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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

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2662)**

## **ANNOUNCEMENT OF RESULTS OF SPECIAL AUDIT FOR THE SEVEN MONTHS ENDED 31 JANUARY 2021**

Reference is made to the announcements of MH Development Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 15 August 2019 and 10 October 2019 in respect of the resumption guidance (the “**Resumption Guidance**”) issued by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) to the Company.

### **BACKGROUND OF THE SPECIAL AUDIT**

In order to better demonstrate the compliance of the Group with one of the Resumption Guidance, namely, demonstration of compliance with Rule 13.24 of the Rules Governing the Listing of Shares on the Main Board of the Stock Exchange (the “**Listing Rules**”) to warrant the continued listing of the shares of the Company, the Company has appointed ZHONGHUI ANDA CPA Limited (the “**Auditor**”) to perform a special audit on the Group’s financial results for the seven months ended 31 January 2021.

## THE SPECIAL AUDIT

The Board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce the audited consolidated results of the Group for the seven months ended 31 January 2021 (the “**Period**”) together with comparative figures for the year ended 30 June 2020 and the seven months ended 31 January 2020 as follows:

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

*For the seven months ended 31 January 2021*

	<i>Notes</i>	<b>For the seven months ended 31 January 2021 HK\$'000 (Audited)</b>	For the seven months ended 31 January 2020 HK\$'000 (Unaudited)	For the year ended 30 June 2020 HK\$'000 (Audited)
<b>Revenue</b>	4	<b>21,060</b>	7,574	9,732
Cost of sales		<u>(17,173)</u>	<u>(5,061)</u>	<u>(8,632)</u>
Gross profit		<b>3,887</b>	2,513	1,100
Other income		<b>15</b>	51	2,166
Other gains/(losses), net		<b>190,481</b>	(46,103)	(51,080)
Selling expenses		<b>(1,116)</b>	(1,583)	(1,993)
General and administrative expenses		<b>(22,663)</b>	(15,735)	(26,346)
Finance costs		<b>(1,224)</b>	(967)	(1,548)
Profit/(loss) before income tax		<b>169,380</b>	(61,824)	(77,701)
Income tax credit	5	<b>661</b>	1,234	2,110
<b>Profit/(loss) for the period/year</b>	6	<b>170,041</b>	(60,590)	(75,591)
<b>Other comprehensive (expense)/income</b>				
<i>Item that will not be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translation to presentation currency		<b>(9,010)</b>	513	13,220

	<b>For the seven months ended 31 January 2021 HK\$'000 (Audited)</b>	For the seven months ended 31 January 2020 HK\$'000 (Unaudited)	For the year ended 30 June 2020 HK\$'000 (Audited)
Exchange differences arising on translation of foreign operations	(4,154)	2,756	(2,114)
Foreign currency translation reserve reclassified to profit or loss upon disposal and deregistration of subsidiaries	<u>(13,685)</u>	<u>–</u>	<u>–</u>
	<u>(17,839)</u>	<u>2,756</u>	<u>(2,114)</u>
Total other comprehensive (expense)/income for the period/year	<u>(26,849)</u>	<u>3,269</u>	<u>11,106</u>
<b>Total comprehensive income/(expense) for the period/year</b>	<b><u>143,192</u></b>	<b><u>(57,321)</u></b>	<b><u>(64,485)</u></b>
Profit/(loss) for the period/year attributable to:			
Owners of the Company	171,588	(55,575)	(70,154)
Non-controlling interests	<u>(1,547)</u>	<u>(5,015)</u>	<u>(5,437)</u>
	<b><u>170,041</u></b>	<b><u>(60,590)</u></b>	<b><u>(75,591)</u></b>
Total comprehensive income/(expense) for the period/year attributable to:			
Owners of the Company	144,785	(52,323)	(59,083)
Non-controlling interests	<u>(1,593)</u>	<u>(4,998)</u>	<u>(5,402)</u>
	<b><u>143,192</u></b>	<b><u>(57,321)</u></b>	<b><u>(64,485)</u></b>
Basic and diluted earnings/(loss) per share	9	<b><u>HK\$0.16</u></b>	<b><u>HK\$(0.05)</u></b>
		<b><u>HK\$(0.07)</u></b>	

