MH™
美好發展集團
MH DEVELOPMENT

# MH Development Limited
# 美好發展集團有限公司

*(formerly known as "Camsing International Holding Limited 承興國際控股有限公司")*
*(Incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 2662)**

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2019

The Board (the "Board") of Directors (the "Directors") of MH Development Limited (formerly known as "Camsing International Holding Limited") (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 30 June 2019 (the "Year") together with comparative figures for the previous year as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 30 June 2019*

| | | 2019 | 2018 |
|---|---|---|---|
| | *Notes* | ***HK$'000*** | *HK$'000* |
| **Revenue** | *4* | **2,662,267** | 2,920,435 |
| Cost of sales | | **(2,400,317)** | (2,708,339) |
| Gross profit | | **261,950** | 212,096 |
| Other income | | **10,580** | 2,356 |
| Other gains and losses, net | | **(809,470)** | (10,650) |
| Distribution costs | | **(14,904)** | (4,452) |
| General and administrative expenses | | **(60,096)** | (50,897) |
| Finance costs | | **(1,149)** | (4,511) |

| | Notes | **2019** | 2018 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| (Loss)/profit before income tax | | **(613,089)** | 143,942 |
| Income tax expense | *5* | **(61,860)** | (27,415) |
| **(Loss)/profit for the year from continuing operations** | | **(674,949)** | 116,527 |
| **Discontinued operations** | | | |
| Profit/(loss) for the year from discontinued operations | *7(a)* | **40,461** | (30,531) |
| **(Loss)/profit for the year** | *6* | **(634,488)** | 85,996 |
| **Other comprehensive income/(expense)** | | | |
| *Item that will not be reclassified subsequently to profit or loss:* | | | |
| Exchange differences arising on translation to presentation currency | | **10,598** | 16,044 |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences arising on translation of foreign operations | | **(9,555)** | (6,938) |
| Foreign currency translation reserve reclassified to profit or loss upon disposal of subsidiaries | | **(10,369)** | – |
| | | **(19,924)** | (6,938) |
| Total other comprehensive (expense)/income for the year | | **(9,326)** | 9,106 |
| **Total comprehensive (expense)/income for the year** | | **(643,814)** | 95,102 |

| | Notes | **2019** | 2018 |
|---|---|---|---|
| | *Notes* | ***HK$'000*** | *HK$'000* |
| (Loss)/profit for the year attributable to: | | | |
| Owners of the Company | | | |
| — from continuing operations | | **(664,006)** | 117,350 |
| — from discontinued operations | | **40,461** | (30,531) |
| | | **(623,545)** | 86,819 |
| Non-controlling interests | | | |
| — From continuing operations | | **(10,943)** | (823) |
| | | **(634,488)** | 85,996 |
| Total comprehensive (expense)/income for the year attributable to: | | | |
| Owners of the Company | | **(632,882)** | 95,960 |
| Non-controlling interests | | **(10,932)** | (858) |
| | | **(643,814)** | 95,102 |
| Basic and diluted (loss)/earnings per share | *9* | | |
| — from continuing and discontinued operations | | **HK$(0.58)** | HK$0.08 |
| — from continuing operations | | **HK$(0.62)** | HK$0.11 |
| — from discontinued operations | | **HK$0.04** | HK$(0.03) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2019*

| | Notes | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **14,144** | 2,304 |
| Interest in an associate | | **886** | 1,011 |
| Rental deposits paid | | **–** | 1,833 |
| Intangible assets | | **45,135** | 53,822 |
| Goodwill | | **774** | 57,508 |
| | | **60,939** | 116,478 |
| **Current assets** | | | |
| Inventories | | **9,956** | – |
| Trade and other receivables | *10* | **12,044** | 438,905 |
| Bank balances and cash | | **12,349** | 36,543 |
| | | **34,349** | 475,448 |
| Assets classified as held for sale | *7(a)* | **–** | 206,872 |
| | | **34,349** | 682,320 |
| **Current liabilities** | | | |
| Trade and other payables | *11* | **144,456** | 168,706 |
| Tax liabilities | | **47,969** | 31,692 |
| Bonds | | **9,776** | 40 |
| | | **202,201** | 200,438 |
| Liabilities associated with assets classified as held for sale | *7(a)* | **–** | 91,916 |
| | | **202,201** | 292,354 |
| **Net current (liabilities)/assets** | | **(167,852)** | 389,966 |
| **Total assets less current liabilities** | | **(106,913)** | 506,444 |

| | 2019 | 2018 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Non-current liabilities** | | |
| Bonds | **–** | 8,629 |
| Deferred tax liabilities | **11,284** | 11,303 |
| | **11,284** | 19,932 |
| **NET (LIABILITIES)/ASSETS** | **(118,197)** | 486,512 |
| **Capital and reserves** | | |
| Share capital | **107,712** | 107,712 |
| Reserves | **(230,100)** | 373,469 |
| Equity attributable to owners of the Company | **(122,388)** | 481,181 |
| Non-controlling interests | **4,191** | 5,331 |
| **TOTAL (DEFICIT)/EQUITY** | **(118,197)** | 486,512 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 30 June 2019*

## 1. GENERAL INFORMATION

MH Development Limited (formerly known as "Camsing International Holding Limited") (the "Company") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law (2001 Second Revision) of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Referring to the announcements of the Company dated 5 July 2019, 9 July 2019, 16 July 2019 and 18 July 2019, the Company has, among others, clarified certain statements made by the media with regard to the criminal custody of Ms. Lo Ching ("Ms. Lo"), a former executive director and the chairman (the "Chairman") of the board (the "Board") of directors of the Company. Referring to the announcement of the Company dated on 19 July 2019, the trading of ordinary shares of the Company on the Stock Exchange has been halted since 19 July 2019 pending the release of a clarification announcement.

Referring to the announcement of the Company dated on 29 July 2019, the Board has resolved on 24 July 2019 to suspend all administrative and executive duties and powers of Ms. Lo as the Chairman and executive director with immediate effect until further notice.

Referring to the announcement of the Company dated on 15 August 2019, the Company has been notified by the Stock Exchange of the resumption guidance (the "Initial Resumption Guidance") for the Company including (i) to disclose details of the criminal custody of Ms. Lo, (ii) to demonstrate that there is no reasonable regulatory concern about management integrity and/or any persons with substantial influence over the Company's management and operations which will pose a risk to investors and damage market confidence, (iii) to demonstrate its compliance with Rule 13.24 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to warrant the continued listing of the Company's shares, (iv) to clarify the Company's current shareholding structures, and (v) to announce all material information for the Company's shareholders and investors to appraise its position.

Referring to the announcement of the Company dated on 4 September 2019, the Board announced that special committee was formed and professional adviser was appointed for the purpose of, among other things, taking active steps to remedy the issues causing the trading suspension.

Referring to the announcement of the Company dated on 10 October 2019, the Company received additional resumption guidance from the Stock Exchange that, in addition to the Initial Resumption Guidance, the Company is required to publish all outstanding financial results and address any audit modifications (with the Initial Resumption Guidance, together "Resumption Guidance").

Referring to the announcement of the Company dated on 25 September 2020, having considered that Ms. Lo has not been able to discharge her duties as the Chairman and an executive director and has been absent from the meetings of the Board for more than six consecutive months, the Board resolved on 22 September 2020 that the office of Ms. Lo as the Chairman and an executive director shall be vacated with immediate effect. As such, Ms. Lo shall cease to be a member of the nomination committee of the Board with effect from 22 September 2020.

