

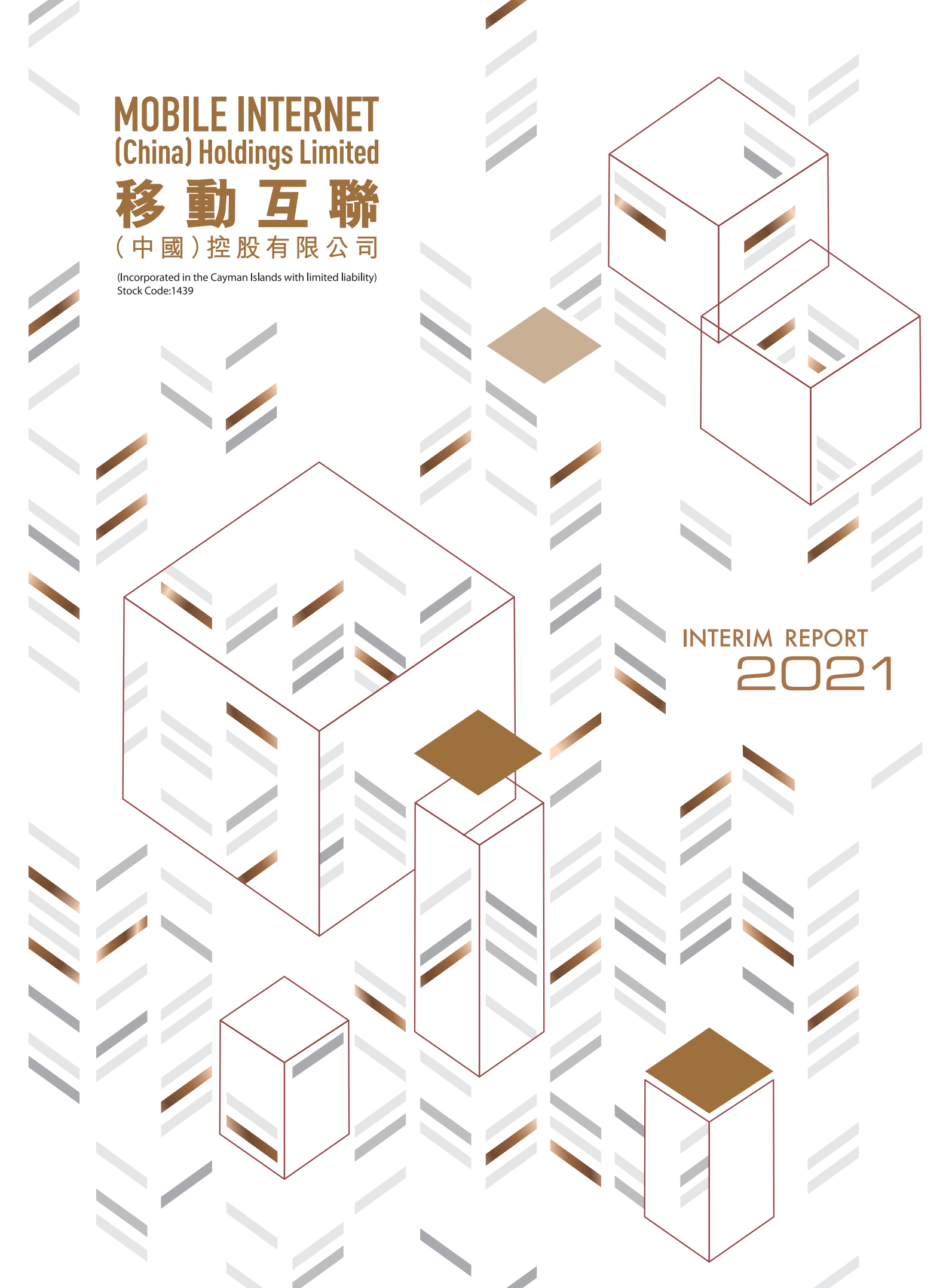
MOBILE INTERNET
(China) Holdings Limited

移動互聯

(中國) 控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code:1439

INTERIM REPORT
2021





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Corporate Information

Executive Directors

Mr. Chen Hong Cai (*Chairman*)
Mr. Sun Shao Hua
Mr. Wang Yun Fang

Independent Non-executive Directors

Mr. Wu Ping
Mr. Fang Zhi Xiang
Mr. Wu Yu Kun
Mr. Wang Chen Guang

Audit Committee

Mr. Fang Zhi Xiang (*Chairman*)
Mr. Wu Ping
Mr. Wu Yu Kun

Remuneration Committee

Mr. Wu Ping (*Chairman*)
Mr. Fang Zhi Xiang
Mr. Sun Shao Hua

Nomination Committee

Mr. Chen Hong Cai (*Chairman*)
Mr. Wu Ping
Mr. Wu Yu Kun

Company Secretary

Mr. Cheng Kit Hung

Authorised Representatives

Mr. Sun Shao Hua
Mr. Cheng Kit Hung

Auditors

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Legal Adviser

TC & Co.

