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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)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

FINANCIAL HIGHLIGHTS			
	Six Months ended 30 June		Change
	2016	2015	
	(Unaudited)	(Unaudited)	
	RMB'000	RMB'000	
Turnover	384,305	274,601	40.0%
Gross profit	94,830	63,862	48.5%
Gross profit margin	24.7%	23.3%	
Profit attributable to owners of the Company	34,333	25,133	36.6%
Earnings per share			
Basic (<i>RMB cents</i>)	3.76	3.14	19.7%
Diluted (<i>RMB cents</i>)	3.73	3.04	22.7%

UNAUDITED INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of China Packaging Holdings Development Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2016 together with the unaudited comparative figures for the six months ended 30 June 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended 30 June	
	<i>Notes</i>	2016	2015
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
Revenue	4	384,305	274,601
Cost of sales		<u>(289,475)</u>	<u>(210,739)</u>
Gross profit		94,830	63,862
Other revenue	5	1,283	765
Other income	6	3,305	4,178
Selling and distribution expenses		(26,064)	(14,707)
Administrative expenses		(16,538)	(10,700)
Change in fair value of derivative financial instruments		2,893	–
Loss on early redemption of promissory notes		(5,112)	–
Equity-settled share option expenses		<u>(2,355)</u>	<u>(10,298)</u>
Profit from operating activities		52,242	33,100
Finance costs	8	<u>(9,336)</u>	<u>(1,137)</u>
Profit before tax	7	42,906	31,963
Income tax expenses	9	<u>(8,573)</u>	<u>(6,830)</u>
Profit for the period		<u>34,333</u>	<u>25,133</u>
Other comprehensive (loss)/income for the period, net of tax			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(14,429)</u>	<u>5</u>
Other comprehensive (loss)/income for the period, net of tax		<u>(14,429)</u>	<u>5</u>
Total comprehensive income for the period, net of tax		<u>19,904</u>	<u>25,138</u>
Profit attributable to owners of the Company		<u>34,333</u>	<u>25,133</u>
Total comprehensive income attributable to owners of the Company		<u>19,904</u>	<u>25,138</u>
Earnings per share attributable to owners of the Company			
– Basic (<i>RMB cents</i>)	11	<u>3.76</u>	<u>3.14</u>
– Diluted (<i>RMB cents</i>)	11	<u>3.73</u>	<u>3.04</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	<i>Notes</i>	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Non-current assets			
Property, plant and equipment		133,129	138,996
Prepaid lease payments		2,285	2,315
Long-term prepayment		2,863	–
Goodwill	18	429,857	–
Intangible assets		44,785	–
		612,919	141,311
Current assets			
Inventories		30,109	25,160
Trade receivables	12	210,935	147,540
Prepayments, deposits and other receivables		46,089	16,422
Derivative financial instruments	15,16	15,919	5,796
Pledged bank deposits		79,091	80,602
Cash and bank balances		292,532	266,206
		674,675	541,726
Current liabilities			
Trade, bills, other payables and accruals	13	154,759	113,640
Bank borrowings	14	44,570	21,270
Derivative financial instrument	15,16	4,133	3,434
Promissory note	15	171,548	67,673
Convertible bonds	16	49,063	19,346
Contingent consideration payables	18	94,766	–
Deferred revenue		38,094	–
Tax payables		5,053	3,897
		561,986	229,260
Net current assets		112,689	312,466
Total assets less current liabilities		725,608	453,777

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

		30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Non-current liabilities			
Deferred taxation		6,676	55
Promissory note	<i>15</i>	57,625	–
Bank borrowings	<i>14</i>	56,000	102,700
		120,301	102,755
Net assets		605,307	351,022
Capital and reserves attributable to owners of the Company			
Share capital	<i>17</i>	8,993	6,287
Reserves		596,314	344,735
Total equity		605,307	351,022

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 2015 as contained in the Company’s annual report 2015 (the “Annual Report 2015”), 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 29 August 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies adopted in the unaudited condensed consolidated financial statements for the six months ended 30 June 2016 are consistent with those followed in the preparation of the Annual Report 2015 except for the impact of the adoption of the new and revised standards, amendments and interpretations (the “new HKFRSs”).

In the current period, the Group has applied, for the first time, the following new HKFRSs issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2016. A summary of the new HKFRSs are set out as below:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements

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

The Group has not early applied any new HKFRSs that have been issued but are not yet effective for the current accounting period.

