

# Mobile Internet (China) Holdings Limited

## 移動互聯（中國）控股有限公司

(Formerly known as 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



# CONTENT

Corporate Information	2
Management Discussion and Analysis	3
Other Information	12
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	16
Condensed Consolidated Statement of Financial Position	17
Condensed Consolidated Statement of Changes in Equity	18
Condensed Consolidated Statement of Cash Flows	19
Notes to the Condensed Consolidated Financial Statements	20





# CORPORATE INFORMATION

## **Executive Directors**

Mr. Chen Wei Wei (*Chairman*)  
Mr. Sun Shao Hua  
Ms. Zheng Li Fang

## **Independent Non-executive Directors**

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

## **Audit Committee**

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

## **Remuneration Committee**

Mr. Liu Da Jin (*Chairman*)  
Mr. Wu Ping  
Mr. Sun Shao Hua

## **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

## **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 is currently engaged in two business segments, (i) mobile gaming business and (ii) packaging business. During the period under review, the Group has continued to focus on the strategy to diversify into the fast growing PRC gaming business. It offers free-to-play mobile, browser and client-based online games. Apart from the mobile gaming business, the Group continued to engage in the manufacturing and sales of paper-based packaging products with operation in Jiangxi Province in the PRC. Our products are generally used in packaging of a wide variety of products such as food and beverage, glass and ceramics articles, metal hardware and chemicals products, bamboo articles, shopping bags, etc.

### Mobile gaming segment

During the period under review, Cable King has kept on developing new games based on its strong technical and game development teams. Apart from the two games namely, Legend of the Journey to the West (大聖傳說) and Heroes of the Imperial Empire (帝國英雄), it has officially launched a new game namely, Legend of the Reign of the Assassins (劍雨傳說) in March 2017. The revenue from mobile gaming segment was approximately RMB128.7 million, representing approximately 25.5% of the total revenue of the Group.

### Packaging segment

During the period under review, the Group's revenue from packaging segment has achieved a growth of 10.0% with the gross profit margin slightly increased 0.1% to 21.8% as compared to the last corresponding period. The increase in gross profit margin is mainly due to the increase in average selling price in response to the continual increase in raw material cost. In May 2017, the Group's PRC subsidiary has signed a stone paper product marketing strategic cooperation agreement with Jiang Xi Air Co. Ltd (江西航空有限公司) to provide our stone paper for the use of their packaging and promotion products.

## FINANCIAL REVIEW

During the period under review, the revenue of the Group was approximately RMB503.9 million (six months ended 30 June 2016: approximately RMB384.3 million), representing an increase of approximately RMB119.6 million or approximately 31.1% as compare to the last corresponding period. The increase in revenue was attributable to (i) the full six months contribution from mobile gaming business for the period as compared to only approximately 2 months contribution in the last corresponding period and (ii) the increase in average selling price of our packaging products. This increase was mainly due to our ability to increase our selling price amid the increasing raw material cost namely raw paper.

# MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets out a breakdown of our revenue by product categories and their relative percentages of our total revenue during the period under review:

## Revenue by products

	Six months ended 30 June			
	2017		2016	
	RMB'000	% of Total	RMB'000	% of Total
Flexo-printed cartons	<b>183,083</b>	<b>36.3</b>	169,531	44.1
Offset-printed cartons				
– Traditional paper-based cartons	<b>95,609</b>	<b>19.0</b>	97,496	25.4
– Stone-paper based cartons	<b>96,567</b>	<b>19.2</b>	74,087	19.3
Sub-total	<b>192,176</b>	<b>38.2</b>	171,583	44.7
Packaging segment	<b>375,259</b>	<b>74.5</b>	341,114	88.8
Mobile gaming segment	<b>128,660</b>	<b>25.5</b>	43,191	11.2
Total	<b>503,919</b>	<b>100.0</b>	384,305	100.0

## Packaging segment

During the period under review, our revenue from sales of flexo-printed cartons was approximately RMB183.1 million (six months ended 30 June 2016: approximately RMB169.5 million), accounting for approximately 36.3% (six months ended 30 June 2016: approximately 44.1%) of our total revenue. Our revenue from sales of offset-printed cartons was approximately RMB192.2 million (six months ended 30 June 2016: approximately RMB171.6 million), accounting for approximately 38.2% (six months ended 30 June 2016: approximately 44.7%) of our total revenue.

## Turnover by product categories of our customers (Packaging segment)

	Six months ended 30 June			
	2017		2016	
	RMB'000	% of Total	RMB'000	% of Total
Food and beverages	<b>137,737</b>	<b>36.7</b>	131,076	38.4
Glass and ceramics articles	<b>39,895</b>	<b>10.6</b>	45,341	13.3
Metal hardware and chemical products	<b>43,604</b>	<b>11.6</b>	33,623	9.9
Bamboo articles	<b>8,271</b>	<b>2.2</b>	7,900	2.3
Department stores	<b>64,052</b>	<b>17.1</b>	41,055	12.0
Others	<b>81,700</b>	<b>21.8</b>	82,119	24.1
Packaging segment total	<b>375,259</b>	<b>100.0</b>	341,114	100.0

Note: Other products mainly include stationery, 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 RMB137.8 million (six months ended 30 June 2016: approximately RMB131.1 million), representing approximately 36.7% (six months ended 30 June 2016: approximately 38.4%) of the packaging segment.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Mobile gaming segment

During the period under review, our revenue from mobile gaming segment was approximately RMB128.7 million (six months ended 30 June 2016: RMB43.2 million), accounting for approximately 25.5% of the total revenue (six months ended 30 June 2016: 11.2%). The increase in percentage of mobile gaming segment is because mobile game business has a full period contribution in the period under review as compared to only approximately 2 months contribution in the corresponding period in 2016.

## Turnover by games (Mobile gaming segment)

	Six months ended 30 June			
	2017		2016	
	RMB'000	% of Total	RMB'000	% of Total
Legend of the Journey to the West (大聖傳說)	31,866	24.8	30,181	69.9
Heroes of the Imperial Empire (帝國英雄)	24,963	19.4	12,778	29.6
Legend of the Reign of the Assassins (劍雨傳說)	65,844	51.2	–	–
Others	5,987	4.6	232	0.5
<b>Mobile gaming segment total</b>	<b>128,660</b>	<b>100.0</b>	<b>43,191</b>	<b>100.0</b>

Note: Others mainly represent commission received from operation of certain browser games developed by other game developers.

## Gross profit and gross profit margin

The following table sets out our total gross profit and gross profit margin by major product categories during the period under review:

	Six months ended 30 June			
	2017		2016	
	RMB'000	GP margin (%)	RMB'000	GP margin (%)
Flexo-printed cartons	29,763	16.3	26,890	15.9
Offset-printed cartons				
– Traditional paper-based cartons	18,922	19.8	19,732	20.2
– Stone-paper based cartons	33,296	34.5	27,365	36.9
Sub-total	52,218	27.2	47,097	27.4
Printing segment	81,981	21.8	73,987	21.7
Mobile gaming segment	76,963	59.8	20,843	48.3
<b>Total</b>	<b>158,944</b>	<b>31.5</b>	<b>94,830</b>	<b>24.7</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

The overall gross profit of the Group increased by RMB64.1 million or approximately 67.6% from approximately RMB94.8 million for the last corresponding period to approximately RMB158.9 million for the period under review. Our overall gross profit margin increased from approximately 24.7% for the last corresponding period to approximately 31.5% for the period under review primarily due to the higher percentage of contribution from the mobile gaming segment which operates on higher gross margin as compared to the packaging segment.

The gross profit from flexo-printed cartons for the period under review was approximately RMB29.8 million, representing an increase of approximately 10.8% as compared to approximately RMB26.9 million for the last corresponding period. The gross profit margin for flexo-printed cartons increased to approximately 16.3% for the period under review from approximately 15.9% for the last corresponding period mainly due to the increase in our average selling price in response to the continual increase in raw material cost.

The gross profit from offset-printed cartons for the period under review was approximately RMB52.2 million, representing a growth of approximately 10.8% as compared to approximately RMB47.1 million for the last corresponding period. The gross profit margin for offset-printed cartons decreased slightly to approximately 27.2% for the period under review from approximately 27.4% for the last corresponding period.

The gross profit from our mobile gaming segment for the period under review was approximately RMB77.0 million, representing a growth of approximately 270.2% as compared to approximately RMB20.8 million for the last corresponding period. The gross profit margin increased to approximately 59.8% for the period under review from approximately 48.3% for the last corresponding period. The improvement was mainly attributable to the increase in percentage of mobile gaming revenue contributed from our own game platforms in which no channel cost or revenue sharing cost was incurred.

## OTHER REVENUE AND INCOME

During the period under review, other revenue and income of the Group was approximately RMB2.9 million, representing a decrease of approximately 37.0% or approximately RMB1.7 million as compared to approximately RMB4.6 million for the last corresponding period. The decrease was mainly attributable to the expiry of the tax concession in relation to the partial refund of the enterprise income tax paid in the PRC by the local government in early 2016.

## SELLING AND DISTRIBUTION EXPENSES

During the period under review, selling and distribution expenses of the Group was approximately RMB34.7 million, representing an increase by approximately 33.0% or approximately RMB8.6 million as compared to approximately RMB26.1 million for the last corresponding period. The increase was mainly due to the incurred of marketing expenses of the games launched on our publication and distribution platforms known as youc.com (優戲網) and menle.com (萌樂網). The selling and distribution expenses as a percentage of our total turnover was approximately 6.9% for the period under review as compared to approximately 6.8% for the last corresponding period.