Registered Office

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Headquarters and Principal Place of Business in the PRC

Hong Sheng Industrial Park
Fengxin Industrial Zone
Yichun City, Jiangxi Province
The PRC

Principal Place of Business in Hong Kong

Suite 1501, Greenfield Tower
Concordia Plaza
No. 1 Science Museum Road, Kowloon
Hong Kong

Stock Code

01439

Principal Share Registrar and Transfer Office

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

China Construction Bank (Fengxin Sub-branch)
Agricultural Bank of China (Fengxin Sub-branch)

Company's Website

www.hs-pack.com.cn

Management Discussion and Analysis

BUSINESS REVIEW

The Group is currently engaged in two business segments, (i) packaging business and (ii) mobile game business. In 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 segment

During the first half of 2021, the Group saw a significant expansion in the sales and profit of our packaging products segment as compared to the last corresponding period in 2020, when the outbreak of COVID-19 triggered unprecedented disruption to the economy nationwide. The Group's revenue from the packaging segment increased by 53.7% to RMB127.6 million from RMB83.0 million in the last corresponding period and comprising approximately 99.6% of the total revenue of the Group.

Mobile game segment

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 period under review. The Group has been making efforts to review its strategies and resources and taking a prudent approach for the segment. As a result, the segment revenue decreased further to approximately RMB0.6 million for the period under review, representing a decline of 92.4% and comprising approximately 0.4% of the total revenue of the Group.

Management Discussion and Analysis

FINANCIAL REVIEW

During the period under review, the revenue of the Group was approximately RMB128.2 million (six months ended 30 June 2020: approximately RMB90.5 million), representing an increase of approximately RMB37.7 million or approximately 41.6% as compared to the last corresponding period. This increase was primarily due to the significant expansion in sales of our packaging products which, however, was dragged down by the significant shrinkage in contribution from our mobile game segment.

The following table sets out a breakdown of our revenue by product categories and their relative percentages of our total revenue during the period under review:

Revenue by products

	Six months ended 30 June			
	2021		2020	
	RMB'000	% of Total	RMB'000	% of Total
Flexo-printed cartons	44,662	34.8	29,883	33.0
Offset-printed cartons				
— Traditional paper-based cartons	36,372	28.4	24,769	27.4
— Stone-paper based cartons	46,563	36.3	28,351	31.3
Sub-total	82,935	64.7	53,120	58.7
Packaging segment	127,596	99.6	83,003	91.7
Mobile game segment	569	0.4	7,502	8.3
Total	128,165	100.0	90,505	100.0

Packaging segment

During the period under review, our revenue from sales of flexo-printed cartons was approximately RMB44.7 million (six months ended 30 June 2020: approximately RMB29.9 million), accounting for approximately 34.8% (six months ended 30 June 2020: approximately 33.0%) of our total revenue. Our revenue from sales of offset-printed cartons was approximately RMB82.9 million (six months ended 30 June 2020: approximately RMB53.1 million), accounting for approximately 64.7% (six months ended 30 June 2020: approximately 58.7%) of our total revenue.

Management Discussion and Analysis

Revenue by product categories of our customers (Packaging segment)

	Six months ended 30 June			
	2021		2020	
	RMB'000	%	RMB'000	%
Food and beverages	29,028	22.8	24,498	29.5
Glass and ceramics articles	308	0.2	1,282	1.5
Metal hardware and chemical products	16,667	13.1	9,891	11.9
Bamboo articles	732	0.6	1,005	1.2
Department stores	29,942	23.5	18,486	22.3
Others	50,919	39.9	27,841	33.6
Packaging segment total	127,596	100.0	83,003	100.0

Note: Others mainly include stationery, energy and electronic products, textile and pharmaceutical products.

The Group's main customers are manufacturers of food and beverages in the PRC and department stores. During the period under review, revenue from food and beverages manufacturers was approximately RMB29.0 million (six months ended 30 June 2020: approximately RMB24.5 million), representing approximately 22.8% (six months ended 30 June 2020: approximately 29.5%) of the revenue from the packaging segment. During the same period, revenue from department store clients was approximately RMB29.9 million (six months ended 30 June 2020: approximately RMB18.5 million), representing approximately 23.5% (six months ended 30 June 2020: approximately 22.3%) of the revenue from the packaging segment.

Mobile game segment

During the period under review, our revenue from mobile game segment was approximately RMB0.6 million (six months ended 30 June 2020: RMB7.5 million), accounting for approximately 0.4% of the total revenue (six months ended 30 June 2020: 8.3%) of the Group.

Revenue by games (Mobile game segment)

	Six months ended 30 June			
	2021		2020	
	RMB'000	%	RMB'000	%
Legend of the Journey to the West (大聖傳說) & updated version				
Chinese Odyssey (大話西遊)	—	—	37	0.5
Swordsman (七絕)	—	—	253	3.4
War of Heroes (天天打魔獸)	36	6.3	323	4.3
Hammer of Odin (奧丁之錘)	141	24.8	1,464	19.5
Heroes of Chaos (亂世英雄傳)	228	40.1	2,335	31.1
Myths (天旗)	155	27.2	1,827	24.4
Hongyanjue (紅顏決)	—	—	1,245	16.6
Others	9	1.6	18	0.2
Mobile game segment total	569	100.0	7,502	100

Note: Others mainly represent commission received from operation of certain web games developed by other game developers.