Referring to the announcement of the Company dated on 13 January 2021, the name of the Company was changed from Camsing International Holding Limited to MH Development Limited.

The functional currency of the Company is Renminbi ("RMB"). The directors (the "Directors") of the Company selected Hong Kong dollars ("HK$") as the presentation currency because the shares of the Company are listed on the Stock Exchange and HK$ has been adopted as presentation currency in the Group's consolidated financial statements for years. These consolidated financial statements are presented in thousands of Hong Kong Dollars ("HK$'000"), unless otherwise stated.

## 2. GOING CONCERN BASIS

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared on the historical cost basis.

The Company and its subsidiaries (the "Group") incurred a loss attributable to owners of the Company from continuing operations of approximately HK$664,006,000 for the year ended 30 June 2019; and as at 30 June 2019, the Group had net current liabilities and net liabilities of approximately HK$167,852,000 and approximately HK$118,197,000 respectively. Also, the Group recorded net cash outflows in operating activities of approximately HK$128,571,000 for the year ended 30 June 2019. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The Directors have prepared the consolidated financial statements based on going concern on the assumptions and measures that:

(a) The Group applies cost control measures in cost of sales, administrative expenses and capital expenditures.

(b) The Group is also maximising its sales effort, including seeking new customers and sales orders and implementing comprehensive policies to improve operating cash flows.

(c) The Group may conduct fund raising activities (including debt and/or equity financing) as and when necessary. Referring to the announcements of the Company dated on 18 September 2020, 16 October 2020 and 1 December 2020, total amount of HK$2,000,000 of unsecured loan facility with terms of interest rate of 10% p.a. and repayable on 31 May 2021 and total amount of HK$18,000,000 of secured loan facility with terms of interest rate of 10% p.a. and repayable on 15 June 2021 have been granted by a then independent third party, namely Runjing Holdings Limited, a company wholly-owned by Mr. Shen Yang who had become an executive director since 16 October 2020. Up to the reporting date, the unsecured loan of HK$2,000,000 and the secured loan of HK$18,000,000 were drawn down by the Company.

The Directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 30 June 2019. After taking into account the above assumptions and measures, the Directors consider that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2019 and believe that the Group will continue as a going concern and consequently have prepared the consolidated financial statements on a going concern basis.

## 3. ADOPTION OF NEW AND REVISED HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2018. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

### (a) HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 permits either a full retrospective or a modified retrospective approach for the adoption. The Group has elected to apply the modified retrospective approach for transition to the new revenue standard. Under this transition approach, comparative information for prior periods is not restated, the Group recognises the cumulative effect of initially applying the guidance as adjustments to the opening balance of retained profits on 1 July 2018, and the Group applies the new guidance only to contracts that are not yet completed on that date. The comparative information continues to be reported under the accounting policies prevailing prior to 1 July 2018.

Content creation income from intellectual properties (the "IP") licensing business under IP licensing and comprehensive services meet the HKFRS 15 criteria for recognising revenue over time since the products are tailor-made with customers' specification which does not have alternative use to the Group and the Group is entitled to payment for work performed up to date. Under HKAS 18, the Group recognised revenue upon delivery of the story outline and completed contents accepted by customers separately. The effect on adoption of HKFRS 15 are stated below.

#### *(i) Effect on the opening consolidated statement of financial position on 1 July 2018*

As explained above, HKFRS 15 were adopted without restating comparative information. The resulting reclassifications and adjustments arising from the new accounting policies are therefore not reflected in the comparative balances, but are recognised in the opening consolidated statement of financial position on 1 July 2018.

| | 1 July 2018<br>*HK$'000* |
|---|---|
| Decrease in trade and other payables | (5,783) |
| Increase in contract liabilities | 5,783 |

**(b) HKFRS 9 "Financial Instruments"**

During the year ended 30 June 2019, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 July 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018. The difference between carrying amounts as at 30 June 2018 and the carrying amounts as at 1 July 2018, if any, are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

HKFRS 9 has been applied and resulted in changes in the consolidated amounts reported in the consolidated financial statements as follows:

| | 1 July 2018<br>*HK$'000* |
|---|---|
| Decrease in financial assets subject to ECL included in assets classified as held for sale | 4,793 |
| Decrease in trade receivables | 521 |
| Increase in accumulated losses | (5,314) |

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and consolidated financial position.

4. **REVENUE AND SEGMENT INFORMATION**

**(a) Revenue**

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Revenue from contracts with customers:** | | |
| Sales of goods | **2,538,102** | 2,889,096 |
| Rendering of services | **280,351** | 476,339 |
| Licensing fee income | **31,146** | 78,226 |
| | **2,849,599** | 3,443,661 |
| Representing: | | |
| Continuing operations | **2,662,267** | 2,920,435 |
| Discontinued operations *(note 7(a))* | **187,332** | 523,226 |
| | **2,849,599** | 3,443,661 |

***Sales of goods***

Sales of goods mainly derived from sales and distribution of IP derived products and mobile devices to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

***Rendering of services***

Rendering of services mainly comprised of (i) procurement and assembly services; (ii) theme events services and (iii) marketing services. Service fee income is recognised when the services are rendered and there is no unfulfilled obligation that could affect the customer's acceptance of the services.

***Licensing fee income***

Licensing fee income mainly comprised of (i) IP licensing fee income and (ii) IP licensing-content creation income.

*(i) IP licensing fee income*

IP licensing fee income is recognised on an accrual basis in accordance with the substance of the relevant agreements. IP licensing fee income determined on a time basis are recognised on a straight line basis over the period of the agreements.

*(ii) IP licensing-content creation income*

The Group provides content creation income service to the customers. When the progress towards complete satisfaction of the performance obligations of a content creation service contract can be measured reasonably, revenue from the contract and the contract costs are recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract. This method provides the most reliable estimate of the percentage of completion.

When the progress towards complete satisfaction of the performance obligations of a content creation income contract cannot be measured reasonably, revenue is recognised only to the extent of contract costs incurred that is expected to be recoverable.

The customers pay the contract prices to the Group according to the payment schedules as stipulated in the contracts. If the service rendered by the Group exceeds the payments, a contract asset is recognised. If the payments exceed the service rendered, a contract liability is recognised.

**(b) Segment information**

The Group has three reportable segments as follows:

— Sales and distribution of IP derived products and mobile devices;

— IP licensing and comprehensive services; and

— Pure assembly services and procurement and assembly services (this segment was discontinued since the year ended 30 June 2018 and had been disposed during the year ended 30 June 2019. Details are referred to note 7(a) to the consolidated financial statements)

During the year ended 30 June 2019, the Group entered into an agreement for the First Disposal Transaction (as defined in note 7(a)). Upon completion of the First Disposal Transaction, the Group will cease to operate the pure assembly services and procurement and assembly services.

The information being reported to the chief operating decision makers ("CODM") (i.e. the executive directors) in respect of the Group's business is based on the operating and reportable segments mentioned above. These divisions are the basis on which information reported to the CODM to allocate resources and to assess performance.