## ADMINISTRATIVE EXPENSES

During the period under review, administrative expenses of the Group was approximately RMB21.5 million, representing an increase by approximately 51.4% or approximately RMB7.3 million as compared to RMB14.2 million for the last corresponding period. The increase was primarily attributable to the increase in office and administrative expenses from the mobile gaming business which was acquired on 27 April 2016.

## FINANCE COSTS

During the period under review, finance costs of the Group was approximately RMB16.1 million, representing an increase by approximately 73.1% or approximately RMB6.8 million as compared to RMB9.3 million for the last corresponding period. The increase was mainly because of the new issue of Promissory Note and Convertible Bonds on 20 May 2016.



# MANAGEMENT DISCUSSION AND ANALYSIS

## INCOME TAX EXPENSES

During the period under review, income tax expenses of the Group was approximately RMB15.3 million, representing an increase by approximately 77.9% or approximately RMB6.7 million as compared to RMB8.6 million for the last corresponding period. The Group's effective tax rate was approximately 21.6% for the period under review and 20.0% for the last corresponding period. The packaging PRC operational company continue to enjoy preferential income tax rate of 15% and the mobile gaming PRC operational company is entitled to enjoy preferential income tax treatment of income tax exemption for the first two years when it became profitable, followed by three years preferential income tax rate of 12.5%. The three years' preferential income tax commencing from 1 January 2016.

## PROFIT FOR THE PERIOD

As a combined result of the factors discussed above, our profit for the period increased from approximately RMB34.3 million for the last corresponding period by approximately RMB21.1 million or approximately 61.5% to approximately RMB55.4 million for the period under review. Our net profit margin increased from 8.9% for the last corresponding period to 11.0% 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, Promissory Notes and Convertible Bonds. As at 30 June 2017, the cash and cash equivalents were approximately RMB341.2 million (31 December 2016: approximately RMB374.3 million) mostly denominated in Renminbi and Hong Kong Dollars. The Group's total borrowings which includes bank borrowings, Promissory Notes and Convertible Bonds amounted to approximately RMB309.2 million (31 December 2016: approximately RMB363.1 million). As at 30 June 2017, approximately 17.1% (31 December 2016: approximately 25.1%) of the total borrowings were denominated in Renminbi and approximately 82.9% (31 December 2016: approximately 74.9%) of the total borrowings were denominated in Hong Kong Dollars. The Group's gearing ratio is calculated as total borrowings, which is the summation of bank borrowings, Promissory Notes and Convertible Bonds, divided by total equity. The gearing ratio of the Group as at 30 June 2017 and 31 December 2016 were approximately 48.6% and approximately 62.6% respectively.

On 20 May 2017, the Promissory Note and Convertible Bonds ("Note and Bonds 2") issued on 20 May 2016 with principal amount of HK\$120,000,000 and HK\$30,000,000, respectively were extended for one year. The Note and Bonds 2 will be repayable in full by 20 May 2018 and shall be extended for a further term of one year. The Note and Bonds 2 may be redeemed anytime at the option of the Group in whole after 20 April 2017. The Note and Bonds 2 bear a fixed coupon interest rate at 7.5% per annum payable semi-annually.

On 12 August 2016 and 10 April 2017, HK\$20,000,000 and HK\$3,333,333 of Bonds 2 were converted to 26,666,666 and 4,444,443 shares respectively, at a conversion price of HK\$0.75 per share.

On 19 June 2017, the Promissory Note and Convertible Bonds ("Note and Bonds 1") issued on 19 June 2015 with principal amount of HK\$80,000,000 and HK\$20,000,000, respectively were extended for one year. The Note and Bonds 1 will be repayable in full by 19 June 2018. The Note and Bonds 1 may be redeemed anytime at the option of the Group in whole after 19 May 2016. The Note and Bonds 1 bear a fixed coupon interest rate at 7.5% per annum payable semi-annually.

On 10 April 2017, HK\$6,666,666 of Bonds 1 were converted to 7,843,136 shares at a conversion price of HK\$0.85 per share.



# MANAGEMENT DISCUSSION AND ANALYSIS

## INVENTORIES

As at 30 June 2017, the inventories carried a total worth of approximately RMB30.7 million which was more than the amount of approximately RMB28.1 million as at 31 December 2016. The inventory turnover decreased by 1 day to 18 days compared to 19 days as at 31 December 2016.

## TRADE RECEIVABLES

As at 30 June 2017, the trade receivables amounted to approximately RMB206.6 million (31 December 2016: approximately RMB155.3 million). The trade receivables turnover days increased by 1 day to 65 days compared to 64 days as at 31 December 2016.

## TRADE PAYABLES

As at 30 June 2017, the trade payables amounted to approximately RMB75.4 million (31 December 2016: approximately RMB78.4 million). The trade payables turnover days decreased by 6 days to 40 days compared to 46 days as at 31 December 2016.

## OUTLOOK

### Mobile gaming segment

We will continue to leverage on our strong game research and development capability to develop innovative games to engage our players. We will aggressively seek out original games developed by mobile game developers and also provide our game development team with the environment and resources to create popular games. Looking forward to the second half of the year, we have adopted a game launching strategy to accelerate our game launching pace. Accordingly, on 15 July 2017, we launched a third party developed mobile game named "War of Heroes" (天天打魔獸) which is exclusively distributed by us. On 15 August 2017, we continued to launch our first self-developed browser game named "Swordsman" (七絕). Apart from the above-mentioned games, our pipeline includes a number of new games to be launched in later this year.

We believe that, through our dedication and accumulated experience in mobile games, constant innovations and persistence in our player-oriented philosophy, we will certainly be able to achieve our goal of driving higher growth and profitability to the Group.

### Packaging segment

The Group will continue to invest further in upgrading the existing production facilities with more advance machinery and equipment to enhance our product quality, production capacity and efficiency in order to cope with the recent development trends in the high end packaging markets. High end consumer products manufacturer requires cartons with high resolution prints or graphics for packaging purposes. These production methods, with precise specifications and lamination requirements, will inevitably involve offset-printing method that would enhance the appeal of the underlying products. With the upgrading of existing facilities, it is expected that our product range will be widen to satisfy the ever changing customers' need. In May 2017, the Company signed a stone paper product marketing strategic cooperation agreement with Jiang Xi Air Co. Ltd (江西航空有限公司) to provide our stone paper for the use of their packaging and promotion products. The Group expects such partnership to drive the demand for our stone paper products and will demonstrate the quality of our stone paper to provincial-wide user.

Looking ahead, the Group will continue to seek investment and business opportunities with a view to achieving a sustainable growth, increasing profitability and ultimately maximising the return to the shareholders of the Company.

# MANAGEMENT DISCUSSION AND ANALYSIS

## EMPLOYEES

As at 30 June 2017, the Group had 698 full time employees in total (31 December 2016: 655). 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 shareholders' resolution passed on 13 December 2013 (the "Share Option Scheme") as incentives or rewards to eligible participants who means full-time or part-time employees of our Company or members of our Group, including Executive Directors, Non-executive Directors and Independent Non-executive Directors, advisors, consultants of our Group. The Share Option Scheme constitutes a share option scheme governed by Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Share Option Scheme is valid and effective during the period commencing on 13 January 2014 and ending on 12 January 2024, being the date falling 10 years from the date on which the Share Option Scheme becomes unconditional. A summary of the Share Option Scheme is as follows:

### **Basis of determining the exercise/subscription price**

The subscription price for the shares subject for any option under the Share Option Scheme shall be 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, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of the Company's share. A total of 80,000,000 share options have been granted under Share Option Scheme since its adoption.

### **Maximum number of shares**

The total number of shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme must not, in aggregate, exceed 10 percent of the shares in issue as at 12 December 2013 (i.e. 800,000,000 shares) i.e. 80,000,000 shares unless refreshed by the shareholders. However, the Company may not grant any option if the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and other share option schemes adopted by the Group from time to time exceeds 30 percent of the shares in issue.

### **Maximum entitlement of each participant**

The total number of shares issued and to be issued upon exercise of the option granted to a participant under the Share Option Scheme in any 12-month period must not exceed one percent of all the shares in issue from time to time unless a further grant to such participant is approved by the shareholders in general meeting.

### **Time for acceptance of option**

A share option will be offered for acceptance for a period of 28 days from the date on which the option is granted.

### **Amount payable on application or acceptance of option**

HK\$1.00

### **Minimum and maximum period for the holding of a share option before it can be exercised**

Unless otherwise determined by the Directors and stated in the offer of grant of the share options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of a share option before it can be exercised provided that the period within which the option must be exercised must not be more than 10 years from the date of the grant of the option.