Management Discussion and Analysis

Gross profit and gross profit margin

The following table sets out our total gross profit and gross profit margin by major product categories during the period under review:

	Six months ended 30 June			
	2021		2020	
	RMB'000	GP margin (%)	RMB'000	GP margin (%)
Flexo-printed cartons	3,071	6.9	2,655	8.9
Offset-printed cartons				
— Traditional paper-based cartons	3,902	10.7	2,719	11.0
— Stone-paper based cartons	9,492	20.4	5,358	18.9
Sub-total	13,394	16.2	8,077	15.2
Packaging segment	16,465	12.9	10,733	12.9
Mobile game segment	470	82.6	6,605	88.0
Total	16,935	13.2	17,338	19.2

The overall gross profit of the Group decreased by RMB0.4 million or approximately 2.3% from approximately RMB17.3 million for the last corresponding period to approximately RMB16.9 million for the period under review. Our overall gross profit margin decreased from approximately 19.2% for the last corresponding period to approximately 13.2% for the period under review primarily due to the significant decrease in the revenue of the mobile game segment, where the margin is much higher than that from the packaging business.

The gross profit from flexo-printed cartons for the period under review was approximately RMB3.1 million, representing an increase of approximately 15.7% as compared to approximately RMB2.7 million for the last corresponding period. The gross profit margin for flexo-printed cartons decreased to approximately 6.9% for the period under review from approximately 8.9% for the last corresponding period mainly due to increase in raw materials cost.

The gross profit from offset-printed cartons for the period under review was approximately RMB13.4 million, representing an increase of approximately 65.8% as compared to approximately RMB8.1 million for the last corresponding period. The gross profit margin for offset-printed cartons increased slightly to approximately 16.2% for the period under review from approximately 15.2% for the last corresponding period due to the ability to transfer most of the increase in raw materials cost to clients.

The gross profit from our mobile game segment for the period under review was approximately RMB0.5 million, representing a plunge of approximately 92.9% as compared to approximately RMB6.6 million for the last corresponding period due to the shrinkage of the revenue from the segment. The gross profit margin decreased slightly to approximately 82.6% for the period under review from approximately 88.0% for the last corresponding period.

Management Discussion and Analysis

OTHER REVENUE AND INCOME

During the period under review, other revenue and income of the Group was approximately RMB0.6 million, representing a decrease of approximately 45.4% or approximately RMB0.5 million as compared to approximately RMB1.1 million for the last corresponding period. The decrease was mainly attributable to the decrease in government subsidies and rent concession.

SELLING AND DISTRIBUTION EXPENSES

During the period under review, selling and distribution expenses of the Group was approximately RMB8.7 million, representing an increase by approximately 11.5% or approximately RMB0.9 million as compared to approximately RMB7.8 million for the last corresponding period. The increase was mainly due to increase in sales as compared to the last corresponding period. However, our selling and distribution expenses as a percentage of our total turnover decreased to approximately 6.8% for the period under review as compared to approximately 8.6% for the last corresponding period.

ADMINISTRATIVE EXPENSES

During the period under review, administrative expenses of the Group was approximately RMB20.9 million, representing an decrease by approximately 27.7% or approximately RMB8 million as compared to approximately RMB28.9 million for the last corresponding period. The decrease was mainly due to the reduction in staff costs based on the strategic review of the Group's business.

FINANCE COSTS

Finance costs of the Group increased to approximately RMB39.8 million for the period under review as compared to approximately RMB36.9 million for the last corresponding period, representing an increase of RMB2.9 million. Promissory Note 1, Promissory Note 3 and Convertible Bond 2 due to Chance Talent Management Limited ("Chance Talent") 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 increased for the period under review primarily due to such interest calculated and accrued as a result.

The Company has been in discussion with Chance Talent with a view to reaching a settlement as soon as practicable.

INCOME TAX EXPENSES

During the period under review, the income tax expenses of the Group was approximately RMB0.1 million, representing an increase or approximately RMB0.1 million as compared to nil for the last corresponding period. The increase was consistent with the increase in taxable profit. Both of our packaging and mobile game segments were qualified as High and New Technology Enterprises and entitled to a preferential income tax rate of 15%.