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 January 2021

		As at 31 January 2021 HK\$'000 (Audited)	As at 30 June 2020 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		199	192
Right-of-use assets		3,219	3,795
Intangible assets		31,484	36,368
Goodwill		768	768
		<u>35,670</u>	<u>41,123</u>
<b>Current assets</b>			
Trade and other receivables	10	10,917	2,936
Bank balances and cash		5,101	752
		<u>16,018</u>	<u>3,688</u>
<b>Current liabilities</b>			
Trade and other payables	11	46,967	155,356
Tax liabilities		1,995	46,504
Lease liabilities		967	931
Loan from a related party		16,419	–
Bonds		11,856	11,031
		<u>78,204</u>	<u>213,822</u>
<b>Net current liabilities</b>		<u>(62,186)</u>	<u>(210,134)</u>
<b>Total assets less current liabilities</b>		<u>(26,516)</u>	<u>(169,011)</u>
<b>Non-current liabilities</b>			
Lease liabilities		2,410	2,981
Bank borrowings		1,598	1,598
Deferred tax liabilities		7,871	9,092
		<u>11,879</u>	<u>13,671</u>
<b>NET LIABILITIES</b>		<u>(38,395)</u>	<u>(182,682)</u>
<b>Capital and reserves</b>			
Share capital		107,712	107,712
Reserves		(144,398)	(289,183)
Equity attributable to owners of the Company		<u>(36,686)</u>	<u>(181,471)</u>
Non-controlling interests		(1,709)	(1,211)
<b>NET DEFICIT</b>		<u>(38,395)</u>	<u>(182,682)</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the period ended 31 January 2021*

### 1. GENERAL INFORMATION

MH Development 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”). The addresses of the registered office and principal place of business of the Company are Governor Square, P.O. Box 30746, Seven Mile Beach, Grand Cayman, KY1–1203, Cayman Islands and Unit 1904, 19/F., Podium Plaza, 5 Hanoi Road, Tsim Sha Tsui, Kowloon, Hong Kong respectively.

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 (“Director(s)”) 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 modification (with the Initial Resumption Guidance, together the “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 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 periods and years. These consolidated financial statements are presented in thousands of HK\$ (“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.

As at 31 January 2021, the Company and its subsidiaries (the “Group”) had net current liabilities and net liabilities of approximately HK\$62,186,000 and approximately HK\$38,395,000 respectively. Also, the Group recorded net cash outflows in operating activities of approximately HK\$11,568,000 for the seven months ended 31 January 2021. 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.
- (d) The executive director of the Company, Mr. Shen Yang, has agreed to provide financial support at a level sufficient to finance the working capital requirements of the Group and provide adequate funds for the Group to meet its liabilities as they fall due.

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 the date of approval of these financial statements. 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 the date of approval of these financial statements 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 period, 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 period beginning on 1 July 2020. 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 period and prior years.

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

	<b>For the seven months ended 31 January 2021 HK\$’000 (Audited)</b>	For the seven months ended 31 January 2020 HK\$’000 (Unaudited)	For the year ended 30 June 2020 HK\$’000 (Audited)
<b>Revenue from contracts with customers:</b>			
Sale of goods	<b>9,764</b>	–	–
Rendering of services	<b>8,755</b>	–	–
Licensing fee income	<b>2,541</b>	7,574	9,732
	<b>21,060</b>	7,574	9,732

### ***Sale of goods***

Sale of goods mainly derived from sale and distribution of intellectual properties (“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 (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 (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 is 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 two reportable segments as follows:

- Sale and distribution of IP derived products and mobile devices; and
- IP licensing and comprehensive 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	Sale and distribution of IP derived products and mobile devices <i>HK\$’000</i> (Audited)	IP licensing and comprehensive services <i>HK\$’000</i> (Audited)	Total <i>HK\$’000</i> (Audited)
<b>For the seven months ended</b>			
<b>31 January 2021</b>			
<u>Major products/services</u>			
<i>Sale of goods</i>			
IP derived products and mobile devices	9,764	–	9,764
<i>Rendering of services</i>			
Marketing services	–	8,755	8,755
<i>Licensing fee income</i>			
IP licensing fee income	–	2,541	2,541
	<u>9,764</u>	<u>11,296</u>	<u>21,060</u>
<u>Timing of revenue recognition</u>			
At a point in time	9,764	8,755	18,519
Over time	–	2,541	2,541
Total	<u>9,764</u>	<u>11,296</u>	<u>21,060</u>

Segments	IP licensing and comprehensive services <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
<b>For the seven months ended</b>		
<b>31 January 2020</b>		
<u>Major service</u>		
<i>Licensing fee income</i>		
IP licensing fee income	7,574	7,574

For the seven months ended 31 January 2020, all the revenue were recognised over time.