3. OPERATING SEGMENT

The Group engaged in two operating segments which are sales of paper-based packaging products and research, 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 2016 (six months ended 30 June 2015: 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		Research, distribution and operation of mobile gaming products		Consolidated	
	6 months ended 30 June 2016 RMB'000	6 months ended 30 June 2015 RMB'000	6 months ended 30 June 2016 RMB'000	6 months ended 30 June 2015 RMB'000	6 months ended 30 June 2016 RMB'000	6 months ended 30 June 2015 RMB'000
Revenue	<u>341,114</u>	<u>274,601</u>	<u>43,191</u>	<u>–</u>	<u>384,305</u>	<u>274,601</u>
Segment results	<u>49,003</u>	<u>44,574</u>	<u>6,065</u>	<u>–</u>	<u>55,068</u>	<u>44,574</u>
Equity-settled share option expenses					(2,355)	(10,298)
Unallocated corporate income					2,893	–
Unallocated corporate expenses					(6,464)	(2,136)
Unallocated finance costs					(6,236)	(177)
Profit before tax					<u>42,906</u>	<u>31,963</u>
Income tax expenses					<u>(8,573)</u>	<u>(6,830)</u>
Profit for the period					<u>34,333</u>	<u>25,133</u>

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

	Paper-based packaging products		Research, distribution and operation of mobile gaming products		Consolidated	
	6 months ended 30 June 2016 RMB'000	6 months ended 30 June 2015 RMB'000	6 months ended 30 June 2016 RMB'000	6 months ended 30 June 2015 RMB'000	6 months ended 30 June 2016 RMB'000	6 months ended 30 June 2015 RMB'000
Segment assets	<u>657,052</u>	<u>534,575</u>	<u>127,873</u>	<u>–</u>	<u>784,925</u>	<u>534,575</u>
Unallocated corporate assets					<u>502,669</u>	<u>81,393</u>
Total assets					<u>1,287,594</u>	<u>615,968</u>
Segment liabilities	<u>239,799</u>	<u>220,987</u>	<u>50,947</u>	<u>–</u>	<u>290,746</u>	<u>220,987</u>
Unallocated corporate liabilities					<u>391,541</u>	<u>82,463</u>
Total liabilities					<u>682,287</u>	<u>303,450</u>

During the six months ended 30 June 2016 and 2015, all revenue is derived from customers in the PRC.

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	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Sales of paper-based packaging products	341,114	274,601
Research, distribution and operation of mobile gaming products	43,191	–
	<u>384,305</u>	<u>274,601</u>

5. OTHER REVENUE

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Sales of residual materials	808	550
Bank interest income	475	215
	<u>1,283</u>	<u>765</u>

6. OTHER INCOME

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Tax concession (<i>Note</i>)	3,202	4,178
Government subsidies	100	–
Sundry incomes	3	–
	<u>3,305</u>	<u>4,178</u>

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

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Staff costs:		
Employee benefit expense (including directors' remuneration)		
Wages and salaries	28,468	16,364
Retirement benefit schemes contributions	4,463	1,907
	<u>32,931</u>	<u>18,271</u>
Other items:		
Cost of sales	289,475	210,739
Depreciation of property, plant and equipment	7,000	7,075
Amortisation of prepaid lease payments	30	30
Amortisation of intangible assets	2,360	–
Loss on disposal of property, plant and equipment	–	2
Minimum lease payments under operating leases of rented premises	151	82
Research and development costs	1,706	1,891
Equity-settled share option expenses	2,355	10,298
	<u>2,355</u>	<u>10,298</u>

8. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest expenses on bank borrowings wholly repayable within five years	3,100	960
Imputed interest on promissory note	4,988	122
Imputed interest on convertible bonds	1,248	55
	<u>9,336</u>	<u>1,137</u>

9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The PRC Enterprise Income Tax		
– Current tax	8,717	6,694
– Under provision in prior period	–	136
	<u>8,717</u>	<u>6,830</u>
Deferred tax		
– Current year	(144)	–
	<u>(144)</u>	<u>–</u>
Total income tax recognised in profit or loss	<u>8,573</u>	<u>6,830</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the period (six months ended 30 June 2015: 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.

A PRC subsidiary is subject to the PRC Enterprise Income Tax at 25% for the six months ended 30 June 2016 (six months ended 30 June 2015: 25%). Pursuant to the relevant laws and regulations in the PRC, this PRC subsidiary is entitled to preferential treatment on enterprise income tax enjoyed by high and new technology enterprise for three years from 2014 to 2016. As such, the applicable enterprise income tax rate for this PRC subsidiary has been reduced from 25% to the preferential tax rate of 15% for the three years from 2014 to 2016.

