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## Mobile Internet (China) Holdings Limited

### 移動互聯(中國)控股有限公司

(Formerly known as China Packaging Holdings Development Limited  
中華包裝控股發展有限公司)

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1439)

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

### FINANCIAL HIGHLIGHTS

	Year ended 31 December		Change
	2017	2016	
	RMB'000	RMB'000	
<b>Revenue</b>	<b>1,020,012</b>	868,593	17.4%
<b>Gross profit</b>	<b>382,059</b>	265,882	43.7%
<b>Gross profit margin</b>	<b>37.5%</b>	30.6%	
<b>(Loss)/profit attributable to owners of the Company</b>	<b>(50,651)</b>	7,921	(739.5%)
<b>Adjusted net profit*</b>	<b>111,875</b>	88,477	26.4%
<b>(Loss)/earnings per share attributable to owners of the Company</b>			
Basic (RMB cents)	<b>(4.18)</b>	0.77	(642.9%)
Diluted (RMB cents)	<b>(4.18)</b>	0.20	(2,190.0%)
<b>Dividends per share (HK cents)</b>			
– Special proposed	–	2.0	

Note:

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

## THE FINANCIAL STATEMENTS

The board (the “Board”) of directors (the “Directors”) of Mobile Internet (China) Holdings Limited 移動互聯(中國)控股有限公司 formerly known as China Packaging Holdings Development Limited 中華包裝控股發展有限公司 (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2017 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 2017

	<i>Notes</i>	<b>2017</b> <b>RMB'000</b>	2016 <i>RMB'000</i>
<b>Revenue</b>	4	<b>1,020,012</b>	868,593
Cost of sales		<u>(637,953)</u>	<u>(602,711)</u>
<b>Gross profit</b>		<b>382,059</b>	265,882
Other revenue	5	<b>4,589</b>	2,428
Other income	6	<b>7,365</b>	3,595
Selling and distribution expenses		<b>(175,698)</b>	(96,752)
Administrative expenses		<b>(51,739)</b>	(43,418)
Amortisation of intangible assets		<b>(21,010)</b>	(27,438)
Loss on early redemption of promissory notes		–	(5,185)
Equity-settle share option expenses		–	(2,389)
		<u>145,566</u>	<u>96,723</u>
Profit from operations before fair value changes		<b>145,566</b>	96,723
Change in fair value of derivative financial instruments		<b>1,860</b>	4,030
Change in fair value of contingent consideration payable		<b>(143,376)</b>	(51,963)
		<u>4,050</u>	<u>48,790</u>
Profit from operations		<b>4,050</b>	48,790
Finance costs	7	<b>(33,033)</b>	(26,269)
(Loss)/profit before tax	8	<b>(28,983)</b>	22,521
Income tax expenses	9	<b>(21,668)</b>	(14,600)
		<u>(50,651)</u>	<u>7,921</u>
<b>(Loss)/profit for the year</b>		<b>(50,651)</b>	7,921
<b>Other comprehensive income/(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		<b>25,077</b>	(21,929)
		<u>25,077</u>	<u>(21,929)</u>
Other comprehensive income/(loss) for the year, net of tax		<b>25,077</b>	(21,929)
		<u>(25,574)</u>	<u>(14,008)</u>
<b>Total comprehensive loss for the year, net of tax</b>		<b>(25,574)</b>	(14,008)
		<u>(50,651)</u>	<u>7,921</u>
<b>(Loss)/profit attributable to owners of the Company</b>		<b>(50,651)</b>	7,921
<b>Total comprehensive loss attributable to owners of the Company</b>		<b>(25,574)</b>	(14,008)
		<u>(25,574)</u>	<u>(14,008)</u>
<b>(Loss)/earnings per share attributable to owners of the Company</b>			
– Basic ( <i>RMB cents</i> )	11	<b>(4.18)</b>	0.77
– Diluted ( <i>RMB cents</i> )	11	<b>(4.18)</b>	0.20

