

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01239)

MAJOR TRANSACTION
DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF
CHENG HAO INTERNATIONAL LIMITED

Financial Adviser



Grand Harbour Corporate Finance Limited

THE SALE AND PURCHASE AGREEMENT

On 19 April 2017 (after trading hours), the Vendor (a wholly-owned subsidiary of the Company) and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor has conditionally agreed to dispose of and the Purchaser has conditionally agreed to acquire the Sale Shares at the Consideration of HK\$250 million.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios for the Disposal are more than 25% but are all less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

A circular containing, among other things, further details of the Disposal and a notice convening the EGM, will be despatched to the Shareholders on or before 12 May 2017.

On 19 April 2017 (after trading hours), the Vendor (a wholly-owned subsidiary of the Company) and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor has conditionally agreed to dispose of and the Purchaser has conditionally agreed to acquire the Sale Shares at the Consideration of HK\$250 million.

THE SALE AND PURCHASE AGREEMENT

Date:

19 April 2017

Parties:

1. The Vendor (a wholly-owned subsidiary of the Company); and
2. the Purchaser, an investment holding company incorporated in the British Virgin Islands with limited liability. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are Independent Third Parties.

Asset to be disposed of

The Sale Shares, being the entire issued share capital of CHI.

Consideration

The Consideration is HK\$250 million to be paid in cash upon completion of the Sale and Purchase Agreement.

Basis of Consideration

The Consideration of HK\$250 million was determined after arm's length negotiations between the Company and the Purchaser after taking into consideration that (i) the implied price-to-earnings ratio ("P/E") of 18.44 as indicated by the Disposal is in line with the P/E of other listed companies principally engaged in business comparable to the Disposal Group; (ii) the unaudited net assets of the Disposal Group as at 31 December 2016 of approximately RMB217.93 million (equivalent to approximately HK\$244.95 million). The Consideration represents a premium of 2.06% over the unaudited net assets of the Disposal Group as at 31 December 2016. Accordingly, the Company is of the view that the Consideration is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion shall be conditional upon and subject to:

- (a) the passing of the necessary resolutions by the Shareholders at the EGM to approve, among other matters, the Sale and Purchase Agreement and the transactions contemplated thereunder, and all other consents and acts required under the Listing Rules and other applicable laws and regulations having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules having been obtained from the Stock Exchange;
- (b) the conducting of financial, legal and business due diligence (including but not limited to inspection and investigation as to the financial, corporate, taxation and trading position of the Disposal Group, and the title of the Disposal Group to its property and other assets) against the Disposal Group by the Purchaser to its absolute satisfaction;

- (c) the warranties remaining true and correct in all respects and not misleading in any respect at completion as if repeated at all times between the date of the Sale and Purchase Agreement up to completion;
- (d) all necessary approvals, permits, consents and authorization required to be obtained on the part of the Vendor in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect; and
- (e) all necessary approvals, permits, consents and authorization required to be obtained on the part of the Purchaser in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect.

Save and except for conditions (a) and (e), the Purchaser may at its absolute discretion at any time waive in writing any or all of the conditions set out above and such waiver may be granted subject to such terms and conditions as are determined by the Purchaser. The Vendor and the Purchaser shall use all reasonable endeavours to procure the fulfillment of the above conditions as soon as reasonably practicable and in any event on or before the Long Stop Date.

Completion

Completion of the Sale and Purchase Agreement shall take place on the third Business Day after the fulfillment of the conditions precedent or such later date as may be agreed by the Company and the Purchaser in writing.

Information on the Disposal Group

As at the date of this announcement, CHI is an indirect wholly-owned subsidiary of the Company. CHI is an investment holding company incorporated in the British Virgin Islands with limited liability on 6 January 2011. CHI and its subsidiaries are principally engaged in the design, manufacture and sale of packaging products and structural components in the PRC (the “**Packaging Business**”).