Disaggregation of revenue from contracts with customers:

| Segments | Continuing operations: Sales and distribution of IP derived products and mobile devices *HK$'000* | Continuing operations: IP licensing and comprehensive services *HK$'000* | Sub-total *HK$'000* | Discontinued operations *(Note 7(a))*: Pure assembly services and procurement and assembly services *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|
| **For the year ended 30 June 2019** | | | | | |
| Major products/services | | | | | |
| *Sales of goods* | | | | | |
| IP derived products and mobile devices | **2,492,473** | **–** | **2,492,473** | **–** | **2,492,473** |
| Pure assembly related products | **–** | **–** | **–** | **45,629** | **45,629** |
| *Rendering of services* | | | | | |
| Procurement and assembly services | **–** | **–** | **–** | **141,703** | **141,703** |
| Theme events services | **–** | **95,849** | **95,849** | **–** | **95,849** |
| Marketing services | **–** | **42,799** | **42,799** | **–** | **42,799** |
| *Licensing fee income* | | | | | |
| IP licensing-content creation income | **–** | **6,966** | **6,966** | **–** | **6,966** |
| IP licensing fee income | **–** | **24,180** | **24,180** | **–** | **24,180** |
| | **2,492,473** | **169,794** | **2,662,267** | **187,332** | **2,849,599** |
| Timing of revenue recognition | | | | | |
| At a point in time | **2,492,473** | **–** | **2,492,473** | **45,629** | **2,538,102** |
| Over time | **–** | **169,794** | **169,794** | **141,703** | **311,497** |
| Total | **2,492,473** | **169,794** | **2,662,267** | **187,332** | **2,849,599** |

| Segments | Continuing operations: Sales and distribution of IP derived products and mobile devices HK$'000 | Continuing operations: IP licensing and comprehensive services HK$'000 | Sub-total HK$'000 | Discontinued operations (Note 7(a)): Pure assembly services and procurement and assembly services HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **For the year ended 30 June 2018** | | | | | |
| Major products/services | | | | | |
| *Sales of goods* | | | | | |
| IP derived products and mobile devices | 2,792,589 | – | 2,792,589 | – | 2,792,589 |
| Pure assembly related products | – | – | – | 96,507 | 96,507 |
| *Rendering of services* | | | | | |
| Procurement and assembly services | – | – | – | 426,719 | 426,719 |
| Theme events services | – | 29,581 | 29,581 | – | 29,581 |
| Marketing services | – | 20,039 | 20,039 | – | 20,039 |
| *Licensing fee income* | | | | | |
| IP licensing-content creation income | – | 65,459 | 65,459 | – | 65,459 |
| IP licensing fee income | – | 12,767 | 12,767 | – | 12,767 |
| | 2,792,589 | 127,846 | 2,920,435 | 523,226 | 3,443,661 |
| Timing of revenue recognition | | | | | |
| At a point in time | 2,792,589 | – | 2,792,589 | 96,507 | 2,889,096 |
| Over time | – | 127,846 | 127,846 | 426,719 | 554,565 |
| Total | 2,792,589 | 127,846 | 2,920,435 | 523,226 | 3,443,661 |

***Geographical information***

| | Revenue by external customers **2019** ***HK$'000*** | 2018 *HK$'000* |
|---|---|---|
| The People's Republic of China (the "PRC") | **2,780,448** | 3,433,773 |
| Hong Kong | **59,021** | 4,700 |
| The United States of America (the "US") | **10,130** | 5,188 |
| | **2,849,599** | 3,443,661 |

Reconciliations of reportable segment revenue and profit or loss:

| | **Continuing operations** | | | **Discontinued operations** *(Note 7(a))* | |
|---|---|---|---|---|---|
| | **Sales and distribution of IP derived products and mobile devices** | **IP licensing and comprehensive services** | **Sub-total** | **Pure assembly services and procurement and assembly services** | **Total** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| **For the year ended 30 June 2019** | | | | | |
| Revenue from external customers | **2,492,473** | **169,794** | **2,662,267** | **187,332** | **2,849,599** |
| Segment (loss)/profit | **(488,774)** | **(74,685)** | **(563,459)** | **40,461** | **(522,998)** |
| Unallocated operating expenses | | | | | **(39,207)** |
| Unallocated other income and gains and losses, net | | | | | **(9,189)** |
| Finance costs | | | | | **(1,149)** |
| Share of results of an associate | | | | | **(85)** |
| Less: | | | | | |
| Profit before income tax for the year from discontinued operations *(note 7(a))* | | | | | **(40,461)** |
| Consolidated loss before income tax | | | | | **(613,089)** |

| | Continuing operations | | | Discontinued operations *(Note 7(a))* | |
|---|---|---|---|---|---|
| | Sales and distribution of IP derived products and mobile devices | IP licensing and comprehensive services | Sub-total | Pure assembly services and procurement and assembly services | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **For the year ended 30 June 2018** | | | | | |
| Revenue from external customers | 2,792,589 | 127,846 | 2,920,435 | 523,226 | 3,443,661 |
| Segment profit/(loss) | 151,277 | 60,819 | 212,096 | (27,519) | 184,577 |

| | |
|---|---|
| | *HK$'000* |
| Unallocated operating expenses | (55,177) |
| Unallocated other income and gains and losses, net | (8,294) |
| Finance costs | (4,511) |
| Share of results of an associate | (172) |
| Add: | |
| Loss before income tax for the year from discontinued operations *(note 7(a))* | 27,519 |
| Consolidated profit before income tax | 143,942 |

The segment revenue is all from external customers and there are no inter-segment sales for both years.

Segment profit represents the profit earned by each segment without allocation of other income, other gains and losses, net, share of results of an associate, distribution costs, general and administrative expenses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Analysis of segment assets and liabilities has not been presented as it is not regularly reviewed by CODM.

Revenue from major customers:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Sales and distribution of IP derived products and mobile devices | | |
| Customer A | **1,324,256** | 1,301,565 |
| Customer B | **–** | 865,642 |
| Customer C | **374,004** | – |

## 5. INCOME TAX EXPENSE

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Current tax** | | |
| PRC enterprise income tax (the "EIT") | **61,486** | 39,400 |
| PRC withholding tax on licensing fee income | **346** | 362 |
| | **61,832** | 39,762 |
| Deferred tax | **28** | (9,335) |
| | **61,860** | 30,427 |
| Representing: | | |
| Continuing operations | **61,860** | 27,415 |
| Discontinued operations *(note 7(a))* | **–** | 3,012 |
| | **61,860** | 30,427 |

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the years ended 30 June 2019 and 2018. No provision for Hong Kong Profits Tax has been made for the years ended 30 June 2019 and 2018 as the Group did not generate any assessable profits arising in Hong Kong during the years ended 30 June 2019 and 2018.

Other jurisdictions mainly included the US. Taxation arising in other jurisdictions of which the US is at 21% (2018: 21%) is calculated at the rates prevailing in the respective jurisdictions.

Under the Enterprise Income Tax Law of the PRC, the EIT rate for the Company's subsidiaries established in the PRC was 25% for the years ended 30 June 2019 and 2018.