# MANAGEMENT DISCUSSION AND ANALYSIS

The following table disclosed movements in the Company's share options granted under the Share Option Scheme during the six months ended 30 June 2017:

Name and category of grantee	Date of grant (dd/mm/yy)	Exercisable period (dd/mm/yy)	Exercise price per Share HK\$	Outstanding at beginning of the period	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	Outstanding at end of the period
<b>Directors</b>								
Mr. Chen Wei Wei	18/12/14	18/12/14 to 17/12/17	0.65	3,450,000	-	-	-	3,450,000
	18/12/14	18/12/15 to 17/12/17	0.65	3,450,000	-	-	-	3,450,000
Mr. Sun Shao Hua	18/12/14	18/12/14 to 17/12/17	0.65	3,750,000	-	-	-	3,750,000
	18/12/14	18/12/15 to 17/12/17	0.65	3,750,000	-	-	-	3,750,000
Ms. Hu Li Yu (resigned on 18 March 2016)	18/12/14	18/12/14 to 17/12/17	0.65	3,300,000	-	-	-	3,300,000
	18/12/14	18/12/15 to 17/12/17	0.65	3,300,000	-	-	-	3,300,000
				21,000,000	-	-	-	21,000,000
<b>Other employees</b>								
Other employees	18/12/14	18/12/14 to 17/12/17	0.65	9,500,000	-	-	-	9,500,000
	18/12/14	18/12/15 to 17/12/17	0.65	9,500,000	-	-	-	9,500,000
	24/04/15	24/04/15 to 23/04/18	1.09	20,000,000	-	-	-	20,000,000
	24/04/15	24/04/16 to 23/04/18	1.09	20,000,000	-	-	-	20,000,000
				59,000,000	-	-	-	59,000,000
<b>Total of all categories</b>				<b>80,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80,000,000</b>

## 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 2017 (six months ended 30 June 2016: Nil) to the shareholders.

## CAPITAL COMMITMENTS

As at 30 June 2017, the Group's capital commitments were approximately RMB60.0 million (31 December 2016: approximately RMB61.9 million). All the capital commitments were related to capital contribution payable to subsidiaries.

## CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any material contingent liabilities or guarantees.

## PLEDGE OF ASSETS

As at 30 June 2017, the Group pledged certain assets with a carry value of approximately RMB101.0 million (31 December 2016: approximately RMB151.5 million) as collateral for the Group's bills payable and bank borrowings.

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

The Group did not have any significant investments, material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2017.

## OTHER INFORMATION

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

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

As at 30 June 2017, 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 for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules:

#### Long positions

Name of director	Name of group member/associated corporation	Capacity/nature of interest	Number of shares held	Approximate percentage of shareholding
Mr. Sun Shao Hua	Our Company	Interest of a controlled corporation	408,000,000	31.83%

Note: 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 Ms. Zheng Xue Xia. Ms. Zheng is the spouse of Mr. Sun Shao Hua. Therefore, Mr. Sun is deemed to be interested in all the Shares in which Ms. Zheng is deemed to be interested.

Save as disclosed above, as at 30 June 2017, 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' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, so far as is known to the Directors, the following persons/entities, not being a Director or chief executive 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 of the Company

Name of shareholder	Capacity	Number of Shares held	Approximate percentage of shareholding
Novel Blaze	Beneficial owner	408,000,000	31.83%
Ms. Zheng Xue Xia	Interest of a controlled corporation	408,000,000	31.83%
Wealthy Achievers Limited	Beneficial owner	352,857,143	27.53%
Mr. Peng Dongmiao	Interest of a controlled corporation	352,857,143	27.53%

### 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, save as disclosed below, the Company has complied with the CG Code throughout the six months ended 30 June 2017.

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.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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.



# OTHER INFORMATION

## 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 2017 have not been audited by the auditor of the Company but have been reviewed by the Audit Committee. The Audit Committee is of the view that the interim report for the six months ended 30 June 2017 is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

## UPDATE ON DIRECTORS' INFORMATION

Mr. Ma Yiu Ho, Peter (馬遙豪), aged 52, 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 the 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 since February 1990 and a fellow member of the Association of Chartered Certified Accountants (UK) since April 1994. Mr. Ma obtained a Master Degree of Business Administration from the Hong Kong University of Science and Technology in November 1995. He is also a member of the Hong Kong Institute of Directors since December 2015. He has over 20 years of experience in the finance and accounting field and was the financial controller and company secretary of The Hong Kong Parkview Group Limited (now named as Joy City Property Limited, stock code: 207) and the financial controller of VODone Limited (now named as V1 Group Limited, stock code: 82), 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 the Standard Chartered Equitor Trustee HK Limited and the Hong Kong Government's Audit Department. He was an independent non-executive director of the China Ocean Fishing Holdings Limited (formerly known as Sky Forever Supply Chain Management Group Limited) (stock code: 8047) from July 2014 to May 2015 and Huisheng International Holdings Limited (stock code: 1340) from February 2014 to July 2017. Mr. Ma is currently and has been an independent non-executive director and chairman of the audit committee of Convoy Financial Holdings Limited (stock code: 1019) since March 2010, TEM Holdings Limited (Stock code: 8346) since 20 April 2016 and Royal Catering Group Holdings Company Limited (Stock code:8300) since 21 July 2016. Shares of these five companies are listed on the Stock Exchange.

## OTHER INFORMATION

Mr. Liu Da Jin (劉大進), aged 52, was appointed as an Independent Non-executive Director on 13 December 2013. Mr. Liu is also a member of the Audit Committee and the Nomination Committee and the chairman of the Remuneration Committee. Mr. Liu has been a non-practicing member of the Chinese Institute of Certified Public Accountants since June 1996. He has also been the consultant of the Xiamen City Economic Management Consultancy Association (廈門市經濟管理諮詢協會) since August 2008 and the council member of the Xiamen City Accounting Association (廈門市會計學會) since March 2005. Mr. Liu graduated from the Central University of Finance and Economics (中央財經大學) (originally named Central Institute of Finance and Banking 中央財政金融學院) in June 1989, majoring in accounting. He then obtained a postgraduate certificate from the Xiamen University Postgraduate School in September 1992. Mr. Liu worked as a teaching assistant at Jimei Finance and Economics School (集美財經學校) from August 1984 to August 1987. Mr. Liu then served as the deputy director and instructor at the Department of Financial Management at Jimei College of Finance (集美財政專科學校) from July 1989 to August 1995. Mr. Liu worked as a certified accountant at the Xiamen Jiyou Accounting Firm (廈門集友會計師事務所) from June 1995 to May 1999. Mr. Liu worked in various faculties of the Jimei University (集美大學) since September 1995 and is currently the Dean of management department of Chengyi University College (誠毅學院). Mr. Liu has been an independent non-executive director of China Shenghai Food Holdings Limited (stock code: 1676) since 22 June 2017, the shares of which are listed on the Stock Exchange.

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
<b>Revenue</b>	4	<b>503,919</b>	384,305
Cost of sales		<b>(344,975)</b>	(289,475)
<b>Gross profit</b>		<b>158,944</b>	94,830
Other revenue	5	<b>2,876</b>	1,283
Other income	6	<b>36</b>	3,305
Selling and distribution expenses		<b>(34,680)</b>	(26,064)
Administrative expenses		<b>(21,455)</b>	(14,178)
Amortisation of intangible assets		<b>(14,215)</b>	(2,360)
Change in fair value of derivative financial instruments		<b>101</b>	2,893
Change in fair value of contingent consideration payable		<b>(4,780)</b>	–
Loss on early redemption of promissory notes		–	(5,112)
Equity-settled share option expenses		–	(2,355)
Profit from operating activities		<b>86,827</b>	52,242
Finance costs	8	<b>(16,117)</b>	(9,336)
Profit before tax	7	<b>70,710</b>	42,906
Income tax expenses	9	<b>(15,300)</b>	(8,573)
<b>Profit for the period</b>		<b>55,410</b>	34,333
<b>Other comprehensive income/(loss) for the period, net of tax</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<b>11,813</b>	(14,429)
Other comprehensive income/(loss) for the period, net of tax		<b>11,813</b>	(14,429)
<b>Total comprehensive income for the period, net of tax</b>		<b>67,223</b>	19,904
<b>Profit attributable to owners of the Company</b>		<b>55,410</b>	34,333
<b>Total comprehensive income attributable to owners of the Company</b>		<b>67,223</b>	19,904
<b>Earnings per share attributable to owners of the Company</b>			
– Basic (RMB cents)	11	<b>4.83</b>	3.76
– Diluted (RMB cents)	11	<b>4.20</b>	3.73



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	12	142,181	147,727
Prepaid lease payments		2,225	2,255
Long-term prepayment		5,487	4,592
Goodwill		429,857	429,857
Intangible assets		10,085	19,708
		<b>589,835</b>	604,139
<b>Current assets</b>			
Inventories		30,711	28,122
Trade receivables	13	206,610	155,368
Prepayments, deposits and other receivables		115,699	71,427
Derivative financial instruments	16, 17	9,046	12,945
Pledged bank deposits		13,000	59,460
Cash and bank balances		341,236	374,335
		<b>716,302</b>	701,657
<b>Current liabilities</b>			
Trade, bills, other payables and accruals	14	139,556	138,405
Bank borrowings	15	16,970	91,110
Derivative financial instruments	16, 17	1,701	4,277
Promissory notes	16	173,640	178,804
Convertible bonds	17	23,627	32,868
Contingent consideration payable		155,568	155,568
Deferred revenue	18	57,493	57,617
Tax payables		5,625	3,925
		<b>574,180</b>	662,574
<b>Net current assets</b>		<b>142,122</b>	39,083
<b>Total assets less current liabilities</b>		<b>731,957</b>	643,222
<b>Non-current liabilities</b>			
Deferred taxation		1,054	2,980
Promissory notes	16	58,958	60,342
Bank borrowings	15	36,000	–
		<b>96,012</b>	63,322
<b>Net assets</b>		<b>635,945</b>	579,900
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	19	9,259	9,150
Reserves		626,686	570,750
<b>Total equity</b>		<b>635,945</b>	579,900