Financial information of the Disposal Group

The unaudited financial information of the Disposal Group for the three years ending 31 December 2016 are summarized as follows:

	For the year ended 31 December 2016	For the year ended 31 December 2015	For the year ended 31 December 2014
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(unaudited)	(unaudited)	(unaudited)
Revenue	230,288	189,048	218,590
Gross profits	45,896	40,441	46,145
Gross profit margin (%)	19.93%	21.39%	21.11%
Net profit before taxation	12,064	17,537	25,043
Net profit after taxation	7,018	12,685	17,237
Net profit margin (%)	3.05%	6.71%	7.89%

	As at 31 December 2016 (RMB'000) (unaudited)	As at 31 December 2015 (RMB'000) (unaudited)	As at 31 December 2014 (RMB'000) (unaudited)
Total assets	259,566	235,413	233,865
Total liabilities	41,636	24,472	36,313
Net assets	217,930	210,941	197,552
Return on total assets (%)	2.70%	5.39%	7.37%

The operating environment for Packaging Business remained tough. Even the revenue recorded an increase for the year ended 31 December 2016, 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 as well as the net profit margin recorded persistent decrease for the three years ending 31 December 2016. The return on total assets also decreased from 7.37% as at 31 December 2014 to 2.70% as at 31 December 2016. The Directors expected such declining trend will persist in the foreseeable future.

Possible financial effects of the Disposal

Based on the carrying value of the Disposal Group of approximately RMB217.93 million (equivalent to approximately HK\$244.95 million as at 31 December 2016), the Group expects to realize a possible gain on Disposal approximately HK\$4.2 million, being the net amount of Consideration and the carrying value of the Disposal Group as abovementioned and this figure may change depending on the actual carrying value of the Disposal Group upon completion of the Disposal. The actual book gain or loss derived from the Disposal would depend on the profit or loss of the Disposal Group up to the date of completion of the Disposal, the expenses associated with the Disposal (such as professional fees) and is subject to final audit to be performed by the Company's auditors.

Upon Completion, the Company will cease to hold any equity interest of the Disposal Group and each member of the Disposal Group will cease to be a subsidiary of the Company. The results of the Disposal Group will no longer be consolidated into the consolidated financial statements of the Group.

Intended use of proceeds from the Disposal

Net proceeds of the Disposal are intended to be principally used for settlement of existing liabilities of the Group and as at the date of this announcement, the total debts of the Group (excluding the Disposal Group) amounted to approximately HK\$276.5 million. As the total debts are expected to fall due within 12 months from the date of this announcement, the Company is in need for new capital to settle the existing liabilities of the Group and optimize the overall financial position of the Group.

REASONS FOR THE DISPOSAL

The Company is an investment holding company, and through its subsidiaries principally engaged in (i) the Packaging Business; (ii) provision of corporate secretarial and consultancy services; and (iii) property investment.

Dissatisfactory results of the Packaging Business

Over the past few years, the Company's Packaging Business in the PRC has been increasingly difficult. Although the Disposal Group's revenue has noticeably increased in 2016 and it has continued to record profit after tax over the past few years, both the gross profit margin and net profit margin has persistently decreased for the three-year ended 31 December 2016 and for the year ended 31 December 2016, the Disposal Group recorded net profit margin and return on total assets of 3.05% and 2.70% respectively.

Unfavourable factors in the industry

The Directors summarized several factors that are accountable for the drastic drop in the profitability of the Packaging Business, which are (i) increase in the cost of raw materials; (ii) increase in wages expense; and (iii) low bargaining power in sale prices.

Increase in the cost of raw materials

Living standard in the PRC has improved by miles today. Packaging no longer serves the function of merely protecting the products, yet it also acts as part of the product with marketing and promoting functions. The demand for more sophisticated printed packaging materials and designs with better outlook has therefore continued to grow. Moreover, the rising awareness in green-packaging and the PRC government's policies towards more environmental-friendly production requires packaging to have higher compostable/renewable contents, which are generally more costly. Without a major technological breakthrough in the production of green packaging materials, the Board expects the high cost of raw materials to keep cutting down the Disposal Group's profit.

Increase in wages expense

As with living standard, wages have surged across most cities in the country. Based on the statistic from the National Bureau of Statistics of the PRC, the average wages of employed persons in urban units in the manufacturing sector recorded a 51% increase and a 10.8% compound annual growth rate (CAGR) from 2011 to 2015. As manufacturing jobs usually do not require high skill sets from its employees, it is easy for them to find another similar job, leading to a higher turnover rate and more money to retain workers; whereas, after many years of urbanization and fewer low-skill workers moving into the cities, it is difficult for the Disposal Group to find replacements. Under these macro-environment, the Disposal Group expects persistent pressure for wages increment despite careful management of its human resource.

