Mobile Internet (China) Holdings Limited
移動互聯(中國)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1439)

(I) ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020, (II) UPDATE ON LEGAL PROCEEDINGS AGAINST A SUBSTANTIAL SHAREHOLDER, AND (III) RESUMPTION OF TRADING

I. ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2020 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 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	5	**214,535**	443,642
Cost of sales		**(177,000)**	(343,657)
Gross profit		**37,535**	99,985
Other revenue	6	**1,037**	1,844
Other income	7	**3,868**	610
Selling and distribution expenses		**(23,462)**	(142,482)
Administrative expenses		**(57,428)**	(47,303)
Amortisation of intangible assets		**(8,496)**	(9,594)
Allowance for expected credit loss ("ECL") recognised in respect of financial assets carried at amortised costs, net		**(7,412)**	(1,769)
Other operating loss	9	**(114,669)**	(217,249)
Loss from operations		**(169,027)**	(315,958)
Finance costs	8	**(71,250)**	(130,975)
Loss before tax	9	**(240,277)**	(446,933)
Income tax	10	**1,410**	5,622
Loss for the year		**(238,867)**	(441,311)
Other comprehensive income/(loss) for the year, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**27,853**	(6,428)
Other comprehensive income/(loss) for the year, net of tax		**27,853**	(6,428)
Total comprehensive loss for the year, net of tax		**(211,014)**	(447,739)

	Notes	**2020**	2019
		RMB'000	*RMB'000*
Loss for the year attributable to Owners of the Company		**(238,867)**	(441,311)
Total comprehensive loss for the year attributable to Owners of the Company		**(211,014)**	(447,739)
Loss per share attributable to owners of the Company			
— Basic and diluted (RMB cents)	*12*	**(17.34)**	(32.04)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	**2020** *RMB'000*	2019 *RMB'000*
Non-current assets			
Property, plant and equipment		**199,688**	186,111
Goodwill		—	11,999
Intangible assets		—	15,631
Right-of-use assets		**2,209**	3,616
Long-term prepayment		—	35,727
		201,897	253,084
Current assets			
Inventories		**52,240**	52,923
Trade receivables	*13*	**71,877**	70,385
Prepayments, deposits and other receivables		**16,224**	9,978
Cash and bank balances		**61,646**	179,071
		201,987	312,357
Current liabilities			
Trade, other payables and accruals	*14*	**268,648**	208,062
Borrowings		**311,304**	324,408
Lease liabilities		**461**	1,363
Contract liabilities		**60**	246
Tax payable		**334**	—
		580,807	534,079
Net current liabilities		**(378,820)**	(221,722)
Total assets less current liabilities		**(176,923)**	31,362
Non-current liability			
Lease liabilities		**672**	172
Net (liabilities)/assets		**(177,595)**	31,190
Equity			
Share capital		**11,161**	11,161
Reserves		**(188,756)**	20,029
(Capital deficiency)/total equity		**(177,595)**	31,190

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 Suite 1501, Greenfield Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, 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 development, distribution and operation of mobile game products.

The directors of the Company (the "**Directors**") 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS 16 Covid-19-Related Rent Concessions.

Expect as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 Leases if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact to the opening accumulated losses at 1 January 2020. The Group has benefited from 5 months waiver of lease payments on a lease in the People Republic of China (the "**PRC**"). The Group has derecognised the part of lease liability that has been extinguished by the forgiveness of lease payments using the discount rates originally applied to these leases respectively, resulting in a decrease in the lease liabilities of approximately RMB288,000, which has been recognised as other income in profit or loss for the current year.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKFRS 16	Covid-19-Related Rent Concession beyond 30 June 2021[5]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after 1 January 2022.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1 January 2021.
[5] Effective for annual periods beginning on or after 1 April 2021.

The Directors anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

There were no transfer between Level 1, 2 and 3 in both years.

Going concern

The Group incurred a net loss of approximately RMB238,867,000 (2019: RMB441,311,000) for the year ended 31 December 2020 and, as of that date, the Group's current liabilities exceeds its current assets by approximately RMB378,820,000 (2019: RMB221,722,000) and the Group was in net liabilities of approximately RMB177,595,000. In addition, included in the borrowings of the Group as at 31 December 2020 are promissory notes and convertible bonds of principal amounts of approximately HK$160,000,000 (equivalent to RMB134,645,000) and approximately HK$6,667,000 (equivalent to approximately RMB5,610,000) respectively (2019: approximately HK$160,000,000 (equivalent to RMB143,127,000) and HK$6,667,000 (equivalent to approximately RMB5,964,000) respectively) which were matured on 19 May 2019 and 19 June 2019 and were not repaid as at 31 December 2020. These outstanding principals amounts and related overdue interests amounting to approximately HK$193,690,000 (equivalent to approximately RMB162,996,000), in aggregate were not repaid as at 31 December 2020.

In view of the above circumstances, the Directors have given careful consideration to the future liquidity and financial position of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken to mitigate the liquidity position and to improve the Group's financial position which include, but are not limited to the followings:

(i) The Group is taking measures to tighten cost control with an aim to attain positive cash flow from operations;

(ii) The Group is in the process of negotiating with its promissory noteholders and convertible bondholders to restructure and/or refinance its borrowings, and secure necessary facilities to meet the Group's working capital and financial requirements in the near future;

(iii) The Directors are considering various alternatives to strengthen the capital base of the Company including but not limited to, seeking new investment and business opportunities (manufacturing of medical supplies), private placements, open offers or rights issue of new shares of the Company;

(iv) The director of the Company, Mr. Sun Shao Hua, has stated that he is willing to provide financial support to the Group to enable the Group to continue as a going concern and to settle its liabilities as and when they fall due; and

(v) The Group is currently re-negotiating the repayment schedules with certain of its debtors and endeavouring to request them to repay the trade receivables in accordance with the repayment schedules agreed with them.

The Directors are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as they fall due within twelve months from the date of approval of the consolidated financial statements. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, since the execution of the above plans and measures are in progress, significant uncertainties exist as to whether management of the Group will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to achieve these plans and measures, including the ability to repay, renew or to restructure and/or refinance its borrowings with the promissory notes holders and convertible bonds holders, generate adequate financing and operating cash flows.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised other than at the amounts at which they are currently carried in the consolidated statement of financial position. In addition, the group may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities. The effects of these adjustments have not been reflected in the consolidated financial statements.

4. OPERATING SEGMENT

The board of directors is the Group's chief operating decision makers ("**CODM**").