## 6. (LOSS)/PROFIT FOR THE YEAR

The Group's (loss)/profit for the year is stated after charging/(crediting) the following:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Continuing operations** | | |
| Directors' emoluments | **2,010** | 2,016 |
| Other staff costs | **26,935** | 19,282 |
| Retirement benefit scheme contributions (excluding contributions in respect of Directors) | **1,627** | 700 |
| Total staff costs | **30,572** | 21,998 |
| Auditors' remuneration | | |
| — audit services | **2,280** | 1,961 |
| — non-audit services | **80** | 780 |
| Depreciation of property, plant and equipment | **768** | 724 |
| Amortisation of intangible assets (included in cost of sales) | **8,480** | 5,549 |
| Cost of inventories recognised as an expense (included in cost of sales) | **2,400,317** | 2,641,311 |
| Interest income | **(71)** | (209) |

**Discontinued operations**

| | Period from 1 July 2018 to 19 November 2018 | Year ended 30 June 2018 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Total staff costs | 18,177 | 56,825 |
| Depreciation of property, plant and equipment | 1,611 | 5,648 |
| Loss on disposals of property, plant and equipment | 63 | 1,415 |
| Cost of inventories recognised as an expense (included in cost of sales under discontinued operations) | 172,425 | 406,122 |
| Impairment loss on inventories | 8 | 147 |
| Rental income | – | (822) |
| Interest income | (19) | (29) |

## 7. DISCONTINUED OPERATIONS/DISPOSAL OF A SUBSIDIARY

### (a) Discontinued operations — Disposal of Fittec (BVI) Limited and its subsidiaries

On 11 April 2018, a direct wholly-owned subsidiary of the Company entered into a sale and purchase agreement with a company (the "First Disposal Transaction Purchaser") which is wholly owned by Mr. Lam Chi Ho, who is a director of the Disposal Group (as defined below) and was a former executive director. The Group has agreed to sell and the Disposal Transaction Purchaser has agreed to purchase the entire issued share capital of Fittec (BVI) Limited ("Fittec BVI") and its subsidiaries (collectively referred to as the "Disposal Group") from the Group at a cash consideration of HK$140,000,000 (the "First Disposal Transaction").

The First Disposal Transaction was completed on 19 November 2018 (the "First Disposal Completion Date").

The Disposal Group is engaged in the business of pure assembly services and procurement and assembly services which has been discontinued by the Group after completion of the disposal. The Disposal Group had been classified as disposal group held for sale for the year ended 30 June 2018.

(i) Analysis of the profit/(loss) from the discontinued operations:

| | Period from 1 July 2018 to 19 November 2018 *HK$'000* | For the year ended 30 June 2018 *HK$'000* |
|---|---|---|
| Profit/(loss) from discontinued operations | 2,803 | (30,531) |
| Gain on disposal of discontinued operations | 37,658 | – |
| | 40,461 | (30,531) |

| | Period from 1 July 2018 to 19 November 2018 *HK$'000* | For the year ended 30 June 2018 *HK$'000* |
|---|---|---|
| Revenue | 187,332 | 523,226 |
| Cost of sales | (172,425) | (494,176) |
| Gross profit | 14,907 | 29,050 |
| Other income | 537 | 1,896 |
| Other gains and losses | 450 | (2,071) |
| Distribution costs | (2,975) | (13,230) |
| General and administrative expenses | (10,116) | (43,164) |
| Profit/(loss) before tax | 2,803 | (27,519) |
| Income tax expense | – | (3,012) |
| Profit/(loss) for the period/year from discontinued operations | 2,803 | (30,531) |

No tax charge or credit arose on gain on disposal of the Disposal Group.

(ii) The major classes of assets and liabilities of the Disposal Group as at 30 June 2018, which had been presented separately in the consolidated statement of financial position, are as follows:

| | 2018 |
|---|---|
| | *HK$'000* |
| Property, plant and equipment | 25,008 |
| Inventories | 33,749 |
| Trade and other receivables | 130,581 |
| Bank balances and cash | 17,534 |
| Total assets classified as held for sale | 206,872 |
| Trade and other payables | 89,935 |
| Tax liabilities | 1,981 |
| Total liabilities associated with assets classified as held for sale | 91,916 |

(iii) Disposal of Disposal Group:

| | As at First Disposal Completion Date |
|---|---|
| | *HK$'000* |
| Net assets disposed of | |
| Property, plant and equipment | 23,156 |
| Inventories | 29,106 |
| Trade and other receivables | 107,997 |
| Bank balances and cash | 21,235 |
| Trade and other payables | (68,936) |
| Tax liabilities | (1,981) |
| Net assets disposed of | 110,577 |
| Release of exchange reserve upon disposal | (10,369) |
| Gain on disposal of subsidiaries | 37,658 |
| Transaction costs and expenses directly attributable to the First Disposal Transaction | 2,134 |
| Total consideration | 140,000 |

Net cash inflow arising from the disposal:

| | *HK$'000* |
|---|---|
| Bank balances and cash disposed of | (21,235) |
| Cash paid for direct cost | (2,134) |
| Cash consideration received during the year ended 30 June 2019 | 40,000 |
| | 16,631 |

Deposits of HK$100,000,000 for the First Disposal Transaction was received from the First Disposal Transaction Purchaser during the year ended 30 June 2018.

**(b) Disposal of 廣州秉迅體育發展有限公司 (Guangzhou Bingxun Sports Development Company Limited) ("Bingxun")**

On 13 December 2018, First Creative International Limited ("First Creative"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party (the "Second Disposal Transaction Purchaser"). The Group has agreed to sell and the Second Disposal Transaction Purchaser has agreed to purchase the entire issued share capital of Bingxun from the Group at a cash consideration of RMB1,260,000 (equivalent to approximately HK$1,437,000) and loan assignment of RMB780,000 (equivalent to approximately HK$891,000) due from First Creative. Bingxun is principally engaged in sports events organising business. The transaction was completed on 13 December 2018 (the "Second Disposal Completion Date")

(i) Disposal of Bingxun:

| | As at Second Disposal Completion Date *HK$'000* |
|---|---|
| Net assets disposed of | |
| Trade and other receivables | 2,931 |
| Amount due from First Creative | 891 |
| Trade and other payables | (1,499) |
| Net assets disposed of | 2,323 |
| Loan assignment | (891) |
| Gain on disposal of subsidiary | 5 |
| Total consideration | 1,437 |

Included in the loss for the year from continuing operation is loss of approximately HK$260,000 attributable to Bingxun and no revenue for the period is attributable to Bingxun.

As at 30 June 2019, consideration receivables of HK$1,437,000 were included in other receivables.

## 8. DIVIDEND

During the year ended 30 June 2019, a final dividend of HK1.2 cents per ordinary share out of the share premium account of the Company in respect of the year ended 30 June 2018 was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid during the year ended 30 June 2019 amounted to approximately HK$12,926,000 (2018: Nil).

No interim dividend was proposed during the years ended 30 June 2019 and 2018.

## 9. (LOSS)/EARNINGS PER SHARE

### Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share are as follows:

| | **2019** | | | 2018 | | |
|---|---|---|---|---|---|---|
| | **Loss for the year attributable to owners of the Company** | **Weighted average number of ordinary shares** | **Basic (loss)/ earnings per share** | Profit for the year attributable to owners of the Company | Weighted average number of ordinary shares | Basic earnings/(loss) per share |
| | ***HK$'000*** | ***'000*** | ***HK$*** | *HK$'000* | *'000* | *HK$* |
| From continuing operations | **(664,006)** | **1,077,128** | **(0.62)** | 117,350 | 1,077,128 | 0.11 |
| From discontinued operations | **40,461** | **1,077,128** | **0.04** | (30,531) | 1,077,128 | (0.03) |
| From continuing and discontinued operations | **(623,545)** | **1,077,128** | **(0.58)** | 86,819 | 1,077,128 | 0.08 |

### Diluted (loss)/earnings per share

Diluted (loss)/earnings per share are not presented for the years ended 30 June 2019 and 2018 as there is no potential ordinary share outstanding during both years or at the end of the reporting period.