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	<i>Notes</i>	<b>2017</b> <b>RMB'000</b>	2016 <b>RMB'000</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>134,655</b>	147,727
Prepaid lease payments		<b>2,195</b>	2,255
Goodwill		<b>429,857</b>	429,857
Intangible assets		<b>7,165</b>	19,708
Long-term prepayment		<b>5,199</b>	4,592
		<b>579,071</b>	604,139
<b>Current assets</b>			
Inventories		<b>30,008</b>	28,122
Trade receivables	12	<b>140,539</b>	155,368
Prepayments, deposits and other receivables		<b>75,777</b>	71,427
Derivative financial instruments		<b>9,596</b>	12,945
Pledged bank deposits		<b>12,000</b>	59,460
Cash and bank balances		<b>463,942</b>	374,335
		<b>731,862</b>	701,657
<b>Current liabilities</b>			
Trade, bills, other payables and accruals	13	<b>132,564</b>	138,405
Bank borrowings		<b>53,000</b>	91,110
Derivative financial instruments		<b>811</b>	4,277
Promissory notes		<b>166,563</b>	178,804
Convertible bonds		<b>16,922</b>	32,868
Contingent consideration payable		<b>–</b>	155,568
Deferred revenue		<b>16,362</b>	57,617
Tax payables		<b>3,033</b>	3,925
		<b>389,255</b>	662,574
<b>Net current assets</b>		<b>342,607</b>	39,083
<b>Total assets less current liabilities</b>		<b>921,678</b>	643,222
<b>Non-current liabilities</b>			
Deferred taxation		<b>–</b>	2,980
Promissory notes		<b>127,599</b>	60,342
		<b>127,599</b>	63,322
<b>Net assets</b>		<b>794,079</b>	579,900
<b>Capital and reserves attributable to owners of the Company</b>			
Share Capital		<b>10,760</b>	9,150
Reserves		<b>783,319</b>	570,750
<b>Total equity</b>		<b>794,079</b>	579,900

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 1. GENERAL 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.

Pursuant to a special resolution passed at an extraordinary general meeting on 12 July 2017, the Company changed its name from “China Packaging Holdings Development Limited” to “Mobile Internet (China) Holdings Limited” and the dual foreign name in Chinese of the Company changed from “中華包裝控股發展有限公司” to “移動互聯(中國)控股有限公司”. The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 25 July 2017 certifying that the new English name of the Company and the new dual foreign name in Chinese of the Company have been registered in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

The Company acts as an investment holding company while its principal operating subsidiaries are engaged in manufacturing and sales of packaging materials and development, 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 RMB 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:

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 (Amendments)	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

### Amendments to HKAS 7 Disclosure Initiative

The Group has applied the amendments to HKAS 7 Disclosure Initiative for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note to the financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note to the financial statements, the application of these amendments has had no impact on the Group’s consolidated financial statements.

Except as described above, the application of the other new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

HKAS 28 (Amendments)	Investments in Associates and Joint Ventures <sup>1</sup>
HKAS 40 (Admendments)	Transfer of Investment Property <sup>1</sup>
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014-2016 Cycle <sup>1</sup>
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle <sup>2</sup>
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation <sup>2</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 17	Insurance Contracts <sup>4</sup>
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual period beginning on or after 1 January 2021

### 3. OPERATING SEGMENT

The board of directors is the Group's chief operating decision makers.

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 (loss)/profit for the year for the entire business comprehensively.

Segment revenue reported represents revenue generated from external customers. There were no intersegment sales for the year ended 31 December 2017 (2016: Nil).

#### Segment revenue and results

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

	Paper-based packaging products		Development, distribution and operation of mobile gaming products		Consolidated	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Revenue	<u>678,649</u>	<u>647,685</u>	<u>341,363</u>	<u>220,908</u>	<u>1,020,012</u>	<u>868,593</u>
Segment results	<u>43,312</u>	<u>69,218</u>	<u>125,653</u>	<u>60,815</u>	<u>168,965</u>	<u>130,033</u>
Equity-settled share option expenses					-	(2,389)
Unallocated corporate income					3,249	4,033
Unallocated corporate expenses					(172,465)	(88,752)
Unallocated finance costs					<u>(28,732)</u>	<u>(20,404)</u>
(Loss)/profit before tax					<u>(28,983)</u>	<u>22,521</u>
Income tax expenses					<u>(21,668)</u>	<u>(14,600)</u>
(Loss)/profit for the year					<u>(50,651)</u>	<u>7,921</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	
	2017	2016	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	<b>622,289</b>	639,115	<b>666,598</b>	606,554	<b>1,288,887</b>	1,245,669
Unallocated corporate assets					<b>22,046</b>	60,127
Total assets					<b>1,310,933</b>	<b>1,305,796</b>
Segment liabilities	<b>152,930</b>	204,514	<b>40,562</b>	75,574	<b>193,492</b>	280,088
Unallocated corporate liabilities					<b>323,362</b>	445,808
Total liabilities					<b>516,854</b>	<b>725,896</b>

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

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

#### Other segment information

##### For the year ended 31 December 2017

	Paper-based packaging products RMB'000	Development, distribution and operation of mobile gaming products RMB'000	Unallocated RMB'000	Consolidated RMB'000
Capital expenditure	(1,875)	(80)	(102)	(2,057)
Depreciation of property, plant and equipment	(14,929)	(166)	(29)	(15,124)
Amortisation of intangible assets	–	(21,010)	–	(21,010)
Change in fair value of derivative financial instruments	–	–	1,860	1,860
Change in fair value of contingent consideration payable	–	–	(143,376)	(143,376)
Finance costs	<b>(4,173)</b>	<b>(128)</b>	<b>(28,732)</b>	<b>(33,033)</b>

## For the year ended 31 December 2016

	Paper-based packaging products <i>RMB'000</i>	Development, distribution and operation of mobile gaming products <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Consolidated <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)

During the years ended 31 December 2017 and 2016, all revenue is derived from customers in the PRC.

