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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2018	2017	
	RMB'000	*RMB'000*	**Change**
Revenue	**690,750**	1,020,012	(32.3%)
Gross profit	**165,646**	382,059	(56.6%)
Gross profit margin	**24.0%**	37.5%	(13.5%)
Loss attributable to owners of the Company	**(345,876)**	(50,651)	582.9%
Loss per share attributable to owners of the Company			
Basic *(RMB cents)*	**(25.40)**	(4.18)	507.7%
Diluted *(RMB cents)*	**(25.40)**	(4.18)	507.7%
Dividends per share *(HK cents)*	**–**	–	

THE FINANCIAL STATEMENTS

The board (the "Board") of directors (the "Directors") of Mobile Internet (China) Holdings Limited 移動互聯(中國)控股有限公司 (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018 together with the comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Revenue	*4*	**690,750**	1,020,012
Cost of sales		**(525,104)**	(637,953)
Gross profit		**165,646**	382,059
Other revenue	*5*	**3,364**	4,589
Other income	*6*	**1,610**	7,365
Selling and distribution expenses		**(172,587)**	(175,698)
Administrative expenses		**(86,701)**	(51,739)
Amortisation of intangible assets		**(5,166)**	(21,010)
Impairment loss on goodwill	*12*	**(200,609)**	–
Loss on early redemption of promissory notes		**(348)**	–
(Loss)/profit from operations before fair value changes		**(294,791)**	145,566
Change in fair value of derivative financial instruments		**(8,733)**	1,860
Change in fair value of contingent consideration payable		**–**	(143,376)
(Loss)/profit from operations		**(303,524)**	4,050
Finance costs	*7*	**(32,751)**	(33,033)
Loss before tax	*8*	**(336,275)**	(28,983)
Income tax expenses	*9*	**(9,601)**	(21,668)
Loss for the year		**(345,876)**	(50,651)
Other comprehensive (loss)/income for the year, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(14,361)**	25,077
Other comprehensive (loss)/income for the year, net of tax		**(14,361)**	25,077
Total comprehensive loss for the year, net of tax		**(360,237)**	(25,574)
Loss attributable to owners of the Company		**(345,876)**	(50,651)
Total comprehensive loss attributable to owners of the Company		**(360,237)**	(25,574)
Loss per share attributable to owners of the Company			
– Basic *(RMB cents)*	*11*	**(25.40)**	(4.18)
– Diluted *(RMB cents)*	*11*	**(25.40)**	(4.18)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2018

	Notes	**2018** **RMB'000**	2017 RMB'000
Non-current assets			
Property, plant and equipment		**208,779**	134,655
Prepaid lease payments		**2,135**	2,195
Goodwill	*12*	**229,248**	429,857
Intangible assets		**15,692**	7,165
Long-term prepayment		**2,710**	5,199
		458,564	579,071
Current assets			
Inventories		**42,253**	30,008
Trade receivables	*13*	**61,649**	140,539
Prepayments, deposits and other receivables		**69,191**	75,777
Derivative financial instruments		**–**	9,596
Pledged bank deposits		**–**	12,000
Cash and bank balances		**268,320**	463,942
		441,413	731,862
Current liabilities			
Trade, bills, other payables and accruals	*14*	**60,354**	132,564
Borrowings		**92,797**	53,000
Derivative financial instruments		**–**	811
Promissory notes		**258,434**	166,563
Convertible bonds		**8,153**	16,922
Deferred revenue		**–**	16,362
Contract liabilities		**1,310**	–
Tax payables		**–**	3,033
		421,048	389,255
Net current assets		**20,365**	342,607
Total assets less current liabilities		**478,929**	921,678
Non-current liability			
Promissory notes		**–**	127,599
		–	127,599
Net assets		**478,929**	794,079
Capital and reserves attributable to owner of the Company			
Share capital		**11,161**	10,760
Reserves		**467,768**	783,319
Total equity		**478,929**	794,079

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION

The Company was incorporated in Cayman Islands on 12 July 2013 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit 2604, 26th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13 January 2014.

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

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

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

The consolidated financial statements are presented in Renminbi ("RMB") and rounded to the nearest thousand (RMB'000), unless otherwise stated. RMB is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group. The functional currency of the Company is Hong Kong dollars ("HK$"). The Directors consider that choosing RMB as the presentation currency best suits the needs of the shareholders and investors.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning from 1 January 2018. A summary of the new and revised HKFRSs applied by the Group is set out as follows:

HKAS 28 (Amendments)	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
HKAS 40 (Amendments)	Transfers of Investment Property
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

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

The above new HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1 January 2018. The difference between carrying amounts at 31 December 2017 and the carrying amounts at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

(a) *Classification and measurement*

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial assets is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

– Amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

– FVPL, if the investment does not meet the criteria for being measured at amortise cost or FVOCI (recycling). Changes in the fair value of the investment (including) interest are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

There is no reclassification or remeasurement of the financial assets, including cash and bank balances, trade receivables, deposits, other receivables and pledged bank deposits for the adoption of HKFRS 9. The derivatives embedded in the convertible bonds are treated as separate derivatives and continued to be measured at FVTPL.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Except for those which had been determined as credit impaired under HKAS 39, the remaining balances are grouped based on internal credit rating. The Group has therefore estimated the expected loss rates for the trade receivables on the same basis.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including deposit, other receivables, time deposits and bank balances, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

The directors considered that the measurement of ECL has no material impact to the Group's retained profit as at 1 January 2018.