In accordance with various approval documents issued by the PRC government authority, a PRC subsidiary 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. INTERIM DIVIDEND

The directors do not recommend payment of any dividends for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

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	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Profit attributable to owners of the Company for the purpose of basic earnings per share	34,333	25,133
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds, net of tax	—	46
Profit attributable to owners of the Company for the purpose of diluted earnings per share	<u>34,333</u>	<u>25,179</u>

Number of shares

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	912,244,898	800,000,000
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	9,174,646	5,772,602
Convertible bonds	—	23,529,411
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>921,419,544</u>	<u>829,302,013</u>

Basic earnings per share for the periods ended 30 June 2016 and 2015 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 2016 and 2015 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 conversion of convertible bonds.

For the period ended 30 June 2016, 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.

12. 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:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
0 – 30 days	80,660	65,424
31 – 60 days	85,621	64,145
61 – 90 days	33,228	17,971
91 – 180 days	11,111	–
181 – 365 days	315	–
	210,935	147,540

The average credit period on sales of goods is 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 2016, no trade receivables were past due but not impaired (31 December 2015: Nil). The directors of the Company considered no provision for impairment is recognised during the period (six months ended 30 June 2015: Nil) as these independent customers had no recent history of default.

13. TRADE, BILLS, OTHER PAYABLES AND ACCRUALS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade payables	102,452	74,850
Bills payable	24,860	23,850
Accruals	15,764	12,698
Other payables	11,683	2,242
	154,759	113,640

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
0 – 30 days	39,872	42,358
31 – 60 days	46,305	32,492
61 – 90 days	16,256	–
91 – 180 days	19	–
	<u>102,452</u>	<u>74,850</u>

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

As at 30 June 2016, the bills payable of approximately RMB24,860,000 (31 December 2015: RMB21,590,000) was secured by the bank deposits.

14. BANK BORROWINGS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Secured	<u>100,750</u>	<u>123,970</u>
Carrying amount repayable:		
Within one year	44,750	21,270
More than one year, but not exceeding two years	<u>56,000</u>	<u>102,700</u>
	100,750	123,970
Less: Amounts shown under current liabilities	<u>(44,750)</u>	<u>(21,270)</u>
Amounts shown under non-current liabilities	<u>56,000</u>	<u>102,700</u>

All the bank borrowings were denominated in RMB. As at 30 June 2016 and 31 December 2015, 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:

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Fixed rate	<u>4.6% to 6.9%</u>	<u>5.0% to 7.8%</u>

15. PROMISSORY NOTE

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 followings tables summarise the movements of derivative financial assets and financial liability components during the six months ended 30 June 2016.

	Promissory Notes 1 RMB'000	Promissory Notes 3 RMB'000	Total RMB'000
Derivative financial assets			
– Term extension derivative component:			
At 1 January 2015 (Audited)	–	–	–
Issue of promissory notes	2,857	–	2,857
Fair value change	2,411	–	2,411
Exchange realignment	275	–	275
	<hr/>	<hr/>	<hr/>
At 31 December 2015 and 1 January 2016 (Audited)	5,543	–	5,543
Issue of promissory notes	–	986	986
Fair value change	(5,440)	(365)	(5,805)
Exchange realignment	42	20	62
	<hr/>	<hr/>	<hr/>
At 30 June 2016 (Unaudited)	145	641	786
	<hr/>	<hr/>	<hr/>
	Promissory Notes 2 RMB'000	Promissory Notes 3 RMB'000	Total RMB'000
Derivative financial assets			
– Redemption option derivative component:			
At 1 January 2015, 31 December 2015 and 1 January 2016 (Audited)	–	–	–
Issue of promissory notes	79	–	79
Early redemption of promissory notes	(124)	–	(124)
Fair value change	110	–	110
Exchange realignment	2	–	2
	<hr/>	<hr/>	<hr/>
At 30 June 2016 (Unaudited)	67	-	67
	<hr/>	<hr/>	<hr/>

	Promissory Notes 1	Promissory Notes 2	Promissory Notes 3	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial liability component				
– Promissory notes liabilities:				
At 1 January 2015 (Audited)	–	–	–	–
Issue of promissory notes	64,534	–	–	64,534
Imputed interest charged	2,206	–	–	2,206
Coupon interest payable	(2,918)	–	–	(2,918)
Exchange realignment	3,851	–	–	3,851
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2015 and 1 January 2016 (Audited)	67,673	–	–	67,673
Issue of promissory notes	–	159,859	100,015	259,874
Imputed interest charged	2,011	1,919	1,057	4,987
Coupon interest payable	(2,845)	(1,662)	(990)	(5,497)
Early redemption of promissory notes	–	(104,679)	–	(104,679)
Exchange realignment	1,895	2,188	2,732	6,815
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 June 2016 (Unaudited)	<u>68,734</u>	<u>57,625</u>	<u>102,814</u>	<u>229,173</u>

16. 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 followings tables summarise the movements of derivative financial assets; derivative financial liabilities; financial liabilities and equity component during the six months ended 30 June 2016.

