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Mobile Internet (China) Holdings Limited

移動互聯（中國）控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1439)

INTERIM RESULTS FOR THE PERIOD ENDED 30 JUNE 2022

The Board of Directors of Mobile Internet (China) Holdings Limited (the “**Company**”) hereby announces the interim results of the Company and its subsidiaries for the period ended 30 June 2022. This announcement, containing the full text of the 2022 interim report of the Company, complies with the relevant requirements of the Listing Rules.

By Order of the Board
Mobile Internet (China) Holdings Limited
Muk Hung Fei
Chairman

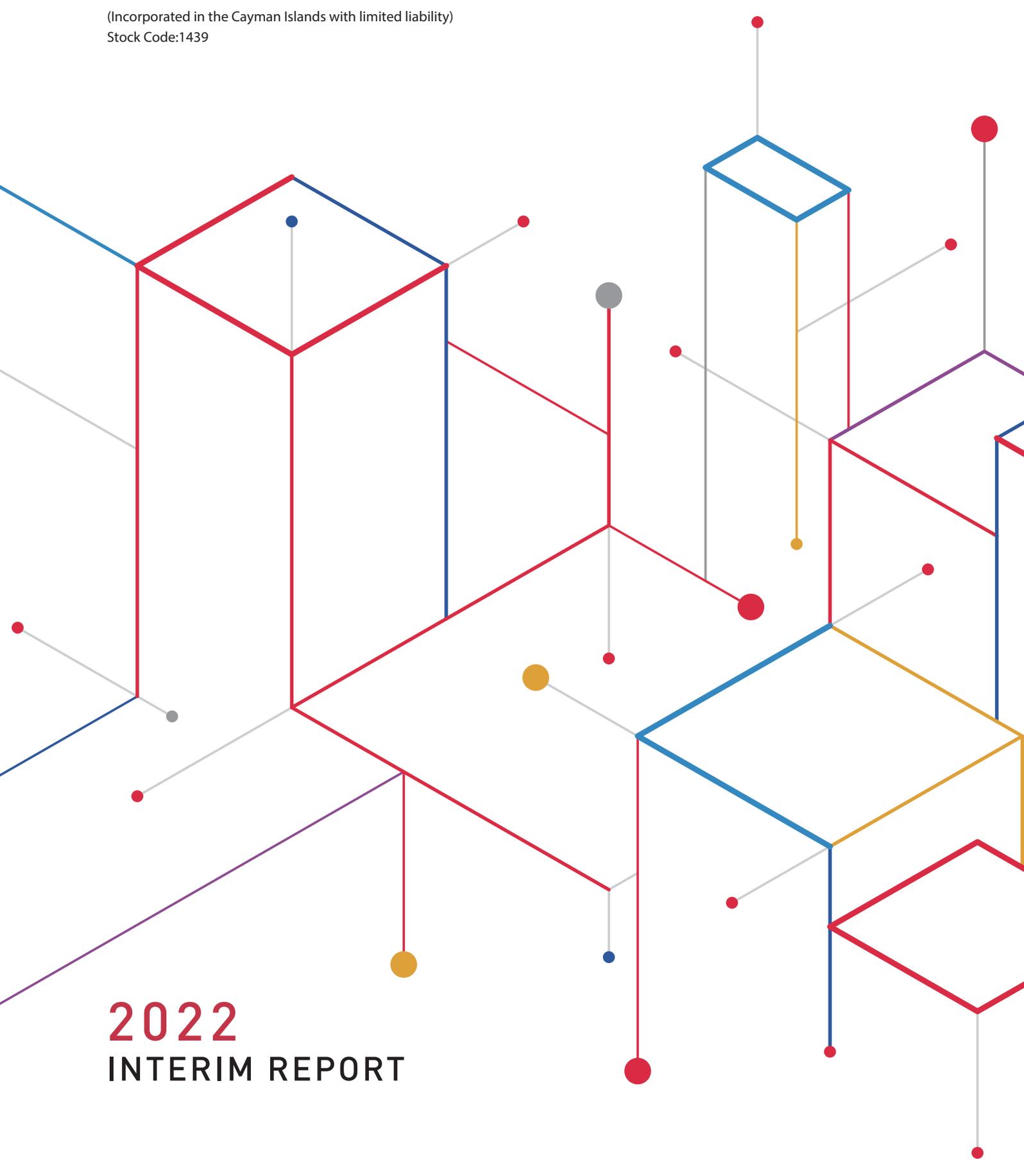
Hong Kong, 15 February 2024

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Muk Hung Fei (Chairman), Mr. Chen Hong Cai, Mr. Lau Yiu Ting, Ms. Fang Wenhui and Mr. Chan Wai Kit, and three independent non-executive Directors, namely Mr. So Chi Ming, Mr. Chau Wing Nam and Mr. He Dingding.

