

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

2023



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

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Hong Cai (*Chairman*) (Retired on 10 February 2023)
Mr. Muk Hung Fei (*Chairman*)
Mr. Lau Yiu Ting (Appointed on 10 February 2023)
Ms. Fang Wenhui (Appointed on 20 March 2023)
Mr. Chan Wai Kit (Appointed on 20 March 2023)
Mr. Wu Aiguo (Appointed on 1 December 2022 and resigned on 10 February 2023)
Mr. Wang Yun Fang (Resigned on 10 February 2023)

Independent Non-executive Directors

Mr. So Chi Ming
Mr. Wang Chen Guang (Resigned on 10 February 2023)
Mr. Chau Wing Nam (Appointed on 10 February 2023)
Mr. He Dingding (Appointed on 20 March 2023)
Mr. Cho Yu Kwan Stephen (Resigned on 10 February 2023)

BOARD COMMITTEES

Audit Committee

Mr. So Chi Ming (*Chairman*)
Ms. Fang Wenhui (Appointed on 10 February 2023)
Mr. Chau Wing Nam (Appointed on 10 February 2023)
Mr. Wang Chen Guang (Resigned on 10 February 2023)
Mr. Cho Yu Kwan Stephen (Resigned on 10 February 2023)

Remuneration Committee

Mr. Wang Chen Guang (*Chairman*) (Retired on 10 February 2023)
Ms. Fang Wenhui (*Chairman*) (Appointed on 10 February 2023)
Mr. Lau Yiu Ting (Appointed on 10 February 2023)
Mr. So Chi Ming
Mr. Cho Yu Kwan Stephen (Resigned on 10 February 2023)

Nomination Committee

Mr. Chen Hong Cai (*Chairman*) (Retired on 10 February 2023)
Mr. Muk Hung Fei (*Chairman*) (Appointed on 10 February 2023)
Ms. Fang Wenhui (Appointed on 10 February 2023)
Mr. So Chi Ming
Mr. Wang Chen Guang (Resigned on 10 February 2023)

COMPANY SECRETARY

Mr. Cheung Tin Long

AUTHORISED REPRESENTATIVES

Mr. Cheung Tin Long
Mr. Muk Hung Fei

AUDITORS

Appointed on 5 May 2023:
McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountant

Resigned on 5 May 2023:
HLB Hodgson Impey Cheng Limited
Certified Public Accountants

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Hong Sheng Industrial Park
Fengxin Industrial Zone
Yichun City, Jiangxi Province
The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 64, 1/F, Houston Centre,
63 Mody Road, Tsim Sha Tsui East,
Kowloon, Hong Kong

STOCK CODE

01439

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

COMPANY'S WEBSITE

www.hs-packhk.com

Management Discussion and Analysis

BUSINESS REVIEW

The Group is currently engaging in two major business segments: (i) packaging segment (sales of original equipment manufacturer (OEM) packaging products and provision of packaging services); and (ii) IT solution segment (mobile game and shared massage chair). The Group intends to continue on the existing packaging business. On the other hand, the Group has decided to further develop the IT solution segment by engaging in the shared massage chair business in the People's Republic of China (the "PRC").

Packaging segment

Sales of original equipment manufacturer ("OEM") packaging products

On 16 May 2023, the Jiangxi Bank and China Construction Bank individually applied to the district court for an enforcement order on HongSheng (Jiangxi) Color Printing Packaging Co., Ltd (鴻聖(江西)彩印包裝實業有限公司), a wholly-owned subsidiary of the Group for an aggregated overdue amount of approximately RMB44 million. Also, the subsidiary was indebted to its former employees of approximately RMB1.8 million. Hence, the Group's packaging business in the Jiangxi Province was suspended.

