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China Packaging Holdings Development Limited

中華包裝控股發展有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1439)

MAJOR TRANSACTION

IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN CABLE KING LIMITED AND ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

THE ACQUISITION

On 17 November 2015 (after trading hours), the Company entered into the Share Purchase Agreement with the Seller, pursuant to which the Company conditionally agreed to acquire and the Seller conditionally agreed to sell the Sale Share at the Consideration of HK\$440,000,000 subject to adjustment as detailed in the section headed “The Acquisition – Adjustment to Consideration” in this announcement. The Consideration shall be satisfied (i) as to HK\$20,000,000 in cash; (ii) as to HK\$220,000,000 by issuance of Consideration Shares; and (iii) as to HK\$200,000,000 by issuance of Promissory Note.

Upon Completion, the Company will hold the entire issued share capital of the Target Company.

The Target Company is an investment holding company which holds the entire issued share capital of the Hong Kong Company, which will in turn hold the entire equity interest of the WFOE which through the VIE Contracts, will have effective control over the VIE Company, and will enjoy the economic interests and benefits of the VIE Company.

The Consideration Shares shall be allotted and issued pursuant to the Specific Mandate, and shall rank *pari passu* with the Shares in issue.

The Consideration Shares represent (i) approximately 39.29% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 28.21% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios for the Acquisition calculated under Rule 14.07 of the Listing Rules exceed(s) 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The issue of the Consideration Shares under the Share Purchase Agreement is subject to the Specific Mandate to be sought from the Shareholders at the EGM.

As no Shareholder has any material interest in the Acquisition, none of the Shareholders is required to abstain from voting at the EGM in respect of the resolution(s) to approve the Acquisition and the Specific Mandate.

GENERAL

A circular containing, among other things, (1) details of the Target Group and the Share Purchase Agreement; (2) financial information of the Group and the Target Group; (3) the valuation on the VIE Company prepared by an independent valuer; (4) the unaudited pro forma financial information of the enlarged Group upon Completion; and (5) a notice of the EGM will be despatched to the Shareholders on or before 14 December 2015 as additional time is required for the preparation of the relevant information to be included in the circular.

THE ACQUISITION

On 17 November 2015 (after trading hours), the Company entered into the Share Purchase Agreement with the Seller, the principal terms of which are set out as follows:

Date: 17 November, 2015

Parties: the Company (as the purchaser)
Mr. Peng Dongmiao (as the Seller)

Subject matter:

Pursuant to the Share Purchase Agreement, the Company agreed to buy and the Seller agreed to sell the Sale Share, subject to the terms and conditions therein.

Consideration:

Pursuant to the Share Purchase Agreement, the Consideration is HK\$440,000,000, which shall be satisfied by the Company in the following manners on the Completion Date:

- (i) HK\$20,000,000 shall be settled by the Company by cash;
- (ii) HK\$220,000,000 shall be settled by way of allotment and issuance of Consideration Shares to the Seller; and
- (iii) HK\$200,000,000 shall be settled by issuance of Promissory Note.

Consideration Shares:

The Consideration Shares shall be allotted and issued pursuant to the Specific Mandate, and shall rank *pari passu* with the Shares in issue on the date of allotment and issuance including the rights to all dividends, distributions and other payments made or to be made for which the record date falls or after the date of such allotment and issuance. The Consideration Shares are subject to a lock-up period of 3 months after issuance.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The issue price of Consideration Shares at HK\$0.7 per Share represents:

- (i) a discount of approximately 11.39% to the closing price of HK\$0.79 per Share as quoted on the Stock Exchange on 17 November 2015, being the date of the Share Purchase Agreement; and
- (ii) a discount of approximately 11.39% to the average closing price of approximate HK\$0.79 per Share as quoted on the Stock Exchange for the last five (5) trading days immediately prior to the date of the Share Purchase Agreement.

The Consideration Shares represent (i) approximately 39.29% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 28.21% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

Basis of Consideration

The Consideration was determined between the parties to the Share Purchase Agreement based on arm's length negotiations after taking into account, among others, (i) the future prospects of the Target Group; (ii) the benefits to be derived by the Group from the Acquisition as described herein below; and (iii) the valuation on the VIE Company prepared by an independent valuer.

Adjustment to Consideration

The consideration for the Sale Share shall be subject to adjustment based on the audited consolidated profit after tax of the Target Group for the financial year ending 31 December 2016 (the "**Actual Profit**").

- (i) If the Actual Profit is more than HK\$49,000,000, the Company shall pay the Seller an additional consideration (the "**Additional Consideration**") based on the formula set out below, subject to a maximum amount of HK\$180,000,000.

Additional Consideration = Actual Profit x 9-Consideration

The Additional Consideration will be satisfied by the Company in one or the mixture of the ways of (i) cash; (ii) allotment and issuance of additional consideration shares of the Company (the "Additional Consideration Shares") at the same issue price as the Consideration Shares; or (iii) the issuance of an additional promissory note by the Company as further agreed by the Company and the Seller. In any event, the issue of Additional Consideration Shares will not trigger a mandatory general offer under Rule 26 of The Codes on Takeovers and Mergers and Share Buy-backs published by the Securities and Futures Commission of Hong Kong.

- (ii) If the Actual Profit is less than HK\$35,000,000, the Seller shall pay the Company a sum (the "**Consideration Deduction**") based on the formula set out below, subject to a maximum amount being the aggregate of (i) the amount which has been received by the Seller under the Promissory Notes up to and including the Payment Date (as defined below) and (ii) the outstanding amount under the Promissory Notes as at the Payment Date.