Management Discussion and Analysis

LOSS FOR THE PERIOD

As a combined result of the factors discussed above, the Group's net loss for the period under review was approximately RMB51.9 million as compared to a net loss of approximately RMB63.3 million for the last corresponding period.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operation with internal resources and borrowings. As at 30 June 2021, cash and bank balances amounted to approximately RMB38.1 million (31 December 2020: RMB61.6 million), primarily denominated in Renminbi and Hong Kong Dollars. The Group's total borrowings amounted to approximately RMB311.5 million (31 December 2020: RMB311.3 million). As at 30 June 2021, 15.1% (31 December 2020: 15.1%) of the total borrowings were denominated in Renminbi and 84.9% (31 December 2020: 84.9%) of the total borrowings were denominated in Hong Kong Dollars. As the Group recorded net deficit as at 30 June 2021, the Group's gearing ratio calculated as total borrowings divided by total equity is not available (31 December 2020: not available).

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

On 8 June 2021, the holder of Promissory Note 4 with outstanding principal amount of HK\$90,000,000 extended the mature date to 7 June 2022.

As at 30 June 2021, the Group had net current liabilities of approximately RMB406.9 million (31 December 2020: net current liabilities of approximately RMB378.8 million). The Directors have given careful consideration to future liquidity, performance of the Group and its available sources of financing in assessing whether the Group will be able to repay the outstanding borrowings and meet its future finance requirements. Certain measures have been and will be taken to manage its liquidity needs and to improve its financial position which include, but not limited to, the following:

- (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.

Management Discussion and Analysis

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 30 June 2021, the inventories amounted to approximately RMB50.7 million (31 December 2020: RMB52.2 million). The inventory turnover days was approximately 82 days (31 December 2020: 110 days).

TRADE RECEIVABLES

As at 30 June 2021, the trade receivables amounted to approximately RMB90.3 million (31 December 2020: approximately RMB71.9 million). The trade receivables turnover days was approximately 127 days (31 December 2020: 121 days).

TRADE PAYABLES

As at 30 June 2021, the trade payables amounted to approximately RMB16.9 million (31 December 2020: approximately RMB32.2 million). The trade payables turnover days was approximately 27 days (31 December 2020: 75 days).

OUTLOOK

While the development of COVID-19 and prevailing trade tensions on consumer confidence and the wider economy remain to be seen, the Group will proactively explore new opportunities while strengthening the existing business.

For the packaging products, 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 continue to take a cautious approach and act accordingly.

At the same time, the Group will continue to optimise operating costs so as to lay down a solid foundation for future development when opportunities arise.

EMPLOYEES

As at 30 June 2021, the Group had 376 full time employees in total (31 December 2020: 509). The Group remunerates its employees based on their performance, experience and prevailing industry practice. Competitive remuneration package is offered to retain elite employees. The package includes salaries, medical insurance, discretionary bonuses, other benefits as well as mandatory provident fund schemes for employees in Hong Kong and state-managed retirement benefit schemes for employees in the PRC.

Management Discussion and Analysis

EXCHANGE RISK EXPOSURE

The Group mainly operates in the PRC and most of its operating transactions are settled in RMB. Most of its assets and liabilities are denominated in RMB. Although the Group may be exposed to foreign currency exchange risks, the Board does not expect future currency fluctuations to materially impact the Group's operations. The Group did not adopt formal hedging policies and no instruments have been applied for foreign currency hedging purposes during the period under review.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil) to the shareholders.

CAPITAL COMMITMENTS

As at 30 June 2021, the Group's capital commitments were approximately RMB60.0 million (31 December 2020: approximately RMB60.0 million). The capital commitments were related to capital contribution payable to a subsidiary.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any material contingent liabilities or guarantees.

PLEDGE OF ASSETS

As at 30 June 2021, the Group pledged certain assets with a carrying value of approximately RMB110.6 million (31 December 2020: approximately RMB112.0 million) as collateral for the Group's bank borrowings.

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

The Group did not have any significant investments, material acquisition or disposal of subsidiaries or associates during the six months ended 30 June 2021.

Other Information

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2021, the Directors of the Company had the following interests in the shares, underlying shares and debentures of the Company, its Group members and/or associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Long positions in shares of the Company

Name of director	Capacity	Number of Shares held	Approximate percentage of shareholding
Mr. Sun Shao Hua (Note)	Interest of a controlled corporation	408,000,000	
	Beneficial owner	7,500,000	30.16%

Note: These shares are registered in the name of Novel Blaze Limited ("Novel Blaze"), the entire issued share capital of which is wholly and beneficially owned by Ms. Zheng Xue Xia. Ms. Zheng is the spouse of Mr. Sun Shao Hua. Therefore, Mr. Sun is deemed to be interested in all the Shares in which Ms. Zheng is deemed to be interested. In addition, Mr. Sun holds 7,500,000 shares.

As at the date of this report, there has been a change in the nature of Mr. Sun's interest in the 408,000,000 shares of the Company held by Novel Blaze because steps have been taken to enforce a security interest in the shares of Novel Blaze, or rights to such shares held as security. Since 29 June 2020, Ms. Anita So Kit Yee and Mr. Bailey Roy of Messrs Ernst & Young Ltd were appointed as joint liquidators of Novel Blaze (In liquidation) (the "Joint Liquidators"). The Joint Liquidators have taken steps to enforce a security interest in the shares of Novel Blaze, or rights to such shares held as security.