Segments	IP licensing and comprehensive services <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
<b>For the year ended 30 June 2020</b>		
<u>Major service</u>		
<i>Licensing fee income</i>		
IP licensing fee income	9,732	9,732

For the year ended 30 June 2020, all the revenue were recognised over time.

#### ***Geographical information***

	<b>Revenue by external customers</b>		
	<b>For the seven months ended 31 January 2021 <i>HK\$'000</i> (Audited)</b>	For the seven months ended 31 January 2020 <i>HK\$'000</i> (Unaudited)	For the year ended 30 June 2020 <i>HK\$'000</i> (Audited)
The People's Republic of China (the "PRC")	12,131	–	–
Hong Kong	6,484	–	–
The United States of America (the "US")	2,445	7,574	9,732
	<b>21,060</b>	7,574	9,732

Reconciliations of reportable segment revenue and profit or loss:

	Sale and distribution of IP derived products and mobile devices <i>HK\$'000</i> (Audited)	IP licensing and comprehensive services <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
<b>For the seven months ended</b>			
<b>31 January 2021</b>			
Revenue from external customers	9,764	11,296	21,060
Segment profit/(loss)	3,591	(11,641)	(8,050)
Unallocated operating expenses			(12,071)
Unallocated other income and gains, net			190,725
Finance costs			(1,224)
			<u>169,380</u>
Consolidated profit before income tax			<u>169,380</u>

	Sale and distribution of IP derived products and mobile devices <i>HK\$'000</i> (Unaudited)	IP licensing and comprehensive services <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
<b>For the seven months ended</b>			
<b>31 January 2020</b>			
Revenue from external customers	–	7,574	7,574
Segment loss	(23,122)	(31,329)	(54,451)
Unallocated operating expenses			(273)
Unallocated other losses, net			(6,133)
Finance costs			(967)
			<u>(61,824)</u>
Consolidated loss before income tax			<u>(61,824)</u>

	Sale and distribution of IP derived products and mobile devices <i>HK\$'000</i> (Audited)	IP licensing and comprehensive services <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
<b>For the year ended 30 June 2020</b>			
Revenue from external customers	–	9,732	9,732
Segment loss	(28,797)	(36,081)	(64,878)
Unallocated operating expenses			(1,884)
Unallocated other losses, net			(9,391)
Finance costs			(1,548)
			(77,701)
			(77,701)

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

Segment profit or loss represents the profit or loss earned by each segment without allocation of certain other income, other gains/(losses), net, 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***

Revenue from customers of the corresponding periods/year contributing over 10% of the total sales of the Group is as follows:

	<b>For the seven months ended 31 January 2021 <i>HK\$'000</i> (Audited)</b>	For the seven months ended 31 January 2020 <i>HK\$'000</i> (Unaudited)	For the year ended 30 June 2020 <i>HK\$'000</i> (Audited)
IP licensing and comprehensive services			
Customer A	<b>4,770</b>	–	–
Customer B	–	3,557	4,326
Customer C	–	868	936
Sale and distribution of IP derived products and mobile devices			
Customer D	<b>3,049</b>	–	–
Customer E	<b>2,382</b>	–	–
Customer F	<b>2,372</b>	–	–
	<b>2,372</b>	–	–

## 5. INCOME TAX CREDIT

	<b>For the seven months ended 31 January 2021 HK\$'000 (Audited)</b>	For the seven months ended 31 January 2020 HK\$'000 (Unaudited)	For the year ended 30 June 2020 HK\$'000 (Audited)
<b>Current income tax</b>			
PRC enterprise income tax (the “EIT”)	338	–	–
Hong Kong Profits Tax	<u>225</u>	<u>–</u>	<u>–</u>
	563	–	–
Deferred tax	<u>(1,224)</u>	<u>(1,234)</u>	<u>(2,110)</u>
	<u><u>(661)</u></u>	<u><u>(1,234)</u></u>	<u><u>(2,110)</u></u>

For the seven months ended 31 January 2021 and the year ended 30 June 2020, Hong Kong Profits Tax is calculated under two-tier profits tax rate regime. First HK\$2 millions of estimated assessable profits is taxed at a rate of 8.25% and the remaining estimated assessable profits is taxed at 16.5%. The Group has selected one of the Hong Kong subsidiaries to apply the two-tier profits tax rate. No provision for Hong Kong Profits Tax has been made for the year ended 30 June 2020 and for the seven months ended 31 January 2020 as the Group did not generate any assessable profits arising in Hong Kong during the year ended 30 June 2020 and the seven months ended 31 January 2020.