HKFRS 15 Revenue from Contracts with Customers and the related amendments

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to the contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared with HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue mainly from following major sources which arise from contracts with customers.

— Manufacturing and sales of packaging materials
— Development, distribution and operation of mobile gaming products

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in note to the audited consolidated financial statement.

Except for the reclassification of the contract liabilities from deferred revenue of approximately RMB 16,362,000 at initial application, HKFRS 15 was generally adopted without restating any other comparative information. There is no impact of transition to HKFRS 15 on retained earnings at 1 January 2018.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of HKFRS 15:

	HKAS 18 carrying amounts at 31 December 2017	**Reclassification**	**HKFRS 15 carrying amounts at 1 January 2018**
	RMB'000		*RMB'000*
Deferred revenue *(Note)*	16,362	(16,362)	–
Contract liabilities *(Note)*	–	16,362	16,362

Note:

For contracts where the period between the payment by the customer and transfer of the promised property or service exceeds one year, the transaction price should be adjusted for the effects of a financing component, if significant. The Group has assessed that the financing component effect was insignificant.

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

HKAS 1 and HKAS 8 (Amendments)	Definition of Material[3]
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement[1]
HKAS 28 (Amendments)	Long-term interests in Associates and Joint Ventures[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle[1]
HKFRS 3 (Amendments)	Definition of a business[2]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[4]
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]

[1] Effective for annual periods beginning on or after 1 January 2019

[2] Effective for business combination and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

[3] Effective for annual periods beginning on or after 1 January 2020

[4] Effective for annual periods beginning on or after 1 January 2021

[5] Effective for annual periods beginning or after a date to be determined

3. OPERATING SEGMENT

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

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

Segment revenue reported represents revenue generated from external customers. There were no intersegment sales for the year ended 31 December 2018 (2017: Nil).

Segment revenue and results

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

	Paper-based packaging products		**Development, distribution and operation of mobile gaming products**		**Consolidated**	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	**455,361**	678,649	**235,389**	341,363	**690,750**	1,020,012
Segment results	**(52,803)**	43,312	**(228,898)**	125,653	**(281,701)**	168,965
Unallocated corporate income					**–**	3,249
Unallocated corporate expenses					**(25,311)**	(172,465)
Unallocated finance costs					**(29,263)**	(28,732)
Loss before tax					**(336,275)**	(28,983)
Income tax expenses					**(9,601)**	(21,668)
Loss for the year					**(345,876)**	(50,651)

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

	Paper-based packaging products		Development, distribution and operation of mobile gaming products		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment assets	**499,187**	622,289	**399,675**	666,598	**898,862**	1,288,887
Unallocated corporate assets					**1,115**	22,046
Total assets					**899,977**	1,310,933
Segment liabilities	**86,973**	152,930	**11,969**	40,562	**98,942**	193,492
Unallocated corporate liabilities					**322,106**	323,362
Total liabilities					**421,048**	516,854

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

Other segment information

For the year ended 31 December 2018

	Paper-based packaging products	**Development, distribution and operation of mobile gaming products**	**Unallocated**	**Consolidated**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Capital expenditure	**(94,967)**	**(8,000)**	**(53)**	**(103,020)**
Depreciation of property, plant and equipment	**(16,233)**	**(121)**	**(48)**	**(16,402)**
Amortisation of intangible assets	**–**	**(5,166)**	**–**	**(5,166)**
Impairment loss on goodwill	**–**	**(200,609)**	**–**	**(200,609)**
Change in fair value of derivative financial instruments	**–**	**–**	**(8,733)**	**(8,733)**
Financial costs	**(3,318)**	**(171)**	**(29,262)**	**(32,751)**

For the year ended 31 December 2017

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

During the years ended 31 December 2018 and 2017, all revenue is derived from customers in the PRC.

As at 31 December 2018 and 2017, most of the Group's non-current assets were located in the PRC. Accordingly, no analysis of the Group's result and assets by geographical area is disclosed.

For the year ended December 2018, included in development, distribution and operation of mobile gaming products segment, approximately RMB17,361,000 (2017: RMB90,680,000) revenue arisen from the Group's largest distribution channel. No other single customer contributed 10% or more to the Group's revenue for the year ended 31 December 2018 (2017: Nil).

4. REVENUE

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

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

	2018 ***RMB'000***	2017 *RMB'000*
Revenue recognised at a point in time:		
Sales of paper-based packaging products	**455,361**	678,649
Revenue recognised over time:		
Development, distribution and operation of mobile gaming products	**235,389**	341,363
	690,750	1,020,012

As at 31 December 2018, the aggregate amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately RMB1,310,000 and the Group will recognise this revenue in 2019.

5. OTHER REVENUE

	2018	2017
	RMB'000	*RMB'000*
Sales of residual materials	**2,066**	2,036
Bank interest income	**1,298**	2,553
	3,364	4,589

6. OTHER INCOME

	2018	2017
	RMB'000	*RMB'000*
Government subsidies *(Note)*	**1,606**	7,323
Sundry income	**4**	42
	1,610	7,365

Note:

Government subsidies represent the financial subsidies given by the local government to encourage the Group's operation in the PRC. No unfulfilled condition and other contingencies attached to these government subsidies.

7. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Interest expenses on borrowings	**6,785**	4,301
Imputed interest on promissory notes	**23,848**	24,011
Imputed interest on convertible bonds	**2,118**	4,721
	32,751	33,033

8. LOSS BEFORE TAX

	2018	2017
	RMB'000	*RMB'000*
Staff costs:		
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**66,479**	61,163
Retirement benefit schemes contributions	**6,922**	6,609
	73,401	67,772
Other items:		
Cost of inventories sold	**379,202**	535,593
Depreciation of property, plant and equipment	**16,402**	15,124
Auditor's remuneration		
– Audit service	**1,097**	1,184
– Other service	**–**	–
Amortisation of prepaid lease payments	**60**	60
Amortisation of intangible assets	**5,166**	21,010
Allowance for expected credit loss expenses/impairment loss recognised in respect of financial assets carried at amortised cost	**4,693**	–
Impairment loss on goodwill	**200,609**	–
Loss on disposal of property, plant and equipment	**2,364**	–
Minimum lease payments under operating leases of rented premises	**1,548**	803
Research and development costs	**16,186**	10,806

9. INCOME TAX EXPENSES

	2018	2017
	RMB'000	*RMB'000*
Current tax		
– The PRC Enterprise Income Tax	**7,365**	22,071
– Under provision in prior year	**2,236**	2,553
	9,601	24,624
Deferred tax		
– Current year	**–**	(2,956)
Total income tax recognised in profit or loss	**9,601**	21,668

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

The PRC subsidiary is subject to the PRC Enterprise Income Tax at 25% during the year (2017: 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 2017, HongSheng renewed the qualification of HNTE and entitled to the reduced tax rate of 15% until the year ended 31 December 2019.

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

10. DIVIDENDS

The board of directors does not recommend payment of a final dividend for the years ended 31 December 2018 and 2017.

On 30 June 2017, a special dividend of HK2.0 cents per share with the aggregate amount of approximately RMB20,023,000 (equivalent to approximately HK$23,062,000) was paid.

11. LOSS PER SHARE

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

Basic and diluted loss per share

	2018	2017
	RMB'000	*RMB'000*
Loss attributable to the owners of the Company for the purpose of basic loss per share	**(345,876)**	(50,651)

Number of shares

	2018	2017
	'000	*'000*
Weighted average number of ordinary shares per share	**1,361,651**	1,210,683

Basic loss per share for the years ended 31 December 2018 and 2017 are calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of shares in issue during the year.

For the years ended 31 December 2018 and 2017, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds and the effect of exercise the share options since it would result in an anti-dilutive effect on loss per share.

12. GOODWILL

	RMB'000
Cost	
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018 (Note)	429,857
Accumulated impairment	
At 1 January 2017, 31 December 2017 and 1 January 2018	–
Impairment loss recognised for the year	200,609
At 31 December 2018	200,609
Carrying amount	
At 31 December 2018	**229,248**
At 31 December 2017	429,857

Note: Goodwill amounted to approximately RMB429,857,000 were arisen from the acquisition of Cable King Group during the year ended 31 December 2016 which are allocated to cash generating unit of development, distribution and operation of mobile gaming products business segment ("CGU").

The recoverable amount of Cable King Group as at 31 December 2018 and 2017 has been determined based on value in use calculation. Such calculation is based on 1) profit forecast prepared by Cable King Group's management covering a five year period and 2) a discount rate of 23.94% (2017: 24.24%) per annum which reflects current market assessment of the time value of money and the credit risk specific to the cash-generating unit. The cash flows beyond five year period are extrapolated using a steady 3% (2017: 3%) growth rate. This growth rate is based on the relevant industry growth forecast and does not exceed the long term average growth rate for the relevant industry. Other key assumptions for the value in use calculations are related to the estimation of cash inflows/outflows which include budgeted sales with a compound average growth rate of 3% and stable gross margin, such estimation is based on the CGU's past performance and its management's expectations for the market development.

During the year ended 31 December 2018, the gaming industry in China has been significantly disrupted by a new policy that was implemented in March 2018, resulting in a sudden halt in the licensing of new games. Although the industry regulator re-started issuing game monetisation license ("banhao") approvals in December 2018, the slowdown of approvals delayed the Cable King Group development over gaming industry and the Cable King Group's future development plan. Since there is a sizeable backlog for the banhao applications in the industry, the scheduled game releases will initially be slower than prior years and there is no reliable timetable to estimate the timing for resumption of issuing the banhao as pervious period. As a result of the adverse change above, the management of the Company prepared the forecast based on revenue of the Cable King Group for the year ended 31 December 2018, existing market condition and foreseeable future development of gaming industry. The management believe the forecast reflect their best knowledge of the Cable King Group. Other than the aforesaid revision, key assumptions and valuation method have no material change for the value-in-use calculation at previous valuation. The management believes that any adverse change in any of these assumptions used in calculation of its recoverable amount would result in future losses.

Based on the valuation report issued by an independent professional valuer, the carrying amount of the CGU exceeds its recoverable amount and an impairment loss of approximately of RMB200,609,000 (2017: Nil) was provided during the year.