Save as disclosed above, as at 30 June 2021, none of the Directors and chief executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company, any of its Group members or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, so far as is known to the Directors, the following persons/entities, not being a Director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in shares of the Company

Name of shareholder	Capacity	Note	Number of Shares held	Approximate percentage of shareholding
Novel Blaze (in liquidation)	Beneficial owner	1, 4	408,000,000	29.62%
Ms. Zheng Xue Xia	Interest of a controlled corporation	1	408,000,000	
	Interest of spouse	2	7,500,000	30.16%
Wealthy Achievers Limited	Beneficial owner	3	151,477,143	11.00%
Mr. Peng Dongmiao	Interest of a controlled corporation	3	151,477,143	11.00%

Notes:

1. Novel Blaze is incorporated in the BVI and the entire issued share capital is beneficially owned by Ms. Zheng Xue Xia. Ms. Zheng, being the controlling shareholder, is deemed to be interested in all the Shares owned by Novel Blaze under the SFO.
2. Ms. Zheng is the wife of Mr. Sun Shao Hua and is deemed to be interested in the shares which are owned by Mr. Sun Shao Hua under the SFO.
3. Wealthy Achievers Limited is incorporated in the BVI and the entire issued share capital is beneficially owned by Mr. Peng Dongmiao. Mr. Peng, being the controlling shareholder, is deemed to be interested in all the Shares owned by Wealthy Achievers Limited under the SFO.
4. Ms. So Kit Yee Anita and Mr. Bailey Roy, both of Messrs Ernst & Young Ltd were appointed as the Joint Liquidators.

Other Information

CORPORATE GOVERNANCE

The Company has adopted the Code Provisions in the Corporate Governance Code (“CG Code”) as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Board confirms that, save as disclosed below, the Company has complied with the CG Code throughout the six months ended 30 June 2021.

The Company is aware of the requirement under paragraph A.2.1 of the CG Code that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Company does not have any officer with the title of “chief executive officer”. Mr. Chen 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 considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective Executive Directors and senior management, who are in charge of different functions, complement the role of the Chairman. The Board is of the view that this structure provides the Group with strong and consistent leadership, facilitates effective and efficient planning and implementation of business decisions and strategies, and ensures the generation of shareholders’ benefits.

During the period under review, the composition of the Board fell below the requirements under Rule 3.10(1) and Rule 3.21 of the Listing Rules up to 29 April 2021. The Company has been in compliance with those requirements since then to date.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct for securities transactions. Having made specific enquiries, all the Directors confirm that they have complied with the Model Code throughout the period under review.

AUDIT COMMITTEE

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

The primary duties of the Audit Committee, amongst 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. As at the date of this report, the Audit Committee consists of three Independent Non-executive Directors, namely Mr. Fang Zhi Xiang (Chairman), Mr. Wu Ping and Mr. Wu Yu Kun.

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021 have not been audited by the auditor of the Company but have been reviewed by the Audit Committee. The Audit Committee is of the view that the interim report for the six months ended 30 June 2021 is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	4	128,165	90,505
Cost of sales		(111,230)	(73,167)
Gross profit		16,935	17,338
Other revenue	5	478	511
Other income	6	95	602
Selling and distribution expenses		(8,656)	(7,790)
Administrative expenses		(20,865)	(28,904)
Amortisation of intangible assets		—	(4,517)
Reversal of allowance for expected credit loss recognised in respect of financial assets carried at amortised costs, net		—	7
Impairment of long-term prepayment		—	(3,727)
Loss from operations		(12,013)	(26,480)
Finance costs	8	(39,781)	(36,851)
Loss before tax	7	(51,794)	(63,331)
Income tax expenses	9	(118)	—
Loss for the period		(51,912)	(63,331)
Other comprehensive loss for the period, net of tax			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(9,364)	(7,794)
Other comprehensive (loss)/income for the period, net of tax		(9,364)	(7,794)
Total comprehensive loss for the period, net of tax		(61,276)	(71,125)
Loss attributable to owners of the Company		(51,912)	(63,331)
Total comprehensive loss attributable to owners of the Company		(61,276)	(71,125)
Loss per share attributable to owners of the Company			
— Basic (RMB cents)	11	3.77	(4.60)
— Diluted (RMB cents)	11	3.77	(4.60)

Condensed Consolidated Statement of Financial Position

At 30 June 2021

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	12	184,639	199,688
Right-of-use assets		4,831	2,209
		189,470	201,897
Current assets			
Inventories		50,697	52,240
Trade receivables	13	90,321	71,877
Prepayments, deposits and other receivables		13,553	16,224
Cash and bank balances		38,144	61,646
		192,715	201,987
Current liabilities			
Trade, bills, other payables and accruals	14	287,145	268,648
Borrowings	15	311,537	311,304
Lease liabilities		877	461
Contract liabilities	16	—	60
Tax payable		—	334
		599,559	580,807
Net current liabilities		(406,884)	(378,820)
Total assets less current liabilities		(217,374)	(176,923)
Non-current liability			
Lease liabilities		2,769	672
Net liabilities		(220,143)	(177,595)
Capital and reserves			
Share capital	17	11,161	11,161
Reserves		(231,304)	(188,756)
Capital deficiency		(220,143)	(177,595)