Mobile Internet (China) Holdings Limited

移動互聯(中國)控股有限公司

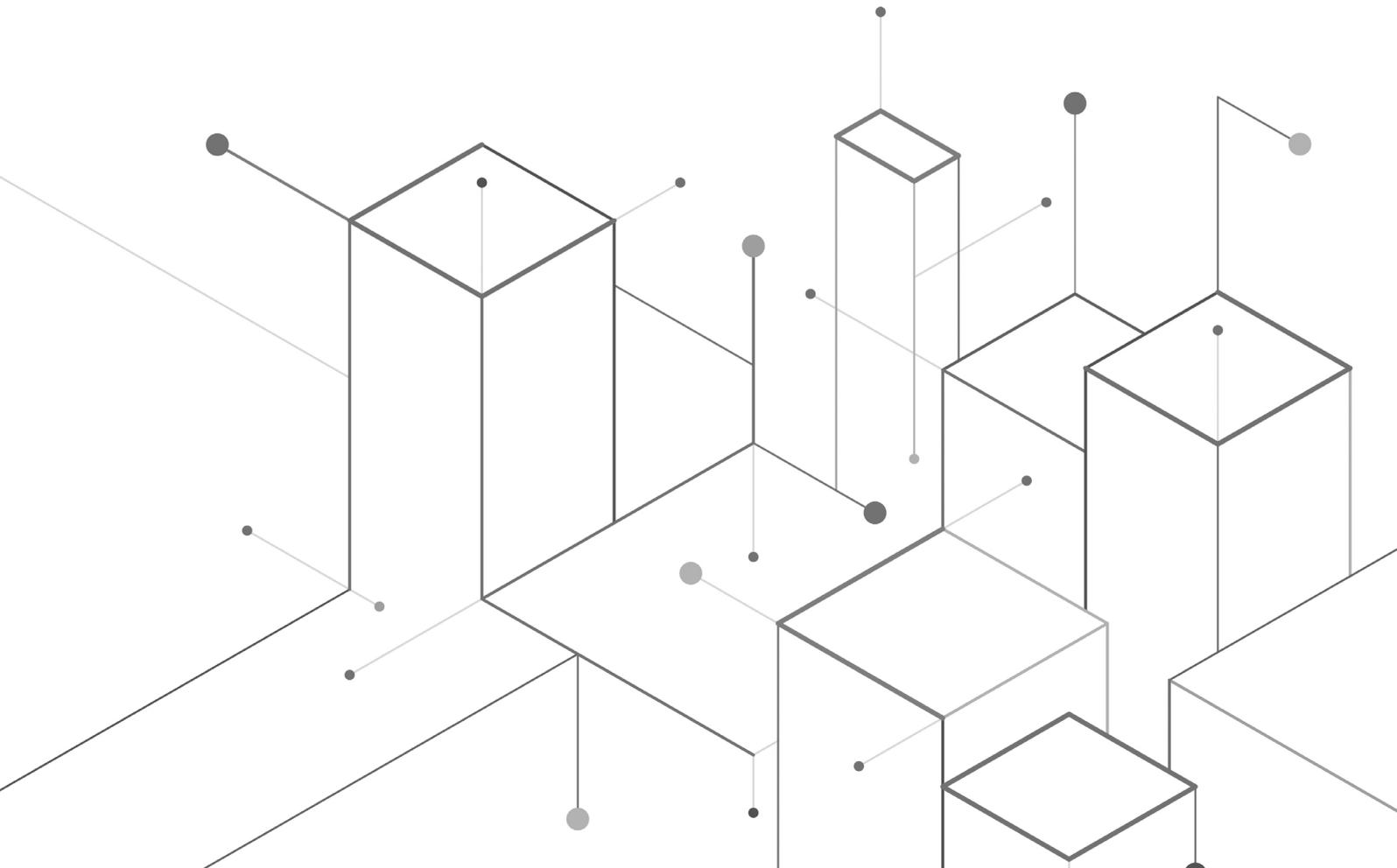
(Incorporated in the Cayman Islands with limited liability)
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An abstract geometric design featuring a network of interconnected lines and dots in various colors (red, blue, yellow, purple, grey) against a white background. The lines form a complex, multi-dimensional structure that resembles a stylized molecular or network diagram. The dots are placed at various points along the lines, some at the ends and some at intersections. The overall composition is dynamic and modern.

