

**China Packaging Holdings Development Limited**

**中華包裝控股發展有限公司**

(Incorporated in the Cayman Islands with limited liability)

Stock Code:1439



**2014**

**Interim Report**



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# CORPORATE INFORMATION

## **Executive Directors**

Mr. Chen Wei Wei (*Chairman*)  
Mr. Sun Shao Hua  
Ms. Hu Li Yu

## **Independent Non-executive Directors**

Mr. Liu Da Jin  
Mr. Wu Ping  
Mr. Ma Yiu Ho, Peter

## **Audit Committee**

Mr. Ma Yiu Ho, Peter (*Chairman*)  
Mr. Liu Da Jin  
Mr. Wu Ping

## **Remuneration Committee**

Mr. Liu Da Jin (*Chairman*)  
Ms. Hu Li Yu  
Mr. Wu Ping

## **Nomination Committee**

Mr. Chen Wei Wei (*Chairman*)  
Mr. Liu Da Jin  
Mr. Wu Ping

## **Company Secretary**

Mr. Hu Chung Ming (FCPA)

## **Authorised Representatives**

Mr. Sun Shao Hua  
Mr. Hu Chung Ming

## **Auditors**

HLB Hodgson Impey Cheng Limited  
Certified Public Accountants

## **Compliance Adviser**

Oriental Patron Asia Limited

## **Legal Adviser**

TC & Co.,

## **Registered Office**

Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## **Headquarters and Principal Place of Business in the PRC**

Hong Sheng Industrial Park  
Fengxin Industrial Zone  
Yichun City, Jiangxi Province  
The PRC

## **Principal Place of Business in Hong Kong**

Office 2, 7th Floor  
Wah Hing Commercial Building  
283 Lockhart Road  
Wanchai, Hong Kong

## **Stock Code**

01439

## **Principal Share Registrar and Transfer Office**

Codan Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
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

## **Principal Bankers**

China Construction Bank (Fengxin Sub-branch,  
the PRC)  
No 87, Yingbin Road  
Fengxin County, Yichun City  
Jiangxi Province, The PRC

## **Company's Website**

[www.hs-pack.com](http://www.hs-pack.com)

# Management Discussion and Analysis

## BUSINESS REVIEW

The Group mainly provides its customers with one stop solution which includes designing, manufacturing, and printing of paper based packaging products. The Group's customers are mostly based in Jiangxi Province, while a few are based in Fujian province and Hubei province. The Group has a production base which is located in Fengxin County, Yichun City of Jiangxi Province, the People's Republic of China ("the PRC").

During the period under review, there has been an ongoing demand by the Group's main customer base for both corrugated and high-end packaging products. By leveraging on the operation of a new production line, the Group has been able to secure increasing sales orders and sustainable growth in both sales and profit.

During the period under review, the Group has established a new subsidiary to engage in the manufacturing and sale of stone paper and stone-paper based products. The Group will continue to look for opportunities to expand its customer base through collaboration in product development and marketing, as well as through referral by our existing customers.

## FINANCIAL REVIEW

During the period under review, the turnover of the Group was approximately RMB216.1 million (six months ended 30 June 2013: approximately RMB150.0 million), representing an increase of approximately RMB66.1 million or approximately 44.1% as compared to the last corresponding period. The increase in turnover was mainly attributable to the substantial increase in sales volume from approximately 53.6 million square meter to approximately 72.1 million square meter, which was driven by increasing demand from existing customers and new orders placed by new customers in the PRC.

### Turnover by products

	Six months ended 30 June			
	2014		2013	
	RMB'000	% of Total	RMB'000	% of Total
Flexo-printed cartons	120,391	55.7	95,669	63.8
Offset-printed cartons				
– Traditional paper-based cartons	64,942	30.0	54,323	36.2
– Stone-paper based cartons	30,813	14.3	–	–
Sub-total	95,755	44.3	54,323	36.2
Total	216,146	100	149,992	100

### Flexo-printed cartons

During the period under review, our revenue from sales of flexo-printed cartons was approximately RMB120.4 million (six months ended 30 June 2013: approximately RMB95.7 million), accounted for approximately 55.7% (six months ended 30 June 2013: approximately 63.8%) of our total revenue. The increase in approximately RMB24.7 million or approximately 25.8% was mainly contributed to the increase in sales orders received from our customers in the food and beverage industry.