Other jurisdictions mainly included the United States. Taxation arising in other jurisdictions of which the United States is at 21% (30 June 2020: 21%) is calculated at the rates prevailing in the respective jurisdictions.

Under the Enterprise Income Tax Law of the PRC (the “EIT Law”), the EIT rate for the Company’s subsidiaries established in the PRC was 25% for the seven months ended 31 January 2021, the year ended 30 June 2020 and the seven months ended 31 January 2020.

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

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

	<b>For the seven months ended 31 January 2021 HK\$'000 (Audited)</b>	For the seven months ended 31 January 2020 HK\$'000 (Unaudited)	For the year ended 30 June 2020 HK\$'000 (Audited)
Directors' emoluments	742	1,158	1,948
Other staff costs	7,920	5,422	8,116
Retirement benefit scheme contributions (excluding contributions in respect of directors of the Company)	145	89	96
Total staff costs	<u>8,807</u>	<u>6,669</u>	<u>10,160</u>
Auditors' remuneration			
— audit services	1,000	—	1,880
— non-audit services	195	190	260
Depreciation of property, plant and equipment	21	20	47
Depreciation of right-of-use assets	578	582	2,386
Amortisation of intangible assets (included in cost of sales)	4,896	4,938	8,441
Gain on deregistration of subsidiaries ( <i>note 7(a)</i> ) (included in other gains/(losses), net)	(9,532)	—	—
Gain on disposal of subsidiaries ( <i>note 7(b)</i> ) (included in other gains/(losses), net)	(170,441)	—	—
Cost of inventories recognised as an expense (included in cost of sales)	7,069	—	—
Impairment loss on trade and other receivables, net	244	7,342	7,516
Impairment loss on inventories	15	9,236	9,694
Impairment loss on property, plant and equipment	—	13,181	13,482
Interest income	(2)	(5)	(5)

## 7. DEREGISTRATION/DISPOSAL OF SUBSIDIARIES

### (a) Deregistration of subsidiaries

During the seven months ended 31 January 2021, indirect non-wholly owned subsidiaries of the Company 喀什廣音達文化創意有限公司 (Kashen Guangyinda Cultural Creative Company Limited) (“Kashen Guangyinda”) and 北京魔氦互動信息技術有限公司 (Beijing Moke Interactive Information Technology Company Limited) (“Beijing Moke”) have been deregistered.

The deregistration of subsidiaries was completed on 26 September 2020 (the “Deregistration Date”).

	<b>As at Deregistration Date</b>		
	<b>Kashen Guangyinda</b> <i>HK\$'000</i>	<b>Beijing Moke</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Net liabilities disposed of			
Other payables	(6,396)	(217)	(6,613)
Contract liabilities	(2,336)	(194)	(2,530)
	(8,732)	(411)	(9,143)
Release of non-controlling interests upon deregistration	(137)	(617)	(754)
Release of exchange reserve upon deregistration	352	13	365
Gain on deregistration of subsidiaries (note 6)	(8,517)	(1,015)	(9,532)

**(b) Disposal of subsidiaries**

On 15 January 2021, the Company and an independent third party (the “Purchaser”) entered into a sale and purchase agreement (“Disposal Agreement”). The Group has agreed to sell and the Purchaser has agreed to purchase entire issued share capital of Golden Glory I Development Limited and its subsidiaries (collectively referred to as the “First Disposal Group”) and Greater Brand Limited and its subsidiaries (collectively referred to as the “Second Disposal Group”) from the Group at a cash consideration of HK\$1 and HK\$1 respectively.

The disposal was completed on 15 January 2021 (the “Disposal Completion Date”).

	<b>As at Disposal Completion Date</b>		
	<b>First</b>	<b>Second</b>	<b>Total</b>
	<b>Disposal Group</b>	<b>Disposal Group</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net liabilities disposed of			
Trade and other receivables	–	1,507	1,507
Trade and other payables	(110,327)	(987)	(111,314)
Tax liabilities	(36,817)	(11,616)	(48,433)
	(147,144)	(11,096)	(158,240)
Release of exchange reserve upon disposal	(8,387)	(5,663)	(14,050)
Release of non-controlling interests upon disposal	–	1,849	1,849
Gain on disposal of subsidiaries ( <i>note 6</i> )	155,531	14,910	170,441
Total consideration*	–	–	–

\* The amount of consideration was less than HK\$1,000.



