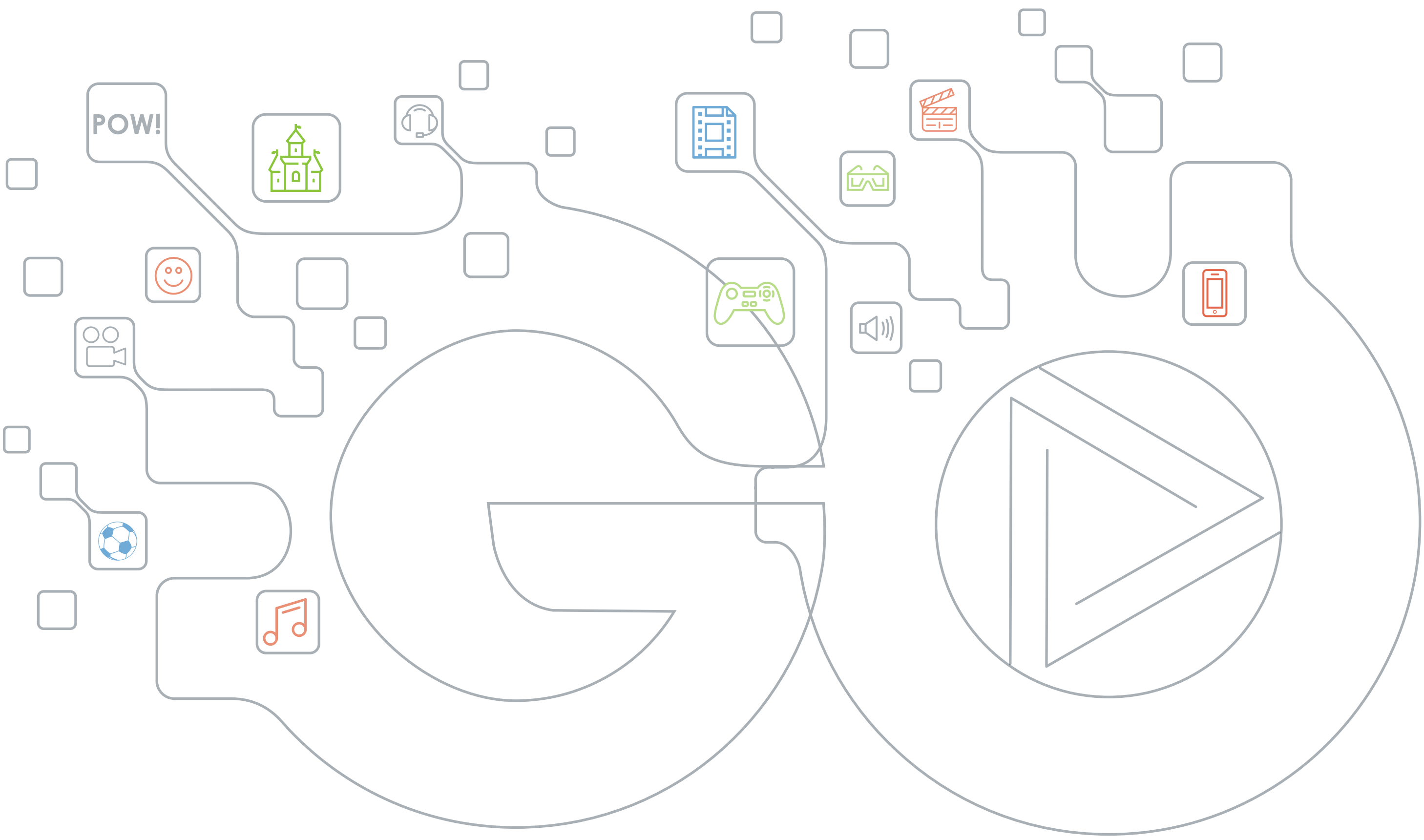
美好發展集團
MH DEVELOPMENT

MH Development Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2662



2019/20

ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Ms. Lo Ching *(Chairman)*
(vacated on 22 September 2020)
Ms. Liu Hui
Mr. Guo Ben (appointed on 22 September 2020)
Mr. Shen Yang (appointed on 16 October 2020)