## 10. TRADE AND OTHER RECEIVABLES

| | 2019 | 2018 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Trade receivables | **16,384** | 96,534 |
| Less: allowance for doubtful debts | **(14,483)** | (6,861) |
| | **1,901** | 89,673 |
| Prepayments | **1,130** | 346,830 |
| Deposits and other receivables | **9,013** | 2,402 |
| | **12,044** | 438,905 |

The Group allows credit periods ranging from 30 to 180 days (2019: from 30 to 180 days) to its trade customers. The following is an aged analysis of the Group's trade receivables, net of allowance for doubtful debts presented based on the dates of delivery of goods/dates of rendering services at the end of the reporting period which approximated the respective revenue recognition dates:

| | 2019 | 2018 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| 0-30 days | **1,516** | 21,968 |
| 91-180 days | **–** | 65,997 |
| 181- 365 days | **–** | 1,708 |
| Over 365 days | **385** | – |
| | **1,901** | 89,673 |

Reconciliation of loss allowance for trade receivables:

| | 2019 | 2018 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| At beginning of the year | **6,861** | 179 |
| Impairment losses recognised during the year | **14,779** | 7,093 |
| Amounts written off as uncollectible | **(6,861)** | (373) |
| Reclassified as held for sale | **–** | (38) |
| Exchange realignment | **(296)** | – |
| At end of the year | **14,483** | 6,861 |

## 11. TRADE AND OTHER PAYABLES

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade payables | **20,932** | 18,593 |
| Deposits received on the First Disposal Transaction *(note a)* | **–** | 100,000 |
| Contract liabilities | **44,577** | – |
| Receipt in advance from customers | **–** | 5,783 |
| Accruals and other payables *(note b)* | **78,947** | 44,330 |
| | **144,456** | 168,706 |

*Notes:*

(a) As at 30 June 2018, deposits received from the First Disposal Transaction Purchaser amounting HK$100,000,000 was for the First Disposal Transaction as set out in note 7(a). The balance is unsecured, interest-free and refundable.

(b) As at 30 June 2019, included in accruals and other payables, approximately HK$53,398,000 (2018: HK$8,976,000) was due to a related company in which Ms. Lo has significant influence, and approximately HK$2,275,000 (2018: HK$2,995,000) was due to a non-controlling shareholder of a subsidiary of the Company. The balances are non-trade in nature, unsecured, interest-free and repayable on demand.

## 12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to confirm to the current year's presentation. The Directors consider that the new reclassification of the accounting item is more appropriate presentation to reflect the consolidated financial results and position of the Group.

## 13. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, there are certain updates in respect of the status of suspension of trading in the shares of the Company, and further details of which are stated in note 1 to the consolidated financial statements.

## EXECUTIVE DIRECTOR'S STATEMENT

Dear Shareholders,

The past 2018/2019 financial year is a breakthrough year for the Group in its strategic transformation. We further clarified our strategic development direction and business development model, actively adjusted our strategies according to business development and market conditions, strengthened the buildup and cultivation of our professional teams, and further promoted the integration and sharing of our internal and external resources.

However, as stated in the announcement dated 5 July 2019, Ms. Lo, the former Chairman and an executive Director, was taken into custody by the Yangpu Branch of the Shanghai Public Security Bureau in the PRC. The Chinese police searched an office premises of Ms. Lo in Guangzhou, the PRC and seized certain documents (comprising documents both related and unrelated to the Group) kept there. After making reasonable inquiries about this situation, the Company learned that most of the accounting records involved in the operation of the Group were seized by the police as well. In view of this, the statement was made with a prudent attitude.

### Overall performance

During the Year, the Group realised revenue from continuing and discontinued operations of approximately HK$2.8 billion, a year-on-year ("yoy") decrease of approximately 17.3%. Its gross profit increased approximately 14.8% yoy to approximately HK$276.9 million, with gross profit margin up 2.7 percentage points yoy to approximately 9.7%. The Group incurred a loss of approximately HK$634.5 million, as compared to net profit of approximately HK$86.0 million in 2018. The decline was largely because that the management who maintained a prudent attitude made significant impairment of goodwill during the Year and made significant provisions for impairment of trade receivables and prepayments. It recorded a basic loss per share of approximately HK$0.58, a decrease of approximately 825.0% yoy.

Revenue from Continuing Operations or the main business, which consists of IP driven pan-entertainment IP licensing and comprehensive services and sales and distribution of IP derived products and mobile devices, amounted to approximately HK$2.7 billion, a decrease of approximately 8.8% yoy. Gross profit from continuing operations jumped around 23.5% yoy to approximately HK$262.0 million. The Group's business structure was further optimised. It sold the discontinued operations — pure assembly services and procurement and assembly services, on 19 November 2018. After such disposal, the Group no longer engages in the provision of electronics manufacturing services. Therefore, the divested business has no longer been consolidated into the Group's financial statements.

Revenue from its IP licensing and comprehensive services amounted to approximately HK$169.8 million, a yoy increase of 32.8%. The growth is mainly due to the Group's strategic adjustment and the rapid development of theme events services and marketing services. Revenue from theme events services and marketing services rose from the previous financial year's approximately HK$29.6 million and HK$20.0 million, respectively, to approximately HK$95.8 million and HK$42.8 million, respectively, a yoy increase of 224.0% and 113.6%, respectively.

The IP licensing and comprehensive services segment posted a loss of approximately HK$74.7 million, a yoy decrease of approximately HK$135.5 million or 222.8%, which was caused by the impairment of goodwill of POW! Entertainment, Inc ("POW! Entertainment") of approximately HK$56.6 million (2018: nil).

The sales and distribution of IP derived products and mobile devices segment recorded revenue of approximately HK$2.5 billion, down approximately HK$300.1 million or 10.7% yoy. The segment posted a loss of approximately HK$488.8 million, a yoy decline of HK$640.1 million or 423.1%, which was due to the impairment of trade and other receivables.

**Business development**

Based on the industry trends as well as its internal and external resources, the Group has firmly promoted strategic transformation in order to create better returns for shareholders. Aiming to become China's first-class pan-entertainment "IP+" operator, the Group adjusted its business development strategies, completed the disposal of its discontinued operations and actively focus on the development of its IP licensing and comprehensive services. Pan-entertainment IP resources are the core of the Group's business development model. Since the acquisition of POW! Entertainment founded by Stan Lee in 2017, the Group has maintained a friendly cooperation with the firm. The Group not only obtained stable IP from POW! Entertainment, but also worked closely with IP owners at home and abroad to secure more IP resources and channels for IP development and licensing, which has promoted its IP development and licensing business.

During the Year, the Company and POW! Entertainment launched the first serial novel Stan Lee's Work Force and Between The Lines, which were available on QQ Reader, iReader, 17k.com and other renowned online literature platforms and sought after by readers. In addition, POW! Entertainment teamed up with publishing magnate Taschen to publish The Stan Lee Story, an unlimited edition book regarding the story of Stan Lee, the Company's former Chief Creative Officer. The firm partnered with Amazon's Audible, the world's largest producer and distributor of downloadable audiobooks and spoken-word entertainment, to create audiobooks about superheroes and explore the value of Stan Lee's IPs in the industry of audiobooks. This marks its entry into the field of audiobooks.

The Group proactively cooperates with banks, insurers, investment firms and other financial institutions to provide them with competitive crossover marketing and branding services. In the past year, the Group has successfully provided credit card marketing solutions for China Guangfa Bank, China CITIC Bank, China Construction Bank and other lenders. The tailormade marketing solution for MasterCard — "Funjoy Club" — successfully built and promoted the use of single-label credit card and created a virtual world tour scene for consumer purchases. The Company partnered with an insurer for the first time to customise an IP derived product during the Year. It cooperated with China Taiping to launch a Doraemon (a Japanese cartoon character) derived product. Besides, it customised a customer loyalty management solution for Ping An Insurance (Group) Company of China. Moreover, the Group provided Lufax (Shanghai) Technology Services Co., Ltd. ("Lufax (Shanghai)") with customer loyalty marketing project management and operation experience and channel advantages to offer customised services for members.