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company								
	Reserves								Total
	Share capital	Share premium	Share option reserve	Convertible bonds reserve	Statutory reserve	Other reserve	Exchange reserve	Retained profit	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2016 (Audited)	6,287	64,588	20,205	4,067	29,142	15,901	2,290	208,542	351,022
Profit for the period	-	-	-	-	-	-	-	34,333	34,333
Other comprehensive loss for the period	-	-	-	-	-	-	(14,429)	-	(14,429)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(14,429)	34,333	19,904
Equity-settled share option expenses	-	-	2,355	-	-	-	-	-	2,355
Issue of shares in relation to acquisition of subsidiaries	2,706	227,351	-	-	-	-	-	-	230,057
Issue of convertible bonds	-	-	-	2,183	-	-	-	-	2,183
Transaction costs attributable to issue of convertible bonds	-	-	-	(34)	-	-	-	-	(34)
Deferred tax on convertible bonds	-	-	-	(180)	-	-	-	-	(180)
Transfer to statutory reserve	-	-	-	-	289	-	-	(289)	-
At 30 June 2016 (Unaudited)	8,993	291,939	22,560	6,036	29,431	15,901	(12,139)	242,586	605,307
At 1 January 2017 (Audited)	9,150	301,583	22,594	4,706	36,869	15,901	(19,639)	208,736	579,900
Profit for the period	-	-	-	-	-	-	-	55,410	55,410
Other comprehensive income for the period	-	-	-	-	-	-	11,813	-	11,813
Total comprehensive income for the period	-	-	-	-	-	-	11,813	55,410	67,223
Dividend paid	-	(20,023)	-	-	-	-	-	-	(20,023)
Issue of ordinary shares upon conversion of convertible bonds	109	10,269	-	(1,533)	-	-	-	-	8,845
Transfer to statutory reserve	-	-	-	-	3,339	-	-	(3,339)	-
<b>At 30 June 2017 (Unaudited)</b>	<b>9,259</b>	<b>291,829</b>	<b>22,594</b>	<b>3,173</b>	<b>40,208</b>	<b>15,901</b>	<b>(7,826)</b>	<b>260,807</b>	<b>635,945</b>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	<b>Six months ended 30 June</b>	
	<b>2017</b> <b>(Unaudited)</b> <b>RMB'000</b>	<b>2016</b> <b>(Unaudited)</b> <b>RMB'000</b>
<b>Operating activities</b>		
Cash generated from operations	<b>64,869</b>	66,204
PRC tax paid	<b>(15,526)</b>	(7,718)
<b>Net cash generated from operating activities</b>	<b>49,343</b>	58,486
<b>Investing activities</b>		
Interest received	<b>1,957</b>	475
Prepayment for long-term prepayment	<b>(895)</b>	(716)
Purchase of property, plant and equipment	<b>(1,953)</b>	(964)
Development cost spent on intangible assets	<b>(4,592)</b>	–
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	–	(16,668)
<b>Net cash used in investing activities</b>	<b>(5,483)</b>	(17,873)
<b>Financing activities</b>		
Interest paid on convertible bonds and promissory notes	<b>(15,668)</b>	–
Proceeds from bank borrowings	<b>50,000</b>	23,300
Repayments of bank borrowings	<b>(88,140)</b>	(46,700)
Bank borrowings interest paid	<b>(2,506)</b>	(3,100)
Early redemption of promissory notes	–	(109,668)
Net proceeds from issue of promissory note	–	99,583
Net proceeds from issue of convertible bonds	–	24,678
Dividend paid	<b>(20,023)</b>	–
<b>Net cash used in financing activities</b>	<b>(76,337)</b>	(11,907)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(32,477)</b>	28,706
Cash and cash equivalents at the beginning of the period	<b>374,335</b>	266,206
Effect of exchange rate changes on the balance of cash held in foreign currencies	<b>(622)</b>	(2,380)
<b>Cash and cash equivalents at the end of the period</b>	<b>341,236</b>	292,532
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	<b>341,236</b>	292,532



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 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").

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 2016 as contained in the Company's annual report 2016 (the "Annual Report 2016"), 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 subsidiaries 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 22 August 2017.

## 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 preparing the financial statements are consistent with those applied in the annual consolidated financial statements of the Company for the year ended 31 December 2016, with addition for the new and revised HKFRSs (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, that have become effective for the Group's financial year beginning on 1 January 2017. The adoption of these new and revised HKFRSs has no material effect on the financial statements. The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective. The Group is in the process of making an assessment of the impact of the new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 3. OPERATING SEGMENT

The Group engaged in two operating segments which are sales of paper-based packaging products and development, distribution and operation of mobile gaming products. The chief operating decision makers allocated resources and assessed performance based on the results of the period for the entire business comprehensively.

Segment revenue reported represents revenue generated from external customers. There were no inter-segment sales for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

### Segment revenues and results

The following is an analysis of the Group's turnover and results by reportable and operating segment:

	Paper-based packaging products		Development, distribution and operation of mobile gaming products		Consolidated	
	6 months ended 30 June 2017 RMB'000	6 months ended 30 June 2016 RMB'000	6 months ended 30 June 2017 RMB'000	6 months ended 30 June 2016 RMB'000	6 months ended 30 June 2017 RMB'000	6 months ended 30 June 2016 RMB'000
Revenue	375,259	341,114	128,660	43,191	503,919	384,305
Segment results	55,226	49,003	48,948	6,065	104,174	55,068
Equity-settled share option expenses					–	(2,355)
Unallocated corporate income					1,517	2,893
Unallocated corporate expenses					(21,370)	(6,464)
Unallocated finance costs					(13,611)	(6,236)
Profit before tax					70,710	42,906
Income tax expenses					(15,300)	(8,573)
Profit for the period					55,410	34,333

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 3. OPERATING SEGMENT (CONTINUED)

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	Paper-based packaging products		Development, distribution and operation of mobile gaming products		Consolidated	
	6 months ended 30 June 2017 RMB'000	6 months ended 30 June 2016 RMB'000	6 months ended 30 June 2017 RMB'000	6 months ended 30 June 2016 RMB'000	6 months ended 30 June 2017 RMB'000	6 months ended 30 June 2016 RMB'000
Segment assets	<b>649,780</b>	657,052	<b>197,122</b>	127,873	<b>846,902</b>	784,925
Unallocated corporate assets					<b>459,235</b>	502,669
Total assets					<b>1,306,137</b>	1,287,594
Segment liabilities	<b>168,098</b>	239,799	<b>74,403</b>	50,947	<b>242,501</b>	290,746
Unallocated corporate liabilities					<b>427,691</b>	391,541
Total liabilities					<b>670,192</b>	682,287

The Company's and some dormant companies' assets are not considered to be segment assets for reporting to the chief decision makers as they are managed by the central treasury function.

The Company's and some dormant companies' liabilities are not considered to be segment liabilities for reporting to the chief decision makers as they are managed by the central treasury function.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 3. OPERATING SEGMENT (CONTINUED)

### Other segment information

#### Six months ended 30 June 2017

	Paper-based packaging products RMB'000	Development, distribution and operation of mobile gaming products RMB'000	Unallocated RMB'000	Consolidated RMB'000
Capital expenditures	(1,875)	(4,657)	(13)	(6,545)
Depreciation of property, plant and equipment	(7,409)	(87)	(2)	(7,498)
Amortisation of intangible assets	–	(14,215)	–	(14,215)
Change in fair value of derivative financial instruments	–	–	101	101
Change in fair value of contingent consideration payable	–	–	(4,780)	(4,780)
Finance costs	(2,444)	(62)	(13,611)	(16,117)

#### Six months ended 30 June 2016

	Paper-based packaging products RMB'000	Development, distribution and operation of mobile gaming products RMB'000	Unallocated RMB'000	Consolidated RMB'000
Capital expenditures	(894)	(70)	–	(964)
Depreciation of property, plant and equipment	(6,976)	(16)	(8)	(7,000)
Amortisation of intangible assets	–	(2,360)	–	(2,360)
Change in fair value of derivative financial instruments	–	–	2,893	2,893
Finance costs	(3,100)	–	(6,236)	(9,336)

During the six months ended 30 June 2017 and 2016, all revenue is derived from customers in the PRC.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 4. REVENUE

Revenue represents the net amounts received and receivable for goods sold, net of discounts and excludes value added tax, service fees and commission received and sales of in-game virtual items:

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of paper-based packaging products	375,259	341,114
Development, distribution and operation of mobile gaming products	128,660	43,191
	<b>503,919</b>	<b>384,305</b>

## 5. OTHER REVENUE

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of residual materials	919	808
Bank interest income	1,957	475
	<b>2,876</b>	<b>1,283</b>

## 6. OTHER INCOME

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Tax concession (Note)	–	3,202
Government subsidies	31	100
Sundry incomes	5	3
	<b>36</b>	<b>3,305</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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Staff costs:</b>		
Employee benefit expense (including directors' remuneration)		
Wages and salaries	<b>25,160</b>	19,223
Retirement benefit schemes contributions	<b>2,397</b>	2,035
	<b>27,557</b>	21,258
<b>Other items:</b>		
Cost of inventories sold	<b>293,276</b>	267,127
Depreciation of property, plant and equipment	<b>7,498</b>	7,000
Amortisation of prepaid lease payments	<b>30</b>	30
Amortisation of intangible assets	<b>14,215</b>	2,360
Minimum lease payments under operating leases of rented premises	<b>411</b>	151
Research and development costs	<b>5,026</b>	1,706
Equity-settled share option expenses	<b>–</b>	2,355

## 8. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest expenses on bank borrowings wholly repayable within five years	<b>2,506</b>	3,100
Imputed interest on promissory notes	<b>10,904</b>	4,988
Imputed interest on convertible bonds	<b>2,707</b>	1,248
	<b>16,117</b>	9,336

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The PRC Enterprise Income Tax		
– Current tax	14,402	8,717
– Under provision in prior period	2,824	–
	17,226	8,717
Deferred tax		
– Current period	(1,926)	(144)
	15,300	8,573

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the period (six months ended 30 June 2016: 16.5%). 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 statutory enterprise income tax rate for the six months ended 30 June 2017 at the PRC is 25% (six months ended 30 June 2016: 25%).