The Group engaged in two operating segments which are sales of paper-based packaging products and development, distribution and operation of mobile game products. The chief operating decision makers allocated resources and assessed performance based on the profit or loss 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 2020 (2019: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies. Segments profit/(loss) represents the profit earned from/(loss incurred) from each segments without allocation of unallocated corporate expenses, unallocated finance costs and income tax. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

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 game products**		**Consolidated**	
	2020	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	**201,984**	347,652	**12,551**	95,990	**214,535**	443,642
Segment results	**(79,897)**	7,076	**(77,515)**	(314,016)	**(157,412)**	(306,940)
Unallocated corporate expenses					**(14,970)**	(12,287)
Unallocated finance costs					**(67,895)**	(127,706)
Loss before tax					**(240,277)**	(446,933)
Income tax					**1,410**	5,622
Loss for the year					**(238,867)**	(441,311)

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

	Paper-based packaging products		Development, distribution and operation of mobile game products		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment assets	**391,544**	475,456	**11,789**	88,148	**403,333**	563,604
Unallocated corporate assets					**551**	1,837
Total assets					**403,884**	565,441
Segment liabilities	**85,392**	95,189	**13,730**	9,293	**99,122**	104,482
Unallocated corporate liabilities					**482,357**	427,619
Total liabilities					**581,479**	532,101

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

Other segment information

For the year ended 31 December 2020

	Paper-based packaging products *RMB'000*	Development, distribution and operation of mobile game products *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
Capital expenditure *(Note)*	**(97,915)**	**—**	**(69)**	**(97,984)**
Depreciation of right-of-use assets	**(60)**	**(662)**	**(733)**	**(1,455)**
Depreciation of property, plant and equipment	**(25,384)**	**(9)**	**(49)**	**(25,442)**
Amortisation of intangible assets	**—**	**(8,496)**	**—**	**(8,496)**
Allowance for ECL recognised in respect of financial assets carried at amortised cost, net	**(7,419)**	**7**	**—**	**(7,412)**
Gain on disposal of property, plant and equipment	**26**	**—**	**—**	**26**
Written off of inventories	**(1,335)**	**—**	**—**	**(1,335)**
Impairment of property, plant and equipments	**(58,772)**	**(8)**	**(84)**	**(58,864)**
Impairment loss on goodwill	**—**	**(11,999)**	**—**	**(11,999)**
Impairment of intangible assets	**—**	**(7,135)**	**—**	**(7,135)**
Impairment of right-of-use assets	**—**	**—**	**(944)**	**(944)**
Impairment of long-term prepayment	**—**	**(35,727)**	**—**	**(35,727)**
Finance costs	**(3,232)**	**(123)**	**(67,895)**	**(71,250)**

For the year ended 31 December 2019

	Paper-based packaging products *RMB'000*	Development, distribution and operation of mobile game products *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
Capital expenditure *(Note)*	(212)	—	—	(212)
Depreciation of right-of-use assets	(60)	(683)	(761)	(1,504)
Depreciation of property, plant and equipment	(22,207)	(57)	(70)	(22,334)
Amortisation of intangible assets	—	(9,594)	—	(9,594)
Allowance for ECL recognised in respect of financial assets carried at amortised cost, net	(1,049)	(720)	—	(1,769)
Gain on disposal of property, plant and equipment	15	—	—	15
Impairment loss on goodwill	—	(217,249)	—	(217,249)
Finance costs	(3,103)	(166)	(127,706)	(130,975)

Note: Capital expenditure includes addition to property, plant and equipment.

During the years ended 31 December 2020 and 2019, all revenue is derived from customers in the PRC.

As at 31 December 2020 and 2019, 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 2020, included in development, distribution and operation of mobile game products segment, approximately RMB1,321,000 (2019: RMB1,355,000) revenue arose from the Group's largest distribution channel for the year ended 31 December 2020. For the year ended 31 December 2020, included in paper-based packaging products segment, approximately RMB9,925,000 (2019: RMB16,523,000) revenue arisen from the Group's largest customer. No single customer contributed 10% or more to the Group's revenue for the year ended 31 December 2020 (2019: Nil).

5. 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:

Disaggregation of revenue from customers by major products or services line and timing is as follows:

	2020	2019
	RMB'000	*RMB'000*
Revenue recognised at a point in time:		
Sales of paper-based packaging products	**201,984**	347,652
Revenue recognised over time:		
Development, distribution and operation of mobile game products	**12,551**	95,990
	214,535	443,642

6. OTHER REVENUE

	2020	2019
	RMB'000	*RMB'000*
Sales of residual materials	**726**	1,108
Bank interest income	**311**	736
	1,037	1,844

7. OTHER INCOME

	2020	2019
	RMB'000	*RMB'000*
Government subsidies *(Note)*	**3,505**	530
Rent concession	**288**	—
Sundry income	**75**	80
	3,868	610

Note:

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.

8. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Interest expenses on borrowings	**71,187**	120,713
Imputed interest on promissory notes	**—**	9,651
Imputed interest on convertible bonds	**—**	526
Interest expenses on lease liabilities	**63**	85
	71,250	130,975

9. LOSS BEFORE TAX

Loss before tax has been arrived of aftering charging/(crediting):

	2020	2019
	RMB'000	*RMB'000*
Staff costs:		
Employee benefit expense (including directors' emoluments):		
Wages and salaries	**59,206**	54,972
Retirement benefit schemes contributions	**2,339**	5,819
	61,545	60,791
Other operating loss:		
Impairment of properties, plant and equipment	**58,864**	—
Impairment of goodwill	**11,999**	217,249
Impairment of intangible assets	**7,135**	—
Impairment of right-of-use assets	**944**	—
Impairment of long term prepayment	**35,727**	—
	114,669	217,249
Other items:		
Depreciation charge		
— Owned property, plant and equipment	**25,442**	22,334
— Right-of-use assets	**1,455**	1,504
	26,897	23,838
Auditors' remuneration		
— Audit service	**781**	1,146
Amortisation of intangible assets	**8,496**	9,594
Allowance for ECL recognised in respect of financial assets carried at amortised cost, net	**7,412**	1,769
Written off of inventories	**1,335**	—
Gain on disposal of property, plant and equipment	**(26)**	(15)
Expense relating to short-term lease	**118**	288
Research and development costs	**4,347**	5,482
Cost of inventories sold	**176,544**	295,066

10. INCOME TAX

	2020	2019
	RMB'000	*RMB'000*
Current tax		
— The PRC Enterprise Income Tax	**333**	1,743
— Over provision in prior year	**(1,743)**	(7,365)
Total income tax credit recognised in profit or loss	**(1,410)**	(5,622)

For the years ended 31 December 2020 and 2019, Hong Kong Profits Tax was calculated at 16.5% on the estimated assessable profits. On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No.7) Bill 2017 ("**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rate regime, the first HK$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. No Hong Kong profit tax is provided as the Group does not have any assessable profit from the Group's operation in Hong Kong.

The PRC subsidiary is subject to the PRC Enterprise Income Tax at 25% during the year (2019: 25%). Pursuant to the relevant laws and regulations in the PRC, HongSheng (Jiangxi) Color Printing Packaging Co., Ltd ("**HongSheng**"), which qualified as a High and New Technology Enterprise ("**HNTE**") in August 2014, was entitled to a reduced enterprise income tax rate of 15% from 1 January 2014 to 31 December 2016. During the year ended 31 December 2019, HongSheng renewed the qualification of HNTE and entitled to the reduced tax rate of 15% until the year ended 31 December 2019.

During the year ended 31 December 2019, Behill Science Technology Co., Limited was qualified as a HNTE and entitled to a reduced enterprise income tax rate of 15% from 1 January 2018 to 31 December 2020.

11. DIVIDENDS

The board of directors does not recommend payment of any dividend for the years ended 31 December 2020 and 2019.