Consideration Deduction = Consideration – Actual Profit x 12.5

Unless otherwise as agreed by the Company and Seller, the Consideration Deduction will be satisfied by way of set off against the outstanding amount under Promissory Notes and if there is any remainder, in cash.

The Additional Consideration or the Consideration Deduction shall be settled within 20 Business Days after the auditors of the Target Group issues the audited financial statements for the financial year ending 31 December 2016 or such other date as agreed by both parties to the Share Purchase Agreement (the “**Payment Date**”). Considering (i) the Consideration and the adjustment were determined based on arm’s length negotiation between the Company and the Seller and (ii) the Consideration after adjustment, subject to the maximum amount of adjustment as aforesaid, reflects an implied price-to-earnings multiple from 9 to 12.5 times, which falls within the range as shown by comparable companies listed in Hong Kong, the Directors are of the view that the mechanism of adjustment of Consideration is fair and reasonable.

Promissory Note

Pursuant to the Share Purchase Agreement, the Company will issue to the Seller the Promissory Note in the principal amount of HK\$200,000,000 upon Completion. The principal terms of the Promissory Note are summarised as follows:

Issuer:	the Company
Noteholder:	the Seller
Maximum principal Amount:	HK\$200,000,000
Interest:	9% per annum payable in arrears every calendar year
Payment:	payment shall be made in Hong Kong Dollars (HKD) to a designated bank account of the Seller.
Maturity date:	the date immediately following 3 years after the date of issue of the Promissory Note (“ Maturity Date ”)
Early Redemption:	The Company may at its sole discretion elect to repay all or part of the principal amount of the Promissory Note together with interest accrued thereon at any time prior to the Maturity Date.
Assignment:	neither party to the Promissory Note may assign or transfer any of its rights or obligations under the Promissory Note without the prior written consent of the other party thereto.

Conditions Precedent

The Completion of the Share Purchase Agreement shall be subject to the fulfillment or, where applicable, waiver of the following conditions:

- (i) the warranties provided by the Company contained in the Share Purchase Agreement shall remain true and accurate in all material respects and not misleading in any respect as at the Completion Date and at all times throughout the period from the date of the Share Purchase Agreement to the Completion Date;
- (ii) the warranties provided by the Seller contained in the Share Purchase Agreement shall remain true and accurate in all material respects and not misleading in any respect as at the Completion Date and at all times throughout the period from the date of the Share Purchase Agreement to the Completion Date;
- (iii) the Company, in its absolute discretion, being satisfied with the results of the due diligence review on, the financial condition, commerce, trade, asset, corporation, taxation, operation and other conditions of each of the Target Group companies;
- (iv) the Company having obtained a legal opinion on, among others, the VIE Company, the legality and enforceability of the VIE Contracts, issued by the PRC Legal Adviser, in form and substance satisfactory to the Company in its absolute discretion;
- (v) the Company having obtained all necessary consents and approvals (if any) from the relevant authorities (including but not limited to the Stock Exchange);
- (vi) the passing of the resolution(s) at the EGM to approve the Acquisition and the Specific Mandate;
- (vii) no material adverse change in the financial condition, commerce, trade, asset, corporation, taxation, operation or other conditions the Target Group has occurred since the date of the Share Purchase Agreement to the Completion Date;
- (viii) the WFOE having been duly established and is validly existing as a wholly foreign owned enterprise with limited liability under the PRC law;
- (ix) the VIE Contracts enabling the financial results, the entire economic benefits and the risks of the business of the VIE Company to flow into the WFOE and enabling the WFOE to gain the controlling right of the VIE Company having been duly executed and remaining valid and subsisting.

The Company can waive by notice in writing to the Seller all or any Conditions excluding the Conditions (i), (v) and (vi) and the Seller can only waive by notice in writing to the Company the Condition (i).

In the event that any of the Conditions is not fulfilled (or waived) on or before 29 February 2016 or such later date as mutually agreed by the Company and the Seller, then the parties to the Share Purchase Agreement shall not be bound to proceed with the Acquisition and the Share Purchase Agreement shall cease to be of any effect save in respect of claims arising out of any antecedent breach of the Share Purchase Agreement.

Non-competition

Each of the Seller and the PRC Equity Owner agrees that for a period of five (5) years starting from the Completion Date, any of them shall not, and shall ensure that none of their related parties shall, engage or hold any interest in any business or activity which is in competition with the business of the Company (including but not limited to research, developing, marketing and/or promotion of mobile gaming) in Hong Kong or the PRC, either directly or indirectly, solely or jointly with others, or through the establishment of any business entity directly or indirectly, solely or jointly with others, provided that such restrictions shall not apply to: (i) the Seller's interest in the Company; (ii) less than 5% interest in any company whose shares are listed on any stock exchange; and (iii) the PRC Equity Owner's interest in the VIE Company.

Completion

Completion shall take place on the 7th Business Day after all Conditions have been fulfilled or waived or such other date as the parties to the Share Purchase Agreement may mutually agree in writing.

Upon Completion, the Company will hold the entire issued share capital of the Target Company and the Target Company will become a subsidiary of the Company.