Since a new management team has assumed control over the Group in early 2023, potential business opportunities have been identified in Hong Kong in September 2023. Mobile Internet Packaging Limited (移動互聯包裝有限公司), a wholly-owned subsidiary of the Group in Hong Kong has entered into an entrusted operation and management agreement (the "Packaging Entrusted Agreement") with Good View Development Group Limited ("Good View") for a period of four years commenced on 9 January 2024 till 8 January 2028. With the provision of manufacturing factory site, production line, machineries, labour and warehouse by Good View, the subsidiary will be responsible for the management, maintenance and development of the existing customer resources of Good View, daily operation of the factory, market research, planning and formulation of promotion campaigns and financial planning during the four-years business operation of the factory. The Group is expected to generate revenue from the Packaging Entrusted Agreement in early 2024.

Provision of packaging services

In addition to the sales of packaging products in the newly developed market since September 2023, the management team has further expanded the packaging business by providing tailor-made packaging services to its current and potential customers. In January 2024, the Group entered into three agreements with three Hong Kong Companies with the expected revenue of not less than HKD4.6 million. Thus, the Group is expected to generate revenue from such expansion in packaging business in early 2024.

As a result, the packaging segment revenue is nil for the six months ended June 2023.

IT solution segment

Mobile game business

The mobile game industry in the PRC is highly competitive, and more rules and restrictions have imposed by the Chinese government. Thus, the Group intended to diminish its resources on mobile game business.

Management Discussion and Analysis

Provision of IT solution services

With the appointment of a new management team in 2023, the Group has explored other potential business opportunities in the IT-related market. By leveraging the Group's professional knowledge and resources on mobile game applications to commercial mobile applications, it is expected to diversify its business and hence generate profit. Indeed, the Group has engaged with 廣東索弗健康科技集團有限公司 (Guangdong SOFO Health Technology Group Limited) ("SOFO Health"), a company specialized in the provision of shared massage chairs in airports and train stations in the PRC, in 2023. According to the signed cooperation agreement, the Group will be responsible for the management, maintenance and provision of IT solution services to SOFO Health regarding its mobile application. As SOFO Health has signed a strategic contract with Guangzhou Baiyun International Airport on 19 December 2023 and has engaged with Fuzhou Changle International Airport on 5 December 2023 on the provision of shared massage chairs with the help of our management team, it is expected that the Group will begin to generate revenue from IT solution segment in early 2024.

As a result, the IT solution segment revenue is nil for the six months ended June 2023.

FINANCIAL REVIEW

During the period under review, the revenue of the Group was RMB0 (six months ended 30 June 2022: approximately RMB4,084,000), representing a decrease of approximately RMB4,084,000 or approximately 100.0% as compared to the last corresponding period. This decrease was primarily due to the packaging business in the Jiangxi Province was suspended during the reporting period.

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

Revenue by products

	Six months ended 30 June			
	2023		2022	
	RMB'000	% of Total	RMB'000	% of Total
Flexo-printed cartons	–	–	1,405	34.4
Offset-printed cartons				
– Traditional paper-based cartons	–	–	1,436	35.2
– Stone paper-based cartons	–	–	1,243	30.4
Sub-total	–	–	2,679	65.6
Packaging segment	–	–	4,084	100.0
IT solution segment	–	–	–	–
Total	–	–	4,084	100.0

Management Discussion and Analysis

Packaging segment

During the period under review, our revenue from sales of flexo-printed cartons was RMB0 (six months ended 30 June 2022: approximately RMB1,405,000), accounted for approximately 0.0% (six months ended 30 June 2022: approximately 34.4%) of our total revenue. Our revenue from sales of offset-printed cartons was RMB0 (six months ended 30 June 2022: approximately RMB2,679,000), accounted for approximately 0.0% (six months ended 30 June 2022: approximately 65.6%) of our total revenue.

Revenue by product categories of our customers (Packaging segment)

	Six months ended 30 June			
	2023		2022	
	RMB'000	%	RMB'000	%
Food and beverage	–	–	2,842	69.6
Others	–	–	1,242	30.4
Packaging segment total	–	–	4,084	100.0

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

The Group's major customers are manufacturers of food and beverage in the PRC. During the period under review, revenue from food and beverage manufacturers was RMB0 (six months ended 30 June 2022: approximately RMB2,842,000), represented 0.0% (six months ended 30 June 2022: approximately 69.6%) of the revenue from the packaging segment.

IT solution segment

Mobile game business

During the period under review, no revenue has been generated from mobile game business (six months ended 30 June 2022: RMB0).