Low bargaining power in sale prices

The Disposal Group's packaging business is competitive, and therefore the Disposal Group can only pass a part, but not all, of the aforementioned cost of production to its customers. In addition, the Disposal Group did not enter into long term sales and purchase agreements with its customers as they normally place purchase orders based on their estimated sales and production needs. Most of its major customers are leading consumer electrical appliance manufacturers in the PRC who keep themselves abreast of the changes in the costs of the raw materials and the prevailing offers of the Disposal Group's competitors in the market. Since the major customers of the Disposal Group are consumer electrical appliance manufacturers who suffered severe competition on price, they have to strictly control their costs. As the Disposal Group's is only one of their approved suppliers for packaging products, they may not

accept its quotations or offer if all the increases in the cost of production are passed to them. Under such circumstance, the Disposal Group is forced to keep its sale prices low in spite of high costs.

A strategic move for the Company

After reviewing the above, the Board expects the profit from the Packaging Business to be persistently decline. Given (i) the amount of fixed costs in this declining business; (ii) the relative return on total assets was low; and (iii) the fact that the Disposal Group has volatile revenue and is at the edge of loss-making, the Board intends to dispose of the Disposal Group while a P/E ratio bargain is still viable. The Consideration of HK\$250 million is in the Board's opinion beneficial to the Company as it indicates an implied P/E ratio of 18.44 and a premium to the net assets of the Disposal Group as at 31 December 2016, and provides the Company the flexibility to either develop its existing business or to capture other investment opportunities as they arise, enabling it to steer towards businesses that are less capital-intensive. Moreover, as at the date of this announcement, the total debts of the Group (excluding the Disposal Group) amounted to approximately HK\$276.5 million. As the total debts are expected to be fall due within 12 months from the date of this announcement, the Company is in need for new capital to settle the existing liabilities of the Group and optimize the overall financial position of the Group.

Having considered the above reasons and factors, the Directors consider that the Disposal is on normal commercial terms and the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios for the Disposal are more than 25% but are all less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

A circular containing, among other things, further details of the Disposal and a notice convening the EGM, will be despatched to the Shareholders on or before 12 May 2017.

DEFINITIONS

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“CHI”	Cheng Hao International Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Vendor as at the date of this announcement
“CHI Share(s)”	two (2) ordinary shares, representing the entire issued share capital of CHI

“Company”	Jin Bao Bao Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	HK\$250 million, being the consideration payable under the Sale and Purchase Agreement
“Director(s)”	means the director(s) of the Company
“Disposal”	the proposed disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the terms of the Sale and Purchase Agreement
“Disposal Group”	CHI and its subsidiaries
“EGM”	the extraordinary general meeting of the Company to be held for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) who is/are independent of and not connected with any of the connected persons of the Company or any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the date on which the conditions precedent are fulfilled but in any event no later than 31 July 2017 or such other later date as the parties to the Sale and Purchase Agreement may agree in writing
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Billion Grand Investments Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Li Zhi
“Sale and Purchase Agreement”	the Sale and Purchase Agreement dated 19 April 2017 entered into between the Vendor and the Purchaser in relation to the Disposal
“Sale Shares”	two (2) CHI Shares, representing the entire issued share capital of CHI as at the date of this announcement
“Share(s)”	ordinary share(s) HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Vendor”	Peace Bright Investment Trading Limited, a wholly-owned subsidiary of the Company which is incorporated in the British Virgin Islands with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	the lawful currency of the United States of America
“%”	per cent.

All amounts denominated in RMB have been converted into HK\$ using the exchange rate of RMB1.00 = HK\$1.124, for illustration purpose only.

By Order of the Board
Jin Bao Bao Holdings Limited
Xie Yan
Executive Director

Hong Kong, 19 April 2017

As at the date of this announcement, the Board comprises Mr. Ling Zheng, Mr. He Xiaoming, Ms. Ngai Mei and Ms. Xie Yan as executive Directors; Mr. Lee Chi Hwa, Joshua, Mr. Lam Chi Wai and Mr. Chan Chun Kau as independent non-executive Directors.

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