Effect of the issue of Consideration Shares on the Shareholding Structure

The table below sets forth the shareholding structure of the Company (i) as at the date of this announcement; and (ii) upon allotment and issuance of the Consideration Shares (assuming Completion having occurred and the Specific Mandate having been approved at the EGM and any outstanding share options not having been exercised and the approval for the Acquisition having been obtained from the Stock Exchange and the number of Shares owned by each of the Shareholders below between the date of this announcement and the date of issue of the Consideration Shares remain unchanged):

Shareholders	As at the date of this announcement		Immediately after the allotment and issuance of the Consideration Shares (assuming Completion having occurred and the Specific Mandate having been approved at the EGM and any outstanding share options not having been exercised and the approval for the Acquisition having been obtained from the Stock Exchange and the number of Shares owned by each of the Shareholders below between the date of this announcement and the date of issue of the Consideration Shares remain unchanged)	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Novel Blaze Limited	408,000,000	51.00%	408,000,000	36.62%
Seller or an entity designated by the Seller	0	0.00%	314,285,714	28.21%
Public Shareholders				
Zhuo Longwang	68,180,000	8.50%	68,180,000	6.12%
Qi Yuan Asset Management (H.K.) Ltd.	58,450,000	7.31%	58,450,000	5.25%
Wu Shifa	51,000,000	6.38%	51,000,000	4.58%
Other public Shareholders	<u>214,370,000</u>	<u>26.81%</u>	<u>214,370,000</u>	<u>19.22%</u>
Total	<u><u>800,000,000</u></u>	<u><u>100%</u></u>	<u><u>1,114,285,714</u></u>	<u><u>100%</u></u>

Save as disclosed above, as at the date of this announcement, the Directors are not aware of any person who has an interest or short position in the Shares, or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was recorded in the register kept by the Company under section 336 of the SFO.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SHARE PURCHASE AGREEMENT

It has been the business strategy of the Group to proactively seek for potential investment opportunities through potential acquisitions or joint ventures to diversify its existing business portfolio into new line of business with growth potential, to broaden its source of income, and eventually to enhance the value of the Shareholders. The Directors believe the acquisition of the Target Group is in line with the Group's business strategy for the following reasons:

Rapid Growth of Mobile Games Business

The mobile games business has experienced rapid growth in China in recent years with the unprecedented growth of smartphone users and the growth is expected to continue in the coming years driven by the rapid growth of smartphone penetration. According to the 2015 Global Mobile Games Whitebook published by the Global Mobile Game Confederation, the Chinese mobile games market is set to overtake the US and become the largest in the world by 2016 with revenues of US\$7.7 billion. Therefore the Directors are optimistic about the outlook of the mobile games industry and believe investment in mobile games business will bring a promising return to the Group.

Growth Potential of the VIE Company

Although the VIE Company has operated in a relatively small scale, in terms of sales figures, for the two years end 31 December 2014, benefited from the market environment aforesaid and the launching of two new mobile games in July 2015 and September 2015, the VIE Company has achieved explosive growth in monthly recharge from the second half of 2015, showing huge growth potential. The monthly recharge of the VIE Company reached to approximately RMB30 million in September 2015 with monthly paid users of approximately 320 thousand, which was doubled compared with July 2015. Details of monthly paid users and monthly recharge from July 2015 to September 2015 are illustrated as follows:

	Monthly Paid Users	Monthly Recharge (In RMB)
July 2015	approximately 164 thousand	approximately 24 million
August 2015	approximately 220 thousand	approximately 25 million
September 2015	approximately 321 thousand	approximately 30 million

Readily Available of Technical, Human and Other Resources

The Directors believe that it is essential for the Group to have a strong team of mobile game developers for a continued stream of innovation content as only competitive or creative games will thrive. The VIE Company is managed by a team of professional game developers and operators, which is well recognized for its production and promotion of many popular games with proven track records. With skills and experience accumulated over years, the Directors believe that the VIE Company represents a good investment opportunity with huge growth potential. In addition, the VIE Company holds certain licenses and permits that are essential to the operation of the mobile game business. Therefore, the Directors

believe that acquiring a well-established mobile game company with readily available resources is the quickest and most efficient way to achieve the goal of the Group.

Reasonable Price-to-Earnings Multiple

As illustrated in the section headed “Adjustment to Consideration”, the Consideration after adjustment, subject to the maximum amount of adjustment as aforesaid, reflects an implied price-to-earnings multiple from 9 to 12.5 times, which falls within the range as shown by comparable companies listed in Hong Kong.

Having considered above, the Directors believe that the Acquisition is in line with the Group’s business diversification strategy and represents an attractive investment opportunity of the Group to tap into industry of mobile gaming with growth potential and to generate diversified income and additional cashflow through the Target Group, and will further reinforce the above strategy and Group’s business objective.

The Board considers that the terms of the Share Purchase Agreement were determined after arm’s length negotiations between the parties thereto and the Directors are of the view that the terms of the Share Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in the BVI with limited liability. It is an investment holding company which holds the entire issued share capital of the Hong Kong Company, which is an investment holding company and in turn will hold the entire equity interest in the WFOE. The WFOE will enjoy the entire economic interests and benefits of the VIE Company through the VIE Contracts.

The VIE Company is principally engaged in the research, development, distribution and operation of mobile gaming products since its incorporation in 2007 and holds certain licenses and permits that are essential to the operation of the mobile game business, such as ICP Licenses and the Network Cultural Business Permit. In 2012, the VIE Company had successfully negotiated with certain game developers in the PRC to publish several popular games such as “Long Jiang” (龍將), “Shen Qu” (神曲) and “Meng Huan Fei Xian” (夢幻飛仙). In 2013, the VIE Company launched its first self-developed mobile game “Jian Ge” (劍歌), which is critically acclaimed and popular in the PRC. In July 2015 and September 2015, the VIE Company further launched two of its self-developed mobile games, namely, “Da Sheng Chuan Shuo” (大聖傳說) and “Di Guo Ying Xiong” (帝國英雄) respectively. Both games consist of strategic, simulation and role playing elements, and are available for downloading at major PRC gaming portals, such as 360, Baidu and “Chuang Yu Wang Lu” (創娛網路). Currently, the total aggregate registered user of the two mobile games launched by the VIE Company is approximately 4.24 million. The VIE Company expects to launch a few new mobile games in 2016.