# Management Discussion and Analysis

## Offset-printed cartons

During the period under review, our revenue from sales of offset-printed cartons was approximately RMB95.8 million (six months ended 30 June 2013: approximately RMB54.3 million), accounted for approximately 44.3% (six months ended 30 June 2013: approximately 36.2%) of our total revenue. The increase in approximately RMB41.5 million or approximately 76.4% was mainly contributed from the sales of our new product, stone-paper based cartons, which was launched in August 2013. The acceptance of our stone-paper based cartons and recognition of our quality traditional offset-printed cartons has attracted more sales orders from our high-end customers in various industries.

## Turnover by product categories of our customers

	Six months ended 30 June			
	2014		2013	
	RMB'000	% of Total	RMB'000	% of Total
Food and beverages	<b>93,841</b>	<b>43.4</b>	73,153	48.8
Glass and ceramics articles	<b>54,534</b>	<b>25.2</b>	24,566	16.4
Metal hardware and chemical products	<b>29,281</b>	<b>13.5</b>	25,051	16.7
Bamboo articles	<b>22,609</b>	<b>10.5</b>	15,762	10.5
Others	<b>15,881</b>	<b>7.4</b>	11,460	7.6
<b>Total</b>	<b>216,146</b>	<b>100</b>	149,992	100

Note: Other products mainly include stationary, energy and electronic products, textile and pharmaceutical products.

The Group's main customers are manufacturers of food and beverages in the PRC. During the period under review, revenue from food and beverages manufacturers was approximately RMB93.8 million (six months ended 30 June 2013: approximately RMB73.2 million), representing approximately 43.4% (six months ended 30 June 2013: approximately 48.8%) of the total turnover. The decrease in proportion of revenue from food and beverages manufacturers was mainly because while the demand for sophisticated printed packaging materials and designed is increasing, the Group has focused on the sale to customers of higher end products which commands a higher margin.

## Gross profit and gross profit margin

	Six months ended 30 June			
	2014		2013	
	RMB'000	GP margin (%)	RMB'000	GP margin (%)
Flexo-printed cartons	<b>25,079</b>	<b>20.8</b>	19,553	20.4
Offset-printed cartons				
– Traditional paper-based cartons	<b>17,036</b>	<b>26.2</b>	14,305	26.3
– Stone-paper based cartons	<b>10,275</b>	<b>33.3</b>	–	–
<b>Sub-total</b>	<b>27,311</b>	<b>28.5</b>	14,305	26.3
<b>Total</b>	<b>52,390</b>	<b>24.2</b>	33,858	22.6

# Management Discussion and Analysis

During the period under review, the overall gross profit of the Group was approximately RMB52.4 million (six months ended 30 June 2013: approximately RMB33.9 million), representing an improvement of approximately 54.6% or approximately RMB18.5 million. Gross profit margin increased from 22.6% for the last corresponding period to 24.2% during the period under review.

The gross profit from flexo-printed cartons for the period under review was approximately RMB25.1 million, representing a growth of approximately 28.1% as compared to approximately RMB19.6 million for the last corresponding period. The gross profit margin for flexo-printed cartons increased slightly to 20.8% for the period under review from 20.4% for the last corresponding period.

The gross profit from offset-printed cartons for the period under review was approximately RMB27.3 million, representing a growth of approximately 90.9% as compared to approximately RMB14.3 million for the last corresponding period. The gross profit margin for offset printed cartons increased to 28.5% for the period under review from 26.3% for the last corresponding period. This was mainly attributable to the sales of our new higher margin product, namely stone-paper based cartons.

## OTHER REVENUE AND INCOME

During the period under review, other revenue and income of the Group was approximately RMB6.2 million (six months ended 30 June 2013: approximately RMB3.5 million), representing an increase by approximately 77.1% or approximately RMB2.7 million. The increase was mainly attributable to the increase in tax concession in respect of the partial refund of value added tax and enterprise income tax paid in the PRC offered by the local government. Higher turnover and profit before tax, based on which value added tax and enterprise income tax were calculated, has resulted in higher tax concession for the period under review.

## SELLING AND DISTRIBUTION EXPENSES

During the period under review, selling and distribution expenses of the Group was approximately RMB9.3 million (six months ended 30 June 2013: approximately RMB6.7 million), representing an increase by approximately 38.8% or approximately RMB2.6 million. The increase was mainly due to the composite effect of (i) an increase in distribution and delivery costs which was resulted from the increase in sales volume and number of customers located in different cities or provinces in the PRC and (ii) an increase in sales commission and salary to sales staff due to the increase in sales activities. The selling and distribution expenses as a percentage of our total turnover remained relatively stable, being approximately 4.3% for the period under review and approximately 4.5% for the last corresponding period.

