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# China Packaging Holdings Development Limited

## 中華包裝控股發展有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1439)

### ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### FINANCIAL HIGHLIGHTS

	Year ended 31 December		Change
	2016	2015	
	RMB'000	RMB'000	
<b>Revenue</b>	<b>868,593</b>	615,372	41.1%
<b>Gross profit</b>	<b>265,882</b>	148,509	79.0%
<b>Gross profit margin</b>	<b>30.6%</b>	24.1%	
<b>Profit attributable to owners of the Company</b>	<b>7,921</b>	54,765	-85.5%
<b>Adjusted net profit*</b>	<b>88,477</b>	62,410	41.8%
<b>Earnings per share attributable to owners of the Company</b>			
Basic (RMB cents)	<b>0.77</b>	6.85	-88.8%
Diluted (RMB cents)	<b>0.20</b>	6.77	-97.0%
<b>Dividends per share (HK cents)</b>			
– Special proposed	<b>2.0</b>	–	

Note:

\* Adjusted net profit is calculated by excluding non-operating expenses including amortisation of intangible assets, change in fair value of derivative financial instruments, change in fair value of contingent consideration payable, loss on modification of convertible bonds and loss on early redemption of promissory notes.

## THE FINANCIAL STATEMENTS

The board (the “Board”) of directors (the “Directors”) of China Packaging Holdings Development Limited 中華包裝控股發展有限公司 (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2016 together with the comparative figures for the previous financial year as follows:

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

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
<b>Revenue</b>	4	<b>868,593</b>	615,372
Cost of sales		<u>(602,711)</u>	<u>(466,863)</u>
<b>Gross profit</b>		<b>265,882</b>	148,509
Other revenue	5	2,428	1,886
Other income	6	3,595	7,902
Selling and distribution expenses		(96,752)	(29,126)
Administrative expenses		(43,418)	(27,377)
Amortisation of intangible assets		(27,438)	–
Change in fair value of derivative financial instruments		4,030	(624)
Change in fair value of contingent consideration payable		(51,963)	–
Loss on modification of convertible bonds		–	(7,021)
Loss on early redemption of promissory notes		(5,185)	–
Equity-settle share option expenses		<u>(2,389)</u>	<u>(15,931)</u>
Profit from operating activities		<b>48,790</b>	78,218
Finance costs	7	<u>(26,269)</u>	<u>(8,374)</u>
Profit before tax	8	<b>22,521</b>	69,844
Income tax expenses	9	<u>(14,600)</u>	<u>(15,079)</u>
<b>Profit for the year</b>		<b>7,921</b>	54,765
<b>Other comprehensive loss for the year, net of tax</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(21,929)</u>	<u>(661)</u>
Other comprehensive loss for the year, net of tax		<u>(21,929)</u>	<u>(661)</u>
<b>Total comprehensive (loss)/income for the year, net of tax</b>		<b>(14,008)</b>	54,104
<b>Profit attributable to owners of the Company</b>		<b>7,921</b>	54,765
<b>Total comprehensive (loss)/income attributable to owners of the Company</b>		<b>(14,008)</b>	54,104
<b>Earnings per share attributable to owners of the Company</b>			
– Basic (RMB cents)	11	<u>0.77</u>	<u>6.85</u>
– Diluted (RMB cents)	11	<u>0.20</u>	<u>6.77</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*At 31 December 2016*

	<i>Notes</i>	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		147,727	138,996
Prepaid lease payments		2,255	2,315
Goodwill		429,857	–
Intangible assets		19,708	–
Long-term prepayment		4,592	–
		<u>604,139</u>	<u>141,311</u>
<b>Current assets</b>			
Inventories		28,122	25,160
Trade receivables	12	155,368	147,540
Prepayments, deposits and other receivables		71,427	16,422
Derivative financial instruments		12,945	5,796
Pledged bank deposits		59,460	80,602
Cash and bank balances		374,335	266,206
		<u>701,657</u>	<u>541,726</u>
<b>Current liabilities</b>			
Trade, bills, other payables and accruals	13	138,405	113,640
Bank borrowings		91,110	21,270
Derivative financial instrument		4,277	3,434
Promissory notes		178,804	67,673
Convertible bonds		32,868	19,346
Contingent consideration payable		155,568	–
Deferred revenue		57,617	–
Tax payables		3,925	3,897
		<u>662,574</u>	<u>229,260</u>
<b>Net current assets</b>		<u>39,083</u>	<u>312,466</u>
<b>Total assets less current liabilities</b>		<u>643,222</u>	<u>453,777</u>
<b>Non-current liabilities</b>			
Deferred taxation		2,980	55
Promissory note		60,342	–
Bank borrowings		–	102,700
		<u>63,322</u>	<u>102,755</u>
<b>Net assets</b>		<u>579,900</u>	<u>351,022</u>
<b>Capital and reserves attributable to owners of the Company</b>			
Share Capital		9,150	6,287
Reserves		570,750	344,735
<b>Total equity</b>		<u>579,900</u>	<u>351,022</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

## 1. CORPORATE INFORMATION

The Company was incorporated in Cayman Islands on 12 July 2013 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit 2, 7th Floor, Wah Hing Commercial Building, 283 Lockhart Road, Wanchai, Hong Kong. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 13 January 2014.