With the continued efforts on game development, integration and cooperation with various distribution platform, the VIE Company turned from loss to profit after tax of approximately RMB764,000 for the year ended 31 December 2014.

Financial Information

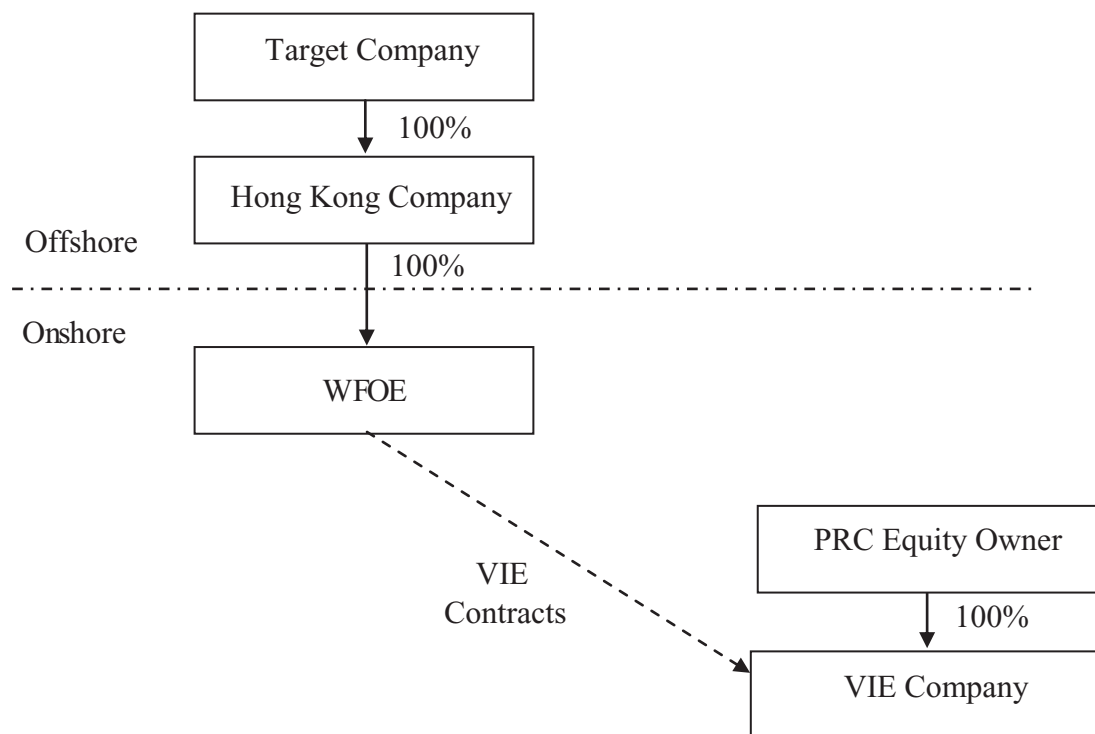
Set out below is the financial information of the VIE Company based on the unaudited financial statements for the two years ended 31 December 2013 and 2014:

	For the year ended 31 December 2013 (unaudited) RMB'000	For the year ended 31 December 2014 (unaudited) RMB'000
Net profit/loss before taxation and extraordinary items	approximately (165)	approximately 764
Net profit/loss after taxation and extraordinary items	approximately (165)	approximately 764

As at 31 December 2014, the unaudited net asset value of the VIE Company was approximately RMB 8,261,000.

Shareholding Structure

Set out below is the proposed shareholding structure of the Target Group after Completion:



Pursuant to the VIE Contracts to be entered into among WFOE, the VIE Company and the PRC Equity Owner, WFOE will have effective control over the VIE Company so as to obtain the economic interests and benefits from their business activities despite the lack of registered equity ownership. The Directors have discussed with the reporting accountants and confirmed that under the prevailing accounting principles, the Target Company will have the right to consolidate the financial results of the VIE Company in its consolidated accounts as if it was a subsidiary of the Target Group upon establishment of WFOE and entry into the VIE Contracts. Details of the basis of consolidation will be included in the accountants' report of the Target Group in the circular to be despatched to the Shareholders.

The PRC Equity Owner will hold the entire equity interest in the VIE Company.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the PRC Equity Owner is a resident in the PRC and an independent third party.

INFORMATION OF THE VIE CONTRACTS

Reasons for use of the VIE Contracts

The VIE Company is principally engaged in the research, development, distribution and operation of mobile gaming products, among which the operation of mobile games is considered to be engaged in the provision of value-added telecommunications services and the internet cultural business, a restricted business and prohibited business respectively for foreign investors pursuant to the Guidance Catalogue of Industries for Foreign Investment (2015 Revision) (《外商投資產業指導目錄(2015年修訂)》).

Therefore, the WFOE, the VIE Company and the PRC Equity Owner will enter into the VIE Contracts before Completion to enable the financial results, the entire economic benefits and the risks of the businesses of the VIE Company to flow into WFOE and to enable WFOE to gain control over the VIE Company.

VIE Contracts

Exclusive Technological Support and Management Consulting Service Agreement

The WFOE and the VIE Company will enter into the Exclusive Technological Support and Management Consulting Service Agreement, pursuant to which the VIE Company agrees to engage the WFOE as its exclusive consultant and service provider.