## 8. DIVIDEND

No dividend had been paid or proposed for the seven months ended 31 January 2021 and the year ended 30 June 2020. The Directors do not recommend a dividend in respect of the seven months ended 31 January 2021 and the year ended 30 June 2020.

No interim dividend was proposed during the seven months ended 31 January 2021 and the year ended 30 June 2020.

## 9. EARNINGS/(LOSS) PER SHARE

### Basic earnings/(loss) per share

The calculation of the basic earnings per share for the seven months ended 31 January 2021 is based on the profit for the period attributable to owners of the Company of approximately HK\$171,588,000 (the basic loss per share for the year ended 30 June 2020 and for the seven months ended 31 January 2020: approximately HK\$70,154,000 and HK\$55,575,000 respectively) and the number of 1,077,128,000 (as at 30 June 2020 and 31 January 2020: 1,077,128,000) ordinary shares in issue during the seven months ended 31 January 2021.

### Diluted earnings/(loss) per share

Diluted earnings/(loss) per share are not presented for the seven months ended 31 January 2021 and 2020, and for the year ended 30 June 2020 as there is no potential ordinary share outstanding during both periods ended 31 January 2021 and 2020, and the year ended 30 June 2020.

## 10. TRADE AND OTHER RECEIVABLES

	As at 31 January 2021 HK\$'000	As at 30 June 2020 HK\$'000
Trade receivables	8,632	15,609
Less: allowance for doubtful debts	<u>(1,496)</u>	<u>(14,486)</u>
	7,136	1,123
Prepayments	3,038	418
Deposits and other receivables	<u>743</u>	<u>1,395</u>
	<u><u>10,917</u></u>	<u><u>2,936</u></u>

The Group allows credit periods ranging from 30 to 180 days (as at 30 June 2020: 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:

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	<b>As at 31 January 2021 HK\$'000</b>	As at 30 June 2020 HK\$'000
0-30 days	<b>6,796</b>	646
61-90 days	<b>340</b>	-
91-180 days	-	39
181-365 days	-	438
	<u>7,136</u>	<u>1,123</u>

Trade receivables of approximately HK\$6,795,000 as at 31 January 2021 had been settled up to the date of this announcement, by either (a) cash settlement or (b) received on behalf of the Group by a party authorised by the Group.

Reconciliation of loss allowance for trade receivables:

	<b>As at 31 January 2021 HK\$'000</b>	As at 30 June 2020 HK\$'000
At beginning of the period/year	<b>14,486</b>	14,483
Disposal of subsidiaries	<b>(13,364)</b>	-
Impairment losses recognised during the period/year	<b>244</b>	514
Exchange realignment	<b>130</b>	(511)
At end of the period/year	<u>1,496</u>	<u>14,486</u>

## 11. TRADE AND OTHER PAYABLES

	As at 31 January 2021 HK\$'000	As at 30 June 2020 HK\$'000
Trade payables	12,699	20,486
Contract liabilities	13,101	45,694
Accruals and other payables ( <i>note a</i> )	<u>21,167</u>	<u>89,176</u>
	<u><u>46,967</u></u>	<u><u>155,356</u></u>

*Note:*

- (a) As at 31 January 2021, included in accruals and other payables, HK\$Nil (as at 30 June 2020: approximately HK\$50,500,000) was due to a related company in which Ms. Lo has significant influence, and approximately HK\$2,169,000 (as at 30 June 2020: approximately HK\$2,167,000) 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. 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.

On 22 February 2021, the Company proposed to implement the capital reorganisation which involves share consolidation, capital reduction and share subdivision. Immediately following the capital reorganisation, the authorised share capital of the Company will be HK\$300,000,000 divided into 3,000,000,000 new shares of HK\$0.10 each, of which 107,712,800 new shares will be in issue and the aggregate nominal value of the issued share capital of the Company will be HK\$10,771,280. For details, please refer to the announcement of the Company dated 22 February 2021.

On 22 February 2021, the Company entered into a subscription agreement with Runjing Holdings Limited, a company wholly owned by Mr. Shen Yang, an executive Director, to subscribe for 218,689,624 new shares of the Company at the subscription price of HK\$0.183 per share, subject to fulfillment of certain conditions precedent. For details, please refer to the announcement of the Company dated 22 February 2021.