	Convertible Bond 1	Convertible Bond 2	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Derivative financial asset			
– Redemption option derivative component:			
At 1 January 2015 (Audited)	–	–	–
Issue of convertible bonds	155	–	155
Derecognition upon modification of convertible bonds	(121)	–	(121)
Recognition upon modification of convertible bonds	149	–	149
Fair value change	54	–	54
Exchange realignment	16	–	16
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2015 and 1 January 2016 (Audited)	253	–	253
Issue of convertible bonds	–	7,504	7,504
Fair value change	6,094	912	7,006
Exchange realignment	134	169	303
	<u> </u>	<u> </u>	<u> </u>
At 30 June 2016 (Unaudited)	<u>6,481</u>	<u>8,585</u>	<u>15,066</u>

	Convertible Bond 1 RMB'000	Convertible Bond 2 RMB'000	Total RMB'000
Derivative financial liability			
– Term extension derivative component:			
At 1 January 2015 (Audited)	–	–	–
Issue of convertible bonds	(663)	–	(663)
Derecognition upon modification of convertible bonds	(911)	–	(911)
Recognition upon modification of convertible bonds	1,755	–	1,755
Fair value change	3,089	–	3,089
Exchange realignment	164	–	164
	<hr/>	<hr/>	<hr/>
At 31 December 2015 and 1 January 2016 (Audited)	3,434	–	3,434
Issue of convertible bonds	–	2,174	2,174
Fair value change	(1,969)	387	(1,582)
Exchange realignment	56	51	107
	<hr/>	<hr/>	<hr/>
At 30 June 2016 (Unaudited)	1,521	2,612	4,133
	<hr/>	<hr/>	<hr/>
	Convertible Bond 1 RMB'000	Convertible Bond 2 RMB'000	Total RMB'000
Financial liability			
– Financial liability component:			
At 1 January 2015 (Audited)	–	–	–
Issue of convertible bonds	15,320	–	15,320
Derecognition upon modification of convertible bonds	(15,503)	–	(15,503)
Recognition upon modification of convertible bonds	17,602	–	17,602
Imputed interest charged	1,565	–	1,565
Coupon interest payable	(727)	–	(727)
Exchange realignment	1,089	–	1,089
	<hr/>	<hr/>	<hr/>
At 31 December 2015 and 1 January 2016 (Audited)	19,346	–	19,346
Issue of convertible bonds	–	28,039	28,039
Imputed interest charged	875	373	1,248
Coupon interest payable	(439)	(248)	(687)
Exchange realignment	555	562	1,117
	<hr/>	<hr/>	<hr/>
At 30 June 2016 (Unaudited)	20,337	28,726	49,063
	<hr/>	<hr/>	<hr/>
Equity components:			
At 1 January 2015 (Audited)	–	–	–
Issue of convertible bonds	915	–	915
Recognition of deferred taxation directly from equity	(164)	–	(164)
Derecognition upon modification of convertible bonds	(751)	–	(911)
Recognition upon modification of convertible bonds	4,067	–	1,755
	<hr/>	<hr/>	<hr/>
At 31 December 2015 and 1 January 2016 (Audited)	4,067	–	4,067
Issue of convertible bonds	–	2,149	2,149
Recognition of deferred taxation directly from equity	–	(180)	(180)
	<hr/>	<hr/>	<hr/>
At 30 June 2016 (Unaudited)	4,067	1,969	6,036
	<hr/>	<hr/>	<hr/>

17. SHARE CAPITAL

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	
	Number of shares '000	Share capital HK\$'000 RMB'000	
<i>Issued and fully paid:</i>			
At 31 December 2015 and 1 January 2016,			
Ordinary shares of HK\$0.01 each	800,000	8,000	6,287
Issue of shares related to business combination (<i>Note 18</i>)	314,286	3,143	2,706
At 30 June 2016			
Ordinary shares of HK\$0.01 each	1,114,286	11,143	8,993

18. BUSINESS COMBINATION

On 17 November 2015, the Company entered into the Share Purchase Agreement with Mr. Peng Dongmiao (the "Vendor"), pursuant to which the Company conditionally agreed to acquire 100% equity interest of Cable King Limited and its subsidiaries ("Cable King Group"). Cable King Group is principally engaged in the research, development, distribution and operation of mobile gaming products in the PRC. The acquisition was completed on 27 April 2016.