Pursuant to the Exclusive Technological Support and Management Consulting Service Agreement, the VIE Company shall pay to the WFOE a service fee that is equal to its 100% profits before income tax (net of operating and other tax expenses) on a monthly basis.

Business Cooperation Agreement

The WFOE, the VIE Company and the PRC Equity Owner will enter into the Business Cooperation Agreement, pursuant to which the VIE Company and the PRC Equity Owner agree to appoint persons to be designated by the WFOE to be the chairman (when applicable), directors/executive directors, general manager, chief financial controller and other senior management of the VIE Company. The VIE Company shall be operated in accordance with the WFOE's instruction and the PRC Equity Owner has undertaken not to act in any manner that may affect the assets, business, personnel, obligations, rights or the operations of the VIE Company, unless with the prior written consent of the WFOE or its appointee. The PRC Equity Owner and the VIE Company will also agree in the Business Cooperation Agreement that, unless there is a prior written consent from the WFOE or its appointee, the PRC Equity Owner will not sell, transfer, lease any of the material assets or rights of the VIE Company or authorize any third party the right to use, including but not limited to, any know-how, trade secrets, domain names, trade marks, patents, copyright of the VIE Company, or any material assets or rights acquired by the VIE Company. In addition, under the Business Cooperation Agreement, the WFOE shall have the right to obtain and review the business data, financial information and other information relevant to the operations and business of the VIE Company.

Under the Business Cooperation Agreement, the PRC Equity Owner has warranted to the WFOE that appropriate arrangements will be made to protect the WFOE's interests in the event of the PRC Equity Owner's death, loss of capacity, bankruptcy or divorce to avoid any practical difficulties in enforcing the Business Cooperation Agreement, which amongst others, stipulates that, in the event of (i) the PRC Equity Owner's reduced or loss of capacity, (ii) the death of the PRC Equity Owner, or (iii) divorce between the PRC Equity Owner and his spouse, the PRC Equity Owner and/or his spouse will unconditionally procure the transfer of the PRC Equity Owner and/or his spouse's entire equity interest in the VIE Company at nil consideration to the WFOE or any appointees of the Company. In this regard, the spouse of the PRC Equity Owner will execute an irrevocable undertaking, whereby the spouse of the PRC Equity Owner acknowledged and agreed be bound by the undertakings of the PRC Equity Owner and the spouse of the PRC Equity Owner pursuant to the Business Cooperation Agreement.

Exclusive Option Agreement

The WFOE, the PRC Equity Owner and the VIE Company will enter into the Exclusive Option Agreement, pursuant to which the PRC Equity Owner irrevocably grant to the WFOE or any person(s) designated by the WFOE, the exclusive option(s) to purchase, to the extent permitted by PRC laws and regulations, the PRC Equity Owner's equity interest in the VIE Company, entirely or partially, at an aggregate consideration of RMB1 or a minimum purchase price permitted by PRC laws and regulations (the "Agreed Price") for all option(s) exercised. Pursuant to the Exclusive Option Agreement, the PRC Equity Owner has undertaken to reimburse the WFOE (or the person as designated by the WFOE), any of the difference between the actual consideration the WFOE (or the person as designated by the WFOE) paid pursuant to the exercise of the option(s) and the Agreed Price. The WFOE may exercise such options at any time until it or the person(s) designated by it has acquired the entire equity interest of the VIE Company.

In addition, without prior written consent from the WFOE, the VIE Company and the PRC Equity Owner may not, among other things, (i) dispose of or procure other person(s) to dispose of any material assets of the VIE Company (unless it arises in the ordinary course of business), or (ii) pass or approve any resolution with respect to the liquidation and dissolution of the VIE Company.

Shareholders' Voting Right Entrustment Agreement

The PRC Equity Owner, the VIE Company and the WFOE will enter into the Shareholders' Voting Right Entrustment Agreement pursuant to which the PRC Equity Owner irrevocably and unconditionally agrees to entrust to the director(s), successor(s) or receiver(s) of the WFOE all their voting rights in the VIE Company, among other things, (i) as the agent of the PRC Equity Owner, to convene and attend the shareholders' meetings of VIE Company; (ii) to represent the PRC Equity Owner and discuss, approve and exercise the voting rights at the shareholders' meetings of VIE Company; (iii) any other voting rights as authorized under the articles of association of VIE Company (as amended from time to time); and (iv) to receive any general meeting notice, execute any meeting minutes or resolutions, and submit or file the relevant documents with the relevant PRC authorities on behalf of the PRC Equity Owner.

The PRC Equity Owner confirmed that no prior consent from him is required for exercising the aforesaid voting rights.

Equity Pledge Agreement

The PRC Equity Owner, the VIE Company and the WFOE will enter into the Equity Pledge Agreement, pursuant to which the PRC Equity Owner shall pledge all of his equity interests in the VIE Company to WFOE to secure the performance of all their obligations and the obligations of the VIE Company under the VIE Contracts. Pursuant to the Equity Pledge Agreement, the WFOE has a first priority pledge on all or any part of the equity interests in the VIE Company held by the PRC Equity Owner. Under the Equity Pledge Agreement, if PRC Equity Owner and/or VIE Company breaches any obligation under the VIE Contracts, the WFOE, as the pledgee, is entitled to request the PRC Equity Owner to transfer the pledged equity interests, entirely or partially to the WFOE and/or any entity or person as designated by the WFOE. In addition, pursuant to the Equity Pledge Agreement, the PRC Equity Owner undertakes to the WFOE, among other things, not to transfer his interests in the VIE Company and not to create any pledge thereon without the WFOE's prior written consent.