Independent Non-Executive Directors:

Mr. Lei Jun
(resigned on 3 December 2019)
Mr. Ross Yu Limjoco
Mr. Zheng Yilei

COMPANY SECRETARY

Mr. Fung Nam Shan

AUDITOR

Deloitte Touche Tohmatsu
(resigned on 6 March 2020)
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

ZHONGHUI ANDA CPA Limited
(appointed on 9 November 2020)
Certified Public Accountants
Unit 701, 7/F., Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

PRINCIPAL BANKS

The Hongkong and Shanghai Banking Corporation Limited
Agricultural Bank of China
Standard Chartered Bank (Hong Kong) Limited

WEBSITE

www.mhdlhk.com

STOCK CODE

2662

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1904, 19/F.,
Podium Plaza
5 Hanoi Road
Tsim Sha Tsui, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1-1110
Cayman Islands

BRANCH SHARE REGISTRAR IN HONG KONG

Boardroom Share Registrars (HK) Limited
2103 B, 21/F., 148 Electric Road
North Point
Hong Kong

EXECUTIVE DIRECTOR'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the results announcement of MH Development Limited (formerly known as Camsing International Holding Limited) (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 30 June 2020 ("FY2020" or the "Year").

FY2020 is a year of change for the Group. As stated in the announcement of the Company dated 5 July 2019 in relation to the holding of Ms. Lo Ching ("Ms. Lo"), the former chairman (the "Chairman") of the board (the "Board") of directors (the "Director(s)") of the Company 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 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 operations of the Group were seized by the police as well. In view of this, the statements in this report were made with a prudent attitude.

BUSINESS REVIEW

The Group's business shrank significantly as compared with the year ended 30 June 2019 ("FY2019"). As compared with continuing operations in FY2019, the Group recorded revenue of approximately HK$9.7 million, a decline of approximately 99.6% year-on-year ("yoy") and gross profit of approximately HK$1.1 million, a decline of 99.6% yoy. The sustained losses recorded for the Year were approximately HK$75.6 million, and basic loss per share was approximately HK$0.07. This is mainly because marketing services, theme events services, sales and distribution of IP derived products and mobile devices ceased operations and only IP licensing and content creation business remain in operations during the Year.

Since Ms. Lo's incident mainly affected operations in the PRC and Hong Kong. Pow! Entertainment, Inc ("Pow! Entertainment"), a subsidiary of the Group in the US still operating independently, the Group's revenue for the Year was generated all by Pow! Entertainment. During the Year, the Group's IP licensing business realised revenue of approximately HK$9.7 million, a decrease of approximately HK$21.4 million or approximately 68.8% yoy. As at the end of the Year, the Group's total assets amounted to approximately HK$44.8 million, a decline of approximately 53.0% yoy; net liabilities amounted to approximately HK$182.7 million, an increase of approximately 54.6% yoy; and the liabilities-to-assets ratio reached approximately 507.7%, yoy up approximately 283.6 percentage points.

FUTURE OUTLOOK

The Group's business shrank significantly during the Year due to Ms. Lo's incident. Notwithstanding, the Group remains optimistic about the prospects of the IP-centred pan-entertainment industry. The Group will seek progress while maintaining stability to promote business recovery and sustainable development in the coming year by focusing on the improvement of the existing businesses' operating efficiency and core competitiveness.

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

BUSINESS REVIEW

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, and marketing services) and sales and distribution of IP derived products and mobile devices.

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.