Certain conditions were required in completing the acquisition of Cable King as detailed in the announcements made by the Company dated 26 February 2016, 29 February 2016 and 27 April 2016.

The fair value of the net identifiable assets acquired and the goodwill arising are as follows:

	RMB'000
Property, plant and equipment	168
Intangible assets	47,146
Non-current prepayment	2,147
Accounts receivable	48,041
Prepayments and other receivables	29,033
Cash and cash equivalents	98
Accounts payable	(166)
Accruals and other payables	(18,731)
Tax liabilities	(157)
Deferred revenue	(35,615)
Deferred taxation	(6,565)
Total identifiable net assets acquired	65,399
Goodwill on acquisition	429,857
	495,256

The consideration of the acquisition is satisfied by the followings:

	Fair value RMB'000
Consideration satisfied by:	
Cash	16,766
Consideration shares	223,944
Promissory note	159,780
Contingent consideration payables (<i>Note</i>)	94,766
	<hr/>
	495,256
	<hr/>

Net Cash outflow arising on the acquisition:

Consideration paid in cash	(16,766)
Less: Cash and cash equivalent balances acquired	98
	<hr/>
	(16,668)
	<hr/>

Note : The net aggregate consideration will be further adjusted based on the audited consolidated profit after tax of Cable King for the financial year ending 31 December 2016 (the “Actual Profit”). If the Actual Profit is more than HK\$49,000,000, the Company shall pay the Vendor an additional consideration (the “Additional Consideration”), subject to a maximum amount of HK\$180,000,000. The Additional Consideration will be satisfied by the Company in one or the mixture of the ways of (i) cash; (ii) allotment and issuance of additional consideration shares of the Company (the “Additional Consideration Shares”) at the same issue price as the Consideration Shares; or (iii) the issuance of an additional promissory note by the Company as further agreed by the Company and the Vendor.

The Additional Consideration is recognised as the contingent consideration payable, measured at fair value with changes in fair value recognised in profit or loss and determined based on the valuation carried out. The fair value was determined by an independent professional valuer not connected with the Group based on probability weighted payoff of the scenarios, discounted at the sum of weighted average cost of capital and a premium.

The additional promissory note in the principal amount of HK\$200,000,000 shall be issued, which bear interest at 9% per annum with a maturity of 3 years (Note 15).

None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

Included in the consideration of the acquisition there was an allotment and issue of 314,285,714 new ordinary shares of the Company. The fair value of the ordinary shares issued was determined by referring to the published price of HK\$0.85 per share at 27 April 2016.

Acquisition related costs amounting to approximately RMB2,502,000 have been excluded from the cost of acquisition and have been recognised directly as an expense during the period and included in the “administrative expenses” line item in the condensed consolidated statement of profit or loss.

Included in the profit for the period, Cable King generated revenue of approximately RMB43,191,000 to the Group, and the amount of profit for the period of approximately RMB5,269,000 to the Group.

Had the acquisition of Cable King been effected at the beginning of the period, the total amount of revenue of the Group for the six months ended 30 June 2016 would have been RMB114,681,000, and the amount of the profit for the period would have been RMB18,547,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the year, nor is it intended to be a projection of future results.

19. EVENT AFTER THE REPORTING PERIOD

On 12 August 2016, Convertible Bond 2 with principal amount of RMB20,000,000 converted into shares, 26,666,666 shares were issued.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, the Group has successfully acquired the entire interest of Cable King Limited together with its subsidiaries (collectively referred to as “Cable King”) which are engaged in the development, distribution and operation of mobile gaming products in the PRC. It offers free-to-play mobile, browser and client-based online games. The acquisition was completed on 28 April 2016 after satisfaction of all conditions under the acquisition. Apart from the acquired new business, the Group continued to be engaged 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, Dashengchuanshuo (大聖傳說) and Diguoyingxiong (帝國英雄) which were launched in 2015, it has trial launched a new game namely, Jianyujianghu (劍雨江湖) in May 2016. Jianyujianghu (劍雨江湖) is expected to be officially launched in October 2016. As the mobile gaming business was acquired during the period under review, it only contributed to the Group’s revenue and result from the completion date of the acquisition onward, which is approximately 2 months. Nevertheless, the revenue from mobile gaming segment was approximately RMB43.2 million, representing approximately 11.2% of the total revenue of the Group.