The Company acts as an investment holding company while its principal operating subsidiaries are engaged in manufacturing and sales of packaging materials and distribution and operation of mobile gaming products.

The Directors of the Company consider the parent and the ultimate holding company of the Company to be Novel Blaze Limited (“Novel Blaze”), a company incorporated in the British Virgin Islands (the “BVI”) with limited liability. Its ultimate controlling party is Ms. Zheng Xue Xia, who is a spouse of the executive director of the Company, Mr. Sun Shao Hua.

The 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 (“HK\$”). The Directors consider that choosing Renminbi as the presentation currency best suits the needs of the shareholders and investors.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (the “new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). A summary of the new and revised HKFRSs are set out as below:

HKFRS 10, HKFRS 12 and HKAS 28	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
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28, amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, and amendments to HKAS 27, which are not relevant to the preparation of the Group’s financial statements, the nature and the impact of the amendments are described below:

- (a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:
  - (i) the materiality requirements in HKAS 1;

- (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
- (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
- (iv) the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit and loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

- (b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the assets. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.
- (c) The Annual Improvements to HKFRSs 2012-2014 Cycle issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:
  - HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Clarifies that plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

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

HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>
HKAS 7 (Amendments)	Disclosure Initiative <sup>1</sup>
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions <sup>2</sup>
HKFRS 4 (Amendments)	Insurance Contracts <sup>2</sup>
HKFRS (Amendments)	Annual Improvement to HKFRS 2014-2016 Cycle <sup>5</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4</sup> No mandatory effective date is determined but available for adoption

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

### 3. OPERATING SEGMENT

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

Segment revenue reported represents revenue generated from external customers. There were no inter-segment sales for the year ended 31 December 2016 (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		Development, distribution and operation of mobile gaming products		Consolidated	
	2016	2015	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	<u>647,685</u>	<u>615,372</u>	<u>220,908</u>	<u>–</u>	<u>868,593</u>	<u>615,372</u>
Segment results	<u>69,218</u>	<u>89,660</u>	<u>60,815</u>	<u>–</u>	<u>130,033</u>	<u>89,660</u>
Equity-settled share option expenses					(2,389)	(15,931)
Unallocated corporate income					4,033	12
Unallocated corporate expenses					(88,752)	(125)
Unallocated finance costs					<u>(20,404)</u>	<u>(3,772)</u>
Profit before tax					<u>22,521</u>	<u>69,844</u>
Income tax expenses					<u>(14,600)</u>	<u>(15,079)</u>
Profit for the year					<u>7,921</u>	<u>54,765</u>

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

	Paper-based packaging products		Development, distribution and operation of mobile gaming products		Consolidated	
	2016	2015	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	<u>639,115</u>	<u>602,388</u>	<u>156,990</u>	<u>–</u>	<u>796,105</u>	<u>602,388</u>
Unallocated corporate assets					<u>509,691</u>	<u>80,649</u>
Total assets					<u>1,305,796</u>	<u>683,037</u>
Segment liabilities	<u>204,514</u>	<u>236,661</u>	<u>75,574</u>	<u>–</u>	<u>280,088</u>	<u>236,661</u>
Unallocated corporate liabilities					<u>445,808</u>	<u>95,354</u>
Total liabilities					<u>725,896</u>	<u>332,015</u>

During the years ended 31 December 2016 and 2015, all revenue is derived from customers in the PRC.

## Other segment information

	<b>Paper-based packaging products</b> <i>RMB'000</i>	<b>Development and operation of mobile gaming products</b> <i>RMB'000</i>	<b>Unallocated</b> <i>RMB'000</i>	<b>Consolidated</b> <i>RMB'000</i>
Capital Expenditure	(22,329)	(217)	–	(22,546)
Depreciation of property, plant and equipment	(13,870)	(82)	(33)	(13,985)
Amortisation of intangible assets	–	(27,438)	–	(27,438)
Equity-settled share option expenses	–	–	(2,389)	(2,389)
Change in fair value of derivative financial instruments	–	–	4,030	4,030
Change in fair value of contingent consideration payable	–	–	(51,963)	(51,963)
Finance costs	(5,848)	(17)	(20,404)	(26,269)

As at 31 December 2016 and 2015, most of the Group's non-current assets were located in the PRC. Accordingly, no analysis of the Group's result and assets by geographical area is disclosed.

Included in revenue arising from development, distribution and operation of mobile gaming products for the year ended 31 December 2016, approximately RMB62,110,000 (2015: RMB35,983,000 from sale of paper-based packaging products) are revenue arose from the Group's largest single customer. No single customer contributed 10% or more to the Group's revenue for the year ended 31 December 2016 (2015: Nil).

## 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:

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i>
Sales of paper-based packaging products	<b>647,685</b>	615,372
Development, distribution and operation of mobile gaming products	<b>220,908</b>	–
	<b>868,593</b>	615,372

## 5. OTHER REVENUE

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i>
Sales of residual materials	<b>1,451</b>	1,276
Bank interest income	<b>977</b>	610
	<b>2,428</b>	1,886

## 6. OTHER INCOME

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Tax concession ( <i>Note a</i> )	3,202	7,891
Government subsidies ( <i>Note b</i> )	320	11
Sundry income	73	–
	<u>3,595</u>	<u>7,902</u>

*Notes:*

- (a) Tax concession represents another kind of 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.
- (b) Government subsidies represent the financial subsidies given by the local government to encourage the Group's operation in the PRC.