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to owners of the Company						Total RMB'000
	Share capital RMB'000	Reserves				Accumulated losses RMB'000	
		Share premium RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000		
At 1 January 2020 (Audited)	11,161	611,286	50,473	15,901	(15,351)	(642,280)	31,190
Loss for the period	—	—	—	—	—	(63,331)	(63,331)
Other comprehensive loss for the period	—	—	—	—	(7,794)	—	(7,794)
Total comprehensive loss for the period	—	—	—	—	(7,794)	(63,331)	(71,125)
At 30 June 2020 (Unaudited)	11,161	611,286	50,473	15,901	(23,145)	(705,611)	(39,935)
At 1 January 2021 (Audited)	11,161	611,286	50,473	18,130	12,502	(881,147)	(177,595)
Loss for the period	—	—	—	—	—	(51,912)	(51,912)
Other comprehensive loss for the period	—	—	—	—	9,364	—	9,364
Total comprehensive loss for the period	—	—	—	—	9,364	(51,912)	(42,548)
At 30 June 2021 (Unaudited)	11,161	611,286	50,473	18,130	21,866	(933,059)	(220,143)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Operating activities		
Cash used in operations	(24,567)	(47,246)
PRC tax paid	(452)	—
Net cash used in operating activities	(25,019)	(47,246)
Investing activities		
Interest received	48	215
Purchase of property, plant and equipment	—	(55,638)
Proceeds from disposal of property, plant and equipment	—	86
Net cash used in investing activities	48	(55,337)
Financing activities		
Payment of lease liabilities	(547)	(749)
Proceeds from borrowings	12,000	49,829
Repayments of borrowings	(12,003)	(48,030)
Bank borrowings interest paid	(1,186)	(1,768)
Net cash used in financing activities	(1,736)	(718)
Net decrease in cash and cash equivalents	(26,707)	(103,301)
Cash and cash equivalents at the beginning of the period	61,646	179,071
Effect of exchange rate changes on the balance of cash held in foreign currencies	3,205	825
Cash and cash equivalents at the end of the period	38,144	76,595
Analysis of balances of cash and cash equivalents		
Cash and bank balances	38,144	76,595

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard (the “HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2020 as contained in the Company’s annual report 2020 (the “Annual Report 2020”), which have been prepared in accordance with the Hong Kong Financial Reporting Standards (the “HKFRSs”).

These unaudited condensed consolidated financial statements are presented in Renminbi (“RMB”) and rounded to the nearest thousand (RMB’000), unless otherwise stated. RMB is the Company’s presentation currency and the functional currency of the principal operating subsidiaries of the Group. The functional currency of the Company is Hong Kong dollars. The directors consider that choosing RMB as the presentation currency best suits the needs of the shareholders and investors. These unaudited condensed consolidated financial statements were approved for issue on 31 August 2021.

Going concern

The Group incurred a net loss of approximately RMB51,912,000 for the six months ended 30 June 2021 and, as of that date, the Group’s current liabilities exceeds its current assets by approximately RMB406,844,000.

In view of the above circumstances, the directors of the Company 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 major shareholders of the Company, Novel Blaze Limited and Wealthy Achievers Limited, are 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

1. BASIS OF PREPARATION (continued)

Going concern (continued)

The directors of the Company 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 repay, renew or extend the maturity dates of the promissory notes and convertible bonds, 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 effect of these adjustments has not been reflected in the consolidated financial statements.

2. CHANGE IN ACCOUNTING POLICIES

Overview

The accounting policies adopted in preparing the financial statements are consistent with those applied in the annual consolidated financial statements of the Company for the year ended 31 December 2020, with addition for the new and revised HKFRSs (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, that have become effective for the Group's financial period beginning on 1 January 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

3. OPERATING SEGMENT

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

Segment revenue reported represents revenue generated from external customers. There were no inter-segment sales for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

Segment revenues and results

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

	Paper-based packaging products		Development, distribution and operation of mobile game products		Consolidated	
	6 months ended 30 June 2021 RMB'000 (Unaudited)	6 months ended 30 June 2020 RMB'000 (Unaudited)	6 months ended 30 June 2021 RMB'000 (Unaudited)	6 months ended 30 June 2020 RMB'000 (Unaudited)	6 months ended 30 June 2021 RMB'000 (Unaudited)	6 months ended 30 June 2020 RMB'000 (Unaudited)
Revenue	127,596	83,003	569	7,502	128,165	90,505
Segment results	(3,613)	(7,924)	(4,821)	(13,387)	(8,434)	(21,311)
Unallocated corporate expenses					(4,992)	(6,953)
Unallocated finance costs					(38,368)	(35,067)
Loss before tax					(51,794)	(63,331)
Income tax expenses					(118)	—
Loss for the period					(51,912)	(63,331)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