Pursuant to the relevant laws and regulations in the PRC, HongSheng (Jiangxi) Color Printing Packaging Co., Ltd ("HongSheng"), which qualified as a High and New Technology Enterprise ("HNTE") in August 2014, was entitled to a reduced enterprise income tax rate of 15% from 1 January 2014 to 31 December 2016. During the six months ended 30 June 2017, HongSheng renewed the qualification of HNTE and entitled to the reduced tax rate of 15% until the year ended 31 December 2019.

In accordance with various approval documents issued by the PRC government authority, Behill Science Technology Co., Limited is entitled to enjoy preferential income tax treatment of income tax exemption for the first two years when it became profitable, followed by three years preferential income tax rate of 12.5%. The three years' preferential income tax commencing from 1 January 2016.

## 10. DIVIDENDS

The Directors do not recommend payment of any dividends for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

On 30 June 2017, a special dividend of 2.0 HK cents per share was paid.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 11. EARNINGS PER SHARE

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

### Earnings

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Profit attributable to owners of the Company for the purpose of basic earnings per share	55,410	34,333
Effect of dilutive potential ordinary shares: Change in fair value of contingent consideration payable, net of tax	3,991	–
Profit attributable to owners of the Company for the purpose of diluted earnings per share	59,401	34,333

### Number of shares

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,146,519,129	912,244,898
Effect of dilutive potential ordinary shares: Share options issued by the Company	44,192,355	9,174,646
Settlement of contingent consideration payable	222,239,857	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,412,951,341	921,419,544

Basic earnings per share for the periods ended 30 June 2017 and 2016 are calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of shares in issue during the period.

Diluted earnings per share for the period ended 30 June 2017 and 2016 is calculated by adjusting the weighted average number of shares in issue during the period to assume conversion of all potential dilutive ordinary shares. The weighted average number of ordinary shares as above is adjusted by the number of shares that would have been issued assuming the exercise of share options and the expected number of shares to be issued for the settlement of the contingent consideration payable.

For the period ended 30 June 2017, the computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible bonds since it would result in an anti-dilutive effect on earnings per share.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 12. PROPERTY, PLANT AND EQUIPMENT

	Machinery RMB'000	Computer and office equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Construction- in-progress RMB'000	Total RMB'000
<b>Cost</b>							
At 31 December 2016 and 1 January 2017 (Audited)	132,129	924	743	65,113	142	4,320	203,371
Additions	23	65	-	-	13	1,852	1,953
Transferred from construction-in-progress	-	-	-	6,172	-	(6,172)	-
Exchange realignment	-	-	-	-	(4)	-	(4)
At 30 June 2017 (Unaudited)	132,152	989	743	71,285	151	-	205,320
<b>Accumulated depreciation</b>							
At 31 December 2016 and 1 January 2017 (Audited)	40,094	555	436	14,431	128	-	55,644
Charge for the period	5,795	93	37	1,571	2	-	7,498
Exchange realignment	-	-	-	-	(3)	-	(3)
At 30 June 2017 (Unaudited)	45,889	648	473	16,002	127	-	63,139
<b>Carrying amounts</b>							
<b>At 30 June 2017 (Unaudited)</b>	<b>86,263</b>	<b>341</b>	<b>270</b>	<b>55,283</b>	<b>24</b>	<b>-</b>	<b>142,181</b>
At 31 December 2016 (Audited)	92,035	369	307	50,682	14	4,320	147,727

### Assets pledged as security

As at 30 June 2017, machinery with carrying amount of approximately RMB39,103,000 (31 December 2016: RMB41,538,000) (Note 20) have been pledged to secure bank borrowings (Note 15) granted to the Group.

As at 30 June 2017, no computer and office equipment (31 December 2016: Nil) have been pledged to secure bank borrowings (Note 15) granted to the Group.

As at 30 June 2017, buildings with carrying amount of approximately RMB48,925,000 (31 December 2016: RMB50,462,000) (Note 20) have been pledged to secure bank borrowings (Note 15) granted to the Group.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 13. TRADE RECEIVABLES

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 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
0 – 30 days	<b>93,530</b>	74,397
31 – 60 days	<b>83,093</b>	59,569
61 – 90 days	<b>29,987</b>	21,402
	<b>206,610</b>	155,368

The Group allows an average credit period from 30 to 90 days. 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 2017, no trade receivables were impaired (31 December 2016: Nil). The Directors of the Company considered no provision for impairment is recognised during the period (six months ended 30 June 2016: Nil) as these independent customers had no recent history of default.

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

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Trade payables	<b>75,398</b>	78,420
Bills payable	<b>24,000</b>	25,700
Accruals	<b>11,860</b>	25,436
Receipt in advance	<b>4,000</b>	–
Other payables	<b>24,298</b>	8,849
	<b>139,556</b>	138,405

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 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 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
0 – 30 days	52,042	42,822
31 – 60 days	23,346	35,598
61 – 90 days	3	–
91 – 180 days	7	–
	<b>75,398</b>	78,420

The average credit period granted by suppliers 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 2017, the bills payable of approximately RMB24,000,000 (31 December 2016: RMB25,700,000) was secured by the bank deposits.

## 15. BANK BORROWINGS

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Secured	52,970	91,110
Carrying amount repayable:		
Within one year	16,970	91,110
More than one year, but not exceeding two years	36,000	–
	<b>52,970</b>	91,110
Less: Amounts shown under current liabilities	<b>(16,970)</b>	(91,110)
Amounts shown under non-current liabilities	<b>36,000</b>	–

All the bank borrowings were denominated in RMB. As at 30 June 2017 and 31 December 2016, the bank borrowings were secured by certain property, plant and equipment, prepaid lease payments and pledged bank deposits held by the Group.

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

	<b>30 June 2017 (Unaudited)</b>	31 December 2016 (Audited)
Fixed rate	<b>4.4% – 7.7%</b>	4.4% – 6.9%

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 16. PROMISSORY NOTES

The promissory notes issued have been split as to the derivative financial assets component (term extension derivative component and redemption option derivative component embedded in promissory notes) and the financial liability component (promissory notes liabilities). The following tables summarise the movements of derivative financial assets and financial liability components during the six months ended 30 June 2017.

### Derivative financial assets/(liabilities) – Term extension derivative component:

	Promissory Note 1 RMB'000	Promissory Note 3 RMB'000	Total RMB'000
At 31 December 2016 and 1 January 2017 (Audited)	(99)	705	606
Fair value change	98	(1,907)	(1,809)
Exchange realignment	1	15	16
<b>At 30 June 2017 (Unaudited)</b>	<b>–</b>	<b>(1,187)</b>	<b>(1,187)</b>

### Derivative financial assets – Redemption option derivative component:

	Promissory Note 1 RMB'000	Promissory Note 2 RMB'000	Promissory Note 3 RMB'000	Total RMB'000
At 31 December 2016 and 1 January 2017 (Audited)	142	189	–	331
Fair value change	1,591	1,962	2,917	6,470
Exchange realignment	(33)	(41)	(53)	(127)
<b>At 30 June 2017 (Unaudited)</b>	<b>1,700</b>	<b>2,110</b>	<b>2,864</b>	<b>6,674</b>



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 16. PROMISSORY NOTES (CONTINUED)

### Financial liability component – Promissory notes liabilities:

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Current portion	<b>(173,640)</b>	(178,804)
Non-current portion	<b>(58,958)</b>	(60,342)
	<b>(232,598)</b>	(239,146)

	<b>Promissory Note 1 RMB'000</b>	<b>Promissory Note 2 RMB'000</b>	<b>Promissory Note 3 RMB'000</b>	<b>Total RMB'000</b>
At 31 December 2016 and 1 January 2017 (Audited)	(71,617)	(60,342)	(107,187)	(239,146)
Imputed interest charged	(2,991)	(3,207)	(4,706)	(10,904)
Coupon interest payable	2,991	2,763	4,473	10,227
Exchange realignment	2,160	1,828	3,237	7,225
<b>At 30 June 2017 (Unaudited)</b>	<b>(69,457)</b>	<b>(58,958)</b>	<b>(104,183)</b>	<b>(232,598)</b>

### Promissory Note 1

On 19 June 2015, the Company issued a redeemable 7.5% promissory note with the principal amount of HK\$80,000,000 and interest payable half yearly (the "Promissory Note 1").

The Promissory Note 1 has a term of one year and the holder shall extend the Promissory Note 1 on the same terms and conditions of the Promissory Note 1 for a further period of one year (the "Extended Term of the Promissory Note 1") provided that the Group's earnings before interest, taxes, depreciation and amortisation ("EBITDA") for the financial year before the end of the term is not less than RMB52,000,000 and the consolidated net asset value of the Group is not less than RMB220,000,000, provided that the noteholder of Promissory Note 1 may only make up to two extensions and the aggregate extended term for the above extensions shall not exceed two years.

The Company may, prior to the maturity date of the Promissory Note 1 from and including the date falling 12 months from the date of issue redeem the outstanding principal amount of the Promissory Note 1, with all amounts of accrued interests, handling fee and all other outstanding amount payable by the Company to the holder of the Promissory Note 1, and without penalty.