As at 31 December 2017 and 2016, 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.

For the year ended 31 December 2017, approximately RMB90,680,000 (2016: RMB62,110,000) from development, distribution and operation of mobile gaming products is revenue arose from the Group's largest distribution channel. No other single customer contributed 10% or more to the Group's revenue for the year ended 31 December 2017 (2016: 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:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Sales of paper-based packaging products	678,649	647,685
Development, distribution and operation of mobile gaming products	341,363	220,908
	<b>1,020,012</b>	<b>868,593</b>

#### 5. OTHER REVENUE

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Sales of residual materials	2,036	1,451
Bank interest income	2,553	977
	<b>4,589</b>	<b>2,428</b>

## 6. OTHER INCOME

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Tax concession ( <i>Note a</i> )	–	3,202
Government subsidies ( <i>Note b</i> )	7,323	320
Sundry income	42	73
	<u>7,365</u>	<u>3,595</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. No unfulfilled condition and other contingencies attached to these government subsidies.

## 7. FINANCE COSTS

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Interest expenses on bank borrowings	4,301	5,865
Imputed interest on promissory notes	24,011	15,963
Imputed interest on convertible bonds	4,721	4,441
	<u>33,033</u>	<u>26,269</u>

## 8. (LOSS)/PROFIT BEFORE TAX

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
<b>Staff costs:</b>		
Employee benefit expense (including directors' remuneration):		
Wages and salaries	61,163	44,835
Retirement benefit schemes contributions	6,609	6,167
Equity-settled share option expenses	–	2,389
	<u>67,772</u>	<u>53,391</u>
<b>Other items:</b>		
Cost of inventories sold	535,593	511,145
Depreciation of property, plant and equipment	15,124	13,985
Auditor's remuneration		
– Audit service	1,184	1,112
– Other service	–	685
Amortisation of prepaid lease payments	60	60
Amortisation of intangible assets	21,010	27,438
Minimum lease payments under operating leases of rented premises	803	962
Research and development costs	<u>10,806</u>	<u>10,277</u>



## 9. INCOME TAX EXPENSES

	<b>2017</b> <i>RMB'000</i>	2016 <i>RMB'000</i>
Current tax		
– The PRC Enterprise Income Tax	<b>16,159</b>	18,101
– Under provision in prior year	<b>2,553</b>	323
	<b>18,712</b>	18,424
Deferred tax		
– Current year	<b>2,956</b>	(3,824)
Total income tax recognised in profit or loss	<b>21,668</b>	14,600

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year. No Hong Kong profits tax is provided 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 (2016: 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. The qualified PRC subsidiary continues to enjoy preferential income tax rate of 15% during the year ended 31 December 2017.

In accordance with various approval documents issued by the PRC government authority, a PRC subsidiary is entitled to enjoy three years preferential income tax rate of 12.5%. The three years' preferential income tax rate of this PRC subsidiary begins from 1 January 2016.

## 10. DIVIDENDS

The board of directors does not recommend payment of a final dividend for the years ended 31 December 2017 and 2016.

On 30 June 2017, a special dividend of 2.0 HK cents per share with the aggregate amount of approximately RMB20,023,000 (equivalent to approximately HK\$23,062,000) was paid (2016: Nil).

## 11. (LOSS)/EARNINGS PER SHARE

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

### Basic (loss)/earnings per share

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
(Loss)/profit attributable to the owners of the Company for the purpose of basic (loss)/earnings per share	<u>(50,651)</u>	<u>7,921</u>

### Diluted (loss)/earnings per share

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
(Loss)/earnings used in the calculation of basic (loss)/earnings per share	(50,651)	7,921
Interest on convertible bonds (after tax at 16.5%)	–	3,287
Fair value loss arising from convertible bonds	<u>–</u>	<u>(9,069)</u>
(Loss)/earnings used in the calculation of diluted (loss)/earnings per share	<u>(50,651)</u>	<u>2,139</u>

### Number of shares

	2017	2016
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<b>1,210,682,984</b>	1,024,163,414
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	–	23,101,025
Effect of dilutive potential ordinary shares:		
Conversion of convertible bonds	<u>–</u>	<u>31,748,589</u>
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<u><b>1,210,682,984</b></u>	<u>1,079,013,028</u>

Basic (loss)/earnings per share for the years ended 31 December 2017 and 2016 are calculated by dividing the (loss)/profit for the year attributable to owners of the Company by the weighted average number of shares in issue during the year.

Diluted (loss)/earnings per share for the years ended 31 December 2017 and 2016 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 2017, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds and the effect of exercise the share options since it would result in an anti-dilutive effect on loss per share.