## ADMINISTRATIVE EXPENSES

During the period under review, administrative expenses of the Group was approximately RMB15.2 million (six months ended 30 June 2013: approximately RMB7.2 million), representing an increase by approximately 111.1% or approximately RMB8.0 million. The increase was mainly due to the recognition of listing expenses amounted to approximately RMB7.5 million.

## FINANCE COSTS

During the period under review, finance costs of the Group was approximately RMB1.0 million (six months ended 30 June 2013: approximately RMB0.5 million), representing an increase by approximately 100% or approximately RMB0.5 million. The increase was mainly due to the increase in our short term interest bearing bank loan during the period under review.



# Management Discussion and Analysis

## INCOME TAX EXPENSES

During the period under review, income tax expenses of the Group was approximately RMB11.2 million (six months ended 30 June 2013: approximately RMB6.3 million), representing an increase by approximately 77.8% or approximately RMB4.9 million. The increase was mainly due to the increase in our profit before tax. The Group's effective tax rate was 33.9% for the period under review and 27.3% for the last corresponding period. The increase in effective tax rate was mainly because of the increase in non-tax deductible expenses such as the listing expenses for the period under review.

## PROFIT FOR THE PERIOD

As a combined result of the factors discussed above, our profit for the period increased by approximately RMB5.2 million or approximately 31.1% to RMB21.9 million for the period under review from RMB16.7 million for the last corresponding period. Our net profit margin slightly decreased from 11.1% for the last corresponding period to 10.1% for the period under review.

## LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group maintained in healthy liquidity position with working capital financed by internal resources, bank borrowings and the net proceeds from IPO.

As at 30 June 2014, the cash and cash equivalents were approximately RMB104.7 million (31 December 2013: approximately RMB45.8 million), mostly denominated in Renminbi and Hong Kong Dollars. The Group's total bank borrowings amounted to approximately RMB29.6 million (31 December 2013: approximately RMB21.2 million) which were all denominated in Renminbi. The effective interest rates (which are equal to the contracted interest rates) on bank borrowing were fixed rates ranging from 6.6% to 7.8% as at 30 June 2014. The Group's gearing ratio is calculated as total borrowings, which is the summation of bank borrowings and amount due to a director, divided by total equity. The gearing ratio of the Group as at 30 June 2014 and 31 December 2013 were 12.8% and 17.3% respectively.

## INVENTORIES

The Group has implemented a stringent inventories control to reduce the holding risk. As at 30 June 2014, the inventories carried a total worth of approximately RMB11.2 million which was slightly more than the amount as at 31 December 2013 of approximately RMB10.8 million. The inventory turnover dropped by 5 days to 12 days compared to 17 days as at 31 December 2013.

## TRADE RECEIVABLES

As at 30 June 2014, the trade receivables amounted to approximately RMB88.9 million (31 December 2013: approximately RMB95.3 million). The trade receivables turnover days increased by 3 days to 66 days compared to 63 days as at 31 December 2013.

## TRADE PAYABLES

As at 30 June 2014, the trade payables amounted to approximately RMB64.8 million (31 December 2013: approximately RMB70.3 million). The trade payables turnover days increased by 8 days to 64 days compared to 56 days as at 31 December 2013.

# Management Discussion and Analysis

## PROSPECTS

We expect the expanding trend of the domestic consumption market will continue to boost the demand for corrugated packaging products in the remaining of the year. In order to cope with such surging demand, the Group has established 4 new production lines and a new production block at its production base in Fengxin during the period under review. With the commencement of the operation of our new production lines in August 2014, our total annual production capacity will reach 92.5 million square meter of corrugated paperboards and 185.1 million square meter of corrugated paper-based packaging products by end of the year. With this enhanced production capacity, it will not only provide us with the advantageous economies of scale but also enable us to expand our market share and solidify our market position in the PRC.

Furthermore, with the local government's encouragement of the usage of environmental friendly packaging materials, the Board is confident of the future prospect of our stone paper which is considered one of the environmental friendly packaging materials. As such, the Group will continue to actively look for new customers for our stone-paper based product, and intensify our effort to explore the different application for such environmental friendly packaging material.

## EMPLOYEES

As at 30 June 2014, the Group had 406 full time employees in total (31 December 2013: 376). The Group remunerates its employees based on their performance, experience and prevailing industry practice. Competitive remuneration package is offered to retain elite employees. The package includes salaries, medical insurance, discretionary bonuses, other benefits as well as mandatory provident fund schemes for employees in Hong Kong and state-managed retirement benefit schemes for employees in the PRC.