12. LOSS PER SHARE

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

Basic and diluted loss per share

	2020	2019
	RMB'000	*RMB'000*
Loss attributable to the owners of the Company for the purpose of basic loss per share	**(238,867)**	(441,311)

Number of shares

	2020	2019
	'000	*'000*
Weighted average number of ordinary shares	**1,377,498**	1,377,498

Basic loss per share for the years ended 31 December 2020 and 2019 are calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of shares in issue during the year.

For the year ended 31 December 2020, the diluted loss per share and basis loss per share is the same as there was no potential dilutive event.

For the years ended 31 December 2019, the computation of diluted loss per share does not assume the exercise of the outstanding convertible bonds since it would result in an anti-dilutive effect on loss per share.

13. TRADE RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**78,043**	70,485
Less: Allowance for ECL	**(6,166)**	(100)
	71,877	70,385

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

	2020 *RMB'000*	2019 *RMB'000*
0–30 days	**22,228**	30,484
31–60 days	**20,686**	29,188
61–90 days	**17,239**	10,683
91–180 days	**11,724**	—
181–365 days	**—**	30
	71,877	70,385

The average credit period on sales of goods is from 60 to 150 days (2019: 30 to 90 days).

14. TRADE, OTHER PAYABLES AND ACCRUALS

	2020 *RMB'000*	2019 *RMB'000*
Trade payables	**32,223**	40,646
Accruals	**34,559**	31,034
Interest payable *(Note)*	**193,219**	135,460
Other payables	**8,647**	922
	268,648	208,062

Note: Included in interest payable was overdue interest on promissory notes and convertible notes re-classified under borrowings of approximately RMB162,996,000.

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

	2020	2019
	RMB'000	*RMB'000*
0–30 days	**17,390**	22,297
31–60 days	**14,833**	18,349
	32,223	40,646

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.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

The following is the extract of the independent auditors' report on the Company's consolidated financial statements for the year ended 31 December 2020.

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements and as to whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Material uncertainties relating to the going concern basis

As explained in Note 3 to the consolidated financial statements, the Group incurred a net loss of approximately RMB238,867,000 for the year ended 31 December 2020, and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB378,820,000 and the Group was in net liabilities of approximately RMB177,595,000. The Group's convertible bonds and promissory notes with outstanding principal amounts of approximately HK$6,667,000 (equivalent to approximately RMB5,610,000) and HK$160,000,000 (equivalent to approximately RMB134,645,000) respectively as at 31 December 2020, classified as borrowings in current liabilities in the consolidated statement of financial position, matured and fell due for repayment during the year ended 31 December 2019. These outstanding principals amounts and related overdue interests, amounting to approximately HK$193,690,000 (equivalent to approximately RMB162,996,000) in aggregate, were not repaid as at 31 December 2020.

The factors referred to above, along with other matters as described in Note 3 to the consolidated financial statements, indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

The directors have been undertaking certain measures to improve the Group's liquidity and financial position, which are set out in Note 3 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the outcomes of these measures, which are subject to multiple uncertainties, including (i) whether the Group is able to implement its cost control measures to attain positive cash flows from operations; (ii) whether the Group is able to successfully negotiate with the holders of its promissory notes and convertible bonds to restructure and/or refinance these borrowings, including those with overdue principals and interests, and secure necessary credit facilities to provide additional funds to meet the Group's working capital and financial requirements in the near future; (iii) whether the Company is successful in implementing alternative capital raising initiatives to strengthen the capital base of the Group; and (iv) whether the director of the Company, Mr. Sun Shao Hua is able to provide financial support to the Group to enable the Group to continue as a going concern and to settle the Group's liabilities as and when they fall due.

We have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves about the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated financial statements because of the lack of detailed analysis provided by management in relation to its plans and measures for future actions in its going concern assessment which take into account the uncertainty of outcome of these plans and measures and how variability in outcome would affect the future cash flows of the Group.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements and we were unable to determine whether such adjustments might have been found necessary.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Mobile Internet (China) Holdings Limited ("**Mobile Internet**" or the "**Company**"), I would like to present the results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2020.

2020 was a challenging year for us. During the first half of 2020, the outbreak of COVID-19 and its escalation on a global scale has triggered unprecedented disruptions to the economy and business operations nation wide. We inevitably felt the severe impact of a much weakened domestic economy resulted from the COVID-19 outbreak amid the ongoing US-China trade friction.

For our packaging products business, the business gradually picked up in the second half of the year, but the recovery of many SMEs in China including us lagged behind the recovery speed of the overall economy.

For our mobile game business, the industry sees dominant players with substantial financial and technical resources and superior at capturing market preferences and trends. Our existing games are at the recession stage of their respective life cycle, resulting in significant shrinkage in contribution to the annual results. We have been making efforts to review the strategies and resources for the segment.

As a result, 2020 saw decrease in business for both of our packaging and mobile game segments. The Group's revenue for 2020 was approximately RMB214.5 million, representing a year on year decline of 51.6%. However, the Group's net loss for 2020 was significantly decreased to approximately RMB238.9 million (2019: a net loss of approximately RMB441.3 million). The decrease is the combined result of a number of factors, with the substantial decrease in impairment loss on goodwill for 2020 being the primary factor.

Looking forward, we will continue to focus on strengthening our core businesses, optimising our product mix, and enhancing our operational efficiency while proactively exploring new opportunities.

I would like to take this opportunity to express my sincere gratitude to all fellow directors, management, and our staff for their dedication and contribution to our Group's development. I would also like to thank all our shareholders for their trust and continuous support over a challenging 2020. We remain committed to optimizing our business to generate satisfactory return for our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is currently engaged in two business segments, (i) packaging business and (ii) mobile game business. It its packaging business, the Group manufactures and sells paper-based packaging products with operation in Jiangxi Province in China. Our products are 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. In its mobile game business, the Group offers free-to-play mobile, browser and client-based online games.

Packaging business

During the first half of 2020, the outbreak of COVID-19 and its escalation on a global scale has triggered unprecedented disruptions to the economy and business operations nation wide. The Group inevitably felt the severe impact of a much weakened domestic economy resulted from the COVID-19 outbreak amid the ongoing US-China trade friction.

The Group's business gradually picked up in the second half of the year, but the recovery of many SMEs in China including the Group lagged behind the recovery speed of the overall economy. As a result and on annual basis, the Group recorded a significantly lower revenue as compared to that of last year.

On the supply side, the Chinese government continued to promote economic and environmental development reforms and strictly implement environmental protection regulations. This has led to a tightened supply of both imported and domestically produced waste paper, which caused the average price of raw paper remaining high during the year.

In face of the intensified competition and higher raw material cost, while the fixed cost remained largely unchanged despite the decrease in revenue, the Group recorded a significant shrinkage in both revenue and profit. The Group recorded a sales volume of approximately 42.8 million square meters, representing a year on year decline of 44.5%, as compared to 77.2 million square meters last year. The Group's revenue from the packaging segment was approximately RMB202.0 million, representing a year on year decline of 41.9% with the gross profit margin dropped from 15.1% in 2019 to 12.6% this year.

Mobile game business

The mobile game industry in China is highly competitive, with frequent introduction of new games and rapid adoption of technological and product advancements. The industry also sees dominant players with substantial financial and technical resources.