Management Discussion and Analysis

Gross profit and gross profit margin

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

	Six months ended 30 June			
	2023		2022	
	RMB'000	GP margin (%)	RMB'000	GP margin (%)
Flexo-printed cartons	–	–	96	6.8
Offset-printed cartons				
– Traditional paper-based cartons	–	–	138	9.6
– Stone paper-based cartons	–	–	133	10.7
Sub-total	–	–	271	10.1
Packaging segment	–	–	367	9.0
IT solution segment	–	–	–	–
Total	–	–	367	9.0

The overall gross profit of the Group for the period under review was RMB0, representing a plunge of 100.0% as compared to approximately RMB367,000 for the last corresponding period. The overall gross profit margin decreased from approximately 9.0% for the last corresponding period to 0.0% for the period under review due to the packaging business in the Jiangxi Province was suspended.

The gross profit from packaging segment for the period under review was RMB0, represented a plunge of 100.0% as compared to approximately RMB367,000 for the last corresponding period due to the packaging business in the Jiangxi Province was suspended. The gross profit margin plunged to 0.0% from approximately 9.0% for the last corresponding period.

Other revenue

During the period under review, other revenue of the Group was RMB0, represented a decrease of approximately 100.0% or approximately RMB224,000 as compared to approximately RMB224,000 for the last corresponding period. The decrease was mainly due to no revenue generated from sales of waste paper and no rental income has incurred.

Selling and distribution expenses

During the period under review, selling and distribution expenses of the Group was RMB0, represented a decrease by approximately 100.0% or approximately RMB4,780,000 as compared to approximately RMB4,780,000 for the last corresponding period. The decrease was mainly due to the suspension of the packaging business in the Jiangxi Province.

Management Discussion and Analysis

Administrative expenses

During the period under review, administrative expenses of the Group was approximately RMB5,681,000, represented a decrease by approximately 53.5% or approximately RMB6,528,000 as compared to approximately RMB12,209,000 for the last corresponding period. The decrease was mainly due to the decrease in staff expenditures as a result of the suspension of business.

Finance costs

Finance costs of the Group decreased to approximately RMB7,871,000 for the period under review as compared to approximately RMB48,874,000 for the last corresponding period, represented a decrease of approximately RMB41,003,000. Promissory Note 1, Promissory Note 2 and Convertible Bond 2 with outstanding principal amount of approximately HK\$40,000,000, HK\$120,000,000 and HK\$6,667,000, respectively, matured on 19 May 2019. In accordance with the agreements thereof, default interest will be accrued on the outstanding principal such that the total payable by the Company shall be the sum of the outstanding principal and such amount as would result in an internal rate of return of 22% per annum on the outstanding principal. The Group's finance costs decreased for the period under review primarily due to the decrease in the loan interest calculated and accrued as a result of decrease in the loan principal.

Income tax expenses

During the period under review, the income tax expenses of the Group was RMB0, same as the last corresponding period. Both of the packaging and IT solution segments were qualified as High and New Technology Enterprises and entitled to a reduced enterprise income tax rate of 15%.

Loss for the period

As a combined result of the factors discussed above, the Group's net loss for the period under review was approximately RMB13,552,000 as compared to a net loss of approximately RMB46,214,000 for the last corresponding period.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operation with internal resources and borrowings. As at 30 June 2023, cash and bank balances amounted to approximately RMB2,000 (31 December 2022: approximately RMB2,000), primarily denominated in Renminbi and Hong Kong Dollars. The Group's total borrowings as at 30 June 2023 amounted to approximately RMB304,177,000 (31 December 2022: approximately RMB293,841,000). As at 30 June 2023, 15.4% (31 December 2022: 15.9%) of the total borrowings were denominated in Renminbi and 84.6% (31 December 2022: 84.1%) of the total borrowings were denominated in Hong Kong Dollars. As the Group recorded net deficit as at 30 June 2023, the Group's gearing ratio calculated as total borrowings divided by total equity is not available (31 December 2022: not available).