13. TRADE RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**61,754**	140,539
Less: Allowance for credit losses	**(105)**	–
	61,649	140,539

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

	2018	2017
	RMB'000	*RMB'000*
0 – 30 days	**26,465**	63,933
31 – 60 days	**26,607**	54,834
61 – 90 days	**8,577**	21,772
	61,649	140,539

14. TRADE, BILLS, OTHER PAYABLES AND ACCRUALS

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**31,512**	77,381
Bill payable	**–**	24,000
Accruals	**27,920**	29,928
Other payables	**922**	1,255
	60,354	132,564

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

	2018	2017
	RMB'000	*RMB'000*
0 – 30 days	**15,785**	45,571
31 – 60 days	**15,727**	31,502
61 – 90 days	**–**	308
	31,512	77,381

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

As at 31 December 2018, the bills payable of approximately RMBNil (2017: RMB24,000,000) was pledged by the bank deposits.

15. COMPARATIVES

The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods design, comparative information is not restated.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of Mobile Internet (China) Holdings Limited (the "Mobile Internet", the "Company"), I would like to present the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2018.

In 2018, both our packaging and mobile gaming businesses faced a business environment that was unprecedentedly challenging. With our packaging business, competition intensified after the U.S. levied tariffs on China as part of the ongoing US-China Trade War, causing many export-oriented packaging peers to shift their focus from export to domestic markets. Additionally, continuously rising raw material prices caused us to choose between squeezing our margins and losing sales orders. With our mobile gaming business, in 2017 the Chinese government started to assert its control over the gaming market by requiring all publishers to obtain approval from the State Administration of Press, Publication, Radio Film and Television and the Ministry of Culture & Tourism before publishing games in China. Beginning in March 2018, the Chinese government halted the licensing of new games due to concerns over violent games and gaming addiction among minors. This sudden halt in licensing for new game directly affected us, as we were unable to release our new games we had expected to drive growth during the year. As a result, the financial performance of the Group's different business segments was adversely affected.

Overall, 2018 was a difficult period. Our Group's total revenue for the year ended 31 December 2018 was RMB690.8 million, a decrease of 32.3% year on year. The decrease was mainly due to the plunge in revenue in both our packaging and mobile gaming businesses. Our mobile gaming business revenue shrunk to RMB235.4 million, and revenue from our packaging business shrunk to RMB455.4 million. The Group's net loss attributable to owners of the Company for the year was RMB345.9 million as compared to a net loss of RMB50.7 million for the previous year.

In 2018, the Group spent more than RMB94.8 million on acquisition and installation of new printing production lines and technology upgrades for one of our existing production lines. Part of this expenditure always went to installing new environmental protection facilities to comply with stringent environmental requirements. We are pleased to report that our production facilities are now up to national standards, and our exhaust and sewage are now properly treated.

Looking ahead, the Group remains cautiously optimistic for 2019. The global economy is expected to see mild growth, and the Chinese government is likely to launch economic easing measures that should help drive consumption. However, whether the US-China Trade War will have any further impact on the Chinese economy and packaging market pricing trends remains to be seen. Additionally, the licensing of new game resumed at end of 2018. However, approvals have been gradual, with a fraction of the number of new games being approved as compared to the large number of pending applications. In order to avoid becoming overly dependent on one market, we will explore opportunities to penetrate new overseas markets in Southeast Asia by introducing our existing and new games to overseas players, and providing them with a unique game-playing experience.

The Group will continue to seek business opportunities to diversify our business and allow us to achieve more stable long-term growth, a healthy balance sheet, and satisfactory returns.

I would like to take this opportunity to express my sincere gratitude to all fellow directors, management, and our staff for their dedication and contribution to our Group's development. I would also like to thank all our shareholders for their trust and continuous support over a challenging 2018. We remain committed to optimizing our business to generate strong returns for our shareholders.

BUSINESS REVIEW

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

Mobile gaming business

During the year, the gaming industry in China has been significantly disrupted by a new policy that was implemented in March, resulting in a sudden halt in the licensing of new games. This is mainly based on the government concerns about the children health and safety – in particular, concerns over violent games and gaming addiction among minors and also reducing the risk of myopia for children. The government is asserting its control over the thriving Chinese gaming market which indicated that, in general, fewer new games will be licensed in the future and children's daily playtime may be restricted. Not until late of December has the licensing of new game resumed. The unexpected licensing freeze has impacted the mobile gaming market more than other segments as it is more dependent on a steady stream of new titles. As a result, without the release of new game, the revenue decrease sharply as compared to previous year. This has posed unprecedented challenges for the Group's mobile gaming business.

Despite the headwind, Cable King Group has continued to develop new games based on its strong technical and game development teams. During the year, it has officially launched a new mobile game, namely, Hammer of Odin (奧丁之錘) in January 2018 before the halting of licensing. In May 2018, it also launched a HTML5 game, namely, Myth (天旗) in trail mode due to the pending of licensing from the State Administration of Press, Publication, Radio Film and Television of the PRC. It is subject to the approval of the industry regulator before it can be officially launched. The revenue from mobile gaming segment was approximately RMB235.4 million, representing approximately 34.1% of the total revenue of the Group. The decrease in revenue was mainly attributable to (i) the shrinking of contribution from three old games, namely, legend of the Journey to the West (大聖傳説), Heroes of the Imperial Empire (帝國英雄) and Legend of the Reign of the Assassins (劍雨傳説) and (ii) only one new game, namely, Hammer of Odin (奧丁之鋒) was officially launched during the year.

