

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



Interim Report
2016



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

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.

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			
	2016		2015	
	RMB'000	% of Total	RMB'000	% of Total
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.

MANAGEMENT DISCUSSION AND ANALYSIS

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	
	RMB'000	GP margin (%)	RMB'000	GP margin (%)
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	47,097	27.4	32,956	27.0
Packaging segment	73,987	21.7	63,862	23.3
Mobile gaming segment	20,843	48.3	–	–
Total	94,830	24.7	63,862	23.3

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 to slightly 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, representing 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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
				21,000,000	-	-	-	21,000,000
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
				59,000,000	-	-	-	80,000,000
Total of all categories				80,000,000	-	-	-	80,000,000

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 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 adjustments detailed in the circular of the Company dated 29 February 2016.

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 2016.

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

As at 30 June 2016, the Directors of the Company had the following interests in the shares, underlying shares and debentures of the Company, its Group members and/or associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Long positions

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	36.62%

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 2016, 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 2016, 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	36.62%
Ms. Zheng Xue Xia	Interest of a controlled corporation	408,000,000	36.62%
Wealthy Achievers Limited	Beneficial owner	314,285,714	28.21%
Mr. Peng Dongmiao	Interest of a controlled corporation	314,285,714	28.21%
Qi Yuan Asset Management (H.K.) Ltd.	Investment manager	58,450,000	5.25%
Mr. Wu Shifa	Beneficial owner	51,000,000	4.58%
Chance Talent Management Limited	Beneficial owner	63,529,411	5.7%
CCBI Investments Limited	Interest of a controlled corporation	63,529,411	5.7%
CCB International (Holdings) Limited	Interest of a controlled corporation	63,529,411	5.7%
CCB Financial Holdings Limited	Interest of a controlled corporation	63,529,411	5.7%
CCB International Group Holdings Limited	Interest of a controlled corporation	63,529,411	5.7%
China Construction Bank Corporation	Interest of a controlled corporation	63,529,411	5.7%
Central Huijin Investment Ltd.	Interest of a controlled corporation	63,529,411	5.7%

OTHER INFORMATION

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 and risk management 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.

UPDATE OF DIRECTORS INFORMATION

Mr. Ma Yiu Ho, Peter (馬遙豪), aged 51, 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 Sky Forever Supply Chain Management Group Limited (formerly known as Rising Power Group Holdings Limited) (stock code: 8047) from July 2014 to May 2015. 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, Huisheng International Holdings Limited (stock code: 1340) since February 2014 and 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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Revenue	4	384,305	274,601
Cost of sales		(289,475)	(210,739)
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		(2,355)	(10,298)
Profit from operating activities		52,242	33,100
Finance costs	8	(9,336)	(1,137)
Profit before tax	7	42,906	31,963
Income tax expenses	9	(8,573)	(6,830)
Profit for the period		34,333	25,133
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		(14,429)	5
Other comprehensive (loss)/income for the period, net of tax		(14,429)	5
Total comprehensive income for the period, net of tax		19,904	25,138
Profit attributable to owners of the Company		34,333	25,133
Total comprehensive income attributable to owners of the Company		19,904	25,138
Earnings per share attributable to owners of the Company			
– Basic (RMB cents)	11	3.76	3.14
– Diluted (RMB cents)	11	3.73	3.04

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Notes	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	12	133,129	138,996
Prepaid lease payments		2,285	2,315
Long-term prepayment		2,863	–
Goodwill		429,857	–
Intangible assets		44,785	–
		612,919	141,311
Current assets			
Inventories		30,109	25,160
Trade receivables	13	210,935	147,540
Prepayments, deposits and other receivables		46,089	16,422
Derivative financial instruments	16, 17	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	14	154,759	113,640
Bank borrowings	15	44,570	21,270
Derivative financial instruments	16, 17	4,133	3,434
Promissory note	16	171,548	67,673
Convertible bonds	17	49,063	19,346
Contingent consideration payables		94,766	–
Deferred revenue	18	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
Non-current liabilities			
Deferred taxation		6,676	55
Promissory note	16	57,625	–
Bank borrowings	15	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	19	8,993	6,287
Reserves		596,314	344,735
Total equity		605,307	351,022