The Group's existing games are at the recession stage of their respective life cycle, resulting in significant shrinkage in contribution to the segment results for the year under review. The Group has been making efforts to review its strategies and resources for the segment, and there is no new game launched during 2020.

As a result, the segment revenue decreased sharply to approximately RMB12.6 million in 2020, representing a year on year decline of 86.9% and comprising approximately 5.9% of the total revenue of the Group.

FINANCIAL REVIEW

The revenue for the year ended 31 December 2020 was approximately RMB214.5 million, representing a decrease of approximately RMB229.1 million or approximately 51.6% as compared to that of approximately RMB443.6 million in 2019. The decrease in revenue was attributable to (i) decrease of 41.9% in revenue from our packaging segment; and (ii) sharp plunge of 86.9% in revenue from our mobile game segment.

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

	2020		2019	
	RMB'000	*% of Total*	*RMB'000*	*% of Total*
Flexo-printed cartons	**68,673**	**32.0%**	128,169	28.9%
Offset-printed cartons				
– Traditional paper-based cartons	**57,951**	**27.0%**	93,641	21.1%
– Stone-paper based cartons	**75,360**	**35.1%**	125,842	28.4%
Sub-total	**133,311**	**62.1%**	219,483	49.5%
Packaging segment	**201,984**	**94.1%**	347,652	78.4%
Mobile game segment	**12,551**	**5.9%**	95,990	21.6%
Total	**214,535**	**100.0%**	443,642	100.0%

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 2020 was approximately RMB68.7 million (2019: approximately RMB128.2 million), which accounted for 32.0% (2019: approximately 28.9%) of our total revenue. The decrease in revenue was mainly due to the loss in sales as a result of the intense market competition.

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 2020 was approximately RMB133.3 million (2019: approximately RMB219.5 million), which accounted for approximately 62.1% (2019: approximately 49.5%) of our total revenue. The decrease in revenue was mainly due to the decrease in sales of both traditional paper-based cartons and stone-paper based cartons resulted from the overall challenging market environment.

Revenue by product categories of our customers (Packaging segment)

	2020		2019	
	RMB'000	*%*	*RMB'000*	*%*
Food and beverage	**57,990**	**28.7%**	96,048	27.6%
Department stores	**48,586**	**24.1%**	62,436	18.0%
Metal hardware and chemical products	**21,681**	**10.7%**	47,615	13.7%
Glass and ceramics articles	**2,752**	**1.4%**	8,612	2.5%
Bamboo articles	**1,895**	**0.9%**	7,044	2.0%
Others *(Note)*	**69,080**	**34.2%**	125,897	36.2%
Total	**201,984**	**100.0%**	347,652	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 2020, revenue from food and beverage manufacturers was approximately RMB58.0 million (2019: RMB96.0 million), representing approximately 28.7% (2019: 27.6%) of the revenue of packaging segment.

Mobile game segment

During the year ended 31 December 2020, revenue from mobile game segment was approximately RMB12.6 million (2019: RMB96.0 million), accounting for approximately 5.9% of the total revenue (2019: 21.6%). The significant decrease in revenue contributed by the mobile game segment was mainly attributable to (i) the significant shrinking of contribution from the existing games when they enter into the recession stage; and (ii) no new game was launched during 2020.

Revenue by games (Mobile game segment)

	2020		2019	
	RMB'000	*%*	*RMB'000*	*%*
Legend of the Journey to the West (大聖傳説) & updated version Chinese Odyssey (大話西遊)	**43**	**0.3%**	2,438	2.5%
Swordsman (七絕)	**260**	**2.1%**	18,701	19.5%
War of Heroes (天天打魔獸)	**486**	**3.9%**	20,495	21.4%
Hammer of Odin (奧丁之錘)	**2,668**	**21.2%**	20,757	21.6%
Heroes of Chaos (亂世群英傳)	**4,272**	**34.0%**	16,637	17.3%
Myths (天旗)	**3,399**	**27.1%**	10,323	10.8%
Hongyanjue (紅顏決)	**1,315**	**10.5%**	6,553	6.8%
Others*	**108**	**0.9%**	86	0.1%
Total	**12,551**	**100.0%**	95,990	100.0%

**Note:* Others represent the commission received from the operation of games developed by other game developers.

	2020		2019	
	RMB'000	*%*	*RMB'000*	*%*
Self-developed games	**10,730**	**85.5%**	48,099	50.1%
Licensed games	**1,821**	**14.5%**	47,891	49.9%
Total	**12,551**	**100.0%**	95,990	100%

GROSS PROFIT AND GROSS PROFIT MARGIN

	2020		2019	
		GP margin		*GP margin*
	RMB'000	*(%)*	*RMB'000*	*(%)*
Flexo-printed cartons	**4,785**	**7.0%**	12,630	9.9%
Offset-printed cartons				
— Traditional paper-based cartons	**5,690**	**9.8%**	12,045	12.9%
— Stone paper based cartons	**14,955**	**19.8%**	27,911	22.2%
Sub-total	**20,645**	**15.5%**	39,956	18.2%
Packaging segment	**25,430**	**12.6%**	52,586	15.1%
Mobile game segment	**12,104**	**96.4%**	47,399	49.4%
Total	**37,535**	**17.5%**	99,985	22.5%

The overall gross profit for the Group for the year ended 31 December 2020 was approximately RMB37.5 million, representing a decline in 62.5% or approximately RMB62.5 million as compared to approximately RMB100.0 million in 2019. Overall gross profit margin decreased from approximately 22.5% in 2019 to approximately 17.5% in 2020. The decrease in gross profit is primarily due to the decrease in revenue from both the mobile game segment and the packaging segment, coupled with the fact that there is much sharper plunge in revenue from the mobile game business, where the margin is much higher than that from the packaging business.

Gross profit for the flexo-printed cartons segment for the year ended 31 December 2020 was approximately RMB4.8 million, representing a decrease of 62.1% as compared to approximately RMB12.6 million in 2019. Gross profit margin decreased from 9.9% in 2019 to 7.0% in 2020. The decrease in the gross profit was due to the combined effect of decrease in revenue coupled with the deterioration of the gross profit margin due to the fact that the fixed cost remained despite the plunge in revenue.

Gross profit for the offset-printed cartons segment for the year ended 31 December 2020 was approximately RMB20.6 million, representing a decrease of 48.3% as compared to approximately RMB40.0 million in 2019. The gross profit margin of offset-printed cartons decreased to 15.5% in 2020 from 18.2% in 2019. The offset-printed cartons are higher value added products than flexo-printed products, and the Group is able to pass part of the increase in raw material costs to clients. As a result, the Group managed to achieve relatively smaller decrease in the gross profit margin.

The gross profit from our mobile game segment for the year ended 31 December 2020 was approximately RMB12.1 million, representing a decline in approximately 74.5% as compared to approximately RMB47.4 million in 2019. The gross profit margin increased to approximately 96.4% for the year ended 31 December 2020 from approximately 49.4% in 2019. The deterioration in gross profit was mainly attributable to the sharp decrease in revenue. The improvement in gross margin is primarily because over 98% games in terms of revenue were run on the Group's self-operating platform in 2020, which enabled the Group to enjoy higher margin than if run on third party platforms.