Promissory Note 1, 2 and Convertible Bond 2 with outstanding principal amount of HK\$40,000,000, HK\$120,000,000 and HK\$6,666,667, respectively, matured on 19 May 2019 without redemption, default and were reallocated to borrowings. The Company has entered into a confirmation deed (the "Confirmation Deed") on 25 August 2023 with the creditor to (i) extend the repayment dates of the Debts to 31 December 2024; and (ii) waive all interest accrued and to be accrued on the outstanding amount of the Debts since 1 January 2023 up to the Extended Repayment Date.

Management Discussion and Analysis

On 2 June 2022, the holder of Promissory Note 3 with outstanding principal amount of HK\$50,000,000 extended the mature date to 6 June 2024.

As at 30 June 2023, the Group had net current liabilities of approximately RMB749,788,000 (31 December 2022: net current liabilities of approximately RMB713,490,000). The Directors have given careful consideration on future liquidity and financial position of the Group and its available sources of financing in assessing whether the Group will be able to repay the outstanding borrowings and meet its future finance requirements. Certain measures have been and will be taken to manage its liquidity needs and to improve its financial position which include, but not limited to the followings:

- (i) The Group is taking measures to tighten cost control with an aim to attain positive cash flow from operations;
- (ii) The Group is in the process of negotiation with its creditors to restructure and/or refinance its borrowings and secure necessary facilities to meet the Group's working capital and financial requirements in the near future;
- (iii) The Group is negotiating with the banks to reach a settlement for the existing bank borrowings;
- (iv) The Directors are considering various alternatives to strengthen the capital base of the Company including but not limited to, seeking new investment and business opportunities, private placements, open offers or rights issue of new shares of the Company;
- (v) The Group is currently re-negotiating the repayment schedules with certain debtors and endeavouring to request them to repay the trade receivables in accordance with the repayment schedules as agreed with them.

Despite the existence of such uncertainties, the Board is of the view that it is appropriate to prepare the consolidated financial statements on a going concern basis and that each of the Group's operating subsidiaries has adequate resources to continue in operational existence.

INVENTORIES

As at 30 June 2023, the inventories amounted to approximately RMB995,000 (31 December 2022: approximately RMB995,000).

TRADE RECEIVABLES

As at 30 June 2023, the trade receivables amounted to approximately RMB435,000 (31 December 2022: approximately RMB435,000).

TRADE PAYABLES

As at 30 June 2023, the trade payables amounted to approximately RMB749,000 (31 December 2022: approximately RMB749,000).

Management Discussion and Analysis

OUTLOOK

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

For the packaging business, the Group will continue to strategically focus on market opportunities in its high-end packaging segment, which requires higher technical standards and expects higher margin in return. The Group will also continue its efforts on the provision of value-added services, such as structural design and logistics management, with a view to enhance its market position. For the IT solution segment, the Group will minimise the resources allocated on the development of mobile games and focus on the provision of IT solution services to SOFO Health, and to explore more potential industry to diversify the risk of such segment. The Group will devote efforts to create new business opportunities and further broaden revenue.

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

EMPLOYEES

As at 30 June 2023, the Group had 8 full-time employees in total (31 December 2022: 96). The Group remunerates its employees based on their performance, experience and prevailing industry practice. Competitive remuneration package is offered to retain elite employees, which 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.

EXCHANGE RISK EXPOSURE

As the Group's principal place of business is in the PRC, most of its operating transactions were settled in RMB and 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 currency hedging policies and no instruments have been applied for foreign currency hedging purposes during the period under review.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil) to the shareholders.

CAPITAL COMMITMENT

As at 30 June 2023, the Group's capital commitment was approximately RMB60,000,000 (31 December 2022: approximately RMB60,000,000), which was mainly related to capital contribution payable to a subsidiary.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any material contingent liabilities or guarantees.



Management Discussion and Analysis

PLEDGE OF ASSETS

As at 30 June 2023, the Group pledged certain assets with a carrying value of approximately RMB36,894,000 (31 December 2022: approximately RMB38,616,000) as collateral for the Group's bank borrowings.

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

The Group did not have any significant investments, material acquisition or disposal of subsidiaries or associates during the six months ended 30 June 2023.