## 7. FINANCE COSTS

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Interest expenses on bank borrowings	5,865	4,603
Imputed interest on promissory notes	15,963	2,206
Imputed interest on convertible bonds	4,441	1,565
	<u>26,269</u>	<u>8,374</u>

## 8. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
<b>Staff costs:</b>		
Employee benefit expense (including directors' remuneration):		
Wages and salaries	44,835	38,698
Retirement benefit schemes contributions	6,167	5,174
	<u>51,002</u>	<u>43,872</u>
<b>Other items:</b>		
Cost of inventories recognised as expenses	511,145	466,863
Depreciation of property, plant and equipment	13,985	14,152
Auditors' remuneration		
– Audit service	1,112	800
– Other service	685	–
Amortisation of prepaid lease payments	60	60
Amortisation of intangible assets	27,438	–
Loss on disposal of property, plant and equipment	–	2
Minimum lease payments under operating leases of rented premises	962	428
Research and development costs	10,277	3,180
Equity-settled share option expenses	2,389	15,931
	<u>511,145</u>	<u>466,863</u>



## 9. INCOME TAX EXPENSES

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i>
Current tax		
– The PRC Enterprise Income Tax	<b>18,101</b>	15,217
– Under provision in prior year	<b>323</b>	–
	<b>18,424</b>	15,217
Deferred tax		
– Current year	<b>(3,824)</b>	(138)
Total income tax recognised in profit or loss	<b>14,600</b>	15,079

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

The PRC subsidiary is subject to the PRC Enterprise Income Tax at 25% during the year (2015: 25%). Pursuant to the relevant laws and regulations in the PRC, the qualified PRC subsidiary was entitled to preferential treatment on corporate income tax enjoyed by high and new technology enterprise for three years from 2014 to 2016. As such, the applicable corporate income tax rate for the qualified 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 two years' tax exemption period this PRC subsidiary begins from 1 January 2014.

## 10. DIVIDENDS

No dividend has been paid or proposed by the Group during the years ended 31 December 2016 and 2015.

Subsequent to the year ended 31 December 2016, a special dividend of 2.0 HK cents per share was declared on 30 March 2016.

## 11. EARNINGS PER SHARE

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

### Basic earnings per share

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Profit attributable to the owners of the Company for the purpose of basic earnings per share	<u>7,921</u>	<u>54,765</u>

### Diluted earnings per share

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Earnings used in the calculation of basic earnings per share	7,921	54,765
Interest on convertible bonds (after tax at 16.5%)	3,287	–
Fair value gain arising from convertible bonds	<u>(9,069)</u>	<u>–</u>
Earnings used in the calculation of diluted earnings per share	<u>2,139</u>	<u>54,765</u>

### Number of shares

	2016	2015
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,024,163,414	800,000,000
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	23,101,025	9,043,367
Effect of dilutive potential ordinary shares:		
Conversion of convertible bonds	<u>31,748,589</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,079,013,028</u>	<u>809,043,367</u>

Basic earnings per share for the years ended 31 December 2016 and 2015 are calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2016 and 2015 are calculated by adjusting the weighted average number of shares in issue during the year to assume conversion of all dilutive potential ordinary shares. The weighted average number of ordinary shares as above are adjusted by the number of shares that would have been issued assuming the exercise of share options and conversion of convertible bonds.

For the year ended 31 December 2015, the computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible bonds since it would result in an anti-dilutive effect on earnings per share.

## 12. TRADE RECEIVABLES

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i>
Trade receivables	<u><b>155,368</b></u>	<u>147,540</u>

The following is an analysis of trade receivables by age, presented based on the invoice date. The analysis below is net of allowance for doubtful debts:

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i>
0 – 30 days	<b>74,397</b>	65,424
31 – 60 days	<b>59,569</b>	64,145
61 – 90 days	<u><b>21,402</b></u>	<u>17,971</u>
	<u><b>155,368</b></u>	<u>147,540</u>

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

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i>
Trade payables	<b>78,420</b>	74,850
Bills payables	<b>25,700</b>	23,850
Accruals	<b>25,436</b>	12,698
Other payables	<u><b>8,849</b></u>	<u>2,242</u>
	<u><b>138,405</b></u>	<u>113,640</u>

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

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i>
0 – 30 days	<b>42,822</b>	42,358
31 – 60 days	<u><b>35,598</b></u>	<u>32,492</u>
	<u><b>78,420</b></u>	<u>74,850</u>

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

As at 31 December 2016, the bills payable of approximately RMB25,700,000 (2015: RMB23,850,000) was pledged by the bank deposits.

## **CHAIRMAN’S STATEMENT**

Dear Shareholders,

On behalf of the board of directors (the “Board”), of China Packaging Holdings Development Limited (the “CPHD”, “The Company”), I am delighted to share the annual results of the Company and its subsidiaries (collectively “The Group”) for the year ended 31 December 2016.