For the year ended 31 December 2016, the computation of diluted earnings per share does not include the potential ordinary shares issue for settle the contingent consideration payable and the effect of exercise the share options with exercise price of \$1.09 since it would result in an anti-dilutive effect on earnings per share.

## 12. TRADE RECEIVABLES

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Trade receivables	<u>140,539</u>	<u>155,368</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:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
0 – 30 days	63,933	74,397
31 – 60 days	54,834	59,569
61 – 90 days	<u>21,772</u>	<u>21,402</u>
	<u>140,539</u>	<u>155,368</u>

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

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Trade payables	77,381	78,420
Bills payable	24,000	25,700
Accruals	29,928	25,436
Other payables	<u>1,255</u>	<u>8,849</u>
	<u>132,564</u>	<u>138,405</u>

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

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
0 – 30 days	45,571	42,822
31 – 60 days	31,502	35,598
61 – 90 days	<u>308</u>	<u>–</u>
	<u>77,381</u>	<u>78,420</u>

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

As at 31 December 2017, the bills payable of approximately RMB24,000,000 (2016: RMB25,700,000) was pledged by the bank deposits.

## 14. COMPARATIVES

Certain comparative figures have been reclassified to conform with current year's presentation.

## CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of Mobile Internet (China) Holdings Limited (the "Mobile Internet", 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 2017.

### BUSINESS REVIEW

I am pleased to report that the Group made significant progress in 2017. In 2017, mobile gaming business has continued its priority while the packaging business is growing steadily. In order to present a clearer company image and identity, the Group changed the listed company name to Mobile Internet (China) Holdings Limited, with a stock short name of Mobile Internet. The Board believes that the new name can better reflect the current status of the Group's business development and the current and future business strategy of the Group.

For the mobile gaming business, the Group kept a momentum progress and launched several games aggressively during 2017. In March 2017, Mobile Internet launched a self-developed game called "Legend of the Reign of the Assassins" (劍雨傳說) which was popular among players. In the second half of 2017, the Group agented a game called "War of Heroes" and launched its first self-developed browser game called "Swordsman" (七絕). These initiatives have further expanded the Group's market share in Chinese gaming sector and recorded a remarkable flow performance since launched. Moreover, the Group enhanced cooperation with diverse game platforms. As of 2017, Mobile Internet owns three game-distribution platforms in total, named youc.com, menle.com, and YouXi53. While maintaining the stability of the packaging business, the Group will be more committed to expending the market competitiveness of game products.

Our total revenue for the year ended 31 December 2017 increased from RMB868.6 million in 2016 to RMB1,020.0 million, representing an increase of 17.4%. The increase was mainly due to the launch of new games and the expansion of distribution platforms. Our gaming business revenue increased from RMB220.9 million in 2016 to RMB341.4 million, and revenue from our packaging business increased to RMB678.6 million. Overall gross profit reached RMB382.1 million, growing by an impressive 43.7% as compared to RMB265.9 million in 2016.

### MOBILE GAMING BUSINESS

According to the "2017 China Game Industry Development Report", in terms of product types, RPG (role-playing game) games accounted for 27% and 30.6% of all Chinese game market in the first half and the third quarter of 2017, respectively. In 2017, Mobile Internet launched three PRG games, namely "Legend of the Reign of the Assassins", "Swordsman" and "War of Heroes". Thanks to the optimistic market atmosphere, all of the three games recorded satisfied operation performances.

The Legend of the Reign of the Assassins was launched in March 2017. It is a self-developed mobile RPG game with registered users of 7.49 million and the MAU (monthly-active-user) stabled at 695 thousand. War of Heroes was launched in July 2017, it is one of the other RPG games that the Group launched in 2017. Since it was newly launched, it contributed registered users of 560 thousand with MAU of 146 thousand.

Currently, Android is the dominant mobile system in the PRC mobile gaming industry, thus, there is a large number of app stores and distribution platforms that are specifically available for Android games. Except for the youc.com, which is a self-own mobile game distribution platform, in 2017, Mobile Internet launched a new mobile game distribution platform, named YouXi53, to distribute 3rd party developed mobile games. It is expected to be another income driver to the financial performance of the mobile gaming business. To consolidate the overall market competitiveness, we will keep developing our mobile games and flourishing the distribution network based on Android system.

In terms of the browser games, we recorded an obvious progress in self-develop browser games. Launched in August 2017, Swordsman is a self-developed ARPG (action role-playing game) browser game with the story background of the end of Southern Song Dynasty. The game utilises PVP (player versus player) mode and features a theme of martial arts chivalry which is based on a story of warriors fighting against each other for the legendary seven unique skills. To promote and cope with the current young taste and fans-effect, we invited Hanyun Zhang (張含韻), a popular female celebrity in Mainland China to endorse the game. She also sings the theme song for the game to promote the game, attracting potential attention, expanding influences and enlarging player base.