Other Information

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

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

As at 30 June 2023, none of the Directors and chief executives or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO), which were (a) required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; (c) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

At no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or the chief executives or their spouses or children under 18 years of age to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

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

As at 30 June 2023, so far as is known to the Directors, the following persons/entities, not being a Director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in shares of the Company

Name of shareholder	Capacity	Number of Shares held	Approximate percentage of shareholding (note 1)
Wealthy Achievers Limited	Beneficial owner	156,477,143	11.36%
Mr. Peng Dongmiao	Interest of a controlled corporation	156,477,143	11.36%
Mr. Cheuk Kwong Hau Thomax	Beneficial owner	145,490,000	10.56%

Notes:

1. The total number of shares in issue (1,377,497,662 shares) as at 30 June 2023 was used in the calculation of the approximate percentage.
2. Wealthy Achievers Limited is incorporated in the BVI and the entire issued share capital is beneficially owned by Mr. Peng Dongmiao. Mr. Peng, being the controlling shareholder, is deemed to be interested in all the Shares owned by Wealthy Achievers Limited under the SFO.

Other Information

CORPORATE GOVERNANCE

The Company has adopted the Code Provisions in the Corporate Governance Code (“CG Code”) as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Board confirms that, save as disclosed below, the Company has complied with the CG Code throughout the six months ended 30 June 2023.

The Company was 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 separately have any officer with the title of “chief executive officer”. Mr. Muk Hung Fei, the Chairman of the Group, is responsible for leading the Board and ensuring smooth and effective operation of the Board in a conducive manner. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective Executive Directors and senior management, who are in charge of different functions, complement the role of the Chairman. The Board is of the view that this structure provides the Group with strong and consistent leadership, facilitates effective and efficient planning and implementation of business decisions and strategies, and ensures the generation of shareholders’ benefits.

During the period under review, the composition of the Board fell below the requirements under Rule 3.05, Rule 3.10(1), Rule 3.21 and Rule 3.25 of the Listing Rules. As at the date of this report, the Company has been in compliance with those requirements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

The primary duties of the Audit Committee, among other things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditors, review the financial statements and provide material advice in respect of financial reporting and oversee the internal control procedures of the Company. As at the date of this report, the Audit Committee consists of three Independent Non-executive Directors, namely Mr. So Chi Ming (Chairman), Mr. Chan Wing Nam and Mr. He Dingding.

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2023 have not been audited by the auditor of the Company but have been reviewed by the Audit Committee. The Audit Committee is of the view that the interim report for the six months ended 30 June 2023 is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	4	–	4,084
Cost of sales		–	(3,717)
Gross profit		–	367
Other revenue	5	–	224
Reversal of allowance of expected credit loss on trade receivables		–	19,058
Selling and distribution expenses		–	(4,780)
Administrative expenses		(5,681)	(12,209)
(Loss)/gain from operations		(5,681)	2,660
Finance costs	7	(7,871)	(48,874)
Loss before tax	6	(13,552)	(46,214)
Income tax expenses	8	–	–
Loss for the period		(13,552)	(46,214)
Other comprehensive loss for the period, net of tax <i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(28,138)	(10,554)
Other comprehensive loss for the period, net of tax		(28,138)	(10,554)
Total comprehensive loss for the period, net of tax		(41,690)	(56,768)
Loss attributable to owners of the Company		(13,552)	(46,214)
Total comprehensive loss attributable to owners of the Company		(41,690)	(56,768)
Loss per share attributable to owners of the Company			
– Basic (RMB cents)	9	(0.98)	(3.35)
– Diluted (RMB cents)	10	(0.98)	(3.35)

Condensed Consolidated Statement of Financial Position

At 30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Unaudited)
Non-current assets			
Property, plant and equipment	11	41,293	46,656
Right-of-use assets		1,927	1,956
		43,220	48,612
Current assets			
Inventories		995	995
Trade receivables	12	435	435
Prepayments, deposits and other receivables		15,696	15,693
Cash and bank balances		2	2
		17,128	17,125
Current liabilities			
Trade, bills, other payables and accruals	13	462,739	436,774
Borrowings	14	304,177	293,841
		766,916	730,615
Net current liabilities		(749,788)	(713,490)
Total assets less current liabilities		(706,568)	(664,878)
Net liabilities		(706,568)	(664,878)
Capital and reserves			
Share capital	15	11,161	11,161
Reserves		(717,730)	(676,039)
Capital deficiency		(706,568)	(664,878)