FINANCIAL REVIEW

Income statement review

	2020 HK$'000	2019 HK$'000	YoY Growth/Decline HK$'000	%
Revenue	9,732	2,662,267	(2,652,535)	–99.6%
Gross profit	1,100	261,950	(260,850)	–99.6%
Loss for the Year	(75,591)	(634,488)	558,897	–88.1%
Basic loss per share *(HK$)*	(0.07)	(0.58)	0.51	–87.9%

The Group's business shrank significantly due to Ms. Lo's incident. As compared with continuing operations in 2019, the Group recorded revenue of approximately HK$9.7 million, a decline of approximately 99.6% yoy and gross profit of approximately HK$1.1 million, a decline of approximately 99.6% yoy. The loss for the Year was approximately HK$75.6 million, and negative basic loss per share was HK$0.07.

	2020 Revenue HK$'000	2019 Revenue HK$'000	YoY Decline HK$'000	%
IP licensing and content creation	9,732	31,146	(21,414)	–68.8%
Theme events services	–	95,849	(95,849)	–100.0%
Marketing services	–	42,799	(42,799)	–100.0%
Sales and distribution of IP derived products and mobile devices	–	2,492,473	(2,492,473)	–100.0%
Total	9,732	2,662,267	(2,652,535)	–99.6%

During the Year, marketing services, theme events services, sales and distribution of IP derived products and mobile devices remained stagnant and only IP licensing and content creation business still in operation. Since Ms. Lo's incident mainly affected operations in the PRC and Hong Kong. Pow! Entertainment, LLC ("Pow! Entertainment"), a subsidiary of the Group in the US still operated independently, the Group's revenue for the Year was generated all by Pow! Entertainment. During the Year, the Group's IP licensing and content creation business realised revenue of approximately HK$9.7 million, a decrease of approximately HK$21.4 million or approximately 68.8% yoy.

BALANCE SHEET REVIEW

As at the end of the Year, the Group's total assets amounted to approximately HK$44.8 million, a decline of approximately 53.0% yoy; net liabilities amounted to approximately HK$182.7 million, an increase of approximately 54.6% yoy; and the liabilities-to-assets ratio reached approximately 507.7%, yoy up approximately 283.6 percentage points.

FUTURE PLANS

Looking into the future, the Group will focus on improving the existing businesses' operating efficiency and core competitiveness. For details of the Group's future plans, please refer to the paragraph headed "Future outlook" under the section headed "Executive Director's statement" above.

FURTHER INFORMATION IN RESPECT OF AUDITOR'S DISCLAIMER OF OPINION

As disclosed in the Independent Auditor's Report, the auditor of the Company (the "Auditor") issued a disclaimer of opinion on the consolidated financial statements of the Group for the year ended 30 June 2020. The matters giving rise to such disclaimer of opinion (the "Audit Modifications") related to a) limited accounting books and records of the Group; b) commitments and contingent liabilities; c) related party transactions and balances; and d) material uncertainty on going concern basis.

Further information in respect of the Audit Modifications are set out below:

(a) Limited accounting books and records of the Group

Details of the Audit Modification

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 2020 and 2019, the Auditor was unable to carry out audit procedures to satisfy themselves as to whether the income and expenses for the years ended 30 June 2020 and 2019 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.

Management Discussion and Analysis

Management's position and basis on major judgmental areas

As disclosed in announcements of the Company dated 18 July 2019, most of the accounting records of the Group (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. After that, the business of the Group except for POW was suspended and none was responsible for financial statements. Therefore, the Group cannot provide sufficient supporting documentation and explanations for accounting books and records in respect of the Group for the years ended 30 June 2020 and 2019.

Although the materials provided by the Group cannot fulfill the requirement of audit procedures, the Group has provided the management accounts ended 30 June 2020 to the Auditor, which was prepared based on management accounts ended 30 June 2019 and limited documents during the financial year ended 30 June 2020.