Regard to the operation and flow performance of new launched browser games which are from both self-develop or third party, the Group recognised that browser game players presented a significant consumption capacity and browser games maintained a certain percentage of all game types in the market. Thanks to the understanding of the target group and to chase with the RPG game trend, the Group will continue to launch RPG browser games but apply with some new elements such as QTE (quick time event) in PK scenario to significantly upgrade the player experience of battle and characters in 2018. The Group plans to jointly promote our game with wan.sougou.com, a subsidiary of Sohu.com, which is a reputable and sizeable browser game operator in China. It is the first time that the Group co-operates with wan.sogou.com and we believe that leveraging with the market influence of wan.sougou.com, the game will deliver a promised operating performance and this co-operate mode will explore new business opportunities of the mobile gaming segment to the Group.

## **PACKAGING BUSINESS**

In 2017, even though the traditional packaging business has been challenging by the rising price of paper pulp, our packaging business maintained a stable performance. Thanks to the sophisticated business and cost management strategies, the fluctuated cost risk was passed to the clients thus the Group did not suffer from the ever-changed raw material price. In April 2017, Mobile Internet entered into a strategic agreement with Jiangxi Air to expand the distribution channel of stone paper products. This cooperation is currently at an initial stage with limited financial contribution but inspired the Group to expand its business in diverse channels. Further benefited by the advanced production technology and innovative stone-paper based packaging products, the Group was able to increase the segment revenue by 4.8% compared to 2016 to RMB678.6 million, and maintain the gross margin at a satisfied level.

Looking ahead, the Group will continue to enlarge the production of stone-paper and to actively seek new cooperation opportunities for the promotion of stone-paper based packaging products.

The Board would like to thank all shareholders who have been supportive and have witnessed the overall Group growth in the past 2017. We will continue to innovate for the success to shareholders in long run.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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

#### Mobile gaming business

According to the report issued by research firm Newzoo, China's mobile games industry generated nearly USD18 billion in revenue in 2017, more than twice the amount just two years ago. And China is now the world's biggest mobile game market, accounting for around a third of the total. Based on the aforesaid report, it is expected that the current growth of the Chinese games market will continue with a CAGR of 17.2% to reach revenues of US\$40.0 billion in 2020 in which mobile games will account for approximately 62%.

During the year, Cable King has kept on developing new games based on its strong technical and game development teams. In March 2017, we officially launched a mobile game namely, Legend of the Reign of the Assassins (劍雨傳說). In July 2017, we successfully became a sole publisher of a mobile game namely, War of Heroes (天天打魔獸). In August 2017, we officially launched our first browser game – Swordsman (七絕). The revenue from mobile gaming segment was approximately RMB341.4 million, representing approximately 33.5% of the total revenue of the Group.

During the year, the Group has launched a new online distribution platform – YouXi53 (www.youxi53.com) specially designed for the distribution of mobile games developed by third party developers. So together with “優戲網” (www.youc.com), which specially designed for the distribution of our self-developed mobile games, and “萌樂網” (www.menle.com), which specially designed for web games developed by third party developers, we are currently operating 3 online distribution platforms. In addition to distributing the games under the Group's own branded online platforms, the Group has also engaged third party distribution channels to distribute our games. During the year, we have engaged 23 third party distribution channels including 360, Tencent, Sougou (搜狗), iqiyi (愛奇藝), ledu.com (樂都), qidian.com (起點), etc. to extend the reach of our self-developed and agented games to a wider audience. During the year, the Group has agented 24 online browser games and 7 mobile games developed by third-party developers.

#### Packaging business

In 2017, although the price rally of paper pulp, recycled paper and coal has forced paper manufacturers to raise their own prices and pass cost down the industry chain, we continues to grow in strength as our customers accept the need for packaging supplies that both protect goods and look attractive. We are in a strong position to protect our profit margins with the rising demand for sophisticated packaging.

During the year, the Group's revenue from packaging segment has achieved a growth of 4.8% with the gross profit margin maintain at around 21%. Although we have experienced the surge of paper cost, we have successfully passed off the rising costs to our customers. In May 2017, the Group's PRC subsidiary has signed a stone paper product marketing strategic cooperation agreement with Jiangxi Air Co. Ltd (江西航空有限公司) to provide our stone paper for the use of their packaging and promotion products.

## FINANCIAL REVIEW

The revenue for the year ended 31 December 2017 was approximately RMB1,020.0 million, representing an increase of approximately RMB151.4 million or approximately 17.4% as compared to that of approximately RMB868.6 million in 2016. The increase in revenue was attributable to (i) launch of new games and the expansion of distribution platforms; and (ii) the increase in average selling price of packaging products from approximately RMB3.12 per square meter to approximately RMB3.73 per square meter, which was driven by the increase in raw material cost.