2022
INTERIM REPORT

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Muk Hung Fei (*Chairman*) (Appointed on 23 December 2022)
Mr. Chen Hong Cai (*Chairman*) (Stepped down on 10 February 2023)
Mr. Lau Yiu Ting (Appointed on 10 February 2023)
Ms. Fang Wenhui (Appointed on 10 February 2023 and re-designated on 20 March 2023)
Mr. Chan Wai Kit (Appointed on 20 March 2023)
Mr. Wu Aiguo (Appointed on 1 December 2022 and removed on 10 February 2023)
Mr. Wang Yun Fang (Removed on 10 February 2023)
Mr. Sun Shao Hua (Retired on 27 June 2022)

Independent Non-executive Directors

Mr. So Chi Ming (Appointed on 13 April 2022)
Mr. Chau Wing Nam (Appointed on 10 February 2023)
Mr. He Dingding (Appointed on 20 March 2023)
Mr. Wang Chen Guang (Removed on 10 February 2023)
Mr. Cho Yu Kwan Stephen (Appointed on 3 October 2022 and removed on 10 February 2023)
Mr. Wu Ping (Resigned on 22 June 2022)
Mr. Wu Yu Kun (Resigned on 22 June 2022)
Mr. Fang Zhixiang (Resigned on 14 February 2022)

BOARD COMMITTEES

Audit Committee

Mr. So Chi Ming (*Chairman*) (Appointed on 13 April 2022)
Mr. Chau Wing Nam (Appointed on 10 February 2023)
Mr. He Dingding (Appointed on 20 March 2023)
Ms. Fang Wenhui (Appointed on 10 February 2023 and stepped down on 20 March 2023)
Mr. Wang Chen Guang (Removed on 10 February 2023)
Mr. Cho Yu Kwan Stephen (Appointed on 3 October 2022 and removed on 10 February 2023)
Mr. Wu Ping (Resigned on 22 June 2022)
Mr. Wu Yu Kun (Resigned on 22 June 2022)
Mr. Fang Zhixiang (Resigned on 14 February 2022)

Remuneration Committee

Mr. He Dingding (*Chairman*) (Appointed on 20 March 2023)
Ms. Fang Wenhui (*Chairman*) (Appointed on 10 February 2023 and stepped down on 20 March 2023)
Mr. Lau Yiu Ting (Appointed on 10 February 2023)
Mr. So Chi Ming (Appointed on 13 April 2022)
Mr. Wang Chen Guang (*Chairman*) (Removed on 10 February 2023)
Mr. Cho Yu Kwan Stephen (Appointed on 3 October 2022 and removed on 10 February 2023)
Mr. Sun Shao Hua (Retired on 27 June 2022)
Mr. Wu Ping (Resigned on 22 June 2022)
Mr. Wu Yu Kun (Resigned on 22 June 2022)
Mr. Fang Zhixiang (Resigned on 14 February 2022)

Nomination Committee

Mr. Muk Hung Fei (*Chairman*) (Appointed on 10 February 2023)
Mr. So Chi Ming (Appointed on 29 September 2022)
Mr. He Dingding (Appointed on 20 March 2023)
Ms. Fang Wenhui (Appointed on 10 February 2023 and stepped down on 20 March 2023)
Mr. Wang Chen Guang (Appointed on 29 September 2022 and removed on 10 February 2023)
Mr. Chen Hong Cai (*Chairman*) (Stepped down on 10 February 2023)
Mr. Wu Ping (Resigned on 22 June 2022)
Mr. Wu Yu Kun (Resigned on 22 June 2022)

COMPANY SECRETARY

Mr. Cheung Tin Long (Appointed on 23 December 2022)
Mr. Wong Choi Chak (Appointed on 5 September 2022 and resigned on 23 December 2022)
Mr. Cheng Kit Hung (Removed on 5 September 2022)