OTHER REVENUE AND INCOME

Other revenue and income of the Group increased by 99.8% or approximately RMB2.4 million from approximately RMB2.5 million in 2019 to approximately RMB4.9 million in 2020. The increase was mainly due to the increase in government subsidies granted to the Group during the year.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses of the Group decreased by 83.5% or approximately RMB119.0 million, from approximately RMB142.5 million in 2019 to approximately RMB23.5 million in 2020. The decrease was mainly due to the reduction in the marketing expenses incurred for the Group's stone paper products and reduction in transportation costs in the packaging segment for the period under review.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group increased by 21.4% or approximately RMB10.1 million from approximately RMB47.3 million in 2019 to approximately RMB57.4 million in 2020. The increase was primarily because increase in administrative staff costs.

IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

The Group has recognised impairment loss on goodwill and intangible assets of Cable King Group of approximately RMB12.0 million and RMB7.1 million for the year ended 31 December 2020. During the year ended 31 December 2020, the Cable King Group's performance was not in line with previous expectation mainly due to (i) underperformance of existing games when they entered into the recession stage; and (ii) no new games were launched during the year.

In view of the unfavourable operating of Cable King Group. It is therefore uncertain that Cable King Group will be able to generate positive cash flow in the future, the recoverable amount of Cable King Group has been determined based on value in use calculation. The Directors expect that the recoverable amount of Cable King Group will be minimal and, as such, the Directors have decided to fully write off the goodwill of approximately RMB12.0 million and the intangible assets of approximately RMB7.1 million related to the Cable King Group.

IMPAIRMENT LOSS ON PROPERTY, PLANT AND EQUIPMENT

In 2020, the Group has provided for the impairment losses of property, plants and equipment of RMB58.9 million (2019: Nil). The increase in impairment losses were mainly attributed to the impairment provision of certain machineries for production.

IMPAIRMENT OF LONG-TERM PREPAYMENT

In 2020, the Group has provided for impairment losses on long-term prepayment of approximately RMB35.7 million (2019: Nil). The increase in impairment loss was due to the games development evaluated as unsuccessful.

FINANCE COSTS

Finance costs of the Group decreased substantially to approximately RMB71.3 million in 2020 as compared to approximately RMB131.0 million in 2019, representing an decrease of RMB59.7 million. Promissory Note 1, Promissory Note 3 and Convertible Bond 2 with outstanding principal amount of approximately HK$40,000,000, HK$120,000,000 and HK$6,667,000, respectively, matured on 19 May 2019. In accordance with the agreements thereof, default interest will be accrued on the outstanding principal such that the total payable by the Company shall be the sum of the outstanding principal and such amount as would result in an internal rate of return of 22% per annum on the outstanding principal. The Group's finance costs decreased sharply for the period under review primarily due to such interest accrued this year as compared to that accrued last year as a result.

The Company has been keeping on discussing with the noteholder and the convertible bond holder with a view to reaching a settlement on this matter.

INCOME TAX

Income tax credit of the Group decreased by 74.9% or approximately RMB4.2 million from income tax credit of approximately RMB5.6 million in 2019 to income tax credit approximately RMB1.4 million in 2020, as the over provision of taxation in prior year decreased. Both of our packaging and mobile game segment were qualified as High and New Technology Enterprises and entitled to a preferential income tax rate of 15%.

LOSS FOR THE YEAR

As a combined result of the factors discussed above, the Group's net loss for 2020 was approximately RMB238.9 million as compared to a net loss of approximately RMB441.3 million for the previous year.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020.

LIQUIDITY, FINANCIAL RESOURCES AND GOING CONCERN UNCERTAINTY

The Group generally finances its operation with internal resources and borrowings. As at 31 December 2020, cash and bank balances amounted to approximately RMB61.6 million (2019: RMB179.1 million), primarily denominated in Renminbi and Hong Kong Dollars. The Group's total borrowings amounted to approximately RMB311.3 million (2019: RMB324.4 million). As at 31 December 2020, 15.1% (2019: 14.8%) of the total borrowings were denominated in Renminbi and 84.9% (2019: 85.2%) of the total borrowings were denominated in Hong Kong Dollars. As the Group recorded net deficit as at 31 December 2020, the Group's gearing ratio calculated as total borrowings divided by total equity as at 31 December 2020 is not available (2019: 1,040.1%).

Promissory Note 1, 3 and Convertible Bond 2 with outstanding principal amount of HK$40,000,000, HK$120,000,000 and HK$6,666,667, respectively, matured on 19 May 2019 without redemption, default and were reallocated to borrowings. The Company has kept on discussing with its creditors with a view to reaching a settlement on this matter.

On 8 June 2020, the holders of Promissory Note 4 with outstanding principal amount of HK$90,000,000 extended the mature date to 7 June 2021.

As at 31 December 2020, the Group had net current liabilities of approximately RMB378.8 million (2019: net current liabilities of approximately RMB221.7 million). The Directors have given careful consideration to the future liquidity and financial position of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken to mitigate the liquidity position and to improve the Group's financial position which include, but are not limited to the followings:

(i) The Group is taking measures to tighten cost control with an aim to attain positive cash flow from operations;

(ii) The Group is in the process of negotiating with its promissory noteholders and convertible bondholders to restructure and/or refinance its borrowings, and secure necessary facilities to meet the Group's working capital and financial requirements in the near future;

(iii) The Directors are considering various alternatives to strengthen the capital base of the Company including but not limited to, seeking new investment and business opportunities (manufacturing of medical supplies), private placements, open offers or rights issue of new shares of the Company; and

(iv) The director of the Company, Mr. Sun Shao Hua, has stated that he is willing to provide financial support to the Group to enable the Group to continue as a going concern and to settle its liabilities as and when they fall due.

(v) The Group is currently re-negotiating the repayment schedules with certain of its debtors and endeavouring to request them to repay the trade receivables in accordance with the repayment schedules agreed with them.

Details regarding uncertainty on the going concern of the Group are set out in Note 3 to the consolidated financial statements. Despite the existence of such uncertainty, the Board is of the view that it is appropriate to prepare the consolidated financial statements on a going concern basis, and that each of the Company's operating subsidiaries has adequate resources to continue in operational existence.

INVENTORIES

As at 31 December 2020, inventories amounted to approximately RMB52.2 million (2019: RMB52.9 million). The number of inventory turnover days was approximately 110 days (2019: 59 days).

TRADE RECEIVABLES

As at 31 December 2020, trade receivables amounted to approximately RMB71.9 million (2019: RMB70.4 million). The Group granted customers from our packaging segment a credit period of 60 to 150 days following the day of delivery. The number of turnover days for trade receivables was approximately 121 days (2019: 54 days).

TRADE PAYABLES

As at 31 December 2020, trade payables amounted to approximately RMB32.2 million (2019: RMB40.6 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 75 days (2019: 38 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 2020.

CAPITAL COMMITMENTS

As at 31 December 2020, the Group's capital commitments were approximately RMB60.0 million (2019: RMB60.0 million). The capital commitments were mainly related to capital contribution payable to a subsidiary.