3. OPERATING SEGMENT (continued)

Segment revenues and results (continued)

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

	Paper-based packaging products		Development, distribution and operation of mobile game products		Consolidated	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Segment assets	374,594	391,544	6,989	11,789	381,583	403,333
Unallocated corporate assets					602	551
Total assets					382,185	403,884
Segment liabilities	69,636	85,392	13,752	13,730	83,388	99,122
Unallocated corporate liabilities					518,940	482,357
Total liabilities					602,328	581,479

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

3. OPERATING SEGMENT (continued)

Other segment information

Six months ended 30 June 2021

	Paper-based packaging products RMB'000 (Unaudited)	Development, distribution and operation of mobile game products RMB'000 (Unaudited)	Unallocated RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
Depreciation of property, plant and equipment	(15,048)	—	—	(15,048)
Depreciation of right-of-use assets	(30)	(308)	—	(338)
Finance costs	(1,281)	(130)	(38,369)	(39,780)

Six months ended 30 June 2020

	Paper-based packaging products RMB'000 (Unaudited)	Development, distribution and operation of mobile game products RMB'000 (Unaudited)	Unallocated RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
Capital expenditures	(24,344)	—	(31,294)	(55,638)
Depreciation of property, plant and equipment	(11,228)	(8)	(158)	(11,394)
Depreciation of right-of-use assets	(30)	(329)	(390)	(749)
Amortisation of intangible assets	—	(4,517)	—	(4,517)
Reversal of allowance for expected credit loss recognised in respect of financial assets carried at amortised cost, net	—	7	—	7
Finance costs	(1,749)	(35)	(35,067)	(36,851)

During the six months ended 30 June 2021 and 2020, all revenue is derived from customers in the PRC.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

4. REVENUE

Revenue represents the net amounts received and receivable for goods sold, net of discounts and excludes value-added tax, service fees and commission received and sales of in-game virtual items.

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue recognised at a point in time: Sales of paper-based packaging products	127,596	83,003
Revenue recognised over time: Development, distribution and operation of mobile game products	569	7,502
	128,165	90,505

5. OTHER REVENUE

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Sales of residual materials	430	296
Bank interest income	48	215
	478	511

6. OTHER INCOME

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Government subsidies	85	287
Rent concession	—	288
Sundry incomes	10	27
	95	602

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

7. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Staff costs:		
Employee benefit expense (including directors' remuneration)		
Wages and salaries	18,012	26,863
Retirement benefit schemes contributions	2,345	832
	20,357	27,695
Other items:		
Cost of inventories sold	111,130	7,703
Depreciation of property, plant and equipment	15,048	11,394
Depreciation of right-of-use assets	338	749
Amortisation of intangible assets	—	4,517
Research and development costs	150	619

8. FINANCE COSTS

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Interest expenses on borrowings	39,661	36,827
Interest expenses on lease liabilities	120	24
	39,781	36,851

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
The PRC Enterprise Income Tax		
— Current tax	118	—
Total income tax recognised in profit or loss	118	—

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% for the six months ended 30 June 2021 (six months ended 30 June 2020: 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.

In accordance with various approval documents issued by the PRC government authority, 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 2021.

10. DIVIDENDS

The Directors do not recommend payment of any dividends for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

11. LOSS PER SHARE

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

Basic and diluted loss per share

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Loss attributable to owners of the Company for the purpose of loss per share	(51,912)	(63,331)

Number of shares

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Weighted average number of ordinary shares	1,377,497,662	1,377,497,662

Basic loss per share for the periods ended 30 June 2021 and 2020 are calculated by dividing the losses for the period attributable to owners of the Company by the weighted average number of shares in issue during the period.

For the periods ended 30 June 2021 and 2020, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds and the effect of exercise the share options since it would result in an anti-dilutive effect on loss per share.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

12. PROPERTY, PLANT AND EQUIPMENT

	Machinery RMB'000	Computer and office equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost						
At 31 December 2020 & 1 January 2021 (Audited)	254,793	1,463	168	71,285	44,615	372,324
Exchange realignment	—	—	—	—	(4)	(4)
At 30 June 2021 (Unaudited)	254,793	1,463	168	71,285	44,611	372,320
Accumulated depreciation						
At 31 December 2020 & 1 January 2021 (Audited)	116,585	946	130	27,853	27,122	172,636
Charge for the year	9,609	72	4	1,693	3,670	15,048
Exchange realignment	—	—	—	—	(3)	(3)
At 30 June 2021 (Unaudited)	126,194	1,018	134	29,546	30,789	187,681
Net book value						
At 30 June 2021 (Unaudited)	128,599	445	34	41,739	13,822	184,639
At 31 December 2020 (Audited)	138,208	517	38	43,432	17,493	199,688

Assets pledged as security

As at 30 June 2021, machinery with carrying amount of approximately RMB70,704,000 (31 December 2020: RMB71,821,000) (Note 18) have been pledged to secure bank borrowings (Note 15) granted to the Group.