## **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 seven months ended 31 January 2021:

### **“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 Disposal Group***

Due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of certain subsidiaries of the Group (which have been disposed/deregistered during the seven months ended 31 January 2021) (collectively referred to as the “Disposal Group”) for the year ended 30 June 2020 and for the seven months ended 31 January 2021, we were unable to carry out audit procedures to satisfy ourselves as to whether the following income and expenses for the year ended 30 June 2020 and for the seven months ended 31 January 2021 and the assets and liabilities as at 30 June 2020, and the segment information and other related disclosure notes in relation to the Disposal Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements:

	<b>For the seven months ended 31 January 2021 HK\$'000</b>	For the year ended 30 June 2020 HK\$'000
<b>Income and expenses</b>		
Revenue	7,365	–
Cost of sales	<u>(4,858)</u>	<u>–</u>
Gross profit	2,507	–
Other income	15	48
Other gains/(losses), net	190,342	(51,080)
Selling expenses	(1,065)	(1,666)
General and administrative expenses	(3,361)	(2,497)
Finance costs	<u>–</u>	<u>(147)</u>
<b>Profit/(loss) for the period/year</b>	<u><b>188,438</b></u>	<u>(55,342)</u>
<b>Other comprehensive income/(expense)</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	761	(245)
Foreign currency translation reserve reclassified to profit or loss upon disposal of subsidiaries	<u>(13,685)</u>	<u>–</u>
Total other comprehensive expense for the period/year	<u>(12,924)</u>	<u>(245)</u>
<b>Total comprehensive income/(expense) for the period/year</b>	<u><b>175,514</b></u>	<u>(55,587)</u>

As at  
30 June  
2020  
HK\$'000

**Assets and liabilities**

Trade and other receivables	1,377
Bank balances and cash	411
Trade and other payables	(129,703)
Tax liabilities	<u>(46,504)</u>
Net liabilities	<u><u>(174,419)</u></u>

**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 in relation to the Disposal Group as at 30 June 2020.

**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 in relation to the Disposal Group for the year ended 30 June 2020 and for the seven months ended 31 January 2021 and the balances in relation to the Disposal Group as at 30 June 2020 as required by Hong Kong Accounting Standard 24 (Revised) "Related Party Disclosures".

Any adjustments to the figures as described from points 1 to 3 above might have a significant consequential effect on the Group's consolidated financial performance and its consolidated cash flows for the year ended 30 June 2020 and for the seven months ended 31 January 2021 and the consolidated financial position of the Group as at 30 June 2020, and the related disclosures thereof in the consolidated financial statements."

## MANAGEMENT DISCUSSION AND ANALYSIS

Reference is made to the announcement of the Company dated 5 July 2019 in relation to the holding of Ms. Lo Ching (“**Ms. Lo**”), the former chairman and an executive Director in criminal custody by the Yangpu Branch of the Shanghai Public Security Bureau (上海市公安局楊浦分局) in the People’s Republic of China. 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.

### GROUP REORGANISATION

Due to the seizure of documents including some of the accounting records of the Group as mentioned above, certain books and accounting records of the Company’s subsidiaries, including the First Disposal Group (as defined below) and the Second Disposal Group (as defined below) were not available. As a result, the Auditor has issued a disclaimer in relation to limited accounting books and records of the Group under the consolidated financial statements for the seven months ended 31 January 2021.

Pursuant to the Resumption Guidance, the Company is required to publish all outstanding financial results and address any audit modifications. In order to address the audit modifications, on 15 January 2021, the Company and an independent third party (the “**Purchaser**”) entered into a sale and purchase agreement pursuant to which the Group has agreed to sell and the Purchaser has agreed to purchase the entire issued share capital of Golden Glory I Development Limited and its subsidiaries (collectively referred to as the “**First Disposal Group**”) and Greater Brand Limited and its subsidiaries (collectively the “**Second Disposal Group**”) at a cash consideration of HK\$1, respectively (collectively referred to as the “**Disposals**”). The Disposals have completed on 15 January 2021.

Upon completion of the Disposals, the First Disposal Group and the Second Disposal Group had ceased to be consolidated into the financial statements of the Group. Assuming that the Auditor is going to be satisfied on its audit work done in relation to (1) the financial position and the financial performance of the remaining group entities of the Company for the year ending 30 June 2021; and (2) the assessment on the assumption of going concern basis on the preparation of the consolidated financial statements of the Company, it is expected that the potential audit modifications on the consolidated financial statements of the Company for the year ending 30 June 2021 will be attributable the (i) profit or loss effect on the gain/loss on the Disposals which was completed on 15 January 2021 and other profit or loss effect in relation to the First Disposal Group and Second Disposal for the year ending 30 June 2021;

and (ii) the opening balance of assets and liabilities, and the comparative profit or loss (being the comparative figures for the year ended 30 June 2020) of the First Disposal Group and the Second Disposal Group included in the comparative figures in the consolidated financial statements of the Company.