## SHARE OPTION SCHEME

The Company adopted a share option scheme pursuant to a resolution in writing passed by the shareholders on 13 December 2013. The principal terms of the share option scheme was summarized in paragraph headed "Statutory and General Information – 15. Share Option Scheme" in Appendix IV to the prospectus of the Company dated 27 December 2013.

The purpose of the share option scheme is to enable the company to grant options to selected persons as incentives or rewards for their contribution or future contribution to the Group.

During period under review, no option was granted, exercised, cancelled or lapsed under the share option scheme.

## EXCHANGE RISK EXPOSURE

The Group mainly operates in the PRC and most of its operating transactions are settled in RMB. Most of its assets and liabilities are denominated in RMB. Although the Group may be exposed to foreign currency exchange risks, the Board does not expect future currency fluctuations to materially impact the Group's operations. The Group did not adopt formal hedging policies and no instruments have been applied for foreign currency hedging purposes during the period under review.



# Management Discussion and Analysis

## INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: nil) to the shareholders.

## CAPITAL COMMITMENTS

As at 30 June 2014, the Group's capital commitments were approximately RMB37.4 million (31 December 2013: RMB20.4 million). All the capital commitments were related to purchasing new facilities and equipment.

## CONTINGENT LIABILITIES

As at 30 June 2014, the Group did not have any material contingent liabilities or guarantees.

## PLEDGE OF ASSETS

As at 30 June 2014, the Group pledged certain assets with an carry value of approximately RMB79.4 million (31 December 2013: approximately RMB62.9 million) as collateral for the Group's bills payable and bank borrowings.

## SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 6 May 2014, 江西鴻禹新材料環保紙業有限公司 (Jiangxi Hongyu New Materials Environmental friendly Paper Co. Ltd.\*) was established as a wholly owned subsidiary of Hong Sheng (Jiangxi) Color Printing Packaging Co. Ltd. with a registered capital of RMB60 million, which will be payable in cash, to engage in the manufacture and sale of environmental friendly stone paper and stone-paper based products.

Save as disclosed above, the Group had no other material acquisitions and disposals during the period under review.

## USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING ("IPO")

The Company was listed on the Stock Exchange on 13 January 2014 and raised net proceeds of approximately HK\$73.1 million (approximately RMB57.7 million) after deducting underwriting commissions and all related expenses. The Company will utilize the IPO proceeds in accordance with the purpose of net proceeds as stated in the prospectus of the Company dated 27 December 2013. As of date of this report, we have utilized approximately HK\$60.5 million (approximately RMB48.4 million) towards setting up of new production lines, construction of a new production block and developing our research and development capabilities. As at 30 June 2014, the unused proceeds were deposited in licenced banks in Hong Kong and the PRC.

\* for illustrative purpose only

## Other Information

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

As the shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 13 January 2014, from the listing date to the date of this report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### **DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR THE ASSOCIATED CORPORATIONS**

As at 30 June 2014, the Directors of the Company had the following interests in the shares, underlying shares and debentures of the Company, its Group members and/or associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

#### **Long positions**

<b>Name of director</b>	<b>Name of group member/associated corporation</b>	<b>Capacity/nature of interest</b>	<b>Number of shares held</b>	<b>Approximate percentage of shareholding</b>
Mr. Sun Shao Hua	Our Company	Interest of a controlled corporation	468,000,000	58.5%

*Notes:* These shares are registered in the name of Novel Blaze Limited ("Novel Blaze"), the entire issued share capital of which is wholly and beneficially owned by Mr. Sun Shao Hua. Therefore, Mr. Sun is deemed to be interested in all the Shares held by Novel Blaze by virtue of the SFO.

Save as disclosed above, as at 30 June 2014, none of the Directors and chief executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company, any of its Group members or 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 required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code.

## Other Information

### **SUBSTANTIAL SHAREHOLDERS' INTEREST AND/OR SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY OR THE ASSOCIATED CORPORATIONS**

As at 30 June 2014, the following persons/entities (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company, its Group members and/or associated corporations which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

#### **Long Positions**

<b>Name of director</b>	<b>Name of group member/associated corporation</b>	<b>Capacity/nature of interest</b>	<b>Note</b>	<b>Number of shares held</b>	<b>Approximate percentage of shareholding</b>
Novel Blaze	Our Company	Beneficial owner	1	468,000,000	58.5%
Mr. Sun Shao Hua	Our Company	Interest of a controlled corporation	2	468,000,000	58.5%

Notes:

1. Novel Blaze is incorporated in the BVI and the entire issued share capital is beneficially owned by Mr. Sun Shao Hua. Mr. Sun, being the controlling shareholder, is deemed to be interested in the 468,000,000 Shares owned by Novel Blaze by virtue of the SFO.
2. The disclosed interest represents the interest in the Company held by Novel Blaze which is wholly and beneficially owned by Mr. Sun Shao Hua. Therefore, Mr. Sun is deemed to be interested in the interest of Novel Blaze in the Company by virtue of the SFO.