CONTINGENT CONSIDERATION AND LIABILITIES

As at 31 December 2020, the Group did not have any material contingent liabilities or guarantees.

PLEDGE OF ASSETS

As at 31 December 2020, the Group pledged certain assets with a carrying value of approximately RMB135.5 million (2019: RMB142.0 million) as collateral for the Group's bank borrowings.

INFORMATION ON EMPLOYEES

As at 31 December 2020, the Group had a total of 509 full time employees, including the Executive Directors (2019: 586). Total staff costs (including Directors' emoluments) were approximately RMB61.5 million, as compared to approximately RMB60.8 million for the year ended 31 December 2019.

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

Looking forward, the Group will proactively explore new opportunities while strengthening the existing business.

For the packaging business, the Group will continue to strategically focus on market opportunities in its high-end packaging segment, which requires higher technical standards and enjoys higher margin. The Group will also continue its efforts in providing value added services, such as structural design and logistics management, with a view to enhancing its market position. For the mobile game segment, the Group will carefully review the mobile game market and take actions accordingly.

At the same time, the Group will continue to optimise operating costs in order to keep itself in a better position to weather the potentially challenging global economic prospect and lay down a solid foundation for future development when opportunities arise.

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.

At 31 December 2020, the number of shares in respect of which had been granted and remained outstanding under the Share Option Scheme was nil (2019: nil).

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

During the year, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

CORPORATE GOVERNANCE REPORT

The Board is committed to maintaining a good standard of corporate governance practices and business ethics in the firm belief that they are essential for maintaining and promoting investors' confidence and maximizing shareholders' returns. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of shareholders and comply with the increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance.

The Company has adopted the code provisions in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Board considers that up to the date of this annual announcement, in the opinion of the Board, save as deviations explained under sections "Board Composition", "Chairman and Chief Executive" and "Audit Committee", the Company has complied with the CG Code. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the evolving regulatory requirements and to meet the rising expectations of the shareholders and other stakeholders.

CORPORATE GOVERNANCE PRACTICES

(A) Board of Directors

Responsibilities and Delegation

The Board is responsible for the leadership and control of the Company, overseeing the Group's businesses, strategic decisions, internal control, risk management systems and monitoring the performance of the senior management. The management is responsible for the daily operations of the Group under the leadership of the Chairman. The Directors have the responsibility to act objectively in the interests of the Company.

The Board has delegated various responsibilities to the Board committees including the Audit Committee, the Remuneration Committee and Nomination Committee. Further details of these Committees are set out below in section B of this corporate governance report.

Board Composition

As at 31 December 2020 and the date of this announcement, the Board consists of the following members:

Executive Directors:

Mr. Chen Hong Cai	Chairman of the Board and Nomination Committee
Mr. Sun Shao Hua	Member of the Remuneration Committee

Independent Non-Executive Directors:

Mr. Wu Ping	Chairman of the Remuneration Committee, and member of the Nomination Committee and Audit Committee
Mr. Fang Zhi Xiang	Chairman of the Audit Committee and member of the Remuneration Committee (appointed on 30 April 2021)
Mr. Wu Yu Kun	Member of the Audit Committee and Nomination Committee (appointed on 30 April 2021)
Mr. Liu Da Jin	Chairman of the Remuneration Committee, member of the Audit Committee and the Nomination Committee (resigned on 2 May 2021)

The Board currently comprises two executive Directors and three independent non-executive Directors from different business and professional fields. The profiles of each Director are set out in the "Biographical Details of Directors and Senior Management" section in this annual announcement. The Directors, including the independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions.

The Board has adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the board.

The Company has received annual confirmation from each of the independent non-executive Directors of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

Mr. Ma Yiu Ho, Peter, an independent non-executive director of the Company, retired on 28 August 2020. Following his retirement, the composition of the Board fell below the requirements under Rule 3.10(1) of the Listing Rules which provides that the Board must include at least three independent non-executive directors. However, the Company is in compliance with Rule 3.10(1) as of the date of this announcement.

Board Meetings

The Board is scheduled to meet regularly at least four times a year at approximately quarterly intervals, to discuss the overall strategy as well as the operation and financial performance of the Group. Ad-hoc meetings will also be convened when necessary. Such Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors.

Agenda and Board papers together with all appropriate, complete and reliable information will be provided to all the Directors before meetings. All the Directors will be provided with sufficient resources to discharge their duties, and, upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances, at the Company's expenses. All Directors will have the opportunity to include matters in the agenda for board meetings. The company secretary of the Company is responsible to keep the minutes of board meetings and meetings of Board committees. All minutes are open for inspection by any Director at reasonable time on reasonable notice.

For the financial year ended 31 December 2020, four Board meetings were held.

The Company's Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest. According to current Board practices, any material transaction, which involves a conflict of interests for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting.

Chairman and Chief Executive

The Company is aware of the requirement under paragraph A.2.1 of the CG Code that the roles of chairman and chief executive should be separated and should not be performed by the same individual. The Company does not separately have any officer with the title of "chief executive". Mr. Chen Hong Cai, 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 will meet regularly to consider major matters affecting the operations of the Group. 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 and chief executive. 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.

Appointments, Re-election and Removal of Directors

Each of the executive Directors has entered into a service contract with the Company for a term of three years, and are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for a term of three years, and are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company.

In accordance with the Company's Articles of Association, all Directors shall be subject to retirement by rotation at least once every three years and any new Director appointed to fill a causal vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment. In accordance with the Articles of Association, Mr. Chen Hong Cai will retire and, being eligible, will offer himself for re-election at the forthcoming AGM of the Company. Mr. Fang Zhi Xiang and Mr. Wu Yu Kun will submit themselves for re-election at the forthcoming AGM of the Company.

Training Induction and Continuing Development of Directors

Directors keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

Each newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. The Directors have provided to the Company their records of continuous professional development during the year ended 31 December 2020.

During the year ended 31 December 2020, all Directors have attended training courses and read articles and materials in relation to corporate governance, Listing Rules update or financial markets update arranged by professional firms/institutions. Besides, the company secretary also conducted briefings on corporate governance, directors' duties and responsibilities and provided materials for Listing Rules amendments to all Directors for their reference.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Following a specific enquiry, all the Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2020.

When the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors in advance.

(B) Board Committees

The Board has established three committees, namely the Audit Committee, Nomination Committee and Remuneration Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the websites of the Company and the Stock Exchange.

The majority of the members of each Board committee are independent non-executive Directors.

Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expense.

Audit Committee

The primary duties of the Audit Committee, among other things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditors, review the financial statements and provide material advice in respect of financial reporting and oversee the internal control procedures of the Company. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Fang Zhi Xiang, Mr. Wu Ping and Mr. Wu Yu Kun. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The Audit Committee has reviewed the Company's financial statements and the Group's consolidated financial statements for the year ended 31 December 2020 and the interim financial statements for the six months ended 30 June 2020, including the accounting principles and practices adopted by the Company and the Group.

The Audit Committee held three meetings during the year ended 31 December 2020, of which all meetings with external auditors' presence, and all members of the Audit Committee attended the meetings. At the meetings, it reviewed the financial reporting and compliance procedures, the report of the internal auditor on the Company's internal control and risk management systems and processes, and the re-appointment of the external auditors. No major issue on the internal control system of the Group has been identified.

