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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)**

## **QUARTERLY UPDATE ON STATUS OF RESUMPTION**

This announcement is made by MH Development Limited (formerly known as Camsing International Holding Limited) (the “**Company**”, collectively with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) and 13.24A of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to (i) the announcements of the Company dated 5 July 2019, 9 July 2019, 16 July 2019, 18 July 2019, 19 July 2019, 29 July 2019, 15 August 2019, 4 September 2019, 30 September 2019, 10 October 2019, 6 March 2020, 15 April 2020, 18 September 2020, 16 October 2020, 23 October 2020, 9 November 2020, 1 December 2020, 11 December 2020, 14 January 2021 and 15 January 2021; and (ii) the quarterly update announcements of the Company dated 18 October 2019, 20 January 2020, 21 April 2020, 28 July 2020 and 22 October 2020 (collectively, the “**Announcement(s)**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the Announcements.

## **UPDATE ON THE BUSINESS OPERATIONS OF THE GROUP**

The business operations of the Group comprise (A) IP licensing and comprehensive services which include provision of services in respect of (1) IP licensing (including IP co-branded credit card); (2) IP content creation; and (3) IP marketing; and (B) sale and distribution of IP derived products and mobile devices. For further updates on the business operations of the Group, please refer to the sub-paragraph headed “(c) Compliance with Rule 13.24” under the paragraph headed “Update on resumption progress” below.

## RESUMPTION GUIDANCE

The Stock Exchange has set out the below Resumption Guidance for the Company in August 2019 and October 2019:

- (a) disclose details of the Custody of Ms. Lo by the Bureau and its impact on the Company's financial and operation position;
- (b) 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;
- (c) demonstrate its compliance with Rule 13.24 of the Listing Rules to warrant the continued listing of the Shares;
- (d) clarify the Company's current shareholding structure;
- (e) announce all material information for the Shareholders and investors to appraise its position; and
- (f) publish all outstanding financial results and address any audit modifications.

## UPDATE ON RESUMPTION PROGRESS

The Company has continued to take active steps to address and comply with the Resumption Guidance. The following are the updates on the progress of compliance with the Resumption Guidance:

### (a) **The Custody**

As disclosed in the Announcement dated 11 December 2020, regarding paragraph (a) of the Resumption Guidance, in order to obtain more details on the Custody, the Company has engaged its PRC legal advisers to conduct public searches on the case. Based on the information contained in the Articles, it was noted that Ms. Lo, together with the Nine Individuals and three companies, namely Guangdong Chengxing, Guangdong Zhongcheng and Guangdong Kangan, are involved in the case relevant to the Custody and have allegedly defrauded approximately RMB30 billion through creating fictitious accounts receivables. Ms. Lo was charged with contract fraud and bribery of non-state personnel (the "**Purported Fraudulent Activity**").

To the best of their knowledge, information and belief of the Directors, the Nine Individuals were not directors or senior management of any members of the Group, and the Directors are not aware of any relationships between (i) the Group and directors or senior management of any members of the Group (excluding Ms. Lo) on one side; and (ii) the Nine Individuals, Guangdong Chengxing, Guangdong Zhongcheng and Guangdong Kangan on the other side. Further, as disclosed in the announcement of the

Company dated 16 July 2019, Guangdong Chengxing and Guangdong Zhongcheng are not members of the Group. To the best of the Directors' knowledge, information and belief having made reasonable enquiries, Guangdong Kangan is also not a member of the Group.

As the Custody of Ms. Lo as well as the criminal charges involving Ms. Lo did not relate to any member of the Group or any of the Directors or senior management (except Ms. Lo in her personal capacity), the Custody has no impact on the Company's current financial and operation.

It is confirmed by the Company's PRC legal advisers that the Second Branch of the People's Procuratorate of Shanghai Municipality (上海市檢察院第二分院) and the Shanghai No.2 Intermediate People's Court (上海市第二中級人民法院) shall disclose information of the relevant cases to the public on the official online platforms according to the principles of legality, norms, timeliness and convenience to the public. The Company has already disclosed all the details of the Custody as far as they are known to the Company in the Announcement dated 11 December 2020 to the best of the Directors' knowledge, information and belief.

**(b) Management integrity**

Regarding paragraph (b) of the Resumption Guidance, (i) Ms. Lo is no longer a member of the Board or any member of the Group's senior management, there is no influence of her over the Board or senior management of the Company; and (ii) Ms. Lo's shareholding interests in the Company amounts to approximately 28.1%, only about 2.0% of which is subject to her own control (please refer to the Announcement dated 4 September 2019 for details of the shareholding structure of the Company). As such, Ms. Lo does not have influence over the Board or the Company, either, as a Director or as a shareholder. The business and operations of the Company are under the directions of the current Board, which has no relation whatsoever with Ms. Lo. In addition, so far as the Board is aware, there is no other person(s) who/which may have a substantial influence over the Company's management and operations which will impose a risk to investors and damage market confidence.