AUTHORISED REPRESENTATIVES

Mr. Cheung Tin Long (Appointed on 2 March 2023)
Mr. Muk Hung Fei (Appointed on 23 December 2022)
Mr. Wong Choi Chak (Appointed on 5 September 2022 and resigned on 23 December 2022)
Mr. Sun Shao Hua (Retired on 27 June 2022)
Mr. Cheng Kit Hung (Resigned on 5 September 2022)

AUDITORS

With effect from 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

Corporate Information

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

In 2022, the COVID-19 pandemic continued to exert negative impacts on the global economy. The Group's packaging business in the Jiangxi Province was severely affected. The Group recorded a decrease in both sales and profit of our packaging segment as compared to the last corresponding period in 2021. The Group's revenue from the packaging segment decreased by 96.8% to approximately RMB4,084,000 from approximately RMB127,596,000 in the last corresponding period and comprising 100.0% of the total revenue of the Group.

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.

Management Discussion and Analysis

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. As a result, no revenue was contributed to the segment for the period under review, representing a decline of 100.0% and comprising approximately 0.0% of the total revenue of the Group.

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 PRC 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.

Management Discussion and Analysis

FINANCIAL REVIEW

During the period under review, the revenue of the Group was approximately RMB4,084,000 (six months ended 30 June 2021: approximately RMB128,165,000), representing a decrease of approximately RMB124,081,000 or approximately 96.8% as compared to the last corresponding period. This decrease was primarily due to the significant decrease in sales of our packaging products as a result of the impacts of the pandemic 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			
	2022		2021	
	RMB'000	% of Total	RMB'000	% of Total
Flexo-printed cartons	1,405	34.4	44,662	34.8
Offset-printed cartons				
– Traditional paper-based cartons	1,436	35.2	36,372	28.4
– Stone paper-based cartons	1,243	30.4	46,563	36.3
Sub-total	2,679	65.6	82,935	64.7
Packaging segment	4,084	100.0	127,596	99.6
IT solution segment	–	–	569	0.4
Total	4,084	100.0	128,165	100.0

Packaging segment

During the period under review, our revenue from sales of flexo-printed cartons was approximately RMB1,405,000 (six months ended 30 June 2021: approximately RMB44,662,000), accounted for approximately 34.4% (six months ended 30 June 2021: approximately 34.8%) of our total revenue. Our revenue from sales of offset-printed cartons was approximately RMB2,679,000 (six months ended 30 June 2021: approximately RMB82,935,000), accounted for approximately 65.6% (six months ended 30 June 2021: approximately 64.7%) of our total revenue.

Management Discussion and Analysis

Revenue by product categories of our customers (Packaging segment)

	Six months ended 30 June			
	2022		2021	
	RMB'000	%	RMB'000	%
Food and beverage	2,842	69.6	29,028	22.8
Glass and ceramics articles	–	–	308	0.2
Metal hardware and chemical products	–	–	16,667	13.1
Bamboo articles	–	–	732	0.6
Department stores	–	–	29,942	23.5
Others	1,242	30.4	50,919	39.9
Packaging segment total	4,084	100.0	127,596	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 approximately RMB2,842,000 (six months ended 30 June 2021: approximately RMB29,028,000), represented approximately 69.6% (six months ended 30 June 2021: approximately 22.8%) of the revenue from the packaging segment.

IT solution segment

Mobile game business

During the period under review, our revenue from mobile game business was RMB0 (six months ended 30 June 2021: approximately RMB569,000), accounted for 0.0% of the total revenue (six months ended 30 June 2021: 0.4%) of the Group.

Revenue by games (Mobile game business)

	Six months ended 30 June			
	2022		2021	
	RMB'000	%	RMB'000	%
War of Heroes (天天打魔獸)	–	–	36	6.3
Hammer of Odin (奧丁之錘)	–	–	141	24.8
Heroes of Chaos (亂世英雄傳)	–	–	228	40.1
Myths (天旗)	–	–	155	27.2
Others	–	–	9	1.6
Mobile game business total	–	–	569	100.0

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

Management Discussion and Analysis

Gross profit and gross profit margin

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

	Six months ended 30 June			
	2022		2021	
	RMB'000	GP margin (%)	RMB'000	GP margin (%)
Flexo-printed cartons	96	6.8	3,071	6.9
Offset-printed cartons				
– Traditional paper-based cartons	138	9.6	3,902	10.7
– Stone paper-based cartons	133	10.7	9,492	20.4
Sub-total	271	10.1	13,394	16.2
Packaging segment	367	9.0	16,465	12.9
IT solution segment	–	–	470	82.6
Total	367	9.0	16,935	13.2