The Company had established a whistleblowing policy and system for employees to raise concerns of possible improprieties where all concerns are addressed to the Audit Committee.

During the period under review, Mr. Ma Yiu Ho, Peter, retired on 28 August 2020. Following his retirement, the composition of the audit committee fell below the requirements under Rule 3.21 of the Listing Rules which provides that the audit committee must comprise a minimum of three members. However, the Company is in compliance with Rule 3.21 as of the date of this announcement.

Remuneration Committee

The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to our Directors and senior management and to ensure none of the Directors determine their own remuneration. The emoluments of executive Directors are determined based on their skills, knowledge, individual performance as well as contributions, the scope of responsibility and accountability of such Directors, taking into consideration the Company's performance and the prevailing market conditions. The remuneration policy of independent non-executive Directors is to ensure that they are adequately compensated for their efforts and time dedicated to the Company's affairs including their participation in their respective Board committees. The emoluments of independent non-executive Directors are determined with reference to their skills, experience, knowledge, duties and market trends. The Remuneration Committee currently consists of two independent non-executive Directors, namely Mr. Wu Ping (Chairman) and Mr. Fang Zhi Xiang, and one executive Director, Mr. Sun Shao Hua.

For the year ended 31 December 2020, one meeting were held and all members attended the meetings.

Nomination Committee

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on regular basis; to identify individuals suitably qualified to become Board members; to assess the independence of independent non-executive Directors; and to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. The Nomination Committee currently consists of two independent non-executive Directors, namely Mr. Wu Ping and Mr. Wu Yu Kun, and one executive director, Mr. Chen Hong Cai (Chairman).

The Nomination Committee held one meeting during the year ended 31 December 2020 and all members of the Committee attended the meetings.

Board Diversity Policy

The Company has adopted a board diversity policy (the "**Diversity Policy**") which sets out the approach to achieve diversity of the Board. The Company embraces the benefits of having a diverse Board to enhance the quality of its performance.

The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, professional knowledge, personal integrity and time commitments.

In identifying and selecting suitable candidates to serve as a director of the Company, the Nomination Committee would consider the above criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendations to the Board.

The Board will consider setting measurable objectives to implement the Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. At present, the Board has not set any measurable objectives.

The Nomination Committee will review the Diversity Policy, as appropriate, to ensure its effectiveness.

Corporate Governance Function

The Board is responsible for performing the functions set out in code provision D.3.1 of the Corporate Governance Code.

The Board would review the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the Corporate Governance Code and disclosure in its Corporate Governance Report.

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company may from time to time and as the circumstances require provide updated written training materials relating to the roles, functions and duties of a director of a company listed on the Stock Exchange.

Number of meetings and attendance records

The attendance of individual members of the Board and other Board Committees meetings for the financial year ended 31 December 2020 is set out in the table below:

	Meeting attended/held			
	Board	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
Chen Hong Cai	4/4	N/A	N/A	1/1
Sun Shao Hua	4/4	N/A	1/1	N/A
Zheng Li Fang *(Note 1)*	4/4	N/A	N/A	N/A
Independent non-executive Directors				
Liu Da Jin	4/4	3/3	1/1	1/1
Wu Ping	4/4	3/3	1/1	1/1
Ma Yiu Ho, Peter *(Note 2)*	3/4	2/3	N/A	N/A

Note 1: Ms. Zheng resigned on 21 December 2020. Her attendances above were stated by reference to the number of meetings held during her tenure.

Note 2: Mr. Ma retired on 28 August 2020. His attendances above were stated by reference to the number of meetings held during his tenure.

(C) Accountability and Audit

Directors' Responsibility in respect of the Financial Statements

The Directors are responsible for overseeing the preparation of financial statements for the year ended 31 December 2020 with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Company's accounts are prepared in accordance with all relevant statutory requirements and suitable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; judgments and estimates made are prudent and reasonable; and the financial statements are prepared on a going concern basis.

Management had provided monthly updates to Directors for giving a balanced and understandable assessment of the Company's performance, position and projects to enable the Directors to discharge their duties.

Details regarding uncertainty on the going concern of the Group are set out in Note 3 to the consolidated financial statements. Despite the existence of such uncertainty, the Board is of the view that it is appropriate to prepare the consolidated financial statements on a going concern basis, and that each of the Company's operating subsidiaries has adequate resources to continue in operational existence.

Auditor's Remuneration

For the year ended 31 December 2020, the analysis of the remuneration payable to the external auditor of the Company, HLB Hodgson Impey Cheng Limited, in respect of audit services and non-audit services is set out below:

	Amount ***(RMB'000)***
Audit services	**781**
Non-audit services	—
Total	**781**

The Audit Committee will recommend the reappointment of HLB Hodgson Impey Cheng Limited for audit service, and consider the engagement of the non-audit services to ensure the independence and objectivity of audit service.

(D) Risk Management and Internal Control

The Board has overall responsibility for the internal control and risk management systems of the Company. Internal controls are used by the Board to facilitate the effectiveness and efficiency of operations, safeguard the investment of Shareholders and assets of the Company and to ensure compliance with relevant statutory and regulatory requirements. The Company's internal control policies are designed to provide reasonable, but not absolute, assurance against material misstatements and help the Board identify and mitigate, but not eliminate, risk exposure. The policies and procedures of internal controls (which include financial, operational and compliance controls) are considered to be adequate and effective based on the annual review conducted by the Board through the Audit Committee.

In light of the size and scale of the Group's businesses, the Group currently does not have an internal audit department. The Board will review and consider to establish such department as and when it thinks necessary. As such, the Board, supported by the Audit Committee, is directly responsible for risk management and internal control systems of the Company and for reviewing its effectiveness. In order to maintain a high standard of corporate governance, the Company engaged an external independent consultant with professional staff in possession of relevant expertise to assist in identifying and assessing the risks of the Group through a series of workshops and interviews; and independently perform internal control review and assess effectiveness of the Group's risk management and internal control systems. The results of the independent review and assessment were reported to the Audit Committee and the Board. Moreover, improvements in internal control and risk management measures as recommended in the report to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. The improvement of the systems of risk management and internal control is an ongoing process and the Board maintains a continuing commitment to strengthen the Company's control environment and processes. Based on the findings and recommendations of the report as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems effective and adequate.

(E) Dissemination of Inside Information

The Group regulates the handling and dissemination of inside information according to internal procedures and policy so as to ensure inside information remains confidential until the disclosure and publication of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

The Board is responsible for approving the policy on disclosure of inside information which aims at providing guiding principles, practices and procedures to assist employees and officers of the Group in (i) relaying inside information to the Board to enable it to make timely decisions on disclosure, if necessary; and (ii) communicating with the Group's stakeholders, in ways which are in compliance with the SFO and the Listing Rules.

An employee who becomes aware of a matter or event that he/she considers to be material or inside information shall report to his division/department head who will assess the sensitivity of the relevant information and, if considered appropriate, escalate and report to the Board and/or the company secretary of the Company.