Based on the above, (i) in respect of the consolidated financial statements 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 figures of the financial information for the financial information for the year ending 30 June 2022) on gain/loss on the Disposals and other profit or loss effect in relation to the First Disposal Group and Second Disposal for the year ending 30 June 2021; and (ii) in respect of the consolidated financial statements for the year ending 30 June 2023, no modified opinion is expected to be issued by the Auditor.

In addition, two indirect non-wholly owned subsidiaries of the Company, namely Kashen Guangyinda Cultural Creative Company Limited (喀什廣音達文化創意有限公司) (“**Kashen Guangyinda**”) and Beijing Moke Interactive Information Technology Company Limited (北京魔氣互動信息技術有限公司) (“**Beijing Moke**”) were deregistered (collectively referred to as the “**Deregistrations**”) on 26 September 2020.

## FINANCIAL REVIEW

### Income Statement Review

	<b>For the seven months ended 31 January 2021 HK\$'000</b>	For the seven months ended 31 January 2020 HK\$'000	For the twelve months ended 30 June 2020 HK\$'000	YoY growth/ (decline) HK\$'000	%
<b>Revenue</b>	<b>21,060</b>	7,574	9,732	13,486	178%
<b>Gross profit</b>	<b>3,887</b>	2,513	1,100	1,374	55%
<b>Profit/(loss) for the period/year</b>	<b>170,041</b>	(60,590)	(75,591)	231,379	381%
<b>Basic earnings/(loss) per share (HK\$)</b>	<b>HK\$0.16</b>	(HK\$0.05)	(HK\$0.07)	HK\$0.21	420%



During the Period, the Group's overall operating revenue from its business recorded a significant increase as compared to financial indicators for the seven months ended 31 January 2020, with a total revenue of approximately HK\$21.1 million for the Period, representing a year-on-year increase of 178%, while the gross profit was HK\$3.9 million, representing a year-on-year increase of 55%. Profit for the period were approximately HK\$170.0 million with basic earnings per share of HK\$0.16. The Group recorded profit of approximately HK\$170.0 million for the period mainly because it completed the Disposals on 15 January 2021 and the Deregistrations on 26 September 2020, resulting in one-off income from the disposal/deregistration of subsidiaries totalling approximately HK\$180.0 million.

The Group's business has gradually recovered during the seven months ended 31 January 2021. Excluding one-off income from the disposal/deregistration of subsidiaries, the Group recorded loss of approximately HK\$9.9 million for the period mainly because the actual operating duration was only around four months during the Period, the cost for the Period included amortisation of intangible assets of approximately HK\$4.9 million from Pow! Entertainment, LLC ("**Pow! Entertainment**"), a subsidiary of the Group in the US, and expenses totalling approximately HK\$9.9 million were incurred for engaging professional advisers during the Period for the works in relation to the resumption of trading in the shares of the Company on the Stock Exchange (the "**Resumption**"), resulting in high general administrative expenses. Although excluding the one-off income from the Disposals/the Deregistrations of subsidiaries, the Group still recorded loss for the Period, the Group's trading position has dramatically improved during the Period as compared with loss of HK\$60.6 million for the seven months ended 31 January 2020 and loss of HK\$75.6 million for the twelve months ended 30 June 2020. As our business recovers and proceeds, the Group's management is confident that the financial position of the Group will improve under effective cost control without any additional intermediary expenses after the Group's Resumption.

	<b>Revenue for the seven months ended 31 January 2021 HK\$'000</b>	Revenue for the seven months ended 31 January 2020 HK\$'000	Revenue for the twelve months ended 30 June 2020 HK\$'000	YoY growth/ (decline) HK\$'000	%
<b>IP licensing and content creation</b>	<b>2,541</b>	7,574	9,732	(5,033)	(66%)
<b>Marketing services</b>	<b>8,755</b>	–	–	8,755	–
<b>Sales and distribution of IP derived products and mobile devices</b>	<b>9,764</b>	–	–	9,764	–

During the Period, segments including the IP marketing and sale and distribution of IP derived products and mobile devices continued to recover, with a revenue of approximately HK\$8.8 million and HK\$9.8 million, respectively. Pow! Entertainment continued to operate independently and generate income for the Group for the Period.