Each of the members of the current Board has also confirmed that, each of them is not involved in the incidents in relation to the Custody, and as disclosed above, the Purported Fraudulent Activity did not relate to the Group. Any act(s) in relation to the Purported Fraudulent Activity was the act of Ms. Lo in her own capacity, and no director or senior member of the Group was alleged to be involved in any of such acts. As such, the Board believes that there should not be any regulatory concern and/or any other persons with substantial influence over the Company's management and operations which will impose a risk to investors and damage market confidence.

The Company has also engaged internal control advisers to review the Group's internal control systems, so as to identify if there is any deficiency over the Group's systems; and if so, to strengthen the systems, with the intend to fortify the Group against any possible management integrity issues which may affect the Group's operations and to prevent any possible incident(s) arising in the future. Based on the internal control report, the internal control advisers are of the view that the design of the internal control procedures of the Group are able to achieve the control objectives intended to mitigate the risks correlated to the business and governance objectives relevant to the process, and the Board believes that the Group's internal control systems are able to avoid any possible management integrity issues which may affect the Group's operations and to prevent any possible incident(s) arising in the future.

**(c) Compliance with Rule 13.24**

Regarding paragraph (c) of the Resumption Guidance, the Group's existing IP related business comprise (A) IP licensing and comprehensive services which include provision of services in respect of (1) IP licensing (including IP co-branded credit card); (2) IP content creation; and (3) IP marketing; and (B) sale and distribution of IP derived products and mobile devices (collectively, the "**IP Related Business**").

Most of the accounting records of certain PRC subsidiaries of the Company (including but not limited to the Relevant Subsidiaries whose bank accounts have been restricted for use and business operations were temporarily halted) had been seized by the police in the PRC. For the purpose of clear separation of the affected subsidiaries (the "**Disposal Subsidiaries**") from other operating subsidiaries, new subsidiaries has been established to continue the Group's existing IP Related Business. The Group has executed all the relevant transfer documents effectuating the corporate restructuring.

In addition, on 15 January 2021, the Company and Enrich Consulting Limited (the "**Purchaser**") entered into a sale and purchase agreement (the "**SPA**"), pursuant to which the Company has agreed to sell, and the Purchaser has agreed to purchase (i) 1 ordinary share of Greater Brand Limited ("**GBL**"); and (ii) 1 ordinary share of Golden Glory I Development Limited ("**GGI**", together with GBL, the "**Target Companies**") (collectively, the "**Sale Share(s)**"), which represented the entire issued share capital of the Target Companies, at an aggregate consideration of HK\$2.00 (the "**Consideration**") (the "**Disposal**"). The Disposal Subsidiaries were subsidiaries of the Target Companies as at the date of the SPA. The Consideration was determined after arm's length negotiations between the Company and the Purchaser with reference to, among others, (i) the share capital of each of GBL and GGI, being HK\$1.00 respectively; (ii) the unaudited combined net liabilities as at 30 June 2020 and the combined net loss for the year ended 30 June 2020 of GBL and its subsidiaries; (iii) the unaudited consolidated net liabilities as at 30 June 2020 and the consolidated net loss for the year ended 30 June 2020 of GGI and its subsidiaries; and (iv) the suspended business operations of the Target Companies and their respective

subsidiaries and there is no indication on resumption of their business operations as at the date of the SPA. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, (i) the Purchaser is wholly-owned by an individual; and (ii) the Purchaser and its ultimate beneficial owner are independent third parties of the Company and its connected persons. The Directors consider the terms of the Disposal and the SPA, including the Consideration, to be fair and reasonable and on normal commercial terms, and are in the interests of the Company and its shareholders as a whole. Completion has taken place upon signing of the SPA, and each of the Target Companies and its subsidiaries has ceased to be a subsidiary of the Company, and the financial results of the Target Companies and its subsidiaries will no longer be consolidated into the financial statements of the Group. For details of the Company's financial statements after completion of the Disposal of the Disposal Subsidiaries, please refer to the sub-paragraph headed "(f) Financial results and audit modifications" below. As all of the applicable percentage ratios for the Disposal are less than 5%, the Disposal is not subject to disclosure requirements under the Listing Rules.