### **BUSINESS REVIEW**

I am pleased to report that the Company made significant progress in 2016. In April, the Group completed its acquisition of Cable King Limited, a business engaged in developing, distributing, and operating mobile gaming products in PRC. The acquisition has brought us a number of new initiatives, which includes two gaming platforms, a portfolio of mobile games and a highly experienced team in PRC. While maintaining the stability of the Company’s packaging business, the Group now has a whole new focus to expand into the explosive mobile gaming market. According to games research and analytics from Newzoo, in 2016, China has already overtaken the U.S. in terms of global games revenue. Newzoo also predicted that by 2019, gaming revenue will reach USD28.9 billion in China, with mobile gaming accounting for USD13.9 billion. With more than half of the country yet to become regular internet users, the opportunity for growth in the mobile gaming industry is immense.

Our total revenue for the year ended 31 December 2016 increased from RMB615.4 million in 2015 to RMB868.6 million, representing an increase of 41.1%. The increase was mainly due to 8 months of revenue from the newly acquired mobile gaming business. Revenue from our packaging business increased to RMB647.7 million despite challenging market conditions. Our packaging sales volume increased from 206.2 million square meters to 207.7 million square meters. Overall gross profit reached RMB265.9 million, growing by an impressive 79.0% as compared to RMB148.5 million in 2015.

## **MOBILE GAMES BUSINESS**

The mobile gaming industry in the PRC has some unique characteristics and we built our mobile games based on these characteristics to strengthen the popularity and stickiness of users to our proprietary developed games: (i) games based on local myths, or strong Chinese IPs that are more likely to attract interest and user downloads than those without; (ii) games based on classic stories or popular tales such as *Journey to the West* or *The Three Kingdoms*; Until today, Chinese TV dramas and PC games with themes from the 90s or these traditional tales regularly outperform the market in terms of revenue; (iii) Android is the dominant platform in the PRC mobile gaming industry. There are a large number of Android app stores and distribution platforms that are specially made for mobile games.

Looking ahead, apart from continuing to develop mobile games with Chinese medieval fantasy themes, we will create greater product differentiation and increase player engagement by strategically expanding into browser-based, massively multi-player online role-play games (MMORPG). We will continue to nurture and strengthen our core competencies and our development team. We constantly seek to improve quality and secure faster “go-to-market” lead times. Coupled with our insights and experiences built alongside as we are at the forefront of the mobile gaming market, we strive to continue to develop new, innovative and successful games in the years to come.

## **PACKAGING BUSINESS**

In 2016, the PRC paper-based packaging industry had been challenging due to an increase in the price of raw paper. Despite this strong headwind, we were able to increase our revenue by 5.2% compared to 2015 thanks to our innovative stone-paper based packaging products. The stone-paper segment grew by 37.5% over the previous year due to an ever-increasing environmental awareness and concern, and an increase in the market acceptance of stone-paper based packaging products. Looking into the future, we will introduce stone-paper based packaging materials to the logistics industry, which has an abundant demand for packaging products.

To celebrate the success of biggest leap forward into the rapidly-expanding mobile gaming segment, the Board would like to reward shareholders with a special dividend. The Board would like to thank all shareholders who have been supportive in the past years and have witnessed the transformation of our business until its first fruition from a new segment which has already contributed to almost half of the Group’s profit in merely 8 months’ time. The Board recognized that this fruit should be rewarded to shareholders for their continued confidence in us. Therefore, the Board is exhilarated to declare a first-ever special dividend of 2.0 cents per share. This is an exciting moment for us and we would continue to innovate for the success of shareholders in the long run.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS 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 on 27 April 2016. Cable King offers free-to-play mobile, browser and client-based online games. Apart from the newly acquired business, the Group continues to engage in manufacturing and sales of paper-based packaging products with operations in Jiangxi Province in the PRC. The Group’s products include flexo-printed cartons and offset-printed cartons of different sizes, shapes and designs. They are generally used in packaging of a wide variety of products such as food and beverage, glass and ceramics articles, metal hardware, chemicals products and bamboo articles etc.

#### Mobile gaming business

China’s gaming business soared at an explosive rate in 2016, with growth particularly seen in the mobile gaming segment. Mobile games have become the primary driver of growth in the electronic gaming business, and has outgrown the growth of PC games, browser games and client games. This tremendous growth was driven by various factors, in particular, the popularity of smart phones in China, the extensive growth 4G mobile phone network coverages across major cities, the demand for on-the-go entertainment by the rising middle class and an increase in the channels of distribution of mobile games which made mobile games easily accessible by the mass market.

After the acquisition in April 2016, the Group has continued to develop new games based on our strong technical and gaming development teams. After the successful launch of two major games in 2015, the *Legend of the Journey to the West* (大聖傳說) and the *Heroes of the Imperial Empire* (帝國英雄), the Group has also launched the *Legend of the Reign of the Assassins* (劍雨傳說), a new game in trail mode since May 2016. The Legend of the Reign of the Assassins (劍雨傳說) has now been launched officially in March 2017. The Group has also been operating 2 online distribution platforms – “優戲網” (www.youc.com), specially designed for the distribution of our self-developed mobile games; and “萌樂網” (www.mengle.com), specially designed for web games developed by third party developers. In addition to distributing the games under the Group’s own branded online platforms, the Group has also cooperated with several famous platforms in China including 360, Baidu and Chuang Yu Wang Luo (創娛網絡) to extend the reach of our self-developed games to a wider audience. On the other hand, the Group also acted as the distributor of 7 other online games developed by third-party developers on a commission basis to help promoting and distributing their proprietary developed games.