The Promissory Note 1 has the benefit of the security constituted by the share charges created by Rich Kirin Holdings Limited and Big Wealth Limited; the guarantee of Mr. Sun Shao Hua, a Director of the Company; and the guarantee of Novel Blaze Limited, the ultimate holding company of the Company.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 16. PROMISSORY NOTES (CONTINUED)

### **Promissory Note 1 (continued)**

The Promissory Note 1 contains three components: term extension derivative component, redemption option derivative component and financial liability component. The fair value of the financial liability component of the Promissory Note 1 at the date of issue was estimated to be approximately RMB64,534,000 based on the effective interest rate of 6.3% per annum. The term extension derivative component is measured at fair value with changes in fair value recognised in profit or loss.

On 19 June 2016, the maturity date of Promissory Note 1 extended to 19 June 2017. As a result, the effective interest rate of Promissory Note 1 changed to 8.5%.

On 19 June 2017, the maturity date of Promissory Note 1 was further extended to 19 June 2018. The effective interest rate of Promissory Note 1 remained unchanged.

### **Promissory Note 2**

On 28 April 2016, the Company issued a redeemable 9% promissory note with the principal amount of HK\$200,000,000 and interest payable yearly (the "Promissory Note 2").

The Promissory Note 2 has a term of three years. The Company may, at any time prior to the maturity date of the Promissory Note 2, redeem the outstanding principal amount of the Promissory Note 2, with all amounts of accrued interests and all other outstanding amount payable by the Company to the holder of the Promissory Note 2.

The Promissory Note 2 contains two components: redemption option derivative component and financial liability component. The fair value of the financial liability component of the Promissory Note 2 at the date of issue was estimated to be approximately RMB159,859,000 based on the effective interest rate of 10.9% per annum. The redemption option derivative component is measured at fair value with changes in fair value recognised in profit or loss.

During the year ended 31 December 2016, the Promissory Note 2 with principal amount of HK\$130,000,000 was early redeemed. The excess of the fair value of the consideration to settle the Promissory Note 2 over i) the carrying value of the financial liability component; and ii) fair value of early redemption component of the redeemed portion of the Promissory Note 2 of approximately RMB5,112,000 was recognised by the Group as a loss on early redemption of promissory note and debited to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016.

### **Promissory Note 3**

On 20 May 2016, the Company issued a redeemable 8.5% promissory note with the principal amount of HK\$120,000,000 and interest payable yearly (the "Promissory Note 3").

The Promissory Note 3 has a term of one year and the holder shall extend the Promissory Note 3 on the same terms and conditions of the Promissory Note 3 for a further period of one year (the "Extended Term of the Promissory Note 3") provided that the Group's EBITDA for the financial year before the end of the term is not less than RMB68,196,000 and the consolidated net asset value of the Group is not less than RMB296,892,000, provided that the noteholder of Promissory Note 3 may only make up to two extensions and the aggregate extended term for the above extensions shall not exceed two years.

The Promissory Note 3 contains three components: term extension derivative component, redemption option derivative component and financial liability component. The fair value of the financial liability component of the Promissory Note 3 at the date of issue was estimated to be approximately RMB100,015,000 based on the effective interest rate of 9.1% per annum. The term extension derivative component and redemption option derivative component are measured at fair value with changes in fair value recognised in profit or loss.

On 20 May 2017, the maturity date of Promissory Note 3 extended to 20 May 2018. As a result, the effective interest rate of Promissory Note 3 changed to 8.5%.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 17. CONVERTIBLE BONDS

The convertible bonds issued have been split as to the derivative financial asset component (redemption option derivative component embedded in convertible bonds); the derivative financial liability component (term extension derivative component embedded in convertible bonds); the financial liability component (convertible bonds) and equity component (convertible bonds reserve). The following tables summarise the movements of derivative financial assets; derivative financial liabilities; financial liabilities and equity component during the six months ended 30 June 2017.

### Derivative financial assets – Redemption option derivative component:

	Convertible Bond 1 RMB'000	Convertible Bond 2 RMB'000	Total RMB'000
At 31 December 2016 and 1 January 2017 (Audited)	7,857	4,052	11,909
Conversion of convertible bonds	(971)	(437)	(1,408)
Fair value change	(5,063)	(2,877)	(7,940)
Exchange realignment	(127)	(62)	(189)
<b>At 30 June 2017 (Unaudited)</b>	<b>1,696</b>	<b>676</b>	<b>2,372</b>

### Derivative financial liabilities – Term extension derivative component:

	Convertible Bond 1 RMB'000	Convertible Bond 2 RMB'000	Total RMB'000
At 31 December 2016 and 1 January 2017 (Audited)	(2,330)	(1,848)	(4,178)
Conversion of convertible bonds	–	224	224
Fair value change	2,302	1,078	3,380
Exchange realignment	28	32	60
<b>At 30 June 2017 (Unaudited)</b>	<b>–</b>	<b>(514)</b>	<b>(514)</b>

### Financial liabilities – Financial liability component:

	Convertible Bond 1 RMB'000	Convertible Bond 2 RMB'000	Total RMB'000
At 31 December 2016 and 1 January 2017 (Audited)	(22,719)	(10,149)	(32,868)
Conversion of convertible bonds	6,606	3,425	10,031
Imputed interest charged	(2,142)	(565)	(2,707)
Coupon interest payable	763	316	1,079
Exchange realignment	590	248	838
<b>At 30 June 2017 (Unaudited)</b>	<b>(16,902)</b>	<b>(6,725)</b>	<b>(23,627)</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 17. CONVERTIBLE BONDS (CONTINUED)

### Reserves – Equity component:

	Convertible Bond 1 RMB'000	Convertible Bond 2 RMB'000	Total RMB'000
At 31 December 2016 and 1 January 2017 (Audited)	(4,067)	(639)	(4,706)
Conversion of convertible bonds	1,303	230	1,533
<b>At 30 June 2017 (Unaudited)</b>	<b>(2,764)</b>	<b>(409)</b>	<b>(3,173)</b>

### Convertible bond 1

On 19 June 2015, the Company issued redeemable 7.5% convertible bonds with aggregate principal amount of HK\$20,000,000 with handling fee charging at 1% per annum and interest payable half yearly ("Convertible Bond 1"). The Convertible Bond 1 entitles the holder to convert to ordinary shares of the Company at a conversion price of HK\$0.85 per share and will be converted into 23,529,411 shares assuming full conversion.

Conversion may occur at any time during the term of the Convertible Bond 1.

The Convertible Bond 1 has a term of one year and the holder shall extend the Convertible Bond 1 on the same terms and conditions of the Convertible Bond 1 for a further period of one year (the "Extended Term of the Convertible Bond 1") provided that the Group's EBITDA for the financial year before the end of the term is not less than RMB52,000,000 and the consolidated net asset value of the Group is not less than RMB220,000,000 ("Condition 1"), provided that the holder of Convertible Bond 1 may only make up to two extensions under Condition 1 and the aggregate extended term for the above extensions shall not exceed two years.

Subject to the Promissory Note 1 (Note 16) having been redeemed in full, the Company has the right to redeem all (but not part of) the outstanding principal amount of the Convertible Bond 1 at any time during the period between the first day of the twelfth month following the date of issue of the Convertible Bond 1 and the last day immediately preceding the maturity date of the Convertible Bond 1.

Unless previously redeemed, converted, purchased and cancelled, the Company shall pay on the maturity date an aggregate price of (i) the outstanding principal amount of the Convertible Bond 1 on the maturity date, (ii) 12% of the outstanding principal amount on the maturity date of the Convertible Bond 1 (exclusive of interest) multiplied by the term or the Extended Term of the Convertible Bond 1 expressed in years for the redemption of the portion of the Convertible Bond 1 which has not been converted into Shares, (iii) all accrued and unpaid interest and handling fee and unpaid default interest accrued in respect of such outstanding principal amount of the Convertible Bond 1 to be redeemed, and (iv) all other outstanding amounts payable by the Company to the holder of the Convertible Bond 1.

The Convertible Bond 1 has the benefit of the security constituted by the share charges created by Rich Kirin Holdings Limited and Big Wealth Limited; the guarantee of Mr. Sun Shao Hua, a Director of the Company; and the guarantee of Novel Blaze Limited, the ultimate holding company of the Company.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 17. CONVERTIBLE BONDS (CONTINUED)

### Convertible bond 1 (continued)

The Convertible Bond 1 contains four components: redemption option derivative component, term extension derivative component, financial liability component and equity component. The equity component is presented in equity heading "convertible bonds reserve". The financial liability component is initially recognised at fair value and carried at amortised cost using effective interest rate. The effective interest rate of the financial liability component on initial recognition is 11.8% per annum. The redemption option derivative component and term extension derivative component are measured at fair value with changes in fair value recognised in profit or loss.

On 10 September 2015, the Group entered into supplementary deeds, agreed to amend the provisions of the Company's early redemption right under the Convertible Bond 1 ("Modification"). The amended term is unless previously redeemed, converted, purchased and cancelled, the redemption price payable by the Company for early redemption of the Convertible Bond 1 shall be the amount equivalent to the sum of (i) the outstanding principal amount of the Convertible Bond 1 to be redeemed, (ii) return of 17.5% per annum on the outstanding principal amount of the Convertible Bond 1 from the issue date to the date of full payment of the redemption price by the Company with such return calculated on the basis of the actual number of days elapsed in a year of 365 days (exclusive of interest) for the redemption of the portion of the Convertible Bond 1 which has not been converted into Shares, (iii) all accrued and unpaid interest, (iv) all accrued and unpaid handling fee, and (v) all other outstanding amounts payable by the Company to the bondholder.

The effective interest rate after 10 September 2015 is 14.31%.