Power of Attorney

The PRC Equity Owner will issue a power of attorney to the WFOE, pursuant to which he will irrevocably authorize the WFOE to exercise all of his rights and powers as shareholder of the VIE Company.

Spousal Confirmation

The spouse of the PRC Equity Owner will issue a spousal confirmation to the WFOE, pursuant to which she shall acknowledge the PRC Equity Owner to have entered into the VIE Contracts and will irrevocably agree to the arrangements under the VIE Contracts and will promise not to be involved in the business operation, management, liquidation and dissolution of the VIE Company.

Compliance of VIE Contracts with PRC laws, rules and regulations

Based on the confirmation received from Fujian Communications Administration (福建省通信管理局), Fujian Provincial Department of Culture (福建省文化廳) and Fujian Provincial Administration of Press, Publication, Radio, Film and Television (福建省新聞出版局), the PRC Legal Adviser is of the opinion that the VIE Contracts do not violate the PRC laws, rules and regulations applicable to the business of the Target Group and would not be deemed as “concealing illegal intentions with a lawful form” and void under the PRC contract law. The VIE Contracts to be entered into by the Target Group are legally binding on and enforceable against each party of each of the agreements in accordance with their terms and provisions under PRC laws and regulations except certain terms of the VIE Contracts as set out in the paragraph headed “Risk factors in relation to the VIE Contracts – Certain terms of the VIE Contracts may not be enforceable under PRC laws” below. The Directors therefore believe that save as disclosed, the VIE Contracts are enforceable under the relevant laws and regulations in the PRC, and that the VIE Contracts will provide a mechanism that enables the Target Company to exercise effective control over the VIE Company.

Manner of settlement of disputes which may arise from the VIE Contracts

Dispute Resolutions

Pursuant to the VIE Contracts, any dispute arising from the interpretation and implementation of the VIE Contracts between the parties should first be resolved through negotiation, failing which any party may submit the said dispute to the Beijing International Economic and Trade Arbitration Commission (“BIETAC”) with a view to resolving the dispute through arbitration in accordance with the arbitration rules of the BIETAC. The results of the arbitration shall be final and binding on all relevant parties.

Succession

The provisions set out in the VIE Contracts are also binding on the successors of the PRC Equity Owner, as if the successor was a signing party to the VIE Contracts. Although the VIE Contracts do not specify the identity of successors to such PRC Equity Owner, under the succession law of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents and any breach by the successors would be deemed to be a breach of the VIE Contracts.

Liquidation

Pursuant to the Business Cooperation Agreement, in the event of dissolution or liquidation of the VIE Company, the WFOE or WFOE’s nominee shall be authorized, on behalf of the PRC Equity Owner, to appoint a liquidator of the VIE Company. The PRC Equity Owner shall further agree to sell or otherwise dispose the whole or part of their equity interest or assets and undertake that, all the proceeds obtained therefrom shall be transferred, at nil consideration, to the WFOE and/or the Company’s nominee.

INTERNAL CONTROL MEASURES TO BE IMPLEMENTED BY THE GROUP

The VIE Contracts contained certain provisions in order to exercise effective control over and to safeguard the assets of the VIE Company.

In addition to the internal control measures as provided in the VIE Contracts, it is the intention of the Company, through the WFOE to adopt additional internal control measures against the VIE Company as appropriate, having regard to the internal control measures to be adopted by the Group from time to time, which may include but not limited to:–

Management controls

- i. The Group will appoint a representative (the “**Representative**”) to act as the sole executive director of the VIE Company. The Representative is required to conduct weekly reviews on the operations of the VIE Company and shall submit the weekly reviews to the Board. The Representative is also required to check the authenticity of the monthly management accounts of the VIE Company;
- ii. The Representative shall station at the VIE Company and shall be actively involved in various aspects of the daily managerial and operational activities of the VIE Company;
- iii. The Representative shall report any major events of the VIE Company to the company secretary of the Company (the “**Company Secretary**”), who must in turn report to the Board;
- iv. The Company Secretary shall conduct regular site visits to the VIE Company and conduct personnel interviews quarterly and submit reports to the Board; and
- v. All seals, chops, incorporation documents and all other legal documents, to the extent permitted by the PRC law, of the VIE Company must be kept at the office of the WFOE.

Financial controls

- i. The financial controller of the Company (the “**FC**”) shall collect monthly management accounts, bank statements and cash balances and major operational data of the VIE Company for review. Upon discovery of any suspicious matters, the FC must report to the Company Secretary, who shall in turn report to the Board;
- ii. If the payment of the service fees from the VIE Company to WFOE is delayed, the FC must meet with the shareholder of the VIE Company to investigate, and should report any suspicious matters to the Board. In extreme cases, the registered shareholder(s) of the VIE Company will be removed and replaced.
- iii. The VIE Company must submit copies of latest bank statements for every bank accounts of the VIE Company within 15 days after the end of each month; and

- iv. The VIE Company must assist and facilitate the Company to conduct quarterly on-site internal audit on the VIE Company.

Board's view on the VIE Contracts

Based on the above, the Board is of the view that the VIE Contracts are narrowly tailored to achieve the VIE Company's business purpose and to minimize the potential conflicts with and are enforceable under the relevant PRC laws and regulations. The VIE Contracts enable the WFOE to gain control over the VIE Company, and to be entitled to the economic interests and benefits of VIE Company. The VIE Contracts also provide that WFOE may unwind the VIE Contracts as soon as relevant PRC rules and regulations governing foreign investment in the operation of mobile games business are issued which allow WFOE to register itself as the shareholder of the VIE Company.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of the announcement, the VIE Company have not encountered any interference or encumbrance from any governing bodies in operating its business.