In addition, the Group has continued to use its best endeavours to resume and expand its operations regarding its IP Related Business. As at the date of this announcement, the Group has entered into 16 contracts which are mostly long-term business contracts with independent third party customers, including 2 contracts for IP licensing business, 6 contracts for IP marketing business, and 8 contracts for sale and distribution of IP derived products and mobile devices business. These contracts locked a total amount of approximately HK\$50.6 million revenue, which is crucial for the Group's business. The Board believes that the Group has a viable and sustainable business as a whole and will be operating in full compliance with Rule 13.24 of the Listing Rules.

**(d) Shareholding structure of the Company**

Regarding paragraph (d) of the Resumption Guidance, as disclosed in the Announcement dated 11 December 2020, the Stock Exchange has confirmed that, subject to further developments or any issues arising from any changes of situation in future, the Company has satisfied paragraph (d) of the Resumption Guidance.

**(e) Material information**

Regarding paragraph (e) of the Resumption Guidance, the Board considers that the Company has announced all material information regarding the Resumption Guidance for its shareholders and investors to appraise the Company's position. The Company will make further update announcements in relation to the Resumption Guidance as and when appropriate.

**(f) Financial results and audit modifications**

Regarding paragraph (f) of the Resumption Guidance, as disclosed in the announcement of the Company dated 9 November 2020, Zhonghui Anda CPA Limited has been appointed as the auditor (the “**Auditor**”) of the Company. The Company has been liaising with the Auditor since its appointment to collate and confirm necessary underlying information for the preparation of the financial results for the year ended 30 June 2019 (“**FY2019**”), the six months ended 31 December 2019 (“**6M2019**”) and the year ended 30 June 2020 (“**FY2020**”) (collectively, the “**Financial Periods**”).

The results announcements of the Company for FY2019, 6M2019 and FY2020 have been published on 14 January 2021 and 15 January 2021. The financial results published were subject to audit modifications due to the fact that most of the accounting records of the Company’s major subsidiaries in the PRC had been seized by the police in the PRC due to the Custody, and such records have not been released. The Board targets to publish the financial reports for FY2019, 6M2019 and FY2020 by the end of January 2021.

The Disposal was completed during the year ending 30 June 2021, and assuming that the Auditor is going to be satisfied on their audit workdone in relation to (i) financial position and financial performance of the remaining group entities of the Company for the year ending 30 June 2021; and (ii) the assessment on assumption of going concern basis on the preparation of the consolidated financial statements of the Company, it is expected that the potential audit modified qualification on the consolidated financial statements of the coming years are as follows:

- (i) ***For the year ending 30 June 2021:*** Modified opinion is expected to be issued on the (i) profit or loss effect on the gain/loss on the Disposal; and (ii) the opening balance of assets and liabilities, and the comparative profit or loss (being FY2020) of the Target Companies and its subsidiaries included in the comparative figures in the financial statements of the Company;
- (ii) ***For the year ending 30 June 2022:*** Modified opinion is expected to be issued on the profit or loss effect during the year ending 30 June 2021 (included in the comparative figure of the financial information for the financial information for the year ending 30 June 2022) on gain/loss on the Disposal; and
- (iii) ***For the year ending 30 June 2023:*** No modified opinion is expected.

As such, completion of the Disposal will avoid future audit modifications of the Company’s financial statements starting from the year ending 30 June 2023.

## **OTHER UPDATES**

### **The Supplemental Secured Loan Agreement**

As disclosed in the Announcement dated 1 December 2020, pursuant to the Secured Loan Agreement, the Original Secured Loan advanced from the Lender to the Company amounted to HK\$13,000,000. On 1 December 2020, the Company and the Lender entered into the Supplemental Secured Loan Agreement, pursuant to which the Lender has agreed to make available to the Company an Additional Secured Loan amounted to HK\$5,000,000. Together with the Secured Loan Agreement, the total Secured Loan amount has become HK\$18,000,000. Prior to the Disposal, the share charge of First Creative and the entering into of the Debenture as stipulated under the Secured Loan Agreement had been released and had been waived, respectively, by the Lender. The Supplemental Secured Loan Agreement included (i) a first priority share charge in favour of the Lender in relation to the entire issued share capital in GGV; and (ii) a first priority debenture in favour of the Lender creating a fixed and floating charge over the undertaking, property and assets of GGV.

The Directors consider that entering into of the Unsecured Loan Agreement, the Secured Loan Agreement and the Supplemental Secured Loan Agreement will enable the Group to obtain additional capital for its general operations purpose, and in turn allow greater flexibility for the Group in deploying resources to develop its existing business and explore new business opportunities with potential cooperating parties to expand its market presence in its IP Related Business.

### **CONTINUED SUSPENSION OF TRADING**

At the request of the Company, trading in 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.

**Shareholders and prospective investors of the Company are advised to exercise caution when dealing in the Shares.**

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

Hong Kong, 18 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.*