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the Company						Total RMB'000
	Share capital RMB'000	Reserves				Accumulated losses RMB'000	
		Share premium RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000		
At 1 January 2022 (Audited)	11,161	611,286	50,473	18,130	27,563	(1,071,081)	(352,468)
Loss for the period	-	-	-	-	-	(46,214)	(46,214)
Other comprehensive loss for the period	-	-	-	-	(10,554)	-	(10,554)
Total comprehensive loss for the period	-	-	-	-	(10,554)	(46,214)	(56,768)
At 30 June 2022 (Unaudited)	11,161	611,286	50,473	18,130	17,009	(1,117,295)	(409,236)
At 1 January 2023 (Audited)	11,161	611,286	50,473	18,130	(21,798)	(1,334,130)	(664,878)
Loss for the period	-	-	-	-	-	(13,552)	(13,552)
Other comprehensive loss for the period	-	-	-	-	(28,138)	-	(28,138)
Total comprehensive loss for the period	-	-	-	-	(28,138)	(13,552)	(41,690)
At 30 June 2023 (Unaudited)	11,161	611,286	50,473	18,130	(49,936)	(1,347,682)	(706,568)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Operating activities		
Cash used in operations	–	(39)
Net cash used in operating activities	–	(39)
Investing activities		
Interest received	–	5
Net cash generated from investing activities	–	5
Financing activities		
Repayments of borrowings	–	(83)
Bank borrowings interest paid	–	(357)
Net cash used in financing activities	–	(430)
Net decrease in cash and cash equivalents	–	(474)
Cash and cash equivalents at the beginning of the period	2	1,941
Effect of exchange rate changes on the balance of cash held in foreign currencies	–	9
Cash and cash equivalents at the end of the period	2	1,476
Analysis of balances of cash and cash equivalents		
Cash and bank balances	2	1,476

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

1. BASIS OF PREPARATION

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

The unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2022 as contained in the Company's annual report 2022 (the "Annual Report 2022"), which have been prepared in accordance with the Hong Kong Financial Reporting Standards (the "HKFRSs").

These unaudited condensed consolidated financial statements are presented in Renminbi ("RMB") and rounded to the nearest thousand (RMB'000), unless otherwise stated. RMB is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group. The functional currency of the Company is Hong Kong dollars. The directors consider that choosing RMB as the presentation currency best suits the needs of the shareholders and investors. These unaudited condensed consolidated financial statements were approved for issue on 15 February 2024.

Going concern

The Group incurred a net loss of approximately RMB13,552,000 for the six months ended 30 June 2023 and, as of that date, the Group's current liabilities exceeds its current assets by approximately RMB749,788,000.

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

- (i) The Group is taking measures to tighten cost control with an aim to attain positive cash flow from operations;
- (ii) The Group is in the process of negotiating with its promissory noteholders and convertible bondholders to restructure and/or refinance its borrowings, and secure necessary facilities to meet the Group's working capital and financial requirements in the near future;
- (iii) The Group is negotiating with the bank to reach a settlement for the existing bank borrowings;
- (iv) The Directors are considering various alternatives to strengthen the capital base of the Company including but not limited to, seeking new investment and business opportunities, private placements, open offers or rights issue of new shares of the Company; and
- (v) The Group is currently re-negotiating the repayment schedules with certain of its debtors and endeavouring to request them to repay the trade receivables in accordance with the repayment schedules agreed with them.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

1. BASIS OF PREPARATION (continued)

Going concern (continued)

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

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

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

2. CHANGE IN ACCOUNTING POLICIES

The accounting policies adopted in preparing the financial statements are consistent with those applied in the annual consolidated financial statements of the Company for the year ended 31 December 2022, with addition for the new and revised HKFRSs (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, that have become effective for the Group's financial period beginning on 1 January 2023.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