#### Packaging business

Demand for packaging materials have been growing solidly from consumer industries such as food & beverages companies and department stores during the year. This is due to positive consumer confidence in spending; and thus, pushed up demand for packaging for these sectors.

A mere price competition in carton boxes would not be the Group’s best strategy as more sophisticated Chinese consumers demand higher-end packaging materials for their products. The packaging of products constitutes a “good” or “bad” first impression before these products are consumed by final consumers, thereby having a well-printed, durable and presentable outlook could increase the price a product could charge to its consumers. As demand for sophisticated packaging increases, the Group’s proprietary stone-paper packaging technology has been able to tap into this market. Stone paper, as its name, is made from stone. It is durable, wearable, environmentally-friendly and its water and fire proof properties have enabled stone paper packaging segment to outgrow traditional carton boxes in our portfolio of packaging materials. With years of packaging materials producing capability, the Group offers both traditional printed carton boxes to cope with demand from consumers at the lower end of the spectrum; as well as stone paper based boxes, to cater to the more sophisticated and environmentally-aware higher-end consumers.

During the year ended 31 December 2016, the Group's revenue from packaging segment achieved a growth of 5.3% although the gross profit margin dropped 3.0% to 21.1% as compared to 2015. The decline in gross profit margin was mainly due to the increase in raw paper cost.

## FINANCIAL REVIEW

The revenue for the year ended 31 December 2016 was approximately RMB868.6 million, representing an increase of approximately RMB253.2 million or approximately 41.1% as compared to that of approximately RMB615.4 million in 2015. The increase in revenue was attributable to (i) the contribution of mobile gaming business acquired on 27 April 2016; and (ii) the increase in sales volume of packaging products from approximately 206.2 million square meters to approximately 207.7 million square meters, which was driven by an increasing demand from existing customers and new orders placed by new customers.

The following table set out a breakdown of our revenue by product categories and their relative percentages of our total revenue during the year.

### Revenue by products

	2016		2015	
	<i>RMB'000</i>	<i>% of Total</i>	<i>RMB'000</i>	<i>% of Total</i>
Flexo-printed cartons	<u>302,875</u>	<u>34.9</u>	<u>329,046</u>	<u>53.5</u>
Offset-printed cartons				
– Traditional paper-based cartons	<u>173,868</u>	<u>20.0</u>	<u>161,961</u>	<u>26.3</u>
– Stone-paper based cartons	<u>170,942</u>	<u>19.7</u>	<u>124,365</u>	<u>20.2</u>
Sub-total	<u>344,810</u>	<u>39.7</u>	<u>286,326</u>	<u>46.5</u>
Packaging segment	<u>647,685</u>	<u>74.6</u>	<u>615,372</u>	<u>100.0</u>
Mobile gaming segment	<u>220,908</u>	<u>25.4</u>	<u>–</u>	<u>–</u>
Total	<u>868,593</u>	<u>100.0</u>	<u>615,372</u>	<u>100.0</u>

### Packaging segment

#### *Flexo-printed cartons*

The Group's flexo-printed carton segment targeted food and beverage companies as its main customers. The goal is to provide products of good quality, load capacity and protection capabilities. Revenue from sales of flexo-printed cartons for 2016 was approximately RMB302.9 million (2015: approximately RMB329.0 million), which accounted for 34.9% (2015: approximately 53.5%) of our total revenue. The decrease of approximately 8.0% was mainly because of our increase in average selling price in order to cater with our increased raw material cost.

## Offset-printed cartons

The Group's offset-printed carton segment includes traditional paper based cartons and stone-paper based cartons. Revenue from sales of offset-printed cartons for the year ended 31 December 2016 was approximately RMB344.8 million (2015: approximately RMB286.3 million), which accounted for approximately 39.7% (2015: approximately 46.5%) of our total revenue. The increased in RMB58.5 million or approximately 20.4% was mainly due to the contribution from the increase in our sales of stone-paper based cartons and shopping bags. The acceptance of our stone-paper based materials and recognition of our superior quality of traditional offset-printed cartons have contributed to more orders placed by high-end customers in various industries. Sophisticated consumers demanded superior quality packaging in order to be willing to pay a higher price for the product they purchased.

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

	2016		2015	
	<i>RMB'000</i>	<i>% of Total</i>	<i>RMB'000</i>	<i>% of Total</i>
Food and beverage	<b>237,297</b>	<b>36.6</b>	206,652	33.5
Glass and ceramics articles	<b>78,479</b>	<b>12.1</b>	71,212	11.6
Metal hardware and chemical products	<b>72,867</b>	<b>11.3</b>	90,549	14.8
Bamboo articles	<b>13,713</b>	<b>2.1</b>	44,836	7.3
Department stores	<b>109,309</b>	<b>16.9</b>	68,882	11.2
Others	<b>136,020</b>	<b>21.0</b>	133,241	21.6
Total	<b>647,685</b>	<b>100.0</b>	615,372	100.0

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

The Group's main customers are manufacturers of food and beverage in the PRC. For the year ended 31 December 2016, revenue from food and beverage manufacturers was approximately RMB237.3 million (2015: RMB206.7 million), representing approximately 36.6% (2015: 33.5%) of the revenue of packaging segment.