The overall gross profit of the Group decreased by approximately RMB16,568,000 or approximately 97.8% from approximately RMB16,935,000 for the last corresponding period to approximately RMB367,000 for the period under review. Our overall gross profit margin decreased from approximately 13.2% for the last corresponding period to approximately 9.0% for the period under review primarily due to the significant decrease in the revenue of the packaging segment and the shrinkage of mobile game business.

The gross profit from flexo-printed cartons for the period under review was approximately RMB96,000, represented a decrease of approximately 96.9% as compared to approximately RMB3,071,000 for the last corresponding period. The gross profit margin for flexo-printed cartons decreased slightly to approximately 6.8% for the period under review from approximately 6.9%.

The gross profit from offset-printed cartons for the period under review was approximately RMB271,000, represented a decrease of approximately 98.0% as compared to approximately RMB13,394,000 for the last corresponding period. The gross profit margin for offset-printed cartons decreased to approximately 10.1% for the period under review from approximately 16.2% for the last corresponding period due to the increase in raw materials cost.

The gross profit from our IT solution segment for the period under review decreased to RMB0 from approximately RMB470,000 for the last corresponding period due to the shrinkage of the revenue from the mobile game business. The gross profit margin plunged to 0.0% from approximately 82.6% for the last corresponding period.

Management Discussion and Analysis

Other revenue and income

During the period under review, other revenue and income of the Group was approximately RMB224,000, represented a decrease of approximately 60.9% or approximately RMB349,000 as compared to approximately RMB573,000 for the last corresponding period. The decrease was mainly due to the decrease in income from sales of waste paper.

Selling and distribution expenses

During the period under review, selling and distribution expenses of the Group was approximately RMB4,780,000, represented a decrease by approximately 44.8% or approximately RMB3,876,000 as compared to approximately RMB8,656,000 for the last corresponding period. The decrease was mainly due to the decrease in sales as compared to the last corresponding period. The selling and distribution expenses as a percentage of total revenue was approximately 117.0% for the period under review as compared to approximately 6.8% for the last corresponding period.

Administrative expenses

During the period under review, administrative expenses of the Group was approximately RMB12,209,000, represented a decrease by approximately 41.4% or approximately RMB8,656,000 as compared to approximately RMB20,865,000 for the last corresponding period. The decrease was mainly due to the decrease in staff expenditures as a result of the pandemic and the preferential policies under the pandemic.

Finance costs

Finance costs of the Group increased to approximately RMB48,874,000 for the period under review as compared to approximately RMB39,781,000 for the last corresponding period, represented an increase of approximately RMB9,093,000. 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 increased for the period under review primarily due to the increase in the accrued total outstanding principal.

Income tax expenses

During the period under review, the income tax expenses of the Group decreased to RMB0 from approximately RMB118,000 for 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 RMB46,214,000 as compared to a net loss of approximately RMB51,912,000 for the last corresponding period.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operation with internal resources and borrowings. As at 30 June 2022, cash and bank balances amounted to approximately RMB1,476,000 (31 December 2021: approximately RMB1,941,000), primarily denominated in Renminbi and Hong Kong Dollars. The Group's total borrowings as at 30 June 2022 amounted to approximately RMB284,541,000 (31 December 2021: approximately RMB274,250,000). As at 30 June 2022, 16.5% (31 December 2021: 15.1%) of the total borrowings were denominated in Renminbi and 83.5% (31 December 2021: 84.9%) of the total borrowings were denominated in Hong Kong Dollars. As the Group recorded net deficit as at 30 June 2022, the Group's gearing ratio calculated as total borrowings divided by total equity is not available (31 December 2021: 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.

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 2022, the Group had net current liabilities of approximately RMB515,968,000 (31 December 2021: net current liabilities of approximately RMB474,171,000). 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 following:

- (i) The Group is taking measures to tighten cost control with an aim to attain positive cash flow from operations;
- (ii) The Group is in the process of 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 2022, the inventories amounted to approximately RMB106,821,000 (31 December 2021: approximately RMB51,961,000).