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Convertible bonds reserve RMB'000	Reserves				Retained profit RMB'000	Total RMB'000
					Statutory reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000			
At 1 January 2015 (Audited)	6,287	64,588	4,274	-	20,105	15,901	2,951	162,063	276,169	
Profit for the period	-	-	-	-	-	-	-	25,133	25,133	
Other comprehensive income for the period	-	-	-	-	-	-	5	-	5	
Total comprehensive income for the period	-	-	-	-	-	-	5	25,133	25,138	
Equity-settled share option expenses	-	-	10,298	-	-	-	-	-	10,298	
Issue of convertible bonds	-	-	-	913	-	-	-	-	913	
At 30 June 2015 (Unaudited)	6,287	64,588	14,572	913	20,105	15,901	2,956	187,196	312,518	
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	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Operating activities		
Cash generated from operations	66,204	(46,597)
PRC tax paid	(7,718)	(5,541)
Net cash generated from/(used in) operating activities	58,486	(52,138)
Investing activities		
Interest received	475	–
Prepayment for non-current prepayment	(716)	–
Purchase of property, plant and equipment	(964)	(118)
Acquisition of subsidiaries (net of cash and cash equivalent acquired)	(16,668)	–
Other cash flows arising from investing activities	–	219
Net cash (used in)/generated from investing activities	(17,873)	101
Financing activities		
Proceeds from bank borrowings	23,300	109,970
Repayments of bank borrowings	(46,700)	(6,000)
Bank borrowings interest paid	(3,100)	–
Early redemption of promissory note	(109,668)	–
Net proceeds from issue of promissory note	99,583	61,677
Net proceeds from issue of convertible bonds	24,678	15,417
Other cash flows arising from financing activities	–	(960)
Net cash (used in)/generated from financing activities	(11,907)	180,104
Net increase in cash and cash equivalents	28,706	128,067
Cash and cash equivalents at the beginning of the period	266,206	92,481
Effect of exchange rate changes on the balance of cash held in foreign currencies	(2,380)	(200)
Cash and cash equivalents at the end of the period	292,532	220,348
Analysis of balances of cash and cash equivalents		
Cash and bank balances	292,532	220,348

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 which have been prepared and presented. Accordingly, no prior period adjustment was required.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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	341,114	274,601	43,191	–	384,305	274,601
Segment results	49,003	44,574	6,065	–	55,068	44,574
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					42,906	31,963
Income tax expenses					(8,573)	(6,830)
Profit for the period					34,333	25,133

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

5. OTHER REVENUE

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

6. OTHER INCOME

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

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 2016

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Staff costs:		
Employee benefit expense (including directors' remuneration)		
Wages and salaries	28,468	16,364
Retirement benefit schemes contributions	4,463	1,907
	32,931	18,271
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

8. FINANCE COSTS

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (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
	9,336	1,137

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

9. INCOME TAX EXPENSES

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

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).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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	2015
	RMB'000	RMB'000
	(Unaudited)	(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	34,333	25,179

Number of shares

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(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	921,419,544	829,302,013

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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	Total RMB'000
Cost						
At 31 December 2015 and 1 January 2016 (Audited)	114,400	523	479	65,113	132	180,647
Additions	614	86	264	–	–	964
Acquired on acquisition of subsidiaries	–	168	–	–	–	168
Exchange realignment	–	–	–	–	4	4
At 30 June 2016 (Unaudited)	115,014	777	743	65,113	136	181,783
Accumulated depreciation						
At 31 December 2015 and 1 January 2016 (Audited)	29,385	435	383	11,338	110	41,651
Charge for the period	5,396	35	16	1,546	7	7,000
Exchange realignment	–	–	–	–	3	3
At 30 June 2016 (Unaudited)	34,781	470	399	12,884	120	48,654
Carrying amounts						
At 30 June 2016 (Unaudited)	80,233	307	344	52,229	16	133,129
At 31 December 2015 (Audited)	85,015	88	96	53,775	22	138,996

Assets pledged as security

As at 30 June 2016, no machinery (31 December 2015: RMB58,366,000) have been pledged to secure bank borrowings (Note 15) granted to the Group.

As at 30 June 2016, no computer and office equipment (31 December 2015: RMB1,000) have been pledged to secure bank borrowings (Note 15) granted to the Group.

As at 30 June 2016, buildings with carrying amount of approximately RMB49,367,000 (31 December 2015: RMB53,536,000) 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 2016

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:

	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 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.

14. 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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

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	–
	102,452	74,850

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.