### **CORPORATE GOVERNANCE**

The Company has adopted the Code Provisions in the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Board confirms that, saved as disclosed below, the Company has complied with the CG Code from the date of listing on 13 January 2014 up to the date of this report.

The Company is aware of the requirement under paragraph A.2.1 of the CG Code that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Company does not have any officer with the title of "chief executive officer". Mr. Chen Wei Wei, the Chairman of the Group, is also responsible for the leadership and effective running of the Board, ensuring that all material issues are decided by the Board in a conducive manner. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive Directors and senior management, who are in charge of different functions, complement the role of the chairman. The Board is of the view that this structure provides the Group with strong and consistent leadership, facilitates effective and efficient planning and implementation of business decisions and strategies, and ensures the generation of shareholders' benefits.

The Board shall nevertheless review the structure from time to time to ensure appropriate move is being taken should suitable circumstance arise.

## Other Information

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions. Having made specific enquiries, all the Directors confirm that they have complied with the Model Code throughout the period under review.

### **AUDIT COMMITTEE**

The Company established an Audit Committee with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules.

The primary duties of the Audit Committee, among other things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditors, review the financial statements and provide material advice in respect of financial reporting and oversee the internal control procedures of the Company. The Audit Committee consists of three independent non-executive Directors, namely Mr. Ma Yiu Ho, Peter (Chairman), Mr. Liu Da Jin and Mr. Wu Ping.

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014 have not been audited by the auditor of the Company but have been reviewed by the Audit Committee and the Audit Committee is of the view that the interim report for the six months ended 30 June 2014 is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

## Other Information

### UPDATE OF DIRECTOR'S INFORMATION

There has been update in the biographical details of a non-executive Director namely, Mr. Ma Yiu Ho, Peter. His updated biographical details are set out below:

Mr. Ma Yiu Ho, Peter (馬遙豪), aged 49, was appointed as an independent non-executive Director on 13 December 2013. He is also the chairman of the Audit Committee. Mr. Ma is currently the financial controller of Chyau Fwu Properties Limited, a company principally engaged in property development and hospitality. He has been a member of the Hong Kong Institute of Certified Public Accountants (UK) since April 1994. Mr. Ma obtained a Master of Business Administration Degree from the Hong Kong University of Science and Technology in November 1995. He is also an associate member of the Hong Kong Institute of Directors. He has over 20 years of experience in the finance and accounting field and had been the financial controller and company secretary of The Hong Kong Parkview Group Limited (now named as COFCO Land Holdings Limited) and the financial controller of VODone Limited, shares of these two companies are listed on the Stock Exchange. He had also served as the chief financial officer of Superior Fastening Technology Limited, a Singapore listed company. Mr. Ma had also worked for Standard Chartered Equitor Trustee HK Limited and the Hong Kong SAR Government's Audit Department. Mr. Ma is currently and has been an independent non-executive director and chairman of the Audit Committee of Convoy Financial Services Holdings Limited (stock code: 1019), Huisheng International Holdings Limited (stock code: 1340) and Sky Forever Supply Chain Management Group Limited (formerly known as Rising Power Group Holdings Limited) (stock code: 8047) since March 2010, February 2014 and July 2014, respectively, shares of these three companies are listed on the Stock Exchange.

The board (the "Board") of directors (the "Directors") of China Packaging Holdings Development Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2014 together with the unaudited comparative figures for the six months ended 30 June 2013 as follows:

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
<b>Turnover</b>	4	<b>216,146</b>	149,992
Cost of sales		<b>(163,756)</b>	(116,134)
<b>Gross profit</b>		<b>52,390</b>	33,858
Other revenue	5	<b>512</b>	229
Other income	6	<b>5,705</b>	3,320
Selling and distribution expenses		<b>(9,260)</b>	(6,722)
Administrative expenses		<b>(15,206)</b>	(7,203)
Profit from operating activities		<b>34,141</b>	23,482
Finance costs	8	<b>(985)</b>	(455)
Profit before tax	7	<b>33,156</b>	23,027
Income tax expenses	9	<b>(11,241)</b>	(6,295)
<b>Profit for the period</b>		<b>21,915</b>	16,732
<b>Other comprehensive income for the period, net of tax</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating of foreign operations		<b>219</b>	307
Other comprehensive income for the period, net of tax		<b>219</b>	307
<b>Total comprehensive income for the period, net of tax</b>		<b>22,134</b>	17,039
<b>Profit attributable to owners of the Company</b>		<b>21,915</b>	16,732
<b>Total comprehensive income attributable to owners of the Company</b>		<b>22,134</b>	17,039
<b>Earnings per share</b>			
– Basic and diluted (RMB cents)	11	<b>2.79</b>	2.79