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

	2017		2016	
	<i>RMB'000</i>	<i>% of Total</i>	<i>RMB'000</i>	<i>% of Total</i>
Flexo-printed cartons	<u>318,154</u>	<u>31.2</u>	<u>302,875</u>	<u>34.9</u>
Offset-printed cartons				
– Traditional paper-based cartons	<u>169,663</u>	<u>16.6</u>	173,868	20.0
– Stone-paper based cartons	<u>190,832</u>	<u>18.7</u>	<u>170,942</u>	<u>19.7</u>
Sub-total	<u>360,495</u>	<u>35.3</u>	<u>344,810</u>	<u>39.7</u>
Packaging segment	<u>678,649</u>	<u>66.5</u>	647,685	74.6
Mobile gaming segment	<u>341,363</u>	<u>33.5</u>	<u>220,908</u>	<u>25.4</u>
Total	<u>1,020,012</u>	<u>100.0</u>	<u>868,593</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 2017 was approximately RMB318.2 million (2016: approximately RMB302.9 million), which accounted for 31.2% (2016: approximately 34.9%) of our total revenue. The revenue from flexo-printed cartons increased slightly amid of our increase in average selling price in coping with the surge of paper cost. Whereas the drop in percentage to the total revenue showed the increased significance in the gaming segment to our Group.

## 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 2017 was approximately RMB360.5 million (2016: approximately RMB344.8 million), which accounted for approximately 35.3% (2016: approximately 39.7%) of our total revenue. The increased in RMB15.7 million or approximately 4.5% 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.

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

	2017		2016	
	RMB'000	%	RMB'000	%
Food and beverage	242,205	35.7	237,297	36.6
Glass and ceramics articles	75,710	11.2	78,479	12.1
Metal hardware and chemical products	66,997	9.9	72,867	11.3
Bamboo articles	13,917	2.0	13,713	2.1
Department stores	100,647	14.8	109,309	16.9
Others ( <i>Note</i> )	179,173	26.4	136,020	21.0
Total	<u>678,649</u>	<u>100.0</u>	<u>647,685</u>	<u>100.0</u>

*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 2017, revenue from food and beverage manufacturers was approximately RMB242.2 million (2016: 237.3 million), representing approximately 35.7% (2016: 36.6%) of the revenue from 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 2017, revenue from mobile gaming segment was approximately RMB341.3 million (2016: RMB220.9 million), accounting for approximately 33.5% of the total revenue (2016: 25.4%). The increase in revenue contributed by the mobile gaming segment was mainly attributable to (i) the launch of 3 new games in 2017, (ii) the expansion of distribution platforms, and (iii) the increase in contribution from our licensed games.



## Revenue by games (Mobile gaming segment)

	2017		2016	
	RMB'000	%	RMB'000	%
<i>Legend of the Journey to the West</i> (大聖傳說)	75,699	22.2	112,437	50.9
<i>Heroes of the Imperial Empire</i> (帝國英雄)	39,449	11.6	65,434	29.6
<i>Legend of the Reign of the Assassins</i> (劍雨傳說)	144,168	42.2	28,840	13.1
<i>Swordsman</i> (七絕)	35,828	10.5	–	–
<i>War of Heroes</i> (天天打魔獸)	32,329	9.5	–	–
Others (Note)	13,890	4.0	14,197	6.4
Total	<u>341,363</u>	<u>100.0</u>	<u>220,908</u>	<u>100.0</u>

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

	2017		2016	
	RMB'000	%	RMB'000	%
Self-developed games	295,144	86.5	206,711	93.6
Licensed games	46,219	13.5	14,197	6.4
Total	<u>341,363</u>	<u>100.0</u>	<u>220,908</u>	<u>100.0</u>

## Gross profit and gross profit margin

	2017		2016	
	RMB'000	GP margin (%)	RMB'000	GP margin (%)
Flexo-printed cartons	50,045	15.7	44,253	14.6
Offset-printed cartons				
– Traditional paper-based cartons	31,674	18.7	31,511	18.1
– Stone paper based cartons	61,337	32.1	60,775	35.6
Sub-total	<u>93,011</u>	<u>25.8</u>	<u>92,286</u>	<u>26.8</u>
Packaging segment	143,056	21.1	136,539	21.1
Mobile gaming segment	239,003	70.0	129,343	58.5
Total	<u>382,059</u>	<u>37.5</u>	<u>265,882</u>	<u>30.6</u>

The overall gross profit for the Group for the year ended 31 December 2017 was approximately RMB382.1 million, representing an improvement of 43.7% or approximately RMB116.2 million as compared to approximately RMB265.9 million in 2016. Overall gross profit margin increased from approximately 30.6% in 2016 to approximately 37.5% in 2017. The increase is primarily due to the increase in contribution of mobile gaming segment which operates at a higher gross profit margin.