15. BANK BORROWINGS

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

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	4.6% to 6.9%	5.0% to 7.8%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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

Derivative financial assets – Term extension derivative component:

	Promissory Notes 1 RMB'000	Promissory Notes 3 RMB'000	Total RMB'000
At 1 January 2015 (Audited)	–	–	–
Issue of promissory notes	2,857	–	2,857
Fair value change	2,411	–	2,411
Exchange realignment	275	–	275
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
At 30 June 2016 (Unaudited)	145	641	786

Derivative financial assets – Redemption option derivative component:

	Promissory Notes 2 RMB'000	Promissory Notes 3 RMB'000	Total RMB'000
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
At 30 June 2016 (Unaudited)	67	–	67

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

16. PROMISSORY NOTE (CONTINUED)

Financial liability component – Promissory notes liabilities:

	Promissory Notes 1 RMB'000	Promissory Notes 2 RMB'000	Promissory Notes 3 RMB'000	Total RMB'000
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
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
At 30 June 2016 (Unaudited)	68,734	57,625	102,814	229,173

Promissory Notes 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 Notes 1”).

The Promissory Notes 1 has a term of one year and the holder shall extend the Promissory Notes 1 on the same terms and conditions of the Promissory Notes 1 for a further period of one year (the “Extended Term of the Promissory Notes 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 Notes 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 Notes 1 from and including the date falling 12 months from the date of issue redeem the outstanding principal amount of the Promissory Notes 1, with all amounts of accrued interests, handling fee and all other outstanding amount payable by the Company to the holder of the Promissory Notes 1, and without penalty.

The Promissory Notes 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 and a controlling shareholder 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 2016

16. PROMISSORY NOTE (CONTINUED)

Promissory Notes 1 (continued)

The Promissory Notes 1 contains two components: term extension derivative component and financial liability component. The fair value of the financial liability component of the Promissory Notes 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.

Promissory Notes 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 Notes 2").

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

The Promissory Notes 2 contains two components: redemption option derivative component and financial liability component. The fair value of the financial liability component of the Promissory Notes 2 at the date of issue was estimated to be approximately RMB159,859,000 based on the effective interest rate of 10.90% per annum. The redemption option derivative component is measured at fair value with changes in fair value recognised in profit or loss.

During the six months ended 30 June 2016, the Promissory Notes 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 Notes 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 Notes 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 six months ended 30 June 2016.

Promissory Notes 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 Notes 3").

The Promissory Notes 3 has a term of one year and the holder shall extend the Promissory Notes 3 on the same terms and conditions of the Promissory Notes 3 for a further period of one year (the "Extended Term of the Promissory Notes 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 Notes 3 may only make up to two extensions and the aggregate extended term for the above extensions shall not exceed two years.

The Promissory Notes 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 Notes 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 2016.

	Convertible Bonds 1 RMB'000	Convertible Bonds 2 RMB'000	Total RMB'000
Derivative financial assets			
– 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
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
At 30 June 2016 (Unaudited)	6,481	8,585	15,066
Derivative financial liabilities			
– 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
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
At 30 June 2016 (Unaudited)	1,521	2,612	4,133

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

17. CONVERTIBLE BONDS (CONTINUED)

	Convertible Bonds 1 RMB'000	Convertible Bonds 2 RMB'000	Total RMB'000
Financial liabilities			
– 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
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
At 30 June 2016 (Unaudited)	20,337	28,726	49,063
Equity component:			
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
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)
At 30 June 2016 (Unaudited)	4,067	1,969	6,036

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

17. CONVERTIBLE BONDS (CONTINUED)

Convertible bonds 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 Bonds 1"). The Convertible Bonds 1 entitle 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 Bonds 1.

The Convertible Bonds 1 have a term of one year and the holder shall extend the Convertible Bonds 1 on the same terms and conditions of the Convertible Bonds 1 for a further period of one year (the "Extended Term of the Convertible Bonds 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 Bonds 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 Notes 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 Bonds 1 at any time during the period between the first day of the twelfth month following the date of issue of the Convertible Bonds 1 and the last day immediately preceding the maturity date of the Convertible Bonds.

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 Bonds 1 on the maturity date, (ii) 12% of the outstanding principal amount on the maturity date of the Convertible Bonds 1 (exclusive of interest) multiplied by the term or the Extended Term of the Convertible Bonds expressed in years for the redemption of the portion of the Convertible Bonds 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 Bonds 1 to be redeemed, and (iv) all other outstanding amounts payable by the Company to the holder of the Convertible Bonds 1.