(F) Company Secretary

For the period under review, the Company Secretary, Mr. Tsang Ho Yin, is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures, and applicable laws, rules and regulations are followed. For the year ended 31 December 2020, Mr. Tsang has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

Mr. Tsang resigned on 5 February 2021, and Mr. Cheng Kit Hung was appointed as the company secretary on 5 February 2021.

(G) Shareholders' Rights

The Board welcomes shareholders to present their views and shareholders may at any time submit their questions and concerns about the Group. Enquiries may be put to the Board or senior management by contacting the Company Secretary through our shareholders' email at info@hs-pack.com or by phone at 852–3468 3666 or directly by raising questions at the general meeting of the Company. Shareholder(s) holding not less than one-tenth of the Company's paid up capital may request the Board to convene an extraordinary general meeting. The objects of the meeting must be stated in the related requisition deposited at the Company's registered office and addressing to the Company Secretary at the Company's principal place of business in Hong Kong. The extraordinary general meeting will be held within 2 months after the deposition of such requisition.

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Any Shareholder may appoint a proxy or representative to attend the general meeting, and they are entitled to exercise the same voting rights in the meeting.

(H) Investor Relations and Communication with Shareholders

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. To promote effective communication, the Company maintains a website at http://www.hs-pack.com.cn, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are posted.

The Company endeavours to maintain an on- going dialogue with its shareholders and in particular, through AGMs or other general meetings to communicate with the shareholders. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf.

The forthcoming AGM of the Company is scheduled to be held on 30 June 2020. The notice of AGM will be sent to shareholders at least 20 clear business days before the AGM.

Constitutional Documents

There was no change in the constitutional documents of the Company during the year ended 31 December 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 25 June 2021 to Wednesday, 30 June 2021, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Thursday, 24 June 2021.

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 under "Latest Listed Company Information" and the designated website of the Company at http://www.hs-pack.com.cn. The annual report of the Company for the year ended 31 December 2020 will be dispatched to the shareholders and published on the Stock Exchange's and the Company's websites in due course.

II. UPDATE ON LEGAL PROCEEDINGS AGAINST A SUBSTANTIAL SHAREHOLDER

This disclosure is made pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcement of the Company dated 20 April 2021 (the "**Announcement**"). Unless otherwise defined, terms used herein shall have the same meanings as defined in the Announcement.

The Board would like to provide details of and the Board's opinion regarding Novel Blaze Limited ("**Novel Blaze**") and its winding-up.

Mr. Sun Shao Hua ("**Mr. Sun**") is a director of Novel Blaze. As Novel Blaze is currently under liquidation, however, the affairs of the company are no longer under Mr. Sun's control, but are instead under the sole control and supervision of the joint liquidators.

Novel Blaze is a guarantor of the note instrument in the principal amount of HK$80,000,000 issued by the Company (the "**Note**") to Chance Talent Management Limited ("**Chance Talent**") on 19 June 2015.

The Company repaid HK$40,000,000 in principal amount of the Note to Chance Talent on 20 June 2018, and agreed with Chance Talent that the maturity of the remaining HK$40,000,000 in principal amount of the Note would be extended to 19 May 2019.

On 19 September 2019, Chance Talent sought to redeem the Note without success.

On 17 October 2019, Chance Talent sent a letter of demand for the outstanding amount under the Note to Novel Blaze, as guarantor. Novel Blaze did not answer the letter of demand. On or around 29 November 2019, Chance Talent served a statutory demand on Novel Blaze for repayment of the total sum of HK$76,185,100, being the outstanding principal amount plus interest due under the Note. Novel Blaze did not answer the statutory demand as a result of an administrative oversight and a failure to appreciate its significance, and therefore did not apply to set aside the statutory demand.

On 3 March 2020, Chance Talent issued an application in the Commercial Court of the British Virgin Islands ("**BVI**") to wind up Novel Blaze (the "**Application**") on the basis that Novel Blaze had failed to comply with the statutory demand and that Novel Blaze was unable to pay its debts as they fell due and hence insolvent.

The hearing of the Application was adjourned to allow for on-going settlement discussions but ultimately proceeded on 8 June 2020. The judge granted the Application and made an Order (the "**Winding-Up Order**") appointing Roy Bailey of Ernest & Young Ltd, and Matt Ng and So Kit Tee Anita, both of Ernst & Young Transactions Limited, as joint liquidators of Novel Blaze (collectively, the "**Liquidators**"). The Winding-Up Order appointing the Liquidators came into effect on 29 June 2020.

On 22 June 2020, Novel Blaze filed the Appeal and on 25 June 2020, Novel Blaze filed an application on an urgent basis for a stay of the Winding-Up Order pending the determination of the Appeal (the "**Stay Application**").

On 9 July 2020, the BVI Court handed down judgment refusing the Stay Application. The Appeal was heard on 23 November 2020 and the decision of the BVI Court denying Novel Blaze's appeal against its winding-up was handed down on 16 April 2021.

The Board is of the opinion that the Company has timely complied with Rule 13.51B(2) to disclose the particulars of the Winding Up Order according to Rule 13.51(2)(l) for the following reasons:

(a) At the time that the Board was made aware of the BVI winding-up proceedings, the Board was also given to understand by Novel Blaze that the appeal had a good chance of success and that the liquidation of Novel Blaze should not be taken as having been finally decided.

(b) It was only when the appeal against winding-up in the BVI was denied, against the expectations of Novel Blaze's board, that it became clear to the Board that the winding-up of Novel Blaze would go ahead.

(c) At that point in time, the Board made the decision to disclose particulars of the Winding-Up Order.

The Board is of the opinion that the Winding-Up Order has no material impact on the business and general operations of the Company and its subsidiaries for the following reasons:

(a) The operating subsidiaries and assets of the Company continue to operate as normal both before and after the grant of the Winding-Up Order.

(b) There has been no indication to date that Chance Talent intends to enforce its security interests against the Company or its subsidiaries.

(c) The Company is making attempts to come to an agreement with Chance Talent and with the liquidators of Novel Blaze regarding the restructuring of its debts, in the best interests of the Company and its shareholders and creditors, including Chance Talent.

(d) The Company believes that it would be in the best interests of the Company's creditors, including Chance Talent, to reach agreement as to a reasonable debt restructuring of the Company. Any attempt by Chance Talent to seek further enforcement of its rights would harm the Company's long-term viability, and its status as a listed entity, which in turn could adversely affect Chance Talent's own interests. The Company believes that Chance Talent and the liquidators of Novel Blaze, as a professional investor and professional liquidators respectively, will take actions that are rational and that assist their longer term goals of realizing value for themselves and the Company as a whole. Those goals are best served by working with the Company in a debt restructuring and supporting the Company on its path to recovery in its business and financial condition.

III. RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company (the "**Shares**") on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2021 pending the publication of the 2020 Annual Results. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 17 May 2021.

By Order of the Board
Mobile Internet (China) Holdings Limited
Chen Hong Cai
Chairman

Jiangxi Province, the PRC, 14 May 2021

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Chen Hong Cai (Chairman) and Mr. Sun Shao Hua, and three independent non-executive Directors, namely Mr. Wu Ping, Mr. Fang Zhi Xiang and Mr. Wu Yu Kun.