Management Discussion and Analysis

TRADE RECEIVABLES

As at 30 June 2022, the trade receivables amounted to approximately RMB811,000 (31 December 2021: approximately RMB60,011,000).

TRADE PAYABLES

As at 30 June 2022, the trade payables amounted to approximately RMB760,000 (31 December 2021: approximately RMB15,529,000).

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 its 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 2022, the Group had 256 full-time employees in total (31 December 2021: 300). 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 2022 (six months ended 30 June 2021: nil) to the shareholders.

Management Discussion and Analysis

CAPITAL COMMITMENT

As at 30 June 2022, the Group's capital commitment was approximately RMB60,000,000 (31 December 2021: approximately RMB60,000,000), which was mainly related to capital contribution payable to a subsidiary.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any material contingent liabilities or guarantees.

PLEDGE OF ASSETS

As at 30 June 2022, the Group pledged certain assets with a carrying value of approximately RMB78,158,000 (31 December 2021: approximately RMB94,400,000) 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 2022.

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 2022.

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

As at 30 June 2022, 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; or (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.

Other Information

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

As at 30 June 2022, so far as is known to the Directors, the following persons/entities, not being a Director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in shares of the Company

Name of shareholder	Capacity	Note	Number of Shares held	Approximate percentage of shareholding
Novel Blaze (in liquidation)	Beneficial owner	1, 5	408,000,000	29.62%
Ms. Zheng Xue Xia	Interest of a controlled corporation	1	408,000,000	30.16%
	Interest of spouse	2	7,500,000	
Mr. Sun Shao Hua	Interest of a controlled corporation	3	408,000,000	30.16%
	Beneficial owner		7,500,000	
Wealthy Achievers Limited	Beneficial owner	4	151,477,143	11.00%
Mr. Peng Dongmiao	Interest of a controlled corporation	4	151,477,143	11.00%

Notes:

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

Other Information

CORPORATE GOVERNANCE

The Company has adopted the Code Provisions in the Corporate Governance Code (“CG Code”) as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Board confirms that, save as disclosed below, the Company has complied with the CG Code throughout the six months ended 30 June 2022.

The Company was aware of the requirements 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. Chau Wing Nam and Mr. He Dingding.

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022 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 2022 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 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	4	4,084	128,165
Cost of sales		(3,717)	(111,230)
Gross profit		367	16,935
Other revenue	5	224	478
Other income	6	–	95
Reversal of allowance of expected credit loss on trade receivables		19,058	–
Selling and distribution expenses		(4,780)	(8,656)
Administrative expenses		(12,209)	(20,865)
Gain/(loss) from operations		2,660	(12,013)
Finance costs	8	(48,874)	(39,781)
Loss before tax	7	(46,214)	(51,794)
Income tax expenses	9	–	(118)
Loss for the period		(46,214)	(51,912)
Other comprehensive (loss)/income for the period, net of tax			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(10,554)	9,364
Other comprehensive (loss)/income for the period, net of tax		(10,554)	9,364
Total comprehensive loss for the period, net of tax		(56,768)	(42,548)
Loss attributable to owners of the Company		(46,214)	(51,912)
Total comprehensive loss attributable to owners of the Company		(56,768)	(61,276)
Loss per share attributable to owners of the Company			
– Basic (RMB cents)	11	(3.35)	(3.77)
– Diluted (RMB cents)	11	(3.35)	(3.77)

Condensed Consolidated Statement of Financial Position

At 30 June 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	12	104,746	119,688
Right-of-use assets		1,986	2,015
		106,732	121,703
Current assets			
Inventories		106,821	51,961
Trade receivables	13	811	60,011
Prepayments, deposits and other receivables		7,761	7,756
Cash and bank balances		1,476	1,941
		116,869	121,669
Current liabilities			
Trade, bills, other payables and accruals	14	348,296	321,590
Borrowings	15	284,541	274,250
		632,837	595,840
Net current liabilities		(515,968)	(474,171)
Total assets less current liabilities		(409,236)	(352,468)
Net liabilities		(409,236)	(352,468)
Capital and reserves			
Share capital	16	11,161	11,161
Reserves		(420,397)	(363,629)
Capital deficiency		(409,236)	(352,468)