The Group's parent-child run event "Run Cartoon Run" has become an influential theme event in the market, which has not only effectively enhanced its brand awareness, but also accumulated experience and cultivated teams for the operation and management of the Group's theme events. The Group officially began to operate the theme park operation and management business during the Year. Its indirect wholly-owned subsidiary Qi Cheng (Guangzhou) Scenic Management Limited (奇承(廣州)景區管理有限公司) ("Qi Cheng (Guangzhou)") offered operation and management services for the Lotus Wonderland theme park of Fo Shan Qi Jing Cultural Investments Limited (佛山奇境文化投資有限公司) ("Fo Shan Qi Jing") in Foshan, Guangdong, marking an important milestone for the Group to implement its "IP+" development strategy. The Group aimed to increase its revenue and strengthened the ability to monetize IP by licensing its IP resources to theme parks and selling IP derived products to the parks. Furthermore, the Company joined hands with Alibaba Group to create the Institution for Zen under the Travel Frog theme that was unveiled in Lotus Wonderland, a famous tourist attraction in Foshan, Guangdong.

**Future outlook**

Affected by Ms. Lo's incident, the Group made provisions for impairment of goodwill and other intangible assets. The significant impairment resulting from this incident is not expected to occur again in the following financial year. The Group remains optimistic about the prospects of the IP-centred pan-entertainment sector. However, in view of a series of uncertainties in the current global economy and capital market, the Group will seek progress while maintaining stability to ensure its business development in the coming year by focusing on the improvement of the existing businesses' operating efficiency and core competitiveness.

The Group will further integrate its internal and external resources, aiming to strive to launch competitive products and services across its business segments. It will establish a more professional team to incubate and re-develop Stan Lee-related IPs so as to create top IPs with greater commercial value. The Group will also effectively boost the capability to develop IP derived products through a more specialised team so as to launch more attractive IP derived products. As to the marketing and branding business, the Group will further optimise the existing credit card business-oriented marketing solutions so as to promote the solutions to other financial institutions. In terms of the theme events and theme park operation and management business, the Group will concentrate on enhancing the specialisation of its teams and the operation and management efficiency so as to support the expansion of the relevant business in the future more effectively.

While consolidating and enhancing the existing businesses, the Group will also start or acquire proper new IP related businesses when appropriate based on its strategic development direction and business development model, in order to further enrich its industry chain and promote faster business development.

Finally, on behalf of the Board, I would like to express my sincere gratitude to our customers, shareholders, investors, business partners and each and every of our hardworking staff for their continuous support!

**Liu Hui**
*Executive Director*
Hong Kong, 14 January 2021

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group's principal businesses consist of IP driven pan-entertainment IP licensing and comprehensive services (including IP licensing and content creation, theme events services, marketing services) and sales and distribution of IP derived products and mobile devices (collectively, "Continuing Operations"), as well as pure assembly services and procurement and assembly services ("Discontinued Operations") that was unloaded on 19 November 2018.

Reference is made to the announcement of the Company dated 5 July 2019 in relation to the holding of Ms. Lo, the former Chairman and an executive Director in criminal custody by the Yangpu Branch of the Shanghai Public Security Bureau in the PRC. The Chinese police searched an office premises of Ms. Lo in Guangzhou, the PRC and seized certain documents (comprising documents both related and unrelated to the Group) kept there. After making reasonable inquiries about this situation, the Company learned that most of the accounting records involved in the operation of the Group were seized by the police as well. In view of this, this section is about the discussion and analysis performed by the management with a prudent attitude.

### Income statement review

| | **2019** | 2018 | **YoY Growth/Decline** | |
|---|---|---|---|---|
| | ***HK$'000*** | *HK$'000* | *HK$'000* | % |
| **Revenue** | **2,849,599** | 3,443,661 | (594,062) | –17.3% |
| Continuing Operations | **2,662,267** | 2,920,435 | (258,168) | –8.8% |
| Discontinued Operations | **187,332** | 523,226 | (335,894) | –64.2% |
| **Gross profit** | **276,857** | 241,146 | 35,711 | 14.8% |
| Continuing Operations | **261,950** | 212,096 | 49,854 | 23.5% |
| Discontinued Operations | **14,907** | 29,050 | (14,143) | –48.7% |
| **Profit/(Loss) for the Year** | **(634,488)** | 85,996 | (720,484) | –837.8% |
| Continuing Operations | **(674,949)** | 116,527 | (791,476) | –679.2% |
| Discontinued Operations | **40,461** | (30,531) | 70,992 | 232.5% |
| **Basic (loss)/earnings per share *(HK$)*** | **(0.58)** | 0.08 | (0.66) | –825.0% |

During the Year, the Group realised revenue from Continuing Operations and Discontinued Operations of approximately HK$2.8 billion, a year-on-year ("yoy") decrease of around approximately 17.3%. Its gross profit increased approximately 14.8% yoy to approximately HK$276.9 million, with gross profit margin up 2.7 percentage points yoy to around approximately 9.7%. The Group incurred a loss of approximately HK$634.5 million, down approximately 837.8% yoy. The decline is largely because that the management who maintained a prudent attitude made significant impairment of goodwill during the Year and made significant provisions for impairment of trade receivables and prepayments. It recorded a basic loss per share of approximately HK$0.58, a decrease of approximately 825.0% yoy.

Revenue from Continuing Operations amounted to approximately HK$2.7 billion, a decline of approximately 8.8% yoy. Gross profit from continuing operations jumped around approximately 23.5% yoy to approximately HK$262.0 million. It recorded a loss of approximately HK$674.9 million from Continuing Operations, down approximately 679.2% yoy.

| | **2019** | | | 2018 | | |
|---|---|---|---|---|---|---|
| | **Revenue** | **Segment loss** | **Segment result Margin** | Revenue | Segment Profit | segment result Margin |
| | ***HK$'000*** | ***HK$'000*** | *%* | *HK$'000* | *HK$'000* | *%* |
| **IP licensing and comprehensive services** | **169,794** | **(74,685)** | **–44.0%** | 127,846 | 60,819 | 47.6% |
| **Sales and distribution of IP derived products and mobile devices** | **2,492,473** | **(488,774)** | **–19.6%** | 2,792,589 | 151,277 | 5.4% |
| **Total** | **2,662,267** | **(563,495)** | **–21.2%** | 2,920,435 | 212,096 | 7.3% |

Revenue from its IP licensing and comprehensive services stood at approximately HK$169.8 million, yoy up 32.8%. The rapid development of this business segment was driven by the increase in revenue from Theme events services and Marketing services, as shown below:

| | **2019 Revenue** | 2018 Revenue | **YoY Growth/Decline** | |
|---|---|---|---|---|
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *%* |
| IP licensing and content creation | **31,146** | 78,226 | (47,080) | –60.2% |
| Theme events services | **95,849** | 29,581 | 66,268 | 224.0% |
| Marketing services | **42,799** | 20,039 | 22,760 | 113.6% |
| Total | **169,794** | 127,846 | 41,948 | 32.8% |

During the Year, revenue from licensing and content creation business amounted to approximately HK$31.1 million, a decrease of approximately HK$47.1 million or approximately 60.2% yoy. The main reason is that the Group adjusted its strategies and increased investments in theme events services and marketing services. Revenue from theme events services and marketing services rose approximately 224.0% and approximately 113.6% yoy to HK$95.8 million and HK$42.8 million, respectively.