In addition, most of the accounting records of the Group had been seized by the police in the PRC at the end of June 2019, which was the end of the financial year ended 30 June 2019. In order to fulfill the timetable of the audit, the Group had begun to prepare the management account for the financial year ended 30 June 2019 in advance at that time. Therefore, the Management considers that most of financials displayed on management accounts for the financial year ended 30 June 2019 had a reasonable basis, and it is proper to prepare management accounts for the financial year ended 30 June 2020 based on it.

Audit Committee's view

The audit committee of the Company (the "Audit Committee") reviewed the Audit Modification in respect of limited accounting books and records of the Group and discussed with Management and the Auditor. The Audit Committee concurs with Management's view.

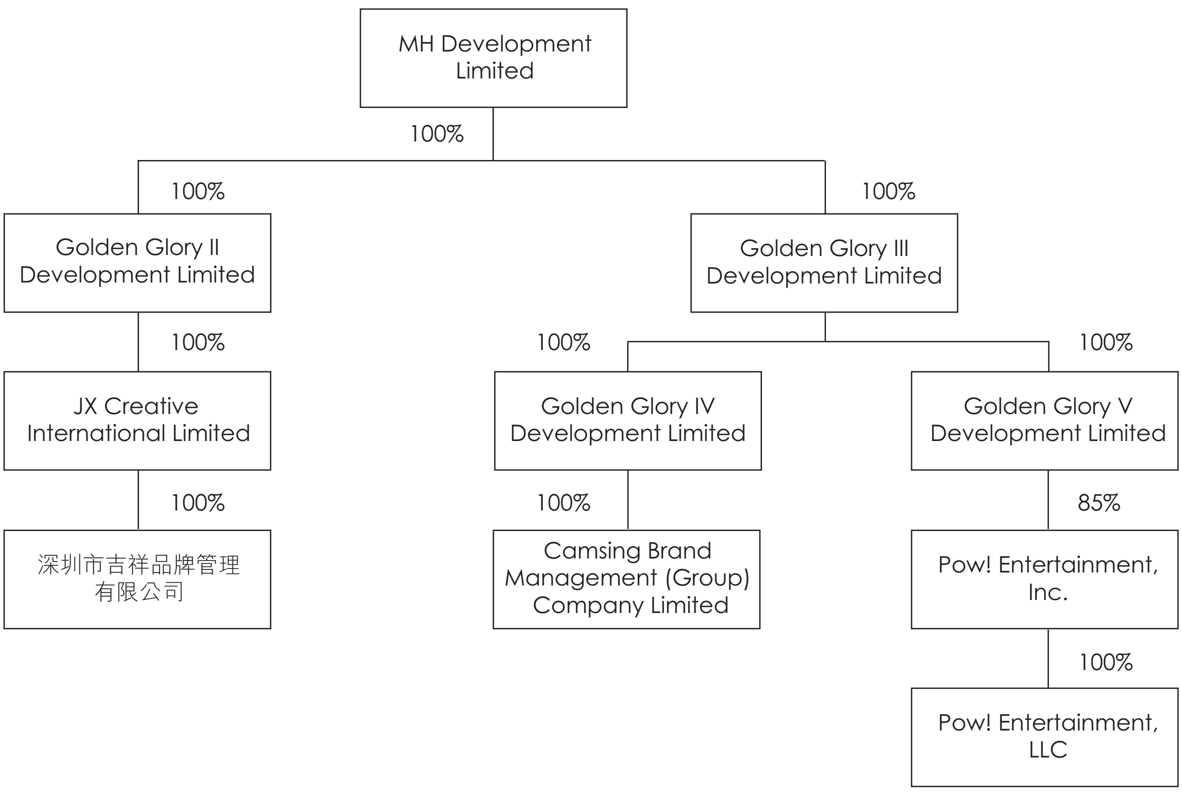
Action Plan

For the purpose of clear separation of the subsidiaries whose accounting books and records had been seized by the police in the PRC from POW and establishing new subsidiaries to continue the Group's existing IP Related Business, the Company has implemented and completed the corporate restructuring and disposal of certain subsidiaries ("Disposal Subsidiaries") with their financial information expected to be qualified by the Auditor.