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Attributable to owners of the Company						Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Reserves		Accumulated losses RMB'000	
				Other reserve RMB'000	Exchange reserve RMB'000		
At 1 January 2021 (Audited)	11,161	611,286	50,473	18,130	12,502	(881,147)	(177,595)
Loss for the period	-	-	-	-	-	(51,912)	(51,912)
Other comprehensive income for the period	-	-	-	-	9,364	-	9,364
Total comprehensive income for the period	-	-	-	-	9,364	(51,912)	(42,548)
At 30 June 2021 (Unaudited)	11,161	611,286	50,473	18,130	21,866	(933,059)	(220,143)
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)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Operating activities		
Cash used in operations	(39)	(24,567)
PRC tax paid	–	(452)
Net cash used in operating activities	(39)	(25,019)
Investing activities		
Interest received	5	48
Net cash generated from investing activities	5	48
Financing activities		
Payment of lease liabilities	–	(547)
Proceeds from borrowings	–	12,000
Repayments of borrowings	(83)	(12,003)
Bank borrowings interest paid	(357)	(1,186)
Net cash used in financing activities	(430)	(1,736)
Net decrease in cash and cash equivalents	(474)	(26,707)
Cash and cash equivalents at the beginning of the period	1,941	61,646
Effect of exchange rate changes on the balance of cash held in foreign currencies	9	3,205
Cash and cash equivalents at the end of the period	1,476	38,144
Analysis of balances of cash and cash equivalents		
Cash and bank balances	1,476	38,144

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

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 2021 as contained in the Company's annual report 2021 (the "Annual Report 2021"), 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 RMB46,214,000 for the six months ended 30 June 2022 and, as of that date, the Group's current liabilities exceeds its current assets by approximately RMB515,968,000.

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 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 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 2022

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 2021, 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 2022.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

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 2022 (six months ended 30 June 2021: 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	
	6 months ended 30 June 2022 RMB'000 (Unaudited)	6 months ended 30 June 2021 RMB'000 (Unaudited)	6 months ended 30 June 2022 RMB'000 (Unaudited)	6 months ended 30 June 2021 RMB'000 (Unaudited)	6 months ended 30 June 2022 RMB'000 (Unaudited)	6 months ended 30 June 2021 RMB'000 (Unaudited)
Revenue	4,084	127,596	–	569	4,084	128,165
Segment results	5,119	(3,613)	–	(4,821)	5,119	(8,434)
Unallocated corporate expenses					(2,875)	(4,992)
Unallocated finance costs					(48,458)	(38,368)
Loss before tax					(46,214)	(51,794)
Income tax expenses					–	(118)
Loss for the period					(46,214)	(51,912)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Segment assets	223,334	243,124	4	4	223,338	243,128
Unallocated corporate assets					263	244
Total assets					223,601	243,372
Segment liabilities	38,904	63,532	10,877	10,877	49,781	74,409
Unallocated corporate liabilities					583,056	521,431
Total liabilities					632,837	595,840

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 2022

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	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue recognised at a point in time:		
Sales of paper-based packaging products	4,084	127,596
Revenue recognised over time:		
Development, distribution and operation of mobile game products	–	569
	4,084	128,165

5. OTHER REVENUE

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Sales of residual materials	219	430
Bank interest income	5	48
	224	478

6. OTHER INCOME

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Government subsidies	–	85
Sundry incomes	–	10
	–	95

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

7. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Staff costs:		
Employee benefit expense (including directors' remuneration)		
Wages and salaries	9,816	18,012
Retirement benefit schemes contributions	1,656	2,345
	11,472	20,357
Other items:		
Cost of inventories sold	3,717	111,130
Depreciation of property, plant and equipment	14,945	15,048
Depreciation of right-of-use assets	28	338
Research and development costs	–	150

8. FINANCE COSTS

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Interest expenses on borrowings	48,874	39,661
Interest expenses on lease liabilities	–	120
	48,874	39,781

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
The PRC Enterprise Income Tax		
– Current tax	–	118
Total income tax recognised in profit or loss	–	118

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

The PRC subsidiary is subject to the PRC Enterprise Income Tax at 25% for the six months ended 30 June 2022 (six months ended 30 June 2021: 25%). Pursuant to the relevant laws and regulations in the PRC, HongSheng (Jiangxi) Color Printing Packaging Co., Ltd (“HongSheng”), which qualified as a High and New Technology Enterprise (“HNTE”) in August 2014, was entitled to a reduced enterprise income tax rate of 15% from 1 January 2014 to 31 December 2016. During the year ended 31 December 2019, HongSheng renewed the qualification of HNTE and entitled to the reduced tax rate of 15% until the year ended 31 December 2019.