As at 30 June 2021, buildings with carrying amount of approximately RMB37,851,000 (31 December 2020: RMB38,107,000) (Note 18) have been pledged to secure bank borrowings (Note 15) granted to the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

13. TRADE RECEIVABLES

The following is an analysis of trade receivables by age, presented based on the invoice date. The analysis below is net of allowance/reversal of allowance for expected credit loss:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
0–30 days	26,953	22,228
31–60 days	25,382	20,686
61–90 days	22,874	17,239
91–180 days	11,688	11,724
181–365 days	3,424	—
	90,321	71,877

The Group allows an average credit period from 60 to 150 days. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. Allowances for expected credit loss are recognised against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

The Company does not hold any collaterals or other credit enhancements over these balances.

As at 30 June 2021, trade receivables of approximately RMB2,456,000 were past due but not impaired (31 December 2020: Nil).

14. TRADE, BILLS, OTHER PAYABLES AND ACCRUALS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade payables	16,889	32,223
Accruals	32,939	34,559
Interest payable	228,923	193,219
Other payables	8,394	8,647
	287,145	268,648

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

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

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
0–30 days	6,134	17,390
31–60 days	10,755	14,833
	16,889	32,223

The average credit period granted by suppliers is 60 days. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

15. BORROWINGS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Secured bank borrowings — repayable within one year	44,000	44,000
Non-secured bank borrowings — contain repayable on demand clause	2,910	2,940
Secured other borrowings — repayable on demand	138,538	140,255
Non-secured other borrowings — repayable within one year	126,089	124,109
	311,537	311,304

All the bank borrowings were denominated in RMB. As at 30 June 2021 and 31 December 2020, the bank borrowings were secured by certain property, plant and equipment held by the Group as set out in Note 12 and certain right-of-use assets.

Borrowings as at 30 June 2021 include amounts of approximately RMB132,997,000 and RMB5,541,000 (equivalent to approximately HKD160,000,000 and HKD6,667,000) which related to overdue promissory notes and convertible bond respectively and both bearing a default interest rate of 22% per annum, and amount of approximately RMB74,811,000 (equivalent to approximately HKD90,000,000) which related to overdue Promissory Note 4 bearing interest rate of 7% per annum.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

15. BORROWINGS (continued)

The ranges of effective interest rates (which are equal to the contracted interest rates) on borrowings are as follows:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Fixed rate — bank borrowings	5.0% to 10.2%	5.0% to 10.2%
Fixed rate — other borrowings	7.0% to 22.0%	7.0% to 22.0%

16. CONTRACT LIABILITIES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Contract liabilities	—	60

17. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$0.01 each	8,000,000	80,000

	Number of shares '000	Share capital HK\$'000	RMB'000
<i>Issued and fully paid:</i>			
At 31 December 2020, 1 January 2021 and 30 June 2021, ordinary shares of HK\$0.01 each	1,377,498	13,775	11,161

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

18. PLEDGED ASSETS

Assets with the following carrying amounts have been pledged to secure bank borrowings (Note 15) of the Group.

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Machinery (Note 12)	70,704	71,821
Buildings (Note 12)	37,851	38,107
Right-of-use assets	2,043	2,075
	110,598	112,003

19. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the unaudited condensed consolidated interim financial statements, the Group had entered into the following related party transactions, which in the opinion of the Directors of the Company, were carried out on normal commercial terms and in the ordinary course of the Group.

Compensation of key management personnel of the Group, including director's remuneration are as follows:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Fees	82	109
Other emoluments:		
Salaries, allowances and benefits in kind	2,509	5,610
Retirement benefit schemes contributions	15	40
Total	2,606	5,759

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

19. MATERIAL RELATED PARTY TRANSACTIONS (continued)

Name of related parties	Relationships	Nature of transactions	Six months ended 30 June	
			2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
鴻聖信息科技(廈門) 有限責任公司	Company controlled by a Director	Office premises rental expenses	105	58
		Office premises rent concession income	—	288
Mr. Peng Dongmiao (Note 1)	Substantial shareholder	Interest expenses on borrowings	2,613	2,823

Notes:

- (1) As a result of business combination during the year ended 31 December 2015, the Company issued Consideration Share and Promissory Note 2 to Mr. Peng Dongmiao for the consideration of acquisition of the entire equity interest of Cable King Limited. Mr. Peng Dongmiao became the substantial shareholder of the Company. During the six months ended 30 June 2021, interest expenses on borrowings of approximately RMB2,613,000 (equivalent to approximately HK\$3,124,000). During six months ended 30 June 2020, approximately RMB2,823,000 (equivalent to approximately HK\$3,116,000) was incurred in relation to interest expenses on Promissory Note 2 and 4 held by Mr. Peng Dongmiao. The Promissory Note 2 was redeemed during the year ended 31 December 2019, the Promissory Note 4 was reclassified to borrowings during the year ended 31 December 2019.

20. COMMITMENT

Capital commitment

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Authorised and contracted for capital contributions payable to subsidiaries	60,000	60,000