RISK FACTORS IN RELATION TO THE VIE CONTRACTS

There is no assurance that the VIE Contracts could comply with future changes in the regulatory requirements in the PRC and the PRC government may determine that the VIE Contracts do not comply with applicable regulations

Despite there is currently no indication that the VIE Contracts will be interfered or objected by any PRC regulatory authorities, the PRC Legal Adviser has advised that there is a possibility that the relevant PRC regulatory authorities may have different opinions on the interpretation of the relevant regulations and would not agree that the VIE Contracts comply with the current PRC laws, regulations or rules or those that may be adopted in future, and the authorities may deny the validity, effectiveness and enforceability of the VIE Contracts.

On 19 January 2015, the MOFCOM published a draft law on foreign investment (the "**Draft Law**") pursuant to which foreign companies gaining control over domestic companies via contractual arrangement such as the VIE Contracts will be regarded as foreign investments and will be governed by the Draft Law when it is adopted and becomes law. According to the PRC Legal Adviser, the Draft Law is currently in consultation stage and has not yet been effective or legally binding. As there are uncertainties on the final content and interpretations of the Draft Law, there is no assurance that the VIE Contracts will comply with the Draft Law when it is adopted and becomes law. If the PRC regulatory authorities deny the validity, effectiveness and enforceability of the VIE Contracts, the Group would lose control of the VIE Company, and would be unable to consolidate the financial results of the VIE Company, or properly safeguard, awarded or control the assets of the VIE Company, which would, in turn, result in a material adverse effect on the Group's business, financial condition and results of operations.

In order to continuously monitor the development of the Draft Law to assess the possible impact on the VIE Contracts and the business of the VIE Company, the Board will monitor the updates of the Draft Law and discuss with the PRC Legal Adviser on a regular basis. In case there would be material impact on the Group or the business of the VIE Company, the Company will timely publish announcements in relation to material developments of and arising from the Draft Law.

The VIE Contracts may not be as effective as direct ownership in providing control over the VIE Company

The Group relies on contractual arrangements under the VIE Contracts with the VIE Company to operate the mobile game business in the PRC. These contractual arrangements may not be as effective in providing the Group with control over the VIE Company as direct ownership.

The PRC Equity Owner may potentially have a conflict of interests with the Group

The Group's control over the VIE Company is based on the contractual arrangement under the VIE Contracts. Therefore, conflict of interests of the PRC Equity Owner will adversely affect the interests of the Company. Pursuant to the Shareholders' Voting Right Entrustment Agreement, the PRC Equity Owner will irrevocably authorize WFOE (or its director or successor or receiver) as his representative to exercise the voting rights of the shareholders of the VIE Company. Therefore, it is unlikely that there will be potential conflict of interests between the Company and the PRC Equity Owner. However, in the unlikely event that conflict of interests arises and cannot be resolved, the Company will consider removing and replacing the PRC Equity Owner.

The contractual arrangements may be subject to scrutiny of the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed

The Group could face material adverse tax consequences if the PRC tax authorities determine that the arrangements under the VIE Contracts was not entered into based on arm's length negotiations. If the PRC tax authorities determine that these agreements were not entered into on an arm's length basis, they may adjust income and expenses of the WFOE for PRC tax purposes in the form of a transfer pricing adjustment. A transfer pricing adjustment could adversely affect the Group's financial position by increasing the relevant tax liability of the WFOE without reducing the tax liabilities of the VIE Company, and this could further result in late payment fees and other penalties to the VIE Company for under-paid taxes. As a result, any transfer pricing adjustment could have a material adverse effect on the Group's financial position and results of operations.

Certain terms of the VIE Contracts may not be enforceable under PRC laws

The VIE Contracts provides for dispute resolution by way of arbitration in accordance with the arbitration rules of the Arbitration Commission. The VIE Contracts contain provisions to the effect that the arbitrators may award remedies over the shares and/or assets of the VIE Company, injunctive reliefs (such as mandatory transfer of assets) and/or winding up of the VIE Company. In addition, the VIE Contracts contain provisions to the effect that courts in Hong Kong, the Cayman Islands, the BVI, the place of incorporation of the VIE Company, the place where the Target Company's assets are located and

the place where the VIE Company's principal assets are located are empowered to grant interim remedies in supporting of the arbitration pending the formation of an arbitral tribunal.

However, the PRC Legal Adviser has advised that the abovementioned provisions contained in the VIE Contracts may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order to preserve the assets of or any equity interest in the VIE Company nor does the arbitral body has the power to wind-up the VIE Company under the PRC Laws in case of disputes. Therefore, such remedies may not be available, notwithstanding the relevant contractual provisions contained in the VIE Contracts. Furthermore, notwithstanding the relevant contractual provisions contained in the VIE Contracts, courts in Hong Kong, the Cayman Islands, the BVI, the place of incorporation of the VIE Company, the place where the Target Company's assets are located and the place where the VIE Company's principal assets are located are empowered to grant interim remedies only to the extent of the permission of PRC Laws. Therefore, such interim remedies may not be available under PRC Laws either.