The Disposal Subsidiaries comprise Greater Brand Limited,and its subsidiaries, including:

1. 深圳市貿隆興貿易有限公司;
2. 奇承（廣州）景區管理有限公司;
3. 廣州承興體育發展有限公司;
4. 廣州燦宏供應鏈管理有限公司;
5. 蘇州環穀通訊設備貿易有限公司;
6. 廣州澤展市場營銷有限公司;
7. First Creative International Limited;
8. 廣州仁宏市場營銷有限公司;
9. 廣州波音達品牌管理有限公司; and
10. 奇摩品牌顧問（北京）有限公司.

The abovementioned disposal has been completed on 15 January 2021. The following chart depicts the corporate structure of the Group immediately following the completion of the disposal:



Management Discussion and Analysis

Given that the restructuring of the Group is completed, it is expected that such condition will not happen again and this Audit Modification can be addressed in the future as mentioned below.

(b) Commitments and contingent liabilities

Details of the Audit Modification

No sufficient evidence has been provided to satisfy the Auditor's requirement as to the existence and completeness of the disclosures of commitments and contingent liabilities as at 30 June 2020 and 2019.

Management's position and basis on major judgmental areas

As disclosed above, most of the accounting records of the Group (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. After that, the business of the Group except for POW was suspended and none was responsible for financial statements. Therefore, the Group cannot provide sufficient supporting documentation and explanations for commitments and contingent liabilities in respect of the Group for the years ended 30 June 2020 and 2019.

Although the materials provided by the Group cannot fulfill the requirement of audit procedures, the Group has provided the management accounts ended 30 June 2020 to the Auditor, which was prepared based on management accounts ended 30 June 2019 and limited documents during the financial year ended 30 June 2020. As mentioned above, the Management considers that the financial performance of the Group for the financial year ended 30 June 2020 was simple and not complicated. The Management further believes that these management accounts can truly reflect the financial performance of the Group for the financial year ended 30 June 2020, including the commitments and contingent liabilities.

Except for the liabilities displayed in the audit report, the Management did not aware any commitments and contingent liabilities as at the date of 30 June 2020.

Audit Committee's view

The Audit Committee reviewed the Audit Modification in respect of commitments and contingent liabilities of the Group and discussed with Management and the Auditor. The Audit Committee concurs with Management's view.

Action Plan

Given that the Group has recruited a new financial controller and has implemented and completed the corporate restructuring and disposal of Disposal Subsidiaries with their financial information expected to be qualified by the Auditor, it is expected that such condition will not happen again and this Audit Modification can be addressed in the future as mentioned below.

(c) Related party transactions and balances

Details of the Audit Modification

No sufficient evidence has been provided to satisfy the Auditor's requirement as to the existence and completeness of the disclosures of the related party transactions for the years ended 30 June 2020 and 2019 and the balances as at those dates as required by Hong Kong Accounting Standard 24 (Revised) "Related Party Disclosures".

Management's position and basis on major judgmental areas

As disclosed above, most of the accounting records of the Group (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. After that, the business of the Group except for POW was suspended and none was responsible for financial statements. Therefore, the Group cannot provide sufficient supporting documentation and explanations for related party transactions and balances in respect of the Group for the years ended 30 June 2020 and 2019.

Although the materials provided by the Group cannot fulfill the requirement of audit procedures, the Group has provided the management accounts ended 30 June 2020 to the Auditor, which was prepared based on management accounts ended 30 June 2019 and limited documents during the financial year ended 30 June 2020. As mentioned above, the Management considers that the financial performance of the Group for the financial year ended 30 June 2020 was simple and not complicated. The Management further believes that these management accounts can truly reflect the financial performance of the Group for the financial year ended 30 June 2020, including related party transactions and balances.