Packaging segment

During the period under review, the Group’s revenue from packaging segment achieved a growth of 24.2% although the gross profit margin slightly dropped 1.6% to 21.7% as compared to the last corresponding period. The decline in gross profit margin was mainly due to the increase in raw material cost.

FINANCIAL REVIEW

During the period under review, the revenue of the Group was approximately RMB384.3 million (six months ended 30 June 2015: approximately RMB274.6 million, representing an increase of approximately RMB109.7 million or approximately 40.0% as compare to the last corresponding period. The increase in revenue was attributable to (i) the contribution of mobile gaming business acquired on 28 April 2016; and (ii) the substantial increase in sales volume of packaging products from approximately 93.3 million square meter to 110.8 million square meter. This increase was mainly due to our ability to attract more new customers whilst continue to secure our existing customers to place more order.

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			
	2016		2015	
	<i>RMB'000</i>	<i>% of Total</i>	<i>RMB'000</i>	<i>% of Total</i>
Flexo-printed cartons	169,531	44.1	152,448	55.5
Offset-printed cartons				
– Traditional paper-based cartons	97,496	25.4	73,907	26.9
– Stone-paper based cartons	74,087	19.3	48,246	17.6
Sub-total	171,583	44.7	122,153	44.5
Packaging segment	341,114	88.8	274,601	100.0
Mobile gaming segment	43,191	11.2	–	–
Total	384,305	100.0	274,601	100.0

Packaging segment

During the period under review, our revenue from sales of flexo-printed cartons was approximately RMB169.5 million (six months ended 30 June 2015: approximately RMB152.4 million), accounted for approximately 44.1% (six months ended 30 June 2015: approximately 55.5%) of our total revenue. Our revenue from sales of offset-printed cartons was approximately RMB171.6 million (six months ended 30 June 2015: approximately RMB122.2 million), accounting for approximately 44.7% (six months ended 30 June 2015: approximately 44.5%) of our total revenue.

Turnover by product categories of our customers (Packaging segment)

	Six months ended 30 June			
	2016		2015	
	RMB'000	%	RMB'000	%
Food and beverages	131,076	38.4	96,052	35.0
Glass and ceramics articles	45,341	13.3	34,687	12.6
Metal hardware and chemical products	33,623	9.9	25,358	9.2
Bamboo articles	7,900	2.3	19,354	7.1
Department stores	41,055	12.0	25,024	9.1
Others	82,119	24.1	74,126	27.0
Packaging segment total	341,114	100.0	274,601	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 RMB131.1 million (six months ended 30 June 2015: approximately RMB96.1 million), representing approximately 38.4% (six months ended 30 June 2015: approximately 35.0%) of the packaging segment.

Mobile gaming segment

During the period under review, our revenue from mobile gaming segment was approximately RMB43.2 million (six months ended 30 June 2015: nil), accounting for approximately 11.2% of the total revenue (six months ended 30 June 2015: nil).

Turnover by games (Mobile gaming segment)

	Six months ended 30 June			
	2016		2015	
	RMB'000	%	RMB'000	%
Dashengchuanshuo (大聖傳說)	30,181	69.9	–	–
Diguoyingxiong (帝國英雄)	12,778	29.6	–	–
Others	232	0.5	–	–
Mobile gaming segment total	43,191	100.0	–	–

Note: Others mainly represent commission received from operation of certain web 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			
	2016		2015	
	<i>RMB'000</i>	<i>GP margin (%)</i>	<i>RMB'000</i>	<i>GP margin (%)</i>
Flexo-printed cartons	26,890	15.9	30,906	20.3
Offset-printed cartons				
– Traditional paper-based cartons	19,732	20.2	16,741	22.7
– Stone-paper based cartons	27,365	36.9	16,215	33.6
Sub-total	<u>47,097</u>	<u>27.4</u>	<u>32,956</u>	<u>27.0</u>
Packaging segment	73,987	21.7	63,862	23.3
Mobile gaming segment	20,843	48.3	–	–
Total	<u>94,830</u>	<u>24.7</u>	<u>63,862</u>	<u>23.3</u>

The overall gross profit of the Group increased by RMB30.9 million or approximately 48.4% from approximately RMB63.9 million for the last corresponding period to approximately RMB94.8 million for the period under review. Our overall gross profit margin increased from approximately 23.3% for the last corresponding period to approximately 24.7% for the period under review primarily because the newly acquired mobile gaming segment has a relative high gross profit ratio as compared to the existing packaging business.