A substantial amount of costs and time may be involved in transferring the ownership of the VIE Company to the Group under the Exclusive Option Agreement

The Exclusive Option Agreement grants the WFOE or its designee a right to acquire part or all of the equity interest or part or all of the assets of the VIE Company at the lowest price permitted by PRC law. Nevertheless, such rights can only be exercised by the WFOE as and when permitted by the relevant PRC laws and regulations, in particular, when there are no limitations on foreign ownership in PRC companies that engage in mobile gaming business. In addition, a substantial amount of costs and time may be involved in transferring the ownership or assets of the VIE Company to the WFOE if it chooses to exercise the exclusive right to acquire all or part of the equity interest and assets in the VIE Company under the Exclusive Option Agreement, which may have a material adverse impact on the Group's business, prospects and results of operation.

The Company does not have any insurance which covers the risks relating to the VIE Contracts and the transactions contemplated thereunder

The insurance of the Group does not cover the risks relating to the VIE Contracts and the transactions contemplated thereunder and the Company has no intention to purchase any new insurance in this regard. If any risk arises from the VIE Contracts in the future, such as those affecting the enforceability of the VIE Contracts and the relevant agreements for the transactions contemplated thereunder and the operation of VIE Contracts, the results of the Group may be adversely affected. However, the Group will monitor the relevant legal and operational environment from time to time to comply with the applicable laws and regulations.

The Group may bear economic risk which may arise from difficulties in the operation of the VIE Company

As the primary beneficiary of the VIE Company, the Group will bear economic risks which may arise from difficulties in the operation of the VIE Company's business. However, under the VIE Contracts, the Group will not be obligated to share the losses of the VIE Company nor will the Group be obligated to provide financial support to the VIE Company in any circumstances. The Group may decide and resolve, at its sole and absolute discretion, to provide financial support to the VIE Company in any manner permitted by relevant PRC laws in order to maintain the VIE Company's sound operations.

INFORMATION OF THE PARTIES TO THE ACQUISITION

The Group is principally engaged in the design, manufacture, printing and sale of paper-based packaging products.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Seller, Mr. Peng Dongmiao, is an independent third party.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules in respect of the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

A circular containing, among other things, (1) details of the Target Group and the Share Purchase Agreement; (2) financial information of the Group and the Target Group; (3) the valuation on the VIE Company prepared by an independent valuer; (4) the unaudited pro forma financial information of the enlarged Group upon Completion; and (5) a notice of the EGM will be despatched to the Shareholders on or before 14 December 2015 as additional time is required for the preparation of the relevant information to be included in the circular.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the proposed acquisition of the Sale Share by the Company from the Seller, pursuant to the Share Purchase Agreement
“Board”	the board of Directors

“Business Day”	a day (other than Saturday, Sunday and public holiday) when normal commercial banks in Hong Kong are opened for general banking business
“BVI”	British Virgin Islands
“Company”	China Packaging Holdings Development Limited (中華包裝控股發展有限公司), a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Stock Exchange
“Completion”	completion of the Share Purchase Agreement
“Completion Date”	the date of Completion
“Condition(s)”	the condition(s) precedent set out in the Share Purchase Agreement
“Consideration”	the initial consideration of HK\$440,000,000 for the Sale Share payable by the Company under the Share Purchase Agreement
“Consideration Shares”	314,285,714 Shares to be issued and allotted by the Company pursuant to the Specific Mandate
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting to be convened and held by the Company to consider and, if thought fit, approve (i) the Share Purchase Agreement; and (ii) the Specific Mandate
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Company”	Wealthy Top (China) Limited, a company incorporated in Hong Kong with limited liability, the entire issued share capital of which are held by the Target Company
“independent third party(ies)”	individual(s) or company(ies) who is not connected with (within the meaning of the Listing Rules) any directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“PRC”	the People’s Republic of China, which shall, for the purposes of this announcement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Equity Owner”	the holder of the entire equity interests of VIE Company, namely Mr. Huang Jianqiang (黃建強)
“PRC Legal Adviser”	Jingtian & Gongcheng, the legal adviser to the Company as to the laws of the PRC
“Promissory Note”	the promissory note in the principal amount of HK\$200,000,000 to be issued by the Company to the Seller in satisfaction of part of the Consideration
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Share”	the entire issued share capital of the Target Company
“Seller”	Mr. Peng Dongmiao, an independent third party
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share Purchase Agreement”	the agreement dated 17 November 2015 entered into between the Company and the Seller in relation to the Acquisition
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Specific Mandate”	the specific mandate proposed to be granted to the Directors to allot and issue the Consideration Shares at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Cable King Limited, a company incorporated in BVI with limited liability, which is owned as to 100% by the Seller as at the date of this announcement
“Target Group”	the Target Company, the HK Company, the WFOE and the VIE Company to be controlled by the WFOE through the VIE Contracts

“VIE Contracts”	collectively, the Business Cooperation Agreement*(業務合作協議), Exclusive Technological Support and Management Consulting Service Agreement* (獨家技術支持及管理諮詢服務協議); Shareholders’ Voting Right Entrustment Agreement* (公司股東權利委托協議); Power of Attorney* (授權委托書); Confirmation of Spouse*(配偶確認函); Exclusive Option Agreement*(獨家購買權協議); and Equity Pledge Agreement*(股權質押協議) to be entered by the WFOE before the Completion
“VIE Company”	Binghe (Xiamen) Information Technology Company limited* (冰河(廈門)信息技術有限公司), a limited liability company established in the PRC, the entire equity interest of which is held by the PRC Equity Owner
“WFOE”	a wholly foreign owned enterprise which will be established in the PRC with limited liability before Completion, and the equity interest of which will be held by the Hong Kong Company
“%”	per cent

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

PRC, 17 November 2015

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

* For identification purpose only