# Condensed Consolidated Statement of Financial Position

At 30 June 2014

	Notes	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	12	106,306	82,537
Prepaid lease payments		2,406	2,435
Deposits paid for acquisition of equipment		22,239	9,869
		<b>130,951</b>	94,841
<b>Current assets</b>			
Inventories		11,212	10,827
Trade receivables	13	88,879	95,337
Prepayments, deposits and other receivables		2,525	2,653
Pledged bank deposits		2,089	2,278
Cash and bank balances		104,690	45,834
		<b>209,395</b>	156,929
<b>Current liabilities</b>			
Trade, bills, other payables and accruals	14	73,663	84,132
Amount due to a director		–	2,808
Bank borrowings	15	29,590	21,200
Tax payables		5,406	4,952
		<b>108,659</b>	113,092
<b>Net current assets</b>		<b>100,736</b>	43,837
<b>Total assets less current liabilities</b>		<b>231,687</b>	138,678
<b>Net assets</b>		<b>231,687</b>	138,678
<b>Capital and reserves</b>			
Share capital	16	6,287	–
Reserves		225,400	138,678
<b>Total equity</b>		<b>231,687</b>	138,678

# Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2014

## Attributable to owners of the Company

	Reserves						Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Retained profit RMB'000	
At 1 January 2013 (Audited)	-	-	7,635	-	2,304	68,074	78,013
Profit for the period	-	-	-	-	-	16,732	16,732
Other comprehensive income for the period	-	-	-	-	307	-	307
Total comprehensive income for the period	-	-	-	-	307	16,732	17,039
At 30 June 2013 (Unaudited)	-	-	7,635	-	2,611	84,806	95,052
At 1 January 2014 (Audited)	-	-	12,559	15,901	2,731	107,487	138,678
Profit for the period	-	-	-	-	-	21,915	21,915
Other comprehensive income for the period	-	-	-	-	219	-	219
Total comprehensive income for the period	-	-	-	-	219	21,915	22,134
Issue of shares under the capitalisation issue	4,715	(4,715)	-	-	-	-	-
Issue of shares under the share offer	1,572	78,580	-	-	-	-	80,152
Share issuing expenses	-	(9,277)	-	-	-	-	(9,277)
<b>At 30 June 2014 (Unaudited)</b>	<b>6,287</b>	<b>64,588</b>	<b>12,559</b>	<b>15,901</b>	<b>2,950</b>	<b>129,402</b>	<b>231,687</b>

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
<b>Net cash generated from operating activities</b>	<b>18,903</b>	34,080
<b>Net cash used in investing activities</b>	<b>(38,743)</b>	(3,937)
<b>Net cash generated from financing activities</b>	<b>78,469</b>	80
<b>Net increase in cash and cash equivalents</b>	<b>58,629</b>	30,223
Cash and cash equivalents at the beginning of the period	<b>45,834</b>	25,711
Effect of exchange rate changes on the balance of cash held in foreign currencies	<b>227</b>	–
<b>Cash and cash equivalents at end of the period</b>	<b>104,690</b>	55,934
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	<b>104,690</b>	55,934

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 1. BASIS OF PREPARATION

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

The unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2013 as contained in the Company’s annual report 2013 (the “Annual Report 2013”), which have been prepared in accordance with the Hong Kong Financial Reporting Standards (the “HKFRSs”).

These unaudited condensed consolidated financial statements are presented in Renminbi (“RMB”) and rounded to the nearest thousand (RMB’000), unless otherwise stated. RMB is the Company’s presentation currency and the functional currency of the principal operating subsidiary of the Group. The functional currency of the Company is Hong Kong dollars. The directors consider that choosing RMB as the presentation currency best suits the needs of the shareholders and investors. These unaudited condensed consolidated financial statements were approved for issue on 26 August 2014.

## 2. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies adopted in the unaudited condensed consolidated financial statements for the six months ended 30 June 2014 are consistent with those followed in the preparation of the Annual Report 2013 except for the impact of the adoption of the new and revised standards, amendments and interpretations (the “new HKFRSs”).