The gross profit from flexo-printed cartons for the period under review was approximately RMB26.9 million, representing a decline of approximately 12.9% as compared to approximately RMB30.9 million for the last corresponding period. The gross profit margin for flexo-printed cartons decreased to approximately 15.9% for the period under review from approximately 20.3% for the last corresponding period mainly due to the increase in raw material cost.

The gross profit from offset-printed cartons for the period under review was approximately RMB47.1 million, representing a growth of approximately 42.7% as compared to approximately RMB33.0 million for the last corresponding period. The gross profit margin for offset-printed cartons increased slightly to approximately 27.4% for the period under review from approximately 27.0% for the last corresponding period. The decrease in gross margin of both flexo-printed cartons and traditional offset printed cartons was offset by the increase in sales of higher margin stone-paper based cartons.

The gross profit and gross profit margin from our mobile gaming segment was approximately RMB20.8 million and 48.3%, respectively, for the period under review (nil for the last corresponding period).

OTHER REVENUE AND INCOME

During the period under review, other revenue and income of the Group was approximately RMB4.6 million, represented a decrease of approximately 6.1% or approximately RMB0.3 million as compared to approximately RMB4.9 million for the last corresponding period. The decrease was mainly attributable to the reduction of tax concession which was expired during the period under review.

SELLING AND DISTRIBUTION EXPENSES

During the period under review, selling and distribution expenses of the Group was approximately RMB26.1 million, representing an increase by approximately 77.6% or approximately RMB11.4 million as compared to approximately RMB14.7 million for the last corresponding period. The increase was mainly due to the incurred of advertising and marketing expenses of our self developed publication and distribution platform namely, youc.com (優戲網) and menle.com (萌樂網).

Consequently, our selling and distribution expenses as a percentage of our total turnover increased to approximately 6.8% for the period under review as compared to approximately 5.4% for the last corresponding period.

ADMINISTRATIVE EXPENSES

During the period under review, administrative expenses of the Group was approximately RMB16.5 million, representing an increase by approximately 54.2% or approximately RMB5.8 million as compared to RMB10.7 million for the last corresponding period. The increase was primarily attributable to the amortisation of intangible assets from the newly acquired business and the increase in legal and professional fee arising from the acquisition of new business.

FINANCE COSTS

During the period under review, finance costs of the Group was approximately RMB9.3 million, representing an increase by approximately 745.5% or approximately RMB8.2 million as compared to RMB1.1 million for the last corresponding period. The increase was mainly because of the issue of Promissory Note and Convertible Bonds on 19 June 2015 and 20 May 2016.

INCOME TAX EXPENSES

During the period under review, income tax expenses of the Group was approximately RMB8.6 million, representing an increase by approximately 26.5% or approximately RMB1.8 million as compared to RMB6.8 million for the last corresponding period. The Group's effective tax rate was approximately 20.0% for the period under review and 21.4% 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 RMB25.1 million for the last corresponding period by approximately RMB9.2 million or approximately 36.7% to approximately RMB34.3 million for the period under review. Our net profit margin decreased slightly from 9.2% for the last corresponding period to 8.9% 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 Note and Convertible Bonds. As at 30 June 2016, the cash and cash equivalents were approximately RMB292.5 million (31 December 2015: approximately RMB266.2 million), mostly denominated in Renminbi and Hong Kong Dollars. The Group's total borrowings which includes bank borrowings, Promissory Note and Convertible Bonds amounted to approximately RMB378.8 million (31 December 2015: approximately RMB211.0 million). As at 30 June 2016, approximately 26.6% (31 December 2015: 58.8%) of the total borrowings were denominated in Renminbi and approximately 73.4% (31 December 2015: 41.2%) 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 2016 and 31 December 2015 were approximately 62.6% and approximately 60.1% respectively.

On 28 April 2016, upon completion of the acquisition of Cable King, pursuant to the Share Purchase Agreement, the Group issued a promissory note with principal amount of HK\$200,000,000. The promissory note will be repayable in full by 28 April 2019 and may be redeemed at the option of the Group in whole or in part at any time during the period prior to the maturity date. The promissory note bear a fixed coupon interest rate at 9% per annum payable in arrear every calendar year. During the period under review, the Group has redeemed HK\$120,000,000 of the promissory note.

On 20 May 2016, the Group issued Promissory Note and Convertible Bonds ("Note and Bonds") with principal amount of HK\$120,000,000 and HK\$30,000,000, respectively. The Note and Bonds will be repayable in full by 28 April 2017 and shall be extended for a further term of one year, provided that they shall not be extended for more than two years. The Note and Bonds may be redeemed at the option of the Group in whole at any time during the period between the first day of the sixth month following the date of issue and the last day immediately preceding the maturity date. The Note and Bonds bear a fixed coupon interest rate at 7.5% per annum payable semi-annually, commencing on 28 October 2016.