The Convertible Bonds 1 have 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 and a controlling shareholder of the Company; and the guarantee of Novel Blaze Limited, the ultimate holding company of the Company.

The Convertible Bonds 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 costs 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

17. CONVERTIBLE BONDS (CONTINUED)

Convertible bonds 1 (continued)

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 Bonds 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 Bonds 1 shall be the amount equivalent to the sum of (i) the outstanding principal amount of the Convertible Bonds 1 to be redeemed, (ii) return of 17.5% per annum on the outstanding principal amount of the Convertible Bonds 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 Bonds 1 which has not been converted into Shares, (iii) all accrued and unpaid interest, (iv) all accrued and unpaid handling fee accrued, 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 Binominal Option Pricing Model and Monte Carlo Simulation Method were used.

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

	At 10 September 2015
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 Bonds 1 on Modification to be approximately as follows:

	At 10 September 2015
	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>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

17. CONVERTIBLE BONDS (CONTINUED)

Convertible Bonds 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 Bonds 2"). The Convertible Bonds 2 entitle 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 Bonds 2.

The Convertible Bonds 2 have a term of one year and the holder shall extend the Convertible Bonds 2 on the same terms and conditions of the Convertible Bonds 2 for a further period of one year (the "Extended Term of the Convertible Bonds 2") provided that the Group's EBITDA for the financial year before the end of the term is not less than RMB 68,196,000 and the consolidated net asset value of the Group is not less than RMB 296,892,000 ("Condition 2"), provided that the holder of Convertible Bonds 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 Notes 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 Bonds 2 at any time during the period between the first day of the twelfth month following the date of issue of the Convertible Bonds 1 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 Bonds 2 shall be the amount equivalent to the sum of (i) the outstanding principal amount of the Convertible Bonds 2 to be redeemed, (ii) return of 15% per annum on the outstanding principal amount of the Convertible Bonds 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 Bonds 2 which has not been converted into Shares, (iii) all accrued and unpaid interest, (iv) all accrued and unpaid handling fee accrued, and (v) all other outstanding amounts payable by the Company to the bondholder.

The Convertible Bonds 2 have 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 and a controlling shareholder of the Company, and Ms. Zheng Xue Xia, a controlling shareholder of the Company and the spouse of Mr. Sun Shao Hua.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

17. CONVERTIBLE BONDS (CONTINUED)

Convertible Bonds 2 (continued)

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

	At 20 May 2016
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%

18. DEFERRED REVENUE

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Service fee received but related service not rendered	38,094	–

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

	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 (Note 23)	314,286	3,143	2,706
At 30 June 2016, ordinary shares of HK\$0.01 each	1,114,286	11,143	8,993

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

19. SHARE CAPITAL AND SHARE OPTION SCHEME (CONTINUED)

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.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

19. SHARE CAPITAL AND SHARE OPTION SCHEME (CONTINUED)

Share option scheme (continued)

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

30 June 2016

Name or category of participant	Option type	Number of share options					At 30 June 2016	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 2016	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				

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.

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Machinery (Note 12)	-	58,366
Computer and office equipment (Note 12)	-	1
Buildings (Note 12)	49,367	53,536
Pledged bank deposits	79,091	80,602
	128,458	192,505

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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:

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Fees	101	95
Other emoluments:		
Salaries, allowances and benefits in kind	1,384	1,414
Retirement benefit schemes contributions	28	27
Total	1,513	1,536

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:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within one year	596	220
In the second to fifth year inclusive	1,740	201
Over five years	–	–
	2,336	421

Capital commitment

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Authorised and contracted for capital contributions payable to subsidiaries	60,000	68,375

Other commitment

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

23. 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
Long term prepayment	2,147
Trade receivable	48,041
Prepayments and other receivables	29,033
Cash and cash equivalents	98
Trade payable	(166)
Accruals and other payables	(18,731)
Tax payables	(157)
Deferred revenue	(35,615)
Deferred taxation	(6,565)
Total identifiable net assets acquired	65,399
Goodwill on acquisition	429,857
	<u>495,256</u>

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
	<u>495,256</u>
Net cash outflow arising on the acquisition:	
Consideration paid in cash	(16,766)
Less: Cash and cash equivalent balances acquired	98
	<u>(16,668)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

23. BUSINESS COMBINATION (CONTINUED)

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. More detailed information of the additional promissory note can be found in Note 16.