3. OPERATING SEGMENT

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

Segment revenue reported represents revenue generated from external customers. There were no intersegment sales for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

Segment revenue and results

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

	Manufacturing and sales of Paper-based packaging products		Development, distribution and operation of mobile game products		Consolidated	
	Six months ended 30 June 2023 RMB'000 (Unaudited)	Six months ended 30 June 2022 RMB'000 (Unaudited)	Six months ended 30 June 2023 RMB'000 (Unaudited)	Six months ended 30 June 2022 RMB'000 (Unaudited)	Six months ended 30 June 2023 RMB'000 (Unaudited)	Six months ended 30 June 2022 RMB'000 (Unaudited)
Revenue	–	4,084	–	–	–	4,084
Segment results	(7,200)	5,119	–	–	(7,200)	5,119
Unallocated corporate expenses					(288)	(2,875)
Unallocated finance costs					(6,064)	(48,458)
Loss before tax					(13,552)	(46,214)
Income tax expenses					–	–
Loss for the period					(13,552)	(46,214)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

3. OPERATING SEGMENT (continued)

Segment revenue and results (continued)

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

	Manufacturing and sales of Paper-based packaging products		Development, distribution and operation of mobile game products		Consolidated	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Segment assets	60,275	65,684	3	3	60,278	65,687
Unallocated corporate assets					70	50
Total assets					60,348	65,737
Segment liabilities	51,869	50,135	11,026	10,951	62,895	61,086
Unallocated corporate liabilities					704,021	669,529
Total liabilities					766,916	730,615

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

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

Other segment information

Other segment information may not be presented as management may consider that it is not meaningful to the stakeholders.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

4. REVENUE

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

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue recognised at a point in time:		
Sales of paper-based packaging products	–	4,084
Revenue recognised over time:		
Development, distribution and operation of mobile game products	–	–
	–	4,084

5. OTHER REVENUE

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Sales of residual materials	–	219
Bank interest income	–	5
	–	224

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

6. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Staff costs:		
Employee benefit expense (including directors' remuneration)		
Wages and salaries	–	9,816
Retirement benefit schemes contributions	–	1,656
	–	11,472
Other items:		
Cost of inventories sold	–	3,717
Depreciation of property, plant and equipment	1,693	14,945
Depreciation of right-of-use assets	30	28

7. FINANCE COSTS

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest expenses on borrowings	7,871	48,874
	7,871	48,874

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

8. INCOME TAX EXPENSES

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
The PRC Enterprise Income Tax		
– Current tax	–	–
Total income tax recognised in profit or loss	–	–

No Hong Kong Profits Tax is provided as the Group does not have any assessable profits generated from the Group's operation in Hong Kong for the six months ended 30 June 2023 and 2022.

The PRC subsidiary is subject to the PRC Enterprise Income Tax at 25% for the six months ended 30 June 2023 (six months ended 30 June 2022: 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 2023, HongSheng renewed the qualification of HNTE and entitled to the reduced tax rate of 15% until the year ended 31 December 2023.

In accordance with various approval documents issued by the PRC government authority, Behill Science Technology Co., Limited was qualified as a HNTE and entitled to a reduced enterprise income tax rate of 15% from 1 January 2018 to 31 December 2023.

9. DIVIDENDS

The Directors do not recommend payment of any dividends for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

10. LOSS PER SHARE

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

Basic and diluted loss per share

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Loss attributable to owners of the Company for the purpose of loss per share	(13,552)	(46,214)

Number of shares

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Weighted average number of ordinary shares	1,377,497,662	1,377,497,662

Basic loss per share for the periods ended 30 June 2023 and 2022 are calculated by dividing the losses for the period attributable to owners of the Company by the weighted average number of shares in issue during the period.