The Group will continue to dedicate efforts in the research and development of new products, new materials and technological improvement to bring in further profits to the Group.

### Mobile gaming segment

During the year ended 31 December 2016, revenue from mobile gaming segment was approximately RMB220.9 million (2015: nil), accounting for approximately 25.4% of the total revenue (2015: nil). The revenue contributed by the mobile gaming segment only accounted for 8 months' revenue since the acquisition of Cable King in April 2016.



## Revenue by games (mobile gaming segment)

	2016		2015	
	RMB'000	% of Total	RMB'000	% of Total
<i>Legend of the Journey to the West</i> (大聖傳說)	112,437	50.9	–	–
<i>Heroes of the Imperial Empire</i> (帝國英雄)	65,434	29.6	–	–
<i>Legend of the Reign of the Assassins</i> (劍雨傳說)	28,840	13.1	–	–
Others	14,197	6.4	–	–
Total	<u>220,908</u>	<u>100.0</u>	<u>–</u>	<u>–</u>

Note: Others represent the commission received from the distribution and operations of web games developed by third-party gaming developers.

## Gross profit and gross profit margin

	2016		2015	
	RMB'000	GP margin (%)	RMB'000	GP margin (%)
Flexo-printed cartons	<u>44,253</u>	14.6	<u>65,862</u>	20.0
Offset-printed cartons				
– Traditional paper-based cartons	31,511	18.1	36,260	22.4
– Stone paper based cartons	<u>60,775</u>	35.6	<u>46,387</u>	37.3
Sub-total	<u>92,286</u>	26.8	<u>82,647</u>	28.9
Packaging segment	136,539	21.1	148,509	24.1
Mobile gaming segment	<u>129,343</u>	58.5	<u>–</u>	–
Total	<u>265,882</u>	30.6	<u>148,509</u>	24.1

The overall gross profit for the Group for the year ended 31 December 2016 was approximately RMB265.9 million, representing an improvement of 79.0% or approximately RMB117.4 million as compared to approximately RMB148.5 million in 2015. Overall gross profit margin increased from approximately 24.1% in 2015 to approximately 30.6% in 2016. The increase is primarily due to the newly acquired mobile gaming segment which operates on a higher gross profit margin as compared to solely operating the packaging segment before.

Gross profit for the flexo-printed cartons segment for the year ended 31 December 2016 was approximately RMB44.3 million, representing a decline of 32.8% as compared to approximately RMB65.9 million in 2015. Gross profit margin decreased to 14.6% in 2016 from 20.0% in 2015. This was mainly due to an increase in raw paper costs.

Gross profit for the offset-printed cartons segment for the year ended 31 December 2016 was approximately RMB92.3 million, representing a growth of 11.7% as compared to approximately RMB82.6 million in 2015. The gross profit margin of offset-printed cartons decreased slightly to 26.8% from 28.9% in 2015. The decrease in gross profit margin of both the flexo-printed cartons segment as well as the traditional offset printed cartons segment was counterweighed by the increase in sales of higher margin stone-paper based cartons.

The gross profit and gross profit margin for the Group's mobile gaming segment for 2016 was approximately RMB129.3 million and 58.5%, respectively. It is worth noting that the gross profit for the mobile gaming segment only represented gross profit from 8 months' operations.

## **OTHER REVENUE AND INCOME**

Other revenue and income of the Group decrease by 38.8% or approximately RMB3.8 million from approximately RMB9.8 million in 2015 to approximately RMB6.0 million in 2016. The decrease was mainly attributable to the reduction of tax concession in packaging segment which was expired during the year.

## **SELLING AND DISTRIBUTION EXPENSES**

Selling and distribution expenses of the Group increased by 232.6% or approximately RMB67.7 million, from approximately RMB29.1 million in 2015 to approximately RMB96.8 million in 2016. The increase was mainly due to an incurred advertising and promotion expenses for our stone paper and marketing expenses of the games launched on our publication and distribution platforms known as youc.com (優戲網) and menle.com (萌樂網). Consequently, our selling and distribution expenses as a percentage of our total turnover increased from 4.7% in 2015 to 11.1% in 2016.

## **ADMINISTRATIVE EXPENSES**

Administrative expenses of the Group increased by 58.4% or approximately RMB16.0 million from approximately RMB27.4 million in 2015 to approximately RMB43.4 million in 2016. The increase was primarily due to the increase in office and administrative expenses from the newly acquired business and the increase in legal and professional fees arising from the acquisition of Cable King Limited.

## **CHANGE IN FAIR VALUE OF CONTINGENT CONSIDERATION PAYABLE**

During the year, the Group has recognised a change in fair value of approximately RMB52.0 million as a result of subsequent re-measurement of the fair value on the Group's contingent consideration payable, representing the additional consideration in relation to acquisition of mobile gaming business completed in April 2016.

## **FINANCE COSTS**

Finance costs of the Group increased by 213.1% or approximately RMB17.9 million from approximately RMB8.4 million in 2015 to approximately RMB26.3 million in 2016. The increase was mainly attributable to the increase in promissory notes and convertible bonds during the year.