## **LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

During the Period, the Group's total assets amounted to approximately HK\$51.7 million, representing an increase of approximately 15.3% as compared to the same as at 30 June 2020; net liabilities amounted to approximately HK\$38.4 million, representing a decrease of approximately 79.0%; and the liabilities-to-assets ratio reached 174.3%, representing a decrease of approximately 333 percentage points. The Group had bank balances and cash of approximately HK\$5.1 million as at 31 January 2021. The gearing ratio of the Group was negative 0.78 (30 June 2020: negative 0.07) due to Company's negative equity position, which was calculated based on the Group's total borrowing and bonds amounting to HK\$29,873,000 (30 June 2020: HK\$12,629,000) and the equity attributable to owners of the Company amounting to negative HK\$36.7 million (30 June 2020: negative HK\$181.5 million).

## **STAFF**

As at 31 January 2021, the total number of people being employed by the Group was 22 (excluding directors) of which 11 were employed in the PRC, 5 were employed in Hong Kong, and 6 were employed in the US. There are also 5 directors, including 3 executive directors and 2 independent non-executive directors. 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.

## **SIGNIFICANT INVESTMENT HELD**

Save as disclosed herein, during the Period, 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\$, USD and Renminbi ("RMB").

## **CHARGE ON GROUP'S ASSETS**

During the Period, none of the assets of the Group was pledged or charged (30 June 2020: nil).

## **CONTINGENT LIABILITIES**

During the Period, the Group did not have any contingent liabilities (30 June 2020: nil).

## **DIVIDEND**

The Board did not recommend the payment of any dividend for the Period.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

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

## **EVENTS AFTER THE PERIOD**

Subsequent events of the Group after the Period are set out in note 1 to the condensed consolidated financial statements in this announcement. Save as disclosed, there are no significant events affecting the Group after the Period.

## **FUTURE OUTLOOK**

Although the operations of the Group have been affected by Ms. Lo's incident, the Group remains optimistic about the prospects of the IP-centred pan-entertainment sector. And we will continue to develop and expand our business based on existing operations at present and in the future. However, in view of COVID-19 and a series of uncertainties in the current global economy, 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.

## **NON-COMPLIANCE WITH THE LISTING RULES**

### **Insufficient independent non-executive Directors**

On 3 December 2019, Mr. Lei Jun tendered his resignation as independent non-executive Director with effect from 3 December 2019.

Following the resignation of Mr. Lei, the Company fails to meet the requirements of (i) having at least three independent non-executive Directors on the Board under Rule 3.10(1) of the Listing Rules; and (ii) the audit committee comprising only non-executive Directors with a minimum of three members under Rule 3.21 of the Listing Rules.

In order to ensure compliance with the Listing Rules, as at the date of this announcement, the Company had identified a suitable candidate to fill the position of independent non-executive Director. Further announcement(s) will be made by the Company as and when appropriate.

## **CORPORATE GOVERNANCE**

The Board confirms that the Group has complied with all material code provisions of the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules except for the deviations as stated herein. For details of non-compliance with the Listing Rules regarding the insufficient number of independent non-executive Directors, please refer to the sub-paragraph headed “Insufficient independent non-executive Directors” under the paragraph headed “Non-compliance with the Listing Rules” above.

The Company was not in compliance with the following CG Code during the Period:

<b>CG Code provision</b>	<b>Reason for the non-compliance and improvement actions taken or to be taken</b>
A.2.7	Since the custody of Ms. Lo and the suspension of Ms. Lo’s administrative and executive duties and powers as the Chairman and executive Director on 29 July 2019, the Chairman did not hold meetings with the independent non-executive Directors without the presence of other directors. The Company will appoint a Chairman as soon as practicable and arrange such meetings to be held.

<b>CG Code provision</b>	<b>Reason for the non-compliance and improvement actions taken or to be taken</b>
A.4.1, A.4.2	No annual general meeting was held since 24 November 2018. Therefore, no Directors have been subject to retirement and re-election by the shareholders of the Company at the annual general meeting. The next annual general meeting of the Company is expected to be held on 30 March 2021 for the retirement and re-election of Directors.
E.1.1, E.1.2, E.1.3, E.2.1	No annual general meeting was held since 24 November 2018. The next annual general meeting of the Company is expected to be held on 30 March 2021.

Save as disclosed above, the Company met all the applicable code provisions of the CG Code during the Period.

#### **AUDIT COMMITTEE**

The audit committee of the Company has reviewed the consolidated financial statements of the Group for the seven months ended 31 January 2021.

#### **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.

## **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**  
**Liu Hui**  
*Executive Director*

Hong Kong, 22 March 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.*