For the periods ended 30 June 2023 and 2022, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds and the effect of exercise the share options since it would result in an anti-dilutive effect on loss per share.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

11. PROPERTY, PLANT AND EQUIPMENT

	Machinery RMB'000	Computer and office equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost						
At 31 December 2022 and 1 January 2023 (Audited)	254,793	1,401	168	71,285	44,391	372,038
Exchange realignment	-	-	-	-	-	-
At 30 June 2023 (Unaudited)	254,793	1,401	168	71,285	44,391	372,038
Accumulated depreciation						
At 31 December 2022 and 1 January 2023 (Audited)	254,793	1,401	168	34,625	34,395	325,382
Change for the year	-	-	-	1,693	3,670	5,363
Exchange realignment	-	-	-	-	-	-
At 30 June 2023 (Unaudited)	254,793	1,401	168	36,318	38,065	330,745
Net book value						
At 30 June 2023 (Unaudited)	-	-	-	34,967	6,326	41,293
At 31 December 2022 (Audited)	-	-	-	36,660	9,996	46,656

Assets pledged as security

As at 30 June 2023, machinery with carrying amount of nil (31 December 2022: nil) (Note 16) have been pledged to secure bank borrowings (Note 14) granted to the Group.

As at 30 June 2023, buildings with carrying amount of approximately RMB34,967,000 (31 December 2022: approximately RMB36,660,000) (Note 16) have been pledged to secure bank borrowings (Note 14) granted to the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

12. TRADE RECEIVABLES

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
0–30 days	–	–
31–60 days	–	–
61–90 days	–	–
91–180 days	–	–
181–365 days	246	435
Over 365 days	189	–
	435	435

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

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

13. TRADE, BILLS, OTHER PAYABLES AND ACCRUALS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade payables	749	749
Accruals	34,953	33,340
Interest payable	417,132	389,902
Other payables	9,905	12,783
	462,739	436,774

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
0–30 days	–	–
31–60 days	–	–
61–90 days	–	749
Over 90 days	749	–
	749	749

The average credit period granted by suppliers is 60 days.

14. BORROWINGS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Secured bank borrowings – repayable within one year	43,917	43,917
Non-secured bank borrowings – contain repayable on demand clause	2,880	2,880
Secured other borrowings – repayable on demand	154,107	150,525
Non-secured other borrowings – repayable within one year	103,273	96,519
	304,177	293,841

All the bank borrowings were denominated in RMB. As at 30 June 2022 and 31 December 2021, the bank borrowings were secured by certain property, plant and equipment held by the Group as set out in Note 11 and certain right-of-use assets.

Borrowings as at 30 June 2023 include amounts of approximately RMB147,942,000 and RMB6,165,000 (equivalent to approximately HKD160,000,000 and HKD6,667,000) which related to overdue promissory notes and convertible bond respectively and both bearing a default interest rate of 22% per annum, and amount of approximately RMB46,230,000 (equivalent to approximately HKD50,000,000) which related to overdue Promissory Note 3 bearing interest rate of 7% per annum.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

14. BORROWINGS (continued)

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

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Fixed rate – bank borrowings	5.0% to 10.2%	5.0% to 10.2%
Fixed rate – other borrowings	7.0% to 22.0%	7.0% to 22.0%

15. SHARE CAPITAL

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

	Number of shares '000	Share capital	
		HK\$'000	RMB'000
Issued and fully paid:			
At 31 December 2022, 1 January 2023 and 30 June 2023, ordinary shares of HK\$0.01 each	1,377,498	13,775	11,161

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

16. PLEDGED ASSETS

Assets with the following carrying amounts have been pledged to secure bank borrowings (Note 14) of the Group.

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Machinery (Note 11)	–	–
Buildings (Note 11)	34,967	36,660
Right-of-use assets	1,927	1,956
	36,894	38,616

17. MATERIAL RELATED PARTY TRANSACTIONS

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

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Fees	108	107
Other emoluments:		
Salaries, allowances and benefits in kind	248	–
Retirement benefit schemes contributions	13	–
Total	369	107

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

17. MATERIAL RELATED PARTY TRANSACTIONS (continued)

Name of related parties	Relationships	Nature of transactions	Six months ended 30 June	
			2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
鴻聖信息科技(廈門)有限公司	Company controlled by a Director	Office premises rental expenses	–	105

18. COMMITMENT

Capital commitment

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Authorised and contracted for capital contributions payable to subsidiaries	60,000	60,000