Packaging business

With the effects of the intense tariffs levied upon China from the recent US-China Trade War, China's export volume has fallen sharply during the year. This has caused pressure to our export-oriented packaging peers over their idle capacity released from the decrease in export goods. As a result, they intensified the already competitive domestic-oriented packaging industry during the year.

On the other hand, the Chinese government continued to promote economic and environmental development reforms and strictly implemented environmental protection regulations. It has strengthen control over the reduction in volume of imported waste paper and strictly implement environmental protection regulations in the domestic paper industry by aggressive removal of the outdated production capacities. This has led to a tightening supply of imported waste paper and domestic produced paper. As a result, occasional under-supply in the market has caused the average price of raw paper remained high during the year. In face of such soaring raw material cost and intense competition, the Group recorded sales volume of packaging products of approximately 110.4 million square meters, representing a year on year decline of 39.4%. The Group's revenue from packaging segment has declined by 32.9% with the gross profit margin dropped 4.4% to 16.7% as compared to last year.

In 2018, the Group spent more than RMB94.8 million on acquisition and installation of three new printing production lines and technological improvements for one of our existing production lines. New environmental protection facilities were installed as well to comply with the stringent environmental policy. Our production facilities are now up to national standards, and our exhaust gas and sewage are now properly treated, guaranteeing the quality of our environmental control measures.

FINANCIAL REVIEW

The revenue for the year ended 31 December 2018 was approximately RMB690.8 million, representing a decrease of approximately RMB329.2 million or approximately 32.3% as compared to that of approximately RMB1,020.0 million in 2017. The decrease in revenue was attributable to (i) revenue from our packaging segment deteriorated due to the challenging business environment encountered in the packaging business. The sales volume of packaging products plunge sharply from approximately 182.1 million square meters in 2017 to approximately 110.4 million square meters in 2018; and (ii) revenue from our mobile gaming segment has shrunk due to the pending of our release of new games caused by the freezing approvals and banning titles by the industry regulator during the year.

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

Revenue by products

	2018		2017	
	RMB'000	***% of Total***	*RMB'000*	*% of Total*
Flexo-printed cartons	**195,594**	**28.3**	318,154	31.2
Offset-printed cartons				
– Traditional paper-based cartons	**111,316**	**16.1**	169,663	16.6
– Stone-paper based cartons	**148,451**	**21.5**	190,832	18.7
Sub-total	**259,767**	**37.6**	360,495	35.3
Packaging segment	**455,361**	**65.9**	678,649	66.5
Mobile gaming segment	**235,389**	**34.1**	341,363	33.5
Total	**690,750**	**100.0**	1,020,012	100.0

Packaging segment

Flexo-printed cartons

The Group's flexo-printed carton segment targeted food and beverage companies as its main customers. The goal is to provide products of good quality, load capacity and protection capabilities. Revenue from sales of flexo-printed cartons for 2018 was approximately RMB195.6 million (2017: approximately RMB318.2 million), which accounted for 28.3% (2017: approximately 31.2%) of our total revenue. The revenue from flexo-printed cartons decreased sharply due to our increase in average selling price in coping with the surge of paper cost.

Offset-printed cartons

The Group's offset-printed carton segment includes traditional paper based cartons and stone-paper based cartons. Revenue from sales of offset-printed cartons for the year ended 31 December 2018 was approximately RMB259.8 million (2017: approximately RMB360.5 million), which accounted for approximately 37.6% (2017: approximately 35.3%) of our total revenue. The decrease in RMB100.7 million or approximately 27.9% was mainly due to the decrease in sales of both traditional paper-based cartons and stone-paper based cartons resulted from the intense market competition.

Revenue by product categories of our customers (Packaging segment)

	2018		2017	
	RMB'000	*%*	*RMB'000*	*%*
Food and beverage	**140,810**	**30.9**	242,205	35.7
Glass and ceramics articles	**41,870**	**9.2**	75,710	11.2
Metal hardware and chemical products	**52,374**	**11.5**	66,997	9.9
Bamboo articles	**11,996**	**2.6**	13,917	2.0
Department stores	**79,431**	**17.5**	100,647	14.8
Others *(Note)*	**128,880**	**28.3**	179,173	26.4
Total	**455,361**	**100.0**	678,649	100.0

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

The Group's main customers are manufacturers of food and beverage in the PRC. For the year ended 31 December 2018, revenue from food and beverage manufacturers was approximately RMB140.8 million (2017: 242.2 million), representing approximately 30.9% (2017: 35.7%) of the revenue of packaging segment.

Mobile gaming segment

During the year ended 31 December 2018, revenue from mobile gaming segment was approximately RMB235.4 million (2017: RMB341.4 million), accounting for approximately 34.1% of the total revenue (2017: 33.5%). The decrease in revenue contributed by the mobile gaming segment was mainly attributable to (i)the lack of new games launched during the year due to the sudden halt in licensing of new games by the industry regulator; and (ii) the shrinking of contribution from some of the old games.