In accordance with various approval documents issued by the PRC government authority, Behill Science Technology Co., Limited was qualified as a HNTE and entitled to a reduced enterprise income tax rate of 15% from 1 January 2018 to 31 December 2021.

10. DIVIDENDS

The Directors do not recommend payment of any dividends for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

11. LOSS PER SHARE

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

Basic and diluted loss per share

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Loss attributable to owners of the Company for the purpose of loss per share	(46,214)	(51,912)

Number of shares

	Six months ended 30 June	
	2022 (Unaudited)	2021 (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 2022 and 2021 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 2022 and 2021, 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 2022

12. PROPERTY, PLANT AND EQUIPMENT

	Machinery RMB'000	Computer and office equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost						
At 31 December 2021 and 1 January 2022 (Audited)	254,793	1,401	168	71,285	44,391	372,038
Exchange realignment	-	-	-	-	-	-
At 30 June 2022 (Unaudited)	254,793	1,401	168	71,285	44,391	372,038
Accumulated depreciation						
At 31 December 2021 and 1 January 2022 (Audited)	189,301	1,026	137	31,239	30,647	252,350
Charge for the year	9,506	72	4	1,693	3,670	14,945
Exchange realignment	-	-	-	-	(3)	(3)
At 30 June 2022 (Unaudited)	198,807	1,098	141	32,932	34,314	267,292
Net book value						
At 30 June 2022 (Unaudited)	55,986	303	27	38,353	10,077	104,746
At 31 December 2021 (Audited)	65,492	375	31	40,046	13,744	119,688

Assets pledged as security

As at 30 June 2022, machinery with carrying amount of approximately RMB48,400,000 (31 December 2021: approximately RMB59,552,000) (Note 17) have been pledged to secure bank borrowings (Note 15) granted to the Group.

As at 30 June 2022, buildings with carrying amount of approximately RMB27,771,000 (31 December 2021: approximately RMB32,811,000) (Note 17) have been pledged to secure bank borrowings (Note 15) granted to the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

13. TRADE RECEIVABLES

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
0–30 days	21	9,955
31–60 days	416	9,263
61–90 days	49	5,254
91–180 days	7	20,470
181–365 days	318	15,069
	811	60,011

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.

14. TRADE, BILLS, OTHER PAYABLES AND ACCRUALS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade payables	760	15,529
Accruals	31,937	34,875
Interest payable	314,878	266,399
Other payables	721	4,787
	348,296	321,590

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

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

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
0–30 days	–	8,671
31–60 days	760	6,858
	760	15,529

The average credit period granted by suppliers is 60 days.

15. BORROWINGS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Secured bank borrowings – repayable within one year	44,000	44,000
Non-secured bank borrowings – contain repayable on demand clause	2,880	2,880
Secured other borrowings – repayable on demand	142,300	138,538
Non-secured other borrowings – repayable within one year	95,361	88,832
	284,541	274,250

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 17 and certain right-of-use assets.

Borrowings as at 30 June 2022 include amounts of approximately RMB136,602,000 and RMB5,692,000 (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 RMB42,688,000 (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 2022

15. BORROWINGS (continued)

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

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Fixed rate – bank borrowings	5.0% to 10.2%	5.0% to 10.2%
Fixed rate – other borrowings	7.0% to 22.0%	7.0% to 22.0%

16. 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 2021, 1 January 2022 and 30 June 2022, ordinary shares of HK\$0.01 each	1,377,498	13,775	11,161

17. PLEDGED ASSETS

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Machinery (Note 12)	48,400	59,552
Buildings (Note 12)	27,771	32,811
Right-of-use assets	1,987	2,015
	78,158	94,378

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

18. 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	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Fees	107	82
Other emoluments:		
Salaries, allowances and benefits in kind	–	2,509
Retirement benefit schemes contributions	–	15
Total	107	2,606

Name of related parties	Relationships	Nature of transactions	Six months ended 30 June	
			2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
鴻聖信息科技（廈門） 有限責任公司	Company controlled by a Director	Office premises rental expenses	105	105

19. COMMITMENT

Capital commitment

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Authorised and contracted for capital contributions payable to subsidiaries	60,000	60,000