The IP licensing and comprehensive services segment posted a loss of approximately HK$74.7 million, a decrease of approximately HK$135.5 million or approximately 222.8% yoy, which was caused by the impairment of POW! Entertainment's goodwill (equivalent to approximately HK$56.6 million; 2018: nil), and the wrote of trade receivables and prepayments.

The sales and distribution of IP derived products and mobile devices segment recorded revenue of approximately HK$2.5 billion, down approximately HK$300.1 million or approximately 10.7% yoy. The segment posted a loss of approximately HK$488.8 million, a yoy decline of approximately HK$640.1 million or 423.1%, which was due to the impairment of trade and other receivables (equivalent to approximately HK$676.7 million; 2018: approximately HK$7.1 million).

**Balance sheet review**

As of the end of the Year, the Group's total assets amounted to approximately HK$95.3 million, down 88.1% yoy. As mentioned above, most of the accounting records involved in the operation of the Group were seized by the police. The management maintained a prudent attitude and wrote off of goodwill, trade and other receivables and prepayments by approximately HK$56.6 million, HK$676.7 million and 69.1 million, respectively during the Year. Due to this, the Group recorded net liabilities of approximately HK$118.2 million as of the end of the Year.

**Significant investment held**

Save as disclosed herein, during the Year, the Group did not hold any significant investment.

**Foreign exchange risk exposure**

The Group's exposure to currency risk mainly arises from fluctuation of foreign currencies against the functional currency of the relevant group entities, including HK$, US dollars and RMB.

**Charges on Group's assets**

During the Year, none of the assets of the Group was pledged or charged (2018: nil).

**Contingent liabilities**

During the Year, the Group did not have any contingent liabilities (2018: nil).

**Gearing ratio**

At the end of the Year, the gearing ratio of the Group was negative 0.08 (2018: 0.02) due to the Company's negative equity position, which was calculated based on the Group's total borrowing and bonds amounting to HK$9,776,000 (2018: HK$8,669,000) and the negative equity attributable to owners of the Company amounting to negative HK$122,388,000 (2018: HK$481,181,000).

**Staff**

As at 30 June 2019, the Group employed a total of 92 staff members, of which 81 were employed in the PRC, 4 were employed in Hong Kong and 7 were employed in the US. The Group has implemented remuneration package, bonus and share option scheme as part of the remuneration policy designed to motivate individual staff by linking part of the staff's compensation with their respective performance. In addition, fringe benefits such as insurance, medical allowance and pensions were provided to ensure the competitiveness of remuneration packages offered by the Group.

**DIVIDEND**

During the year ended 30 June 2019, a final dividend of HK1.2 cents per ordinary share out of the share premium account of the Company in respect of the year ended 30 June 2018 was declared and paid to the shareholders of the Company. The aggregate amount of the final dividend declared and paid during the year ended 30 June 2019 amounted to approximately HK$12,926,000 (2018: Nil).

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the Year, the Group did not purchase, redeem or sell any of its listed securities.

### Events during and after the Year

1. Reference is made to the announcement of the Company dated 20 June 2018 in relation to the signing of an agreement on theme park management services between its wholly-owned subsidiary Qi Cheng (Guangzhou) Scenic Management Limited (奇承(廣州)景區管理有限公司) ("Qi Cheng (Guangzhou)") and Fo Shan Qi Jing Cultural Investments Limited (佛山奇境文化投資有限公司) ("Fo Shan Qi Jing"), whereby Qi Cheng (Guangzhou) will provide management services for the Lotus Wonderland theme park of Fo Shan Qi Jing in Sanshui for a period of two years from 20 June 2018 to 20 June 2020. The Group, as the provider of management and operation services for Lotus Wonderland, gave advice and introduced new services for the management and operation of the theme park, increasing the number of visitors to the theme park. Lotus Wonderland teamed up with Alifish in the second half of 2018 to create the world's first Travel Frog theme park, demonstrating the Group's advantage in effective integration of IP resources.

   Please refer to the announcement of the Company dated 20 June 2018 for details.

2. References are made to the announcements of the Company dated 9 July 2018 and 26 July 2018 in relation to the fact that Mr. Stan Lee, Chief Creative Officer of the Company and Founder of its subsidiary POW! Entertainment, LLC, made an application to the relevant court in the US to formally withdraw his claim put forth in the US court against POW! Entertainment. The application was approved by the relevant US court. The Company submitted a notice of discontinuance to Hong Kong's High Court to dismiss its lawsuit against Mr. Stan Lee.

   Please refer to the announcements of the Company dated 9 July 2018 and 26 July 2018 for details.

3. References are made to the Company's circular dated 31 October 2018 and the announcement dated 19 November 2018 in relation to the disposal of the equity interests in Fittec BVI and Fittec BVI and its subsidiaries have ceased to be subsidiaries of the Company. After the disposal, the Group no longer engages in the provision of electronics manufacturing services. Therefore, the divested business has no longer been consolidated into the Group's financial statements.

   For details, please refer to the Company's circular dated 31 October 2018 and the announcement dated 19 November 2018.

4. Reference is made to the announcement of the Company dated 20 November 2018 in relation to the death of Mr. Stan Lee on 12 November 2018 (US time). The Company believed that Mr. Stan Lee's death would neither have a material impact on its pan-entertainment business and future earnings, nor would it have a material impact on its intellectual properties, in particular, the ones created by and/or related to Mr. Stan Lee. With the exclusive right to use Mr. Stan Lee's works and identity, POW! Entertainment, together with the Company will further enhance its efforts to develop and promote intellectual properties created by and/or related to Mr. Stan Lee.

   Please refer to the announcement of the Company dated 20 November 2018 for details.

5. Reference is made to the announcement of the Company dated 2 April 2019 in relation to the signing of a Sales Strategy Contract (the "Strategy Contract") between the Company's indirect subsidiary Guangzhou Boyinda Brand Management Company Limited (廣州波音達品牌管理有限公司) ("Boyingda") and Shanghai Beast Kingdom Industrial Co., Ltd. (上海野獸王國實業有限公司) ("Shanghai Beast Kingdom"), pursuant to which Boyinda has been appointed by Shanghai Beast Kingdom as its exclusive agent for the provision of promotional products supplied by Shanghai Beast Kingdom to banks in the PRC.

   Please refer to the announcement of the Company dated 2 April 2019 for details.

6. Reference is made to the announcement of the Company dated 8 April 2019 in relation to the signing of a sales agreement (the "Sales Agreement") between its indirect subsidiary Guangzhou Renhong Marketing Company Limited (廣州仁宏市場營銷有限公司) ("Renhong") and Lufax (Shanghai) Technology Services Co., Ltd. (陸金所(上海)科技服務有限公司) ("Lufax (Shanghai)"), pursuant to which Renhong has become one of the comprehensive marketing service providers of Lufax (Shanghai). According to the Sales Agreement, Renhong will provide comprehensive marketing services to Lufax (Shanghai) in the PRC, including member marketing services such as digital goods marketing reward services and card vouchers resource procurement services.

   Please refer to the announcement of the Company dated 8 April 2019 for details.

Details of the subsequent events of the Group after the Year are set out in note 13 to the consolidated financial statements of the Group in this announcement.

Save as disclosed, there are no significant events affecting the Group after the Year.