Revenue by games (Mobile gaming segment)

	2018		2017	
	RMB'000	***%***	*RMB'000*	*%*
Legend of the Journey to the West (大聖傳說)	**14,288**	**6.1**	75,699	22.2
Heroes of the Imperial Empire (帝國英雄)	**3,883**	**1.6**	39,449	11.6
Legend of the Reign of the Assassins (劍雨傳說)	**46,183**	**19.6**	144,168	42.2
Swordsman (七絕)	**69,688**	**29.6**	35,828	10.5
War of Heroes (天天打魔獸)	**55,065**	**23.4**	32,329	9.5
Hammer of Odin (奧丁之錘)	**43,889**	**18.7**	–	–
Others*	**2,393**	**1.0**	13,890	4.0
Total	**235,389**	**100.0**	341,363	100.0

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

	2018		2017	
	RMB'000	***%***	*RMB'000*	*%*
Self-developed games	**177,931**	**75.6**	295,144	86.5
Licensed games	**57,458**	**24.4**	46,219	13.5
Total	**235,389**	**100.0**	341,363	100.0

GROSS PROFIT AND GROSS PROFIT MARGIN

	2018		2017	
		GP margin		*GP margin*
	RMB'000	***(%)***	*RMB'000*	*(%)*
Flexo-printed cartons	**25,878**	**13.2**	50,045	15.7
Offset-printed cartons				
– Traditional paper-based cartons	**15,060**	**13.5**	31,674	18.7
– Stone paper based cartons	**35,221**	**23.7**	61,337	32.1
Sub-total	**50,281**	**19.4**	93,011	25.8
Packaging segment	**76,159**	**16.7**	143,056	21.1
Mobile gaming segment	**89,487**	**38.0**	239,003	70.0
Total	**165,646**	**24.0**	382,059	37.5

The overall gross profit for the Group for the year ended 31 December 2018 was approximately RMB165.6 million, representing a decline in 56.7% or approximately RMB216.5 million as compared to approximately RMB382.1 million in 2017. Overall gross profit margin decreased from approximately 37.5% in 2017 to approximately 24.0% in 2018. The decrease is primarily due to the sharp plunge in gross margin from our mobile gaming segment which contributed to more than half of our overall gross profit.

Gross profit for the flexo-printed cartons segment for the year ended 31 December 2018 was approximately RMB25.9 million, representing a decrease in 48.2% as compared to approximately RMB50.0 million in 2017. Gross profit margin decreased from 15.7% in 2017 to 13.2% in 2018.

Gross profit for the offset-printed cartons segment for the year ended 31 December 2018 was approximately RMB50.3 million, representing a decrease in 45.9% as compared to approximately RMB93.0 million in 2017. The gross profit margin of offset-printed cartons decreased to 19.4% in 2018 from 25.8% in 2017.

The gross profit from our mobile gaming segment for the year ended 31 December 2018 was approximately RMB89.5 million, representing a decline in approximately 62.6% as compared to approximately RMB239.0 million in 2017. The gross profit margin decreased to approximately 38.0% for the year ended 31 December 2018 from approximately 70.0% in 2017. The deterioration in gross profit was mainly attributable to the increase in game development cost.

OTHER REVENUE AND INCOME

Other revenue and income of the Group decreased by 58.3% or approximately RMB7 million from approximately RMB12.0 million in 2017 to approximately RMB5.0 million in 2018. The decrease was mainly attributable to the reduction in government subsidy granted for the development of software and information service during the year.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses of the Group decreased by 1.8% or approximately RMB3.1 million, from approximately RMB175.7 million in 2017 to approximately RMB172.6 million in 2018. The decrease was mainly due to the reduction in the marketing activities in promoting our mobile games.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group increased by 67.7% or approximately RMB35.0 million from approximately RMB51.7 million in 2017 to approximately RMB86.7 million in 2018. The increase was primarily due to the increase in research and development cost in developing mobile games, credit loss expense, loss on disposal of equipment and increase in staff cost.

CHANGE IN FAIR VALUE OF CONTINGENT CONSIDERATION PAYABLE

The change in fair value of contingent consideration payable for the year ended 31 December 2017 was arisen from settlement of contingent consideration payable by way of issue of the Promissory Note 4 and issued of 128,571,429 ordinary shares at issue price of HK$1.99 each.

IMPAIRMENT OF GOODWILL

The Group has recognised impairment loss on goodwill of Cable King Group of approximately RMB200.6 million for the year ended 31 December 2018. During the year ended 31 December 2018, the Cable King Group's net profit was not in line with previous expectation mainly due to (1) underperformance of existing games; (2) delay in launching of new games due to the sudden halt in the licensing of new games by the industry regulator; (3) increase in game development cost other than expectation.

Value-in-use Approach

The value-in-use ("VIU") method of discounted cash flow was adopted for the calculation of the recoverable amount of the Cable King Group cash-generating unit ("CGU"). In accordance with Hong Kong Accounting Standard 36 Impairment of Assets, a CGU to which goodwill has been allocated shall be tested for impairment annually, and whenever there is an indication that the CGU may be impaired, by comparing its carrying amount, including the goodwill, with its recoverable amount (i.e. the higher of the VIU or the fair value less costs of disposal). The basis of fair value less costs of disposal was not adopted because there is no reasonable basis for making a reliable estimate of the price at which an orderly transaction to sell the CGU would take place between market participants at the measurement date under the then prevailing market condition. In addition, costs of disposal of the CGU may vary on a case-by-case basis and such information could not be easily measured. As such, VIU was used as the recoverable amount of the CGU. Such calculation is based on (i) profit forecast prepared by Cable King Group's management covering a five year period and (ii) a discount rate of 23.94% per annum which reflects current market assessment of the time value of money and the credit risk specific to the CGU. Profit forecast was prepared based on budgeted income and budgeted cost of sales during the budgeted period. Budgeted gross margins were determined based on management's expectation for future market development and past experience, and the management believes the forecast reflects their best knowledge of the Cable King Group. The VIU method of discounted cash flow has been consistently applied in the valuation on the CGU since 2016. The Group engaged the external professional independent valuers to perform the valuations of the CGU of the Cable King Group as at 31 December 2018 and 2017.