In the current period, the Group has applied, for the first time, the following new HKFRSs issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2014. A summary of the new HKFRSs are set out as below:

HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKAS 32 (Amendments)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Contribution of Hedge Accounting
HK(IFRIC) – Int 21	Levies

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The application of the above new HKFRSs had no material effect on the results and financial positions of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle <sup>2</sup>
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle <sup>1</sup>
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure <sup>6</sup>
HKFRS 9	Financial Instruments <sup>6</sup>
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations <sup>3</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>4</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>5</sup>
HKAS 19 (as revised in 2011)	Defined Benefit Plans: Employee Contributions <sup>1</sup>
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>3</sup>
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2016.

<sup>4</sup> Effective for first annual HKFRS financial statement beginning on or after 1 January 2016.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017.

<sup>6</sup> No mandatory effective date yet determined but is available for adoption.

## 3. OPERATING SEGMENT

The Group currently operates in one operating segment which is the sales of paper-based packaging products. A single management team reports to the chief operating decision maker who allocates resources and assesses performance based on the results of the period for the entire business comprehensively. Accordingly, the Group does not present separately segment information.

Segment revenue reported represents revenue generated from external customers. There were no inter-segment sales for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

During the six months ended 30 June 2014 and 2013, all revenue is derived from customers in the PRC.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 4. TURNOVER

Turnover represents the net amounts received and receivable for goods sold, net of discounts and excludes value added tax.

An analysis of the Group's turnover is as follows:

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Flexo-printed cartons	120,391	95,669
Offset-printed cartons		
Traditional paper-based cartons	64,942	54,323
Stone-paper based cartons	30,813	–
	<b>216,146</b>	149,992

## 5. OTHER REVENUE

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Sales of residual materials	347	140
Bank interest income	165	89
	<b>512</b>	229



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 6. OTHER INCOME

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Tax concession (Note)	5,542	3,320
Exchange gain	163	–
	<b>5,705</b>	<b>3,320</b>

Note: Tax concession represents the government subsidy given by the local government with reference to the amount of value-added tax, land use tax and enterprise income tax paid in the PRC.

## 7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Staff costs:</b>		
Employee benefit expense (including directors' remuneration)		
Wages and salaries	10,324	7,261
Retirement benefit schemes contributions	1,251	750
	<b>11,575</b>	<b>8,011</b>
<b>Other items:</b>		
Cost of inventories sold	163,756	116,134
Depreciation of property, plant and equipment	2,770	1,779
Amortisation of prepaid lease payments	30	30
Research and development costs	999	1,949
	<b>167,555</b>	<b>119,892</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 8. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expenses on bank borrowings wholly repayable within one year	985	455

## 9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The PRC Enterprise Income Tax		
– Current tax	10,077	5,617
– Under provision in prior period	1,164	678
Total income tax recognised in profit or loss	11,241	6,295

No deferred tax has been provided for as there were no material temporary differences.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the period. No Hong Kong profits tax is provided for the period as the Group does not have any assessable profit from the Group's operation located in Hong Kong.

The PRC subsidiary is subject to the PRC Enterprise Income Tax at 25% for the six months ended 30 June 2014 (six months ended 30 June 2013: 25%)

## 10. INTERIM DIVIDEND

The directors do not recommend payment of any dividends for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company for the six months ended 30 June 2014 of RMB21,915,000 (six months ended 30 June 2013: RMB16,732,000) and the weighted average number of ordinary shares of the Company in issue during the period are calculated as follows:

### Weighted average number of ordinary shares

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Effect of issue at date of incorporation	100	100
Effect of capitalisation issue	599,999,900	599,999,900
Effect of share offer	186,740,331	–
	<b>786,740,331</b>	600,000,000

Diluted earnings per share were same as the basic earnings per share as there was no potential dilutive ordinary shares in issue during both periods.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 12. PROPERTY, PLANT AND EQUIPMENT

	<b>Machinery</b> RMB'000	<b>Computer and office equipment</b> RMB'000	<b>Motor vehicles</b> RMB'000	<b>Buildings</b> RMB'000	<b>Construction- in-progress</b> RMB'000	<b>Total</b> RMB'000
<b>Cost</b>						
At 31 December 2013 and 1 January 2014 (Audited)	37,539	491	588	20,593	43,520	102,731
Additions	25,413	125	–	1,000	–	26,538
Transfer	–	–	–	43,520	(43,520)	–
Exchange realignment	–	1	–	–	–	1
At 30 June 2014 (Unaudited)	62,952	617	588	65,113	–	129,270
<b>Accumulated depreciation</b>						
At 31 December 2013 and 1 January 2014 (Audited)	13,513	280	368	6,033	–	20,194
Charge for the period	2,015	60	30	665	–	2,770
At 30 June 2014 (Unaudited)	15,528	340	398	6,698	–	22,964
<b>Carrying amounts</b>						
<b>At 30 June 2014 (Unaudited)</b>	<b>47,424</b>	<b>277</b>	<b>190</b>	<b>58,415</b>	<b>–</b>	<b>106,306</b>
At 31 December 2013 (Audited)	24,026	211	220	14,560	43,520	82,537