Gross profit for the flexo-printed cartons segment for the year ended 31 December 2017 was approximately RMB50.0 million, representing an increase of 12.9% as compared to approximately RMB44.3 million in 2016. Gross profit margin increased slightly from 14.6% in 2016 to 15.7% in 2017. This has proven our ability to pass through the increase in raw material cost to our customers.

Gross profit for the offset-printed cartons segment for the year ended 31 December 2017 was approximately RMB93.0 million, remained minor growth as compared to approximately RMB92.3 million in 2016. The gross profit margin of offset-printed cartons decreased slightly to 25.8% from 26.8% in 2016.

The gross profit from our mobile gaming segment for the year ended 31 December 2017 was approximately RMB239.0 million, representing a growth of approximately 84.8% as compared to approximately RMB129.3 million in 2016. The gross profit margin increased to approximately 70.0% for the year ended 31 December 2017 from approximately 58.5% in 2016. The improvement was mainly attributable to the increase in percentage of mobile gaming revenue contributed from our self-distribution channel in which no channel cost or revenue sharing cost was incurred.

## **OTHER REVENUE AND INCOME**

Other revenue and income of the Group increased by 100% or approximately RMB6.0 million from approximately RMB6.0 million in 2016 to approximately RMB12.0 million in 2017. The increase was mainly attributable to a government subsidy granted for the development of software and information service during the year.

## **SELLING AND DISTRIBUTION EXPENSES**

Selling and distribution expenses of the Group increased by 81.5% or approximately RMB78.9 million, from approximately RMB96.8 million in 2016 to approximately RMB175.7 million in 2017. The increase was mainly due to an incurred advertising and promotion expenses for our stone paper and marketing expenses of our three new games launched during the year. Consequently, our selling and distribution expenses as a percentage of our total revenue increased from 11.1% in 2016 to 17.2% in 2017.

## **ADMINISTRATIVE EXPENSES**

Administrative expenses of the Group increased by 19.1% or approximately RMB8.3 million from approximately RMB43.4 million in 2016 to approximately RMB51.7 million in 2017. The increase was primarily due to the increase in salaries, performance-based bonus and staff welfare as a result of business expansion.

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

During the year, the Group has recognised a change in fair value of approximately RMB143.4 million. It represents the difference between the fair value and the subsequent payment of the contingent consideration payable which was arising from the additional consideration in relation to acquisition of mobile gaming business completed in April 2016.

## **FINANCE COSTS**

Finance costs of the Group increased by 25.5% or approximately RMB6.7 million from approximately RMB26.3 million in 2016 to approximately RMB33.0 million in 2017. The increase was mainly attributable to the increase in promissory note during the year.

## **INCOME TAX EXPENSES**

Income tax expenses of the Group increased by 48.6% or approximately RMB7.1 million from approximately RMB14.6 million in 2016 to approximately RMB21.7 million in 2017. The increase was attributable to the inclusion of mobile gaming business acquired on 28 April 2016. The Group's effective tax rates for 2017 was at 18.9% as compared to 64.8% for 2016. 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.

## **(LOSS)/PROFIT FOR THE YEAR**

As a combined result of the factors discussed above, the Group's loss for 2017 increased by approximately RMB58.6 million or 739.5% from approximately RMB7.9 million profit in 2016 to approximately RMB50.7 million loss in 2017.

## **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017.

## **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 2017, cash and bank balances amounted to approximately RMB463.9 million (2016: RMB374.3 million), primarily denominated in Renminbi and Hong Kong Dollars. The Group's total borrowings amounted to approximately RMB364.1 million (2016: RMB363.1 million). As at 31 December 2017, 14.6% (2016: 25.1%) of the total borrowing were denominated in Renminbi and 85.4% (2016: 74.9%) of the total borrowings were denominated in Hong Kong Dollars. The Group's gearing ratio is calculated as total borrowings, which is the summation of bank borrowings, promissory notes and convertible bonds, divided by total equity. The gearing ratio of the Group as at 31 December 2017 and 2016 were 45.9% and 62.2% respectively.

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

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

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

On 10 April 2017 and 3 November 2017, HK\$6,666,666 and HK\$5,000,000 of Bond 1 were converted to 7,843,136 and 5,882,352 shares respectively, at a conversion price of HK\$0.85 per share.

## **INVENTORIES**

As at 31 December 2017, inventories amounted to approximately RMB30.0 million (2016: RMB28.1 million). The number of inventory turnover days was approximately 20 days (2016: 19 days).

## **TRADE RECEIVABLES**

As at 31 December 2017, trade receivables amounted to approximately RMB140.5 million (2016: RMB155.3 million). The Group granted customers from our packaging segment a credit period of 30 to 60 days following the day of delivery. The turnover days for trade receivables was approximately 53 days (2016: 64 days).

## **TRADE PAYABLES**

As at 31 December 2017, trade payables amounted to approximately RMB77.4 million (2016: RMB78.4 million). The Group managed to obtain a credit period of an average of approximately 60 days from the majority of its suppliers. The turnover days for trade payables was approximately 45 days (2016: 46 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 2017.