Details of the Value of the Inputs and Key Assumptions

The key assumptions used in the VIU calculations are those regarding the discount rates, budgeted income during the period and growth rates.

The Weighted Average Cost of Capital ("WACC") was adopted as the discount rate for the valuation. The WACC comprises two components: the cost of equity and the cost of debt. The cost of equity of 24.95% was estimated by the Capital Asset Pricing Model, with consideration of company-specific risk premium of 8.00% which represented the premium for additional risks associated with the operation of CGU and a size premium of 5.37% which considered the small size of CGU. The post-tax cost of debt of 3.56% was determined by the expected borrowing rate of CGU in the PRC, with a tax rate of 25%. The capital structure of the market comparable companies was also taken into account in determining the WACC. The weight of debt of 4.75% was determined by the average of the weights of debt of the comparable companies assuming that the weight of debt of CGU moves toward that of the average of the comparable companies over time. Accordingly, the weight of equity of 95.25% was adopted. As a result, the discount rate of CGU was calculated as 23.94%, which was similar to 24.24% which was adopted in 2018.

The growth rate used to extrapolate the cash flows of the relevant games beyond the five year periods was 3% which was the same as that previously adopted. This growth rate is based on the relevant industry growth forecast and does not exceed the long term average growth rate for the relevant industry. There were no significant changes in the value of the inputs and assumptions adopted in the preparation of the projected cash flows in 2019 as compared with those adopted in 2018, except for the estimate of budgeted income and the adoption of cost control policy in promoting activities. Due to the uncertainty in the pace of new games being approved by the industry regulator, the management of the Group revised the expected launch time and projected income of the new games in a more prudent manner which resulted in the decrease in the recoverable amount of the Cable King Group CGU. As a result, the total projected revenue in 2019 of RMB239.4 million was lower than the projected revenue of RMB582.4 million in 2018.

FINANCE COSTS

Finance costs of the Group remained stable at approximately RMB32.8 million in 2018 as compared to approximately RMB33.0 million in 2017.

INCOME TAX EXPENSES

Income tax expenses of the Group decreased by 55.8% or approximately RMB12.1 million from approximately RMB21.7 million in 2017 to approximately RMB9.6 million in 2018. The decrease was consistent to the decrease in taxable profit. Both of our packaging and mobile gaming segment were qualified as High and New Technology Enterprises and entitled to a preferential income tax rate of 15%.

LOSS FOR THE YEAR

As a combined result of the factors discussed above, the Group's net loss for 2018 was approximately RMB345.9 million as compared to a net loss of approximately RMB50.7 million for the previous year.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operation with internal resources, borrowings, promissory notes and convertible bonds. As at 31 December 2018, cash and bank balances amounted to approximately RMB268.3 million (2017: RMB463.9 million), primarily denominated in Renminbi and Hong Kong Dollars. The Group's total borrowings amounted to approximately RMB359.4 million (2017: RMB364.1 million). As at 31 December 2018, 14.2% (2017: 14.6%) of the total borrowings were denominated in Renminbi and 85.8% (2017:85.4%) of the total borrowings were denominated in Hong Kong Dollars. The Group's gearing ratio is calculated as total borrowings, which is the summation of bank borrowings, promissory note and convertible bonds, divided by total equity. The gearing ratio of the Group as at 31 December 2018 and 2017 were 75.0% and 45.8% respectively.

On 14 May 2018, HK$8,333,333 of Bonds 1 was converted to 9,803,922 shares at a conversion price of HK$0.85 per share.

On 20 May 2018, the Promissory Note and Convertible Bonds ("Note and Bonds 2") issued on 20 May 2016 with principal amount of HK$120,000,000 and remaining amount of HK$6,666,667, respectively were extended for one year. The Note and Bonds 2 may be redeemed anytime at the option of the Group. The Note and Bonds 2 bear a fixed coupon interest rate at 7.5% per annum payable semi-annually.

On 19 June 2018, HK$40,000,000 of the Promissory Note ("Note 1") issued on 19 June 2015 was repaid and the Company entered into supplementary deeds with the noteholder and the noteholder agreed to extend the maturity date of the remaining HK$40,000,000 to 20 May 2019 and the fixed coupon interest rate amended to 8.5% per annum payable semi-annually.

INVENTORIES

As at 31 December 2018, inventories amounted to approximately RMB42.3 million (2017: RMB30.0 million). The number of inventory turnover days was approximately 35 days (2017: 20 days).

TRADE RECEIVABLES

As at 31 December 2018, trade receivables amounted to approximately RMB61.6 million (2017: RMB140.5 million). The Group granted customers from our packaging segment a credit period of 30 to 90 days following the day of delivery. The number of turnover days for trade receivables was approximately 53 days (2017: 53 days).