## **INCOME TAX EXPENSES**

Income tax expenses of the Group decreased by 3.3% or approximately RMB0.5 million from approximately RMB15.1 million in 2015 to approximately RMB14.6 million in 2016. The Group's effective tax rate for 2016 was 64.8% as compared to 21.6% for 2015. The packaging segment continues to enjoy preferential income tax rate of 15% while the mobile gaming segment 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 of preferential income tax rate of 12.5%. The three years' preferential income tax rate commenced from 1 January 2016.

## **PROFIT FOR THE YEAR**

As a combined result of the factors discussed above, the Group's profit for 2016 decreased by approximately RMB46.9 million or 85.6% from approximately RMB54.8 million in 2015 to approximately RMB7.9 million in 2016. Moreover, our net profit margin decreased from 8.9% in 2015 to 0.9% in 2016.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group has maintained a healthy and liquid position with working capital financed by internal resources, bank borrowings, promissory notes and convertible bonds. As at 31 December 2016, cash and bank balances amounted to approximately RMB374.3 million (2015: RMB266.2 million), primarily denominated in Renminbi and Hong Kong Dollars. The Group's total borrowings amounted to approximately RMB363.1 million (2015: RMB211.0 million). As at 31 December 2016, 25.1% (2015: 58.8%) of the total borrowings were denominated in Renminbi and 74.9% (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 note and convertible bonds, divided by total equity. The gearing ratio of the Group as at 31 December 2016 and 2015 were 62.6% and 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 27 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 arrears of every calendar year. During the year, the Group has redeemed HK\$130,000,000 of the promissory note.

On 20 May 2016, the Group issued a promissory note and convertible bonds ("Note and Bonds") with principal amounted of HK\$120,000,000 and HK\$30,000,000, respectively. The Note and Bonds will be repayable in full by 19 May 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 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 19 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, an 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 share on conversion. On 12 August 2016, HK\$20,000,000 of the Bonds were converted to 26,666,666 ordinary shares of the Company.

The net proceeds from the issue of Notes and Bonds was approximately HK\$147.4 million. The Company shall use such net proceeds for the repayment of part of the promissory notes issued by the Company as part of the consideration in acquiring the share capital in Cable King Limited and for future expansion opportunities.

## **INVENTORIES**

As at 31 December 2016, inventories amounted to approximately RMB28.1 million (2015: RMB25.2 million). The number of inventory turnover days was approximately 19 days (2015: 17 days).

## **TRADE RECEIVABLES**

As at 31 December 2016, trade receivables amounted to approximately RMB155.3 million (2015: RMB147.5 million). The Group granted customers from our packaging segment a credit period of 30 to 60 days following the day of delivery. The number of turnover days for trade receivables was approximately 64 days (2015: 64 days).

## **TRADE PAYABLES**

As at 31 December 2016, trade payables amounted to approximately RMB78.4 million (2015: RMB74.9 million). The Group managed to obtain a credit period of an average of approximately 60 days from the majority of its suppliers. The turnover day for trade payables was approximately 46 days (2015: 52 days).

## **EXCHANGE RISK EXPOSURE**

The Group mainly operates in the PRC while 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 year ended 31 December 2016.

## **CAPITAL COMMITMENTS**

As at 31 December 2016, the Group's capital commitments were approximately RMB61.9 million (2015: RMB68.4 million). The capital commitments were mainly related to capital contribution payable to a subsidiary and capital expenditure on acquiring property, plant and equipment.

## **CONTINGENT CONSIDERATION AND LIABILITIES**

On 17 November 2015, the Company entered into the Share Purchase Agreement (the "SPA") with Mr. Peng Dongmiao (the "Vendor"). Pursuant to the SPA, the net aggregate consideration will be further adjusted based on the audited consolidated profit after tax of Cable King for the financial year ended 31 December 2016 (the "Actual Profit"). If the Actual Profit is more than HK\$49 million, the Company shall pay the vendor an additional consideration (the "Additional Consideration") subject to a maximum amount of HK\$180 million.

The Additional Consideration is recognized as the contingent consideration payable, measured at fair value. 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 fair value as at 31 December 2016 was HK\$173.8 million (approximately RMB155.6 million).

As at 31 December 2016, save as disclosed above, the Group did not have any material contingent liabilities or guarantees.

## **PLEDGE OF ASSETS**

As at 31 December 2016, the Group pledged certain assets with a carrying value of approximately RMB151.5million (2015: RMB192.5 million) as collateral for the Group's bills payable and bank borrowings.

## **INFORMATION ON EMPLOYEES**

As at 31 December 2016, the Group had a total of 655 full time employees, including the Executive Directors (2015: 527). Total staff costs (including Directors' emoluments) were approximately RMB53.4 million, as compared to approximately RMB43.9 million for the year ended 31 December 2015.

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.