## **CAPITAL COMMITMENTS**

As at 31 December 2017, the Group's capital commitments were approximately RMB60.0 million (2016: RMB61.9 million). The capital commitments were mainly related to capital contribution payable to a subsidiary.

## **CONTINGENT LIABILITIES**

As at 31 December 2017, the Group did not have any material contingent liabilities or guarantees.

## **PLEDGE OF ASSETS**

As at 31 December 2017, the Group pledged certain assets with a carrying value of approximately RMB98.3 million (2016: RMB151.5 million) as collateral for the Group's bills payable and bank borrowings.

## **INFORMATION ON EMPLOYEES**

As at 31 December 2017, the Group had a total of 726 full time employees, including the Executive Directors (2016: 655). Total staff costs (including Directors' emoluments) were approximately RMB67.8 million, as compared to approximately RMB53.4 million for the year ended 31 December 2016.

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 Group is excited about the coming 2018 and believes that it will be another momentum journey the Mobile Internet. Mobile gaming business will continue to expand and a better result is promised as mobile gaming industry in China is experiencing a blossom era that the market is full of opportunities and potential. While the packaging business will be maintained stable and the Group will search for new stimulations to optimise the segment performance.

### Mobile Gaming Business

In 2017, Chinese gaming industry boosted up again and the overall income surpassed RMB200 billion for the first time. A report issued by IDC showed that the mobile gaming accounted for the largest percentage of all other gaming segments, including client games, browser games, console games and video games<sup>1</sup>. According to the research from Chinabaogao ( 中國報告網 ), the industry CAGR from 2017 to 2019 will project to 37.7%.<sup>2</sup> For the overseas market, China has been already considered as a significant gaming export country while games ranked on the top list in Southeast Asia, Japan, and South Korea were developed by China gaming companies in 2017. In view of such opportunities, the Group will put more efforts to explore and develop mobile gaming market abroad, especially in Southeast Asia.

In 2018, more mobile and browser games will be developed and launched, while the existing game versions will be improved and enhanced. We are going to launch two H5 games at the beginning of 2018, moreover, with the increasing popularity of VR game industry, we plan to tap into the market of VR games in the future. In the aspect of game types, the Group will buy patents from brands and develop a wider variety of games including browser-based massive multiplayer online role-playing games (MMORPG) and free-to-play casual games to reach a wider range of target audience, particularly to tap into the predominated Android users of the Chinese market. Also, the popular game types, such as martial-art and cute avatar, will be another key focus of the Group's future game development.

In addition, the existing three platforms will continue to benefit the promotion and distribution of our self-developed games while also record profits from agent other third-party games. The Group will also seek opportunities to team up with various platforms to promote games and explore additional marketing channels, including online advertisements and celebrity endorsement. Coupled with our excellent development team and rich industry experiences that we have accumulated alongside, standing at the forefront of the mobile gaming market, the Group is ambitious to generate further superior results by following the existing strategy of its mobile gaming business.

### Packaging Business

While maintaining sustainable growth of the gross margin, the Group will continue to position stone-paper based products as the Group's key innovation, implement a cost control program to minimise wastage, and improve the customer satisfaction.

On the other hand, we also dedicate to research and develop new products, new materials and continue to co-operate with authoritative R&D institutions both locally and internationally. Moreover, we constantly dedicate to improve quality of our packaging products and seek partnership opportunities with other market players.

Looking forward to the future, the Group will expand new business under the stable business layout to create the most value for our shareholders.

<sup>1</sup> <http://www.askci.com/news/chanye/20180202/090404117452.shtml>

<sup>2</sup> <http://market.chinabaogao.com/it/0116313L92018.html>

## **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 at 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 2017:

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>Director</b>								
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	–	–
<b>Former Directors</b>								
Mr. Chen Wei Wei (resigned on 17 January 2018)	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	–	–
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>21,000,000</u>	<u>–</u>	<u>–</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>19,000,000</u>	<u>–</u>	<u>40,000,000</u>
Total for all categories				<u>80,000,000</u>	<u>–</u>	<u>40,000,000</u>	<u>–</u>	<u>40,000,000</u>

## **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 2017.

## **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 2017.

### **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 former Chairman of the Group (resigned on 17 January 2018), was 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 2017.

## **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 2017, including the accounting principles and practices adopted by the Company and the Group.



## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Friday, 25 May 2018 to Wednesday, 30 May 2018, 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 Thursday, 24 May 2018.

## **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 2017 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  
**Mobile Internet (China) Holdings Limited**  
**Chen Hong Cai**  
*Chairman*

Jiangxi Province, the PRC, 28 March 2018

*As at the date of this announcement, the executive directors of the Company are Mr. Chen Hong Cai (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.*