bank balances, trade and other payables, interest-bearing bank and other borrowings and an amount due to the ultimate holding company.

The main risk arising from the Group's financial instruments are foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group does not have any written risk management policies and guidelines. The board of directors reviews and agree policies for managing each of these risks and they are summarized below.

Foreign currency risk

Substantially all the Group's revenue are denominated in the functional currency of the operating units, and the related costs are denominated in such 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 management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Credit risk

The maximum exposure to credit risk by the Group which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

There is significant concentration of credit risk of the top five largest customers account over 73% (2015: 89%) of the carrying amounts of trade receivables at 31 December 2016. In order to minimise the credit risk, the management of the Group generally grants credit terms only to customers with good credit history and also closely monitors overdue trade debt. The recoverable amount of each individual trade debt is reviewed at the end of the reporting period and adequate impairment for doubtful debts has been made for irrecoverable amounts. In this regard, the directors consider that the credit risk of the Group is significantly reduced.

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

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by the management to finance the Group's operations and mitigates the effects of fluctuations in cash flows.

At 31 December 2016, the Group has available unutilised short-term bank loan facilities of RMB5,000,000 (2015: RMB5,500,000).

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, is as follows:

	On demand or less than 1 year RMB'000	More than 1 year RMB'000	Total undiscounted cash flows RMB'000
At 31 December 2016			
Trade payables	**109,463**	**—**	**109,463**
Other payables and accruals	**39,463**	**—**	**39,463**
Interest-bearing bank and other borrowings	**252,141**	**—**	**252,141**
	401,067	**—**	**401,067**
At 31 December 2015			
Trade payables	18,727	—	18,727
Other payables and accruals	1,442	12,566	14,008
Interest-bearing bank and other borrowings	546	209,433	209,979
Due to the ultimate holding company	1,916	—	1,916
	22,631	221,999	244,630

As explained in note 2 to the financial statements, the directors of the Company adopted or plan to adopt certain measures in order to improve the Group's financial and cash flow positions and to maintain the Group's as going concern.

Interest rate risk

The Group's interest rate risk relates primarily to the Group's bank borrowing with a floating interest rate. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

As the Group is not exposed to significant interest rate risk, the directors consider that the presentation of sensitively analysis is unnecessary.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital risk management

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

The capital structure of the Group consists of debt balance and equity balance. Debt balances consists of interest-bearing bank and other borrowings and an amount due to the ultimate holding company. Equity balance consists of equity attributable to owners of the parent, comprising issued share capital and reserves.

The directors review the capital structure on an on-going annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new issues and the issue of new debt.

The Group is not subject to any externally imposed capital requirements.

38. EVENTS AFTER THE REPORTING PERIOD

Ms. Ngai Mei was appointed as an executive director of the Company with effect from 28 February 2017.

39. COMPARATIVE AMOUNTS

Certain comparative amounts have been represented to conform to the presentation of current year.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016 **RMB'000**	2015 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**387,378**	130,017
CURRENT ASSETS		
Prepayments, deposits and other receivables	**87**	167,619
Due from subsidiaries	**3,941**	—
Cash and bank balances	**2,587**	91
	6,615	167,710
CURRENT LIABILITIES		
Due to subsidiaries	**179,130**	167,536
Due to the ultimate holding company	**—**	1,916
Other payables and accruals	**5,307**	879
Interest-bearing other borrowings	**53,744**	—
	238,181	170,331
NET CURRENT LIABILITIES	**(231,566)**	(2,621)
TOTAL ASSETS LESS CURRENT LIABILITIES AND NET ASSETS	**155,812**	127,396
EQUITY		
Share capital	**8,126**	7,958
Reserves *(note)*	**147,686**	119,438
Total equity	**155,812**	127,396

Mr. Ling Zheng
Director

Mr. He Xiaoming
Director

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Exchange fluctuation reserve RMB'000	Shareholders' contributions RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2015	102,490	(8,595)	10,296	23,716	127,907
Loss for the year	—	—	—	(3,169)	(3,169)
Other comprehensive income for the year	—	1,026	—	—	1,026
Total comprehensive income/(loss) for the year	—	1,026	—	(3,169)	(2,143)
Issue of bonus shares	—	—	—	(6,326)	(6,326)
At 31 December 2015 and 1 January 2016	102,490	(7,569)	10,296	14,221	119,438
Loss for the year	—	—	—	(4,613)	(4,613)
Other comprehensive loss for the year	—	(3,718)	—	—	(3,718)
Total comprehensive loss for the year	—	(3,718)	—	(4,613)	(8,331)
Issue of shares	36,579	—	—	—	36,579
At 31 December 2016	**139,069**	**(11,287)**	**10,296**	**9,608**	**147,686**

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2017.

Five Years Financial Summary

	Year ended 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Revenue	**375,737**	189,048	218,590	234,709	199,290
Gross profit	**111,027**	40,441	46,145	46,477	45,747
Profit before tax	**52,987**	2,289	21,907	26,067	25,289
Income tax expense	**(37,232)**	(4,852)	(7,806)	(7,001)	(6,451)
Profit/(loss) for the year (owners of the Company)	**15,755**	(2,563)	14,101	19,066	18,838

	As at 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS, LIABILITIES AND EQUITY					
Total assets	**640,065**	403,123	234,844	249,531	254,415
Total liabilities	**394,745**	207,379	36,648	38,393	41,887
Total equity	**245,320**	195,744	198,196	211,138	212,528