In valuing the derivative components the Black-Scholes with Trinomial Tree method were used.

The key inputs used for calculation of the fair value of the derivative financial assets component were as follows:

	<b>At 10 September 2015</b>
Time to maturity (depends on extension condition)	0.77 to 2.77 years
Share price	HK\$0.84
Share price volatility	64.28% to 85.09%
Earning volatility	69.04% to 85.09%
Earning growth rate	47.58%
Conversion price	HK\$0.85
Discount rate	14.69% to 15.37%

Details of Convertible Bond 1 on Modification to be approximately as follows:

	<b>At 10 September 2015</b>
	RMB'000
Liability component	17,602
Equity component	4,067
Redemption option derivative component	(149)
Term extension derivative component	1,755
	<u>23,275</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 17. CONVERTIBLE BONDS (CONTINUED)

### Convertible bond 1 (continued)

On 19 June 2016, the maturity date of Convertible Bond 1 extended to 19 June 2017. As a result, the effective interest rate of Convertible Bond 1 changed to 23.4%.

On 10 April 2017, Convertible Bond 1 was partly converted into 7,843,136 ordinary shares of the Company.

On 19 June 2017, the maturity date of Convertible Bond 1 was further extended to 19 June 2018. As a result, the effective interest rate of Convertible Bond 1 changed to 31.7%.

### Convertible Bond 2

On 20 May 2016, the Company issued redeemable 7.5% convertible bonds with aggregate principal amount of HK\$30,000,000 with handling fee charging at 1% per annum and interest payable half yearly ("Convertible Bond 2"). The Convertible Bond 2 entitles the holder to convert to ordinary shares of the Company at a conversion price of HK\$0.75 per share and will be converted into 40,000,000 shares assuming full conversion.

Conversion may occur at any time during the term of the Convertible Bond 2.

The Convertible Bond 2 has a term of one year and the holder shall extend the Convertible Bond 2 on the same terms and conditions of the Convertible Bond 2 for a further period of one year (the "Extended Term of the Convertible Bond 2") provided that the Group's EBITDA for the financial year before the end of the term is not less than RMB68,196,000 and the consolidated net asset value of the Group is not less than RMB296,892,000 ("Condition 2"), provided that the holder of Convertible Bond 2 may only make up to two extensions under Condition 2 and the aggregate extended term for the above extensions shall not exceed two years.

Subject to the Promissory Note 3 (Note 16) having been redeemed in full, the Company has the right to redeem all (but not part of) the outstanding principal amount of the Convertible Bond 2 at any time during the period between the first day of the twelfth month following the date of issue of the Convertible Bond 2 and the last day immediately preceding the maturity date of the Convertible Bonds.

Unless previously redeemed, converted, purchased and cancelled, the redemption price payable by the Company for early redemption of the Convertible Bond 2 shall be the amount equivalent to the sum of (i) the outstanding principal amount of the Convertible Bond 2 to be redeemed, (ii) return of 15% per annum on the outstanding principal amount of the Convertible Bond 2 from the issue date to the date of full payment of the redemption price by the Company with such return calculated on the basis of the actual number of days elapsed in a year of 365 days (exclusive of interest) for the redemption of the portion of the Convertible Bond 2 which has not been converted into Shares, (iii) all accrued and unpaid interest, (iv) all accrued and unpaid handling fee, and (v) all other outstanding amounts payable by the Company to the bondholder.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 17. CONVERTIBLE BONDS (CONTINUED)

### Convertible Bond 2 (continued)

The Convertible Bond 2 has the benefit of the security constituted by the share charges created by the Company, Cable King Limited, Wealthy Top (China) Limited and Novel Blaze Limited, the ultimate holding company of the Company; the guarantee of Mr. Sun Shao Hua, a Director of the Company, and Ms. Zheng Xue Xia, the spouse of Mr. Sun Shao Hua.

The effective interest rate at issue of Convertible Bond 2 is 11.6%.

On 20 May 2017, the maturity date of Convertible Bond 2 extended to 20 May 2018. As a result, the effective interest rate of Convertible Bond 2 changed to 23.3%.

In valuing the derivative components the Black-Scholes model with Trinomial Tree method were used.

The key inputs used for calculation of the fair value of the derivative financial assets component were as follows:

	<b>At 20 May 2016</b>
Time to maturity (depends on extension condition)	3 years
Share price	HK\$0.71
Share price volatility	55.45%
Price-to-EBITDA ratio	5.67
Conversion price	HK\$0.75
Discount rate	10.03%

On 12 August 2016, Convertible Bond 2 was partly converted into 26,666,666 ordinary shares of the Company.

On 10 April 2017, another 4,444,443 ordinary shares of the Company was partly converted from Convertible Bond 2.

## 18. DEFERRED REVENUE

	<b>30 June 2017 (Unaudited) RMB'000</b>	31 December 2016 (Audited) RMB'000
Service fee received but related service not rendered	<b>57,493</b>	57,617

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 19. SHARE CAPITAL AND SHARE OPTION SCHEME

### Share capital

	Number of shares '000	Share capital HK\$'000	
<i>Authorised:</i>			
Ordinary shares of HK\$0.01 each	8,000,000	80,000	
	<b>Number of shares '000</b>	<b>Share capital</b>	
		HK\$'000	RMB'000
<i>Issued and fully paid:</i>			
At 31 December 2016 and 1 January 2017, ordinary shares of HK\$0.01 each	1,140,953	11,410	9,150
Issue of shares upon conversion of convertible bonds (Note 17)	12,288	123	109
<b>At 30 June 2017, ordinary shares of HK\$0.01 each</b>	<b>1,153,241</b>	<b>11,533</b>	<b>9,259</b>

Note:

On 10 April 2017, 7,843,136 and 4,444,443 ordinary shares were issued respectively in relation to conversion of Convertible Bonds 1 and 2.

### Share option scheme

The Company operates a share option scheme ("the Scheme") pursuant to a shareholders' resolution passed on 13 December 2013 for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group. Eligible participants of the Scheme included any full-time or part-time employee of the Company or any member of the Group, including any Executive Directors, Non-executive Directors and Independent Non-executive Directors, advisors, consultants of the Group. The Scheme was valid and effective on 13 January 2014 and, unless otherwise altered or terminated, will remain in full force for a period of ten years from that date.

The maximum number of shares in respect of which share options may be granted under the Scheme must not exceed 10% of the share capital of the Company in issue as at the date of approval of the Scheme (the "Scheme Mandate Limit"). Subject to the approval of shareholders in general meeting, the Company may refresh the Scheme Mandate Limit to the extent that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme under the Scheme Mandate Limit as refreshed must not exceed 10% of the shares in issue as at the date of such shareholders' approval. However, the Company may not grant any option if the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and other share option schemes exceeds 30% of the shares in issue.

In addition, the maximum number of shares in respect of which share options may be granted to any eligible participant within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any future grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 19. SHARE CAPITAL AND SHARE OPTION SCHEME (CONTINUED)

### Share option scheme (continued)

The subscription price for the shares subject to options will be a price determined by the Board and notified to each participant and shall be 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 options, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the options; and (iii) the nominal value of a share.

The offer of a grant of share options may be accepted within 28 days from the date of the offer with a consideration of HK\$1 being payable by the participant. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by our Board to each participant provided that the period within which the option must be exercised shall not be more than 10 years from the date of the grant of option. The exercise of an option may be subject to the administration of our Board whose decision as to all matters arising from or in relation to the Scheme as its interpretation or effect shall (save as otherwise provided herein) be final and binding on all parties to the Scheme.

The following table discloses the movements of the Company's share options:

### 30 June 2017

Name or category of participant	Option type	Number of share options					At 30 June 2017	Date of grant of share options (dd/mm/yy)	Exercise period of share options (dd/mm/yy)	Exercise price of share options HK\$	Price of Company's share at grant date of share options HK\$
		At 1 January 2017	Granted during the period	Exercised during the period	Forfeited during the period	Expired during the period					
Directors											
Mr. Chen Wei Wei	2014 tranche 1	3,450,000	-	-	-	-	3,450,000	18/12/14	18/12/14 to 17/12/17	0.65	0.65
Mr. Chen Wei Wei	2014 tranche 2	3,450,000	-	-	-	-	3,450,000	18/12/14	18/12/15 to 17/12/17	0.65	0.65
Mr. Sun Shao Hua	2014 tranche 1	3,750,000	-	-	-	-	3,750,000	18/12/14	18/12/14 to 17/12/17	0.65	0.65
Mr. Sun Shao Hua	2014 tranche 2	3,750,000	-	-	-	-	3,750,000	18/12/14	18/12/15 to 17/12/17	0.65	0.65
Ms. Hu Li Yu	2014 tranche 1	3,300,000	-	-	-	-	3,300,000	18/12/14	18/12/14 to 17/12/17	0.65	0.65
Ms. Hu Li Yu	2014 tranche 2	3,300,000	-	-	-	-	3,300,000	18/12/14	18/12/15 to 17/12/17	0.65	0.65
Employees of the Group	2014 tranche 1	9,500,000	-	-	-	-	9,500,000	18/12/14	18/12/14 to 17/12/17	0.65	0.65
Employees of the Group	2014 tranche 2	9,500,000	-	-	-	-	9,500,000	18/12/14	18/12/15 to 17/12/17	0.65	0.65
Employees of the Group	2015 tranche 1	20,000,000	-	-	-	-	20,000,000	24/04/15	24/04/15 to 23/04/18	1.09	1.09
Employees of the Group	2015 tranche 2	20,000,000	-	-	-	-	20,000,000	24/04/15	24/04/16 to 23/04/18	1.09	1.09
		80,000,000	-	-	-	-	80,000,000				



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 20. 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.