The Bonds entitle the holder to convert to ordinary shares of the Company at a conversion price of HK\$0.75 per share. Upon the exercise of the conversion rights in full, approximately 40,000,000 shares will be issued, representing approximately 3.46% of the issued share capital of the Company as enlarged by the allotment and issue of the shares on conversion.

The net proceeds from the issue of Note and Bonds was approximately HK\$147.3 million. The Company shall use such net proceeds as part of the consideration in acquiring the share capital in Cable King Limited.

INVENTORIES

As at 30 June 2016, the inventories carried a total worth of approximately RMB30.1 million which was more than the amount of approximately RMB25.2 million as at 31 December 2015. The inventory turnover decreased by 2 days to 15 days compared to 17 days as at 31 December 2015.

TRADE RECEIVABLES

As at 30 June 2016, the trade receivables amounted to approximately RMB210.9 million (31 December 2015: approximately RMB147.5 million). The trade receivables turnover days increased by 8 days to 72 days compared to 64 days as at 31 December 2015.

TRADE PAYABLES

As at 30 June 2016, the trade payables amounted to approximately RMB102.5 million (31 December 2015: approximately RMB74.9 million). The trade payables turnover days increased by 1 day to 53 days compared to 52 days as at 31 December 2015.

OUTLOOK

Mobile gaming segment

The mobile games industry is undergoing massive expansion in China. With the technology advancement, smartphones with improved functionality such as faster processors, larger screens, more input points and better overall graphics capabilities are more affordable. In addition, the continuous development of the data network infrastructure and reduced data streaming fees have enabled fast, easy and affordable mobile access to the internet through data network connections including 3G and Wifi networks. This easy accessibility and affordability of quality smartphones has brought the mobile gaming audiences larger than ever before.

China has experienced, and is expected to continue to experience, solid growth in the mobile game market. However, it is highly dynamic and competitive. In order to capture the opportunity of such fast growing market, 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.

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 code 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.

EMPLOYEES

As at 30 June 2016, the Group had 632 full time employees in total (31 December 2015: 527). 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.

The following table disclosed movements in the Company's share options granted under the Share Option Scheme during the six months ended 30 June 2016:

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
Directors								
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
				<u>21,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,000,000</u>
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
	24/4/15	24/4/15 to 23/4/18	1.09	20,000,000	-	-	-	20,000,000
	24/4/15	24/4/16 to 23/4/18	1.09	20,000,000	-	-	-	20,000,000
				<u>59,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,000,000</u>
Total of all categories				<u>80,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,000,000</u>

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.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: nil) to the shareholders.

CAPITAL COMMITMENTS

As at 30 June 2016, the Group's capital commitments were approximately RMB60.0 million (31 December 2015: approximately RMB68.4 million). All the capital commitments were related to capital contribution payable to subsidiaries.

CONTINGENT LIABILITIES

As at 30 June 2016, the Group did not have any material contingent liabilities or guarantees.

PLEDGE OF ASSETS

As at 30 June 2016, the Group pledged certain assets with a carry value of approximately RMB128.5 million (31 December 2015: approximately RMB194.5 million) as collateral for the Group's bills payable and bank borrowings.

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

During the period under review, the Group has completed an equity investments. On 28 April 2016, we acquired the entire interest of Cable King which are engaged in the development, distribution and operation of mobile gaming products in the PRC at a Consideration of HK\$440 million subject to adjustment as detailed in the circular of the Company dated 29 February 2016.

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 2016.

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 2016.

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

AUDIT COMMITTEE

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

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

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2016 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 2016 is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the websites of the Stock Exchange at www.hkexnews.hk under “Latest Listed Company Information” and the designated website of the Company at <http://www.hs-pack.com>. The interim report of the Company for the six months ended 30 June 2016 will be dispatched to the shareholders and be posted on the aforesaid websites in due course.

By Order of the Board
China Packaging Holdings Development Limited
Chen Wei Wei
Chairman

Jiangxi Province, the PRC, 29 August 2016

As at the date of this announcement, the Executive Directors of the Company are Mr. Chen Wei Wei (Chairman), Mr. Sun Shao Hua and Ms. Zheng Li Fang; and the Independent Non-executive Directors of the Company are Mr. Liu Da Jin, Mr. Ma Yiu Ho, Peter and Mr. Wu Ping.