## NON-COMPLIANCE WITH THE LISTING RULES

### Delay in publication of the annual results and delay in despatch of annual report

Pursuant to Rules 13.49(1) and 13.46(2)(a) of the Listing Rules, the Company is required to publish its preliminary results for the year ended 30 June 2019 no later than 30 September 2019 and despatch its annual report for the same financial period to the shareholders on or before 31 October 2019. The delay in publication of the preliminary results for the year ended 30 June 2019 and delay in despatch of annual report for the year ended 30 June 2019 constitute non-compliance of Rules 13.49(1) and 13.46(2)(a) of the Listing Rules, respectively.

## CORPORATE GOVERNANCE

The Board confirms that the Group has complied with all applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules except for the deviations as stated herein.

Code provision A.2.1 provides that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. Before 1 February 2019, Ms. Lo Ching serves as the Chairman and also acts as Chief Executive Officer of the Company, which constitutes a deviation from the code provision A.2.1. The Board is of the view that vesting both roles in Ms. Lo will allow for more effective planning and execution of business strategies. As all major decisions are made in consultation with the members of the Board, and there are three Independent Non-executive Directors (the "INEDs") on the Board offering independent advices, the Board believes that there are adequate safeguards in place to ensure sufficient balance of powers within the Board.

However, as the Company appointed Ms. Jie Jing as the Chief Executive Officer of the Company on 1 February 2019, Ms. Lo ceased to be the Chief Executive Officer of the Company. Thereafter, the Company has met code provision A.2.1 of the CG Code.

Pursuant to code provisions C.1.1 and C.1.2, management should provide sufficient explanation and information to the Board to enable it to make an informed assessment of financial and other information put before it for approval and provide the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties. Since certain accounting records of the Group were seized by the police due to Ms. Lo's custody, the Group was unable to prepare for its annual results. Due to the above reasons, there were no annual results of the Group for the Year presented to regular Board meetings for approval.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that in respect of the Year, all Directors have fully complied with the required standard set out in the Model Code.

## AUDIT COMMITTEE

The Company has formed an audit committee (the "Audit Committee") to assist the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Company. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the Year.

## SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 30 June 2019 as set out in the preliminary announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 30 June 2019. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

## CHANGE OF AUDITOR

On 6 March 2020, Deloitte Touche Tohmatsu has resigned as the auditor of the Company. On 9 November 2020, ZHONGHUI ANDA CPA Limited has been appointed as the auditor of the Company to fill the vacancy occasioned by the resignation of Deloitte Touche Tohmatsu and to hold office until the conclusion of the forthcoming annual general meeting of the Company. The Board and the audit committee of the Company have confirmed that there is no disagreement between the Company and Deloitte Touche Tohmatsu, and that there are no other matters in respect of the resignation of auditor of the Company which need to be brought to the attention of the holders of securities or creditors of the Company. For details, please refer to the Company's announcements of resignation of auditor and appointment of auditor published on 6 March 2020 and 9 November 2020, respectively.

## EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 30 June 2019:

**"Disclaimer of Opinion**

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

**Basis for Disclaimer of Opinion**

***1. Limited accounting books and records of the Group***

Due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of the Group for the years ended 30 June 2019 and 2018, we were unable to carry out audit procedures to satisfy ourselves as to whether the following income and expenses for the years ended 30 June 2019 and 2018 and the assets and liabilities as at those dates, and the segment information and other related disclosure notes in relation to the Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Income and expenses** | | |
| Revenue | **2,652,137** | 2,915,247 |
| Costs of sales | **(2,391,183)** | (2,702,790) |
| Gross profit | **260,954** | 212,457 |
| Other income | **9,398** | 2,349 |
| Other gains and losses, net | **(752,857)** | (10,328) |
| Distribution costs | **(11,094)** | (3,196) |
| General and administrative expenses | **(39,128)** | (36,406) |
| Finance cost | **–** | (3,498) |

| | 2019 | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| (Loss)/profit before income tax | **(532,727)** | 161,378 |
| Income tax expenses | **(61,832)** | (36,750) |
| (Loss)/profit for the year from continuing operations | **(594,559)** | 124,628 |
| **Discontinued operations** | | |
| Profit/(loss) for the year from discontinued operations | **40,461** | (30,531) |
| **(Loss)/profit for the year** | **(554,098)** | 94,097 |
| **Other comprehensive expense** | | |
| *Items that may be reclassified subsequently to profit or loss:* | | |
| Exchange differences arising on translation of foreign operations | **(11,937)** | (21,645) |
| Foreign currency translation reserve reclassified to profit or loss upon disposal of subsidiaries | **(10,369)** | – |
| Total other comprehensive expense for the year | **(22,306)** | (21,645) |
| **Total comprehensive (expense)/income for the year** | **(576,404)** | 72,452 |

| | 2019 | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Assets and liabilities** | | |
| Property, plant and equipment | **13,846** | 2,085 |
| Interest in an associate | **886** | 1,011 |
| Rental deposits paid | **–** | 1,833 |
| Inventories | **9,956** | – |
| Trade and other receivables | **9,491** | 438,026 |
| Bank and cash balances | **10,517** | 21,781 |
| Assets classified as held for sale | **–** | 206,872 |
| Trade and other payables | **(131,964)** | (156,536) |
| Tax liabilities | **(47,969)** | (31,692) |
| Liabilities associated with assets classified as held for sale | **–** | (91,916) |
| Net (liabilities)/assets | **(135,237)** | 391,464 |

2. ***Commitments and contingent liabilities***

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of commitments and contingent liabilities as at 30 June 2019 and 2018.

3. ***Related party transactions and balances***

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of the related party transactions for the years ended 30 June 2019 and 2018 and the balances as at those dates as required by Hong Kong Accounting Standard 24 (Revised) "Related Party Disclosures".

4. ***Material uncertainty on going concern basis***

We draw attention to note 2 to the consolidated financial statements which states that the Group incurred loss attributable to owners of the Company from continuing operations of approximately HK$664,006,000 for the year ended 30 June 2019 and as at 30 June 2019, the Group had net liabilities of approximately HK$118,197,000 and net current liabilities of approximately HK$167,852,000. Also the Group recorded net cash outflows in operating activities of approximately HK$128,571,000 for the year ended 30 June 2019.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the assumptions and measures stated in note 2 to the consolidated financial statements, at a level sufficient to finance the working capital requirements of the Group. The consolidated financial statements do not include any adjustments that would result from the failure to fulfilling the assumptions and measures stated in the note 2 to the consolidated financial statements. We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements.

However, in view of the extent of the uncertainty relating to the assumptions and measures stated in note 2 to the consolidated financial statements, we disclaim our opinion in respect of the material uncertainties relating to the going concern basis.

Any adjustments to the figures as described from points 1 to 4 above might have a significant consequential effect on the Group's consolidated financial performance and its consolidated cash flows for the years ended 30 June 2019 and 2018 and the consolidated financial position of the Group as at 30 June 2019 and 2018, and the related disclosures thereof in the consolidated financial statements."

## ANNUAL REPORT

The 2018/2019 annual report containing all the financial and other related information of the Company required by the Listing Rules will be published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.camsingintl.com) and copies will be sent to the shareholders of the Company in due course.

## CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was halted with effect from 9:00 a.m. on 19 July 2019 and will remain suspended until further notice.

By Order of the Board of Directors
**MH Development Limited**
*(formerly known as Camsing International Holding Limited)*
**Liu Hui**
*Executive Director*

Hong Kong, 14 January 2021

*As at the date of this announcement, the Board comprises Ms. Liu Hui, Mr. Guo Ben and Mr. Shen Yang as the executive Directors and Mr. Ross Yu Limjoco and Mr. Zheng Yilei as the independent non-executive Directors.*