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Machinery (Note 12)	<b>39,103</b>	41,538
Buildings (Note 12)	<b>48,925</b>	50,462
Pledged bank deposits	<b>13,000</b>	59,460
	<b>101,028</b>	151,460

## 21. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the unaudited 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:

	<b>Six months ended 30 June 2017 RMB'000 (Unaudited)</b>	2016 RMB'000 (Unaudited)
Fees	<b>106</b>	101
Other emoluments:		
Salaries, allowances and benefits in kind	<b>2,920</b>	1,384
Retirement benefit schemes contributions	<b>54</b>	28
Total	<b>3,080</b>	1,513

<b>Name of related parties</b>	<b>Relationship</b>	<b>Nature of transactions</b>	<b>Six months ended 30 June 2017 RMB'000</b>	2016 RMB'000
鴻聖信息科技(廈門)有限公司	Company controlled by a Director	Office premises rental expenses	<b>314</b>	–
Mr. Peng Dongmiao (Note)	Substantial shareholder	Interest expenses on Promissory Note 2	<b>3,207</b>	1,919

Note:

As a result of business combination stated in Note 23, the Company issued Consideration Share and Promissory Note 2 to Mr. Peng Dongmiao for the consideration of acquisition of the entire equity interest of Cable King Limited. Mr. Peng Dongmiao became the substantial shareholder of the Company. During the six months ended 30 June 2017, interest expenses of approximately RMB3,207,000 (equivalent to approximately HK\$3,626,000) (six month ended 30 June 2016: approximately RMB1,919,000, equivalent to approximately HK\$2,275,000) was incurred in relation to Promissory Note 2 held by Mr. Peng Dongmiao.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 22. COMMITMENTS

### Operating lease commitment

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

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Within one year	746	832
In the second to fifth year inclusive	2,078	2,403
Over five years	–	–
	<b>2,824</b>	<b>3,235</b>

### Capital commitment

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Authorised and contracted for capital contributions payable to subsidiaries	60,000	60,000
Capital expenditure on acquiring property, plant and equipment	–	1,852
	<b>60,000</b>	<b>61,852</b>

## 23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

### Financial assets and liabilities measured at fair value

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- (i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identified assets and liabilities.
- (ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

### Financial assets and liabilities measured at fair value (Continued)

The following table gives information about how the fair values of financial instruments are determined.

Recurring fair value measurement	Fair value as at		Fair value hierarchy	Valuation technique and key inputs	Range of significant unobservable inputs
	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)			
<b>Financial assets/(liabilities)</b>					
Derivative financial instruments:					
– Term extension derivative embedded in the promissory note 1	–	(99)	Level 3	Black-Scholes model with Trinomial Tree method Key inputs: Discount rate, Share price volatility, Price-to-EBITDA ratio	Discount rate of 5.95%; share price volatility of 57.69%; price-to-EBITDA ratio of 22.05 (Note (ii))
Derivative financial instruments:					
– Redemption option derivative embedded in the promissory note 1	1,700	142	Level 3	Black-Scholes model with Trinomial Tree method Key inputs: Discount rate, Share price volatility, Price-to-EBITDA ratio	Discount rate of 5.95%; share price volatility of 57.69%; price-to-EBITDA ratio of 22.05 (Note (ii))
Derivative financial instruments:					
– Redemption option derivative embedded in the promissory note 2	2,110	189	Level 3	Hull White model with Trinomial Tree method Key inputs: Discount rate	Discount rate of 6.91% (Note (iii))
Derivative financial instruments:					
– Term extension derivative embedded in the promissory note 3	(1,187)	705	Level 3	Black-Scholes model with Trinomial Tree method Key inputs: Discount rate, Share price volatility, Price-to-EBITDA ratio	Discount rate of 6.71%; share price volatility of 53.98%; price-to-EBITDA ratio of 22.05 (Note (iv))
Derivative financial instruments:					
– Redemption option derivative embedded in the promissory note 3	2,864	–	Level 3	Black-Scholes model with Trinomial Tree method Key inputs: Discount rate, Share price volatility, Price-to-EBITDA ratio	Discount rate of 6.71%; share price volatility of 53.98%; price-to-EBITDA ratio of 22.05 (Note (v))
Derivative financial instruments:					
– Redemption option derivative embedded in the convertible bond 1	1,696	7,857	Level 3	Black-Scholes model with Trinomial Tree method Key inputs: Discount rate, Share price volatility, Price-to-EBITDA ratio	Discount rate of 5.95%; share price volatility of 57.69%; price-to-EBITDA ratio of 22.05 (Note (vi))

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

### Financial assets and liabilities measured at fair value (Continued)

Recurring fair value measurement	Fair value as at		Fair value hierarchy	Valuation technique and key inputs	Range of significant unobservable inputs
	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)			
Derivative financial instruments:					
– Redemption option derivative embedded in the convertible bond 2	676	4,052	Level 3	Black-Scholes model with Trinomial Tree method Key inputs: Discount rate, Share price volatility, Price-to-EBITDA ratio	Discount rate of 6.71%; share price volatility of 53.98%; price-to-EBITDA ratio of 22.05 (Note (vii))
Derivative financial instruments:					
– Term extension derivative embedded in the convertible bond 1	–	(2,330)	Level 3	Black-Scholes model with Trinomial Tree method Key inputs: Discount rate, Share price volatility, Price-to-EBITDA ratio	Discount rate of 5.95%; share price volatility of 57.69%; price-to-EBITDA ratio of 22.05 (Note (viii))
Derivative financial instruments:					
– Term extension derivative embedded in the convertible bond 2	(514)	(1,848)	Level 3	Black-Scholes model with Trinomial Tree method Key inputs: Discount rate, Share price volatility, Price-to-EBITDA ratio	Discount rate of 6.71%; share price volatility of 53.98%; price-to-EBITDA ratio of 22.05 (Note (ix))

Notes:

- (i) The promissory note 1 cannot be further extended, the redemption option of promissory note 1 is no longer exist.
- (ii) An increase in the discount rate in isolation would result in a decrease in the fair value measurement of redemption option derivative embedded in the promissory note 1.

An increase in the share price volatility in isolation would not result in any change in the fair value measurement of redemption option derivative embedded in the promissory note 1.

An increase in the price-to-EBITDA ratio in isolation would not result in any change in the fair value measurement of redemption option derivative embedded in the promissory note 1.

- (iii) An increase in the discount rate in isolation would result in a decrease in the fair value measurement of redemption option derivative embedded in the promissory note 2.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

### Financial assets and liabilities measured at fair value (Continued)

Notes: (Continued)

- (iv) An increase in the discount rate in isolation would result in a decrease in the fair value measurement of term extension derivative embedded in the promissory note 3.

An increase in the share price volatility in isolation would result in a decrease in the fair value measurement of term extension derivative embedded in the promissory note 3.

An increase in the price-to-EBITDA ratio in isolation would result in a decrease in the fair value measurement of term extension derivative embedded in the promissory note 3.

- (v) An increase in the discount rate in isolation would result in a decrease in the fair value measurement of redemption option derivative embedded in the promissory note 3.

An increase in the share price volatility in isolation would result in a decrease in the fair value measurement of redemption option derivative embedded in the promissory note 3.

An increase in the price-to-EBITDA ratio in isolation would result in a decrease in the fair value measurement of redemption option derivative embedded in the promissory note 3.

- (vi) An increase in the discount rate in isolation would result in a decrease in the fair value measurement of redemption option derivative embedded in the convertible bond 1.

An increase in the share price volatility in isolation would result in an increase in the fair value measurement of redemption option derivative embedded in the convertible bond 1.

An increase in the price-to-EBITDA ratio in isolation would not result in any change in the fair value measurement of redemption option derivative embedded in the convertible bond 1.

- (vii) An increase in the discount rate in isolation would result in a decrease in the fair value measurement of redemption option derivative embedded in the convertible bond 2.

An increase in the share price volatility in isolation would result in an increase in the fair value measurement of redemption option derivative embedded in the convertible bond 2.

An increase in the price-to-EBITDA ratio in isolation would result in a decrease in the fair value measurement of redemption option derivative embedded in the convertible bond 2.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

### Financial assets and liabilities measured at fair value (Continued)

Notes: (Continued)

(viii) The convertible bond 1 cannot be further extended, the redemption option of convertible bond 1 is no longer exist.

(ix) An increase in the discount rate in isolation would result in a decrease in the fair value measurement of term extension derivative embedded in the convertible bond 2.

An increase in the share price volatility in isolation would result in a decrease in the fair value measurement of term extension derivative embedded in the convertible bond 2.

An increase in the price-to-EBITDA ratio in isolation would result in a decrease in the fair value measurement of term extension derivative embedded in the convertible bond 2.

The Directors consider that the carrying amounts of other financial assets and liabilities recorded at amortised cost in the unaudited condensed consolidated financial statements approximate to their fair values.

There were no transfers between level 1, level 2 and level 3 during the six months ended 30 June 2017.

## 24. EVENT AFTER THE REPORTING PERIOD

On 12 July 2017, the shareholders of the Company approved to issue additional 128,571,429 shares at the issue price of HK\$0.7 per share and the issue of the promissory note in the principal amount of HK\$90,000,000 for the settlement of the contingent consideration payable related to the acquisition of the Cable King Limited and its subsidiaries. The issue of the additional shares and the promissory note was completed on 19 July 2017. Please refer to the announcements of the Company dated 20 June 2017 and 12 July 2017 for details.