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 13. TRADE RECEIVABLES

The Group generally grants its customers on sales of goods an average credit period ranging from 30 to 60 days. The following is an analysis of trade receivables by age, presented based on the invoice date. The analysis below is net of allowance for doubtful debts:

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
0 – 30 days	47,928	51,553
31 – 60 days	40,951	43,784
	<b>88,879</b>	95,337

No interest is charged on trade receivables for the first 60 days from the date of the invoice. Thereafter, penalty may be charged at 0.3% per day on the outstanding balance over the granted credit period. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. Allowances for doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

The Company does not hold any collaterals or other credit enhancements over these balances.

As at 30 June 2014, no trade receivables were past due but not impaired (31 December 2013: Nil).

## 14. TRADE, BILLS, OTHER PAYABLES AND ACCRUALS

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Trade payables	64,760	70,309
Bills payable	2,089	2,278
Accruals	5,536	11,083
Other payables	1,278	462
	<b>73,663</b>	84,132

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 14. TRADE, BILLS, OTHER PAYABLES AND ACCRUALS (CONTINUED)

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

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
0 – 30 days	31,841	36,622
31 – 60 days	32,919	33,687
	<b>64,760</b>	70,309

The average credit period on purchases of certain goods is 60 days. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

As at 30 June 2014, the bills payable of approximately RMB2,089,000 (31 December 2013: RMB2,278,000) was secured by the bank deposits.

## 15. BANK BORROWINGS

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Secured	29,590	21,200

The short-term bank loans were repayable within one year from the end of the reporting period. All the bank borrowings were denominated in RMB.

The ranges of effective interest rates (which are equal to the contracted interest rates) on bank borrowings are as follows:

	<b>30 June 2014 (Unaudited)</b>	31 December 2013 (Audited)
Fixed rate	<b>6.6% to 7.8%</b>	7.2% to 7.8%



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 16. SHARE CAPITAL

	Number of shares '000	Nominal value HK\$'000	
<i>Authorised:</i>			
Ordinary shares of HK\$0.01 each	8,000,000	80,000	
	Number of shares '000	HK\$'000	RMB'000
<i>Issued and fully paid:</i>			
On the date of incorporation and 31 December 2013	–	–	–
Issue of shares under the capitalisation issue	600,000	6,000	4,715
Issue of shares under the share offer	200,000	2,000	1,572
<b>At 30 June 2014</b>	<b>800,000</b>	<b>8,000</b>	<b>6,287</b>

## 17. PLEDGED ASSETS

Assets with the following carrying amounts have been pledged to secure bank borrowings (Note 15) and bills payable (Note 14) of the Group.

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Machinery (Note 12)	16,394	–
Buildings (Note 12)	58,415	14,560
Construction-in-progress (Note 12)	–	43,520
Prepaid lease payments	2,465	2,495
Pledged bank deposits	2,089	2,278
	<b>79,363</b>	<b>62,853</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 18. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated interim financial statements, the Group had entered into the following related party transactions, which in the opinion of the directors of the Company, were carried out on normal commercial terms and in the ordinary course of the Group.

Compensation of key management personnel of the Group, including director's remuneration are as follows:

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Fees	–	–
Other emoluments:		
Salaries, allowances and benefits in kind	1,205	717
Retirement benefit schemes contributions	22	7
<b>Total</b>	<b>1,227</b>	<b>724</b>

## 19. COMMITMENTS

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
<b>Commitments for acquisition of:</b>		
Construction-in-progress	–	1,000
Property, plant and equipment	37,369	19,393
	<b>37,369</b>	<b>20,393</b>

### Other commitment

For the year ended 31 December 2011, the Group had entered into an agreement with development entity for five years with an annual charge of RMB600,000, for (i) improving the efficiency of production process and the productivity of our machinery equipment and; (ii) saving cost and resources; (iii) the development of new products, with a special focus on the production of stone-paper packaging products and (iv) the enhancement of our ability in production technologies and techniques in satisfying a wide range of customer requirements in a cost efficient and profitable manner.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## **20. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS**

The condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 26 August 2014.