## **OUTLOOK**

The acquisition of Cable King during the year is a strategic investment to the Group. It represents a significant milestone to diversify the Group's business from traditional packaging to an era of high growth in mobile gaming. The Group aims to achieve sustainable growth in both sales and profit by widening its income sources with risks diversified in various segments. We have adopted the following strategy for our two businesses:

### **Mobile gaming business**

In 2016, China has surpassed the U.S. to become the world's leader in global gaming revenue and has entered the golden era of gaming. Nevertheless, the mobile gaming industry is highly competitive with low barriers of entry and a sheer number of games available to consumers at arms' length. In view of such opportunities and challenges, our strategy is to focus on the PRC gaming market and to develop mobile games with locally-inspired titles that are famous at a local level. To date, the Group has selected to develop games in areas such as games with Chinese medieval fantasy themes and games with local myths, or strong names from Chinese fictions. The Group will buy patents from such brands and develop games for them. In the future, the Group will not only develop more games but also a wider variety of games, which includes browser-based massive multi-player online role-play games (MMORPG) and free-to-play casual games. In order to reach a wider range of target audience, particularly to tap into the predominated Android users of the Chinese market, our games have been launched through our proprietary developed gaming platform as well as through well-established third party distribution platforms. The Group will also explore other monetization models such as in-app ads, especially for free-to-play casual games.

### **Packaging Business**

The Group's production capacity will maintain a steady growth with the installation of a new production line during the year. In order to tackle the challenges such as an increase in raw paper cost, we have implemented a cost control program to minimize wastage.

On the other hand, internet savvy consumers placed online orders such as clothes, food & drinks, and even daily necessities more than ever before, driving a tremendous demand for online sellers to use packaging materials such as the flexo-printed carton boxes and offset-printed carbon boxes to send purchased goods to final consumers. Various e-commerce platforms have occasionally organized massive shopping bonanzas such as Singles Days. Online shops stocked up their inventory of carton boxes in anticipation of massive shopping events. Owing to the tremendous growth in online shopping, demand for packaging materials has sharply increased over the years. In order to capture such huge potential, we will collaborate or form strategic alliance with some logistic companies regarding the usage of our environmental friendly stone paper as their packaging materials.

Moreover, we are also proactively adjusting our product mix by focusing on producing of more value-added products to boost the Group's profitability. We aim to use our production facilities for the highest and best use to create most value for our shareholders.

Looking ahead, the Group will continue to seek selective mergers and acquisitions opportunities with the aim to create better returns for shareholders. The Group would make announcements when such more details emerged.

## **SHARE OPTION SCHEME**

The Company adopted a share option scheme pursuant to a shareholder's 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. The Share Option Scheme has a remaining term of approximately 8 years as the date of this announcement. A summary of the Share Option Scheme is as follows:

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

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

### **Maximum number of shares**

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

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

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

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

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

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

HK\$1.00

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

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

The following table disclosed movements in the Company's share options granted under the Share Option Scheme during the year ended 31 December 2016:

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

## SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 27 April 2016, the Group has acquired the entire interest of Cable King, which is engaged in the development, distribution and operation of mobile gaming products in the PRC at a consideration of HK\$440.0 million (HK\$590.5 million at fair value) subject to the adjustments detailed in the circular of the Company dated 29 February 2016.

Save as disclosed above, the Group had no other material acquisitions or disposals during the year.

## **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 year ended 31 December 2016.

## **CORPORATE GOVERNANCE**

The Company has adopted the Code Provisions in the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Board confirms that, save as disclosed below, the Company has complied with the CG Code throughout the year ended 31 December 2016.

### **CG CODE PROVISION A.2.1**

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 confirmed that they have complied with the Model Code throughout the year ended 31 December 2016.

## **AUDIT COMMITTEE**

The Audit Committee comprises three Independent Non-executive Directors, with Mr. Ma Yiu Ho, Peter as the chairman. Other two members are Mr. Liu Da Jin and Mr. Wu Ping. Mr. Ma Yiu Ho, Peter, the chairman of the Company's Audit Committee, has considerable experience in accounting and financial management, which is in line with the requirement of Rule 3.10(2) of the Listing Rules. The primary duties of the Audit Committee, among other things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditors, review the financial statements and provide material advice in respect of financial reporting and oversee the internal control procedures and risk management systems of the Company.

The Audit Committee has reviewed the consolidated financial statements for the year ended 31 December 2016, including the accounting principles and practices adopted by the Company and the Group.



## **SPECIAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS**

The Board recommended the payment of a special dividend of HK2.0 cents per Share for the year ended 31 December 2016 (“Special Dividend”) to Shareholders whose names appear on the register of members of the Company on 9 June 2017. The proposed Special Dividend is subject to approval by the Shareholders at the annual general meeting (“AGM”) to be held on Wednesday, 31 May 2017. If the resolution for the proposed Special Dividend is passed at the AGM, the proposed Special Dividend will be payable on or about Friday, 30 June 2017.

The register of members will be closed from Thursday, 25 May 2017 to Wednesday, 31 May 2017, both days inclusive, during which no transfer of shares will be registered. In order to determine the eligibility of shareholders to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong by no later than 4:30 p.m. on Wednesday, 24 May 2017.

The register of members of the Company will be closed from Tuesday, 6 June 2017 to Friday, 9 June 2017, both days inclusive, during which no transfer of Shares will be registered. In order to qualify for the proposed Special Dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong by no later than 4:30 p.m. on Monday, 5 June 2017.

## **PUBLICATION OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

The results announcement is required to be published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) under “Latest Listed Company Information” and the designated website of the Company at <http://www.hs-pack.com>. The annual report of the Company for the year ended 31 December 2016 will be dispatched to the shareholders and published on the Stock Exchange’s and the Company’s websites in due course.

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

Jiangxi Province, the PRC, 30 March 2017

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