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.

24. 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 2016

24. 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 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)			
Financial assets					
Derivative financial instruments:					
– Term extension derivative embedded in the promissory notes 1	145	5,543	Level 3	Black-Scholes model with Trinomial Tree method Key inputs: Discount rate, Share price volatility, Price-to-EBITDA ratio	Discount rate of 9.02%; share price volatility of 56.27%; price-to-EBITDA ratio of 5.67 (Note (ii))
Derivative financial instruments:					
– Redemption option derivative embedded in the promissory notes 1	–	–	Level 3	Black-Scholes model with Trinomial Tree method Key inputs: Discount rate, Share price volatility, Price-to-EBITDA ratio	Discount rate of 9.02%; share price volatility of 56.27%; price-to-EBITDA ratio of 5.67 (Note (ii))
Derivative financial instruments:					
– Redemption option derivative embedded in the promissory notes 2	67	–	Level 3	Hull White model with Trinomial Tree method Key inputs: Discount rate	Discount rate of 10.41% (Note (iii))
Derivative financial instruments:					
– Term extension derivative embedded in the promissory notes 3	641	–	Level 3	Black-Scholes model with Trinomial Tree method Key inputs: Discount rate, Share price volatility, Price-to-EBITDA ratio	Discount rate of 9.45%; share price volatility of 56.27%; price-to-EBITDA ratio of 5.67 (Note (iv))
Derivative financial instruments:					
– Redemption option derivative embedded in the promissory notes 3	–	–	Level 3	Black-Scholes model with Trinomial Tree method Key inputs: Discount rate, Share price volatility, Price-to-EBITDA ratio	Discount rate of 9.45%; share price volatility of 56.27%; price-to-EBITDA ratio of 5.67 (Note (v))
Derivative financial instruments:					
– Redemption option derivative embedded in the convertible bonds 1	6,481	253	Level 3	Black-Scholes model with Trinomial Tree method Key inputs: Discount rate, Share price volatility, Price-to-EBITDA ratio	Discount rate of 9.02%; share price volatility of 56.27%; price-to-EBITDA ratio of 5.67 (Note (vi))
Derivative financial instruments:					
– Redemption option derivative embedded in the convertible bonds 2	8,585	–	Level 3	Black-Scholes model with Trinomial Tree method Key inputs: Discount rate, Share price volatility, Price-to-EBITDA ratio	Discount rate of 9.45%; share price volatility of 56.27%; price-to-EBITDA ratio of 5.67 (Note (vii))

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

24. 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 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)			
Financial liabilities					
Derivative financial instruments:					
- Term extension derivative embedded in the convertible bonds 1	1,521	3,434	Level 3	Black-Scholes model with Trinomial Tree method Key inputs: Discount rate, Share price volatility, Price-to-EBITDA ratio	Discount rate of 9.02%; share price volatility of 56.27%; price-to-EBITDA ratio of 5.67 (Note (viii))
Derivative financial instruments:					
- Term extension derivative embedded in the convertible bonds 2	2,612	-	Level 3	Black-Scholes model with Trinomial Tree method Key inputs: Discount rate, Share price volatility, Price-to-EBITDA ratio	Discount rate of 9.45%; share price volatility of 56.27%; price-to-EBITDA ratio of 5.67 (Note (ix))

Notes:

- (i) An increase in the discount rate in isolation would result in an increase in the fair value measurement of term extension derivative embedded in the promissory notes 1.

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 notes 1.

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 notes 1.

- (ii) An increase in the discount rate in isolation would not result in any change in the fair value measurement of redemption option derivative embedded in the promissory notes 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 notes 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 notes 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 notes 2.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets and liabilities measured at fair value (Continued)

Notes: (Continued)

- (v) An increase in the discount rate in isolation would not result in any change in the fair value measurement of redemption option derivative embedded in the promissory notes 3.

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 notes 3.

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 notes 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 bonds 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 bonds 1.

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 bonds 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 bonds 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 bonds 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 bonds 2.

- (viii) 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 bonds 1.

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 bonds 1.

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 bonds 1.

- (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 bonds 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 bonds 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 bonds 2.

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

There were no transfers between level 1 and level 2 during the six months ended 30 June 2016.

25. EVENT AFTER THE REPORTING PERIOD

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