TRADE PAYABLES

As at 31 December 2018, trade payables amounted to approximately RMB31.5 million (2017: RMB77.4 million). The Group managed to obtain a credit period of an average of approximately 60 days from the majority of its suppliers. The turnover day for trade payables was approximately 38 days (2017:45 days).

EXCHANGE RISK EXPOSURE

The Group mainly operates in the PRC while most of its operating transactions are settled in RMB. Most of its assets and liabilities are denominated in RMB. Although the Group may be exposed to foreign currency exchange risks, the Board does not expect future currency fluctuations to materially impact the Group's operations. The Group did not adopt formal hedging policies and no instruments have been applied for foreign currency hedging purposes during the year ended 31 December 2018.

CAPITAL COMMITMENTS

As at 31 December 2018, the Group's capital commitments were approximately RMB60.0 million (2017: RMB60.0 million). The capital commitments were mainly related to capital contribution payable to a subsidiary.

CONTINGENT CONSIDERATION AND LIABILITIES

As at 31 December 2018, the Group did not have any material contingent liabilities or guarantees.

PLEDGE OF ASSETS

As at 31 December 2018, the Group pledged certain assets with a carrying value of approximately RMB87.3 million (2017: RMB98.3 million) as collateral for the Group's bills payable and bank borrowings.

INFORMATION ON EMPLOYEES

As at 31 December 2018, the Group had a total of 729 full time employees, including the Executive Directors (2017: 726). Total staff costs (including Directors' emoluments) were approximately RMB73.4 million, as compared to approximately RMB67.8 million for the year ended 31 December 2017.

The Group remunerates its employees based on their performance, experience and prevailing industry practice. Competitive remuneration package is offered to retain elite employees. The package includes salaries, medical insurance, discretionary bonuses, other benefits as well as mandatory provident fund schemes for employees in Hong Kong and state-managed retirement benefit schemes for employees in the PRC.

OUTLOOK

Mobile gaming segment

Looking forward, the Group maintains a cautiously optimistic view towards the outlook of China mobile gaming market for 2019. New game licensing in China resumed at end of 2018, although China has issued a restricted policy in the gaming sector. In this more favorable environment, we will continue to enhance our product technologies, deepen our market research, and enrich the graphics, design, and content of our self-developed games. The Group will also explore the opportunity of providing new game-playing experiences to overseas markets, especially in Southeast Asia.

Packaging segment

The US-China Trade War has created an extremely challenging business environment for the Group's packaging businesses. Despite this, the Group holds an optimistic view on the high-end packaging market, which has higher technical standards. We believe demand will remain strong in this segment. However, to continue to satisfy the ever-changing market requirements and needs of customers, the Group will also invest in upgrading production facilities to enhance product quality and production efficiency.

Looking ahead, the Group will continue to explore new market opportunities and while strengthening our existing business.

SHARE OPTION SCHEME

The Company adopted a share option scheme pursuant to a shareholder's resolution passed on 13 December 2013 (the "Share Option Scheme") as incentives or rewards to eligible participants who means full-time or part-time employees of our Company or members of our Group, including Executive Directors, Non-executive Directors and Independent Non-executive Directors, advisors, consultants of our Group. The Share Option Scheme constitutes a share option scheme governed by Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Share Option Scheme is valid and effective during the period commencing on 13 January 2014 and ending on 12 January 2024, being the date falling 10 years from the date on which the Share Option Scheme becomes unconditional.

At 31 December 2018, the number of shares in respect of which had been granted and remained outstanding under the Share Option Scheme was nil (2017: 40,000,000).

The following table disclosed movements in the Company's share options granted under the Share Option Scheme during the year ended 31 December 2018:

Name and Category of grantees	Date of grant *(dd/mm/yy)*	Exercisable period *(dd/mm/yy)*	Exercise price per share *HK$*	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Outstanding at end of the year
Employees	24/04/15	24/04/15 to 23/04/18	1.09	20,000,000	–	20,000,000	–	–
	24/04/15	24/04/16 to 23/04/18	1.09	20,000,000	–	20,000,000	–	–
				40,000,000	–	40,000,000	–	–

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

CORPORATE GOVERNANCE

The Company has adopted the Code Provisions in the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Board confirms that, save as disclosed below, the Company has complied with the CG Code throughout the year ended 31 December 2018.

CG CODE PROVISION A.2.1

The Company is aware of the requirement under paragraph A.2.1 of the CG Code that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Company does not have any officer with the title of "chief executive officer". Mr. Chen 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.

The Board shall nevertheless review the structure from time to time to ensure appropriate move is being taken should suitable circumstance arise.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions. Having made specific enquiries, all the Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2018.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the consolidated financial statements for the year ended 31 December 2018, including the accounting principles and practices adopted by the Company and the Group.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 28 May 2019 to Friday, 31 May 2019, both days inclusive, during which no transfer of Shares will be registered. In order to determine the eligibility of shareholders to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Monday, 27 May 2019.

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

The results announcement is required to be published on the websites of the Stock Exchange at www.hkexnews.hk under "Latest Listed Company Information" and the designated website of the Company at http://www.hs-pack.com. The annual report of the Company for the year ended 31 December 2018 will be dispatched to the shareholders and published on the Stock Exchange's and the Company's websites in due course.

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

Jiangxi Province, the PRC, 29 March 2019

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