For the prudent purpose, the Group had written off the account receivables with Ms. Lo and/or her companies. The Management believes that such account receivables were hard to settle because most of counterparties have halted their business after Ms. Lo was arrested.

Audit Committee's view

The Audit Committee reviewed the Audit Modification in respect of related party transactions and balances of the Group and discussed with Management and the Auditor. The Audit Committee concurs with Management's view.

Action Plan

Given that the Group has recruited a new financial controller and has implemented and completed the corporate restructuring and disposal of Disposal Subsidiaries with their financial information expected to be qualified by the Auditor, it is expected that such condition will not happen again and this Audit Modification can be addressed in the future as mentioned below.

(d) Material uncertainty on going concern basis

Details of the Audit Modification

The Group incurred loss attributable to owners of the Company from continuing operations of approximately HK$70,154,000 for the year ended 30 June 2020 and as at 30 June 2020, the Group had net liabilities of approximately HK$182,682,000 and net current liabilities of approximately HK$211,732,000. Also the Group recorded net cash outflows in operating activities of approximately HK$7,444,000 for the year ended 30 June 2020.

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.

Management Discussion and Analysis

Management's position and basis on major judgmental areas
In order to operate the Company's business continuously, the Company adopted the following measures:

(1) Applied cost control measures in cost of sales, administrative expenses and capital expenditures.

(2) Conducted fund raising activities. As disclosed in the announcements of the Group dated 18 September 2020, 16 October 2020 and 1 December 2020, and the announcement in relation to latest quarterly update on status of resumption of the Group dated 18 January 2021, total amount of HK$2,000,000 of unsecured loan facility with terms of interest rate of 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 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.

(3) Resumed business operation after receiving the loan. 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 annual report, 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 Management considers that although the Group experienced a bad financial performance for the financial year ended 30 June 2020 and maintained the corporate operation at the lowest level in the past, the Group has successfully rescued itself by fund raising and resuming business since October 2020.

Audit Committee's view
The Audit Committee reviewed the Audit Modification in respect of material uncertainty on going concern basis of the Group and discussed with Management and the Auditor. The Audit Committee concurs with Management's view.

Action Plan
Given that the Group has conducted the fund raising and has continued to use its best endeavours to resume and expand its operations regarding its IP Related 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. The Group will continue with its endeavours to operate its business.

If the Auditor is going to be satisfied on their audit workdone in relation to financial position and financial performance of the remaining group entities of the Company for the year ending 30 June 2021, it is expected that the potential audit modified qualification on the consolidated financial statements of the coming years are as follows:

For the audit on the consolidated financial statements of the Company for the year ending 30 June 2021
Modified opinion would be expected to be issued on the (i) profit or loss effect during the year ending 30 June 2021 on gain/loss on the disposal/deregistration of the Disposal Subsidiaries; and (ii) the opening balance (being as at 1 July 2020) assets and liabilities and the comparative profit or loss (being for the year ended 30 June 2020) of the Disposal Subsidiaries included in the comparative figures in the financial statements of the Company for the year ending 30 June 2021 based on the abovementioned assumption.

For the audit on the consolidated financial statements of the Company for the year ending 30 June 2022
Modified opinion would be 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/deregistration of the Disposal Subsidiaries based on the abovementioned assumption.

For the audit on the consolidated financial statements of the Company for the year ending 30 June 2023
None of modified opinion would be expected to be issued based on the abovementioned assumption.

As illustrated above, the Management considers that although the financial results are subject to audit modifications, it is expected that such audit modifications can be addressed by the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. Lo Ching, aged 49, was appointed as an Executive Director and the Chairman of the Board on 21 January 2016. The office of Ms. Lo as the Chairman and an executive Director has been vacated on 22 September 2020. Following the vacation of Ms. Lo's office as the Chairman and an executive Director, she also ceased to be a member of the nomination committee of the Board on 22 September 2020.

Ms. Liu Hui, aged 50, was appointed as an executive Director on 21 January 2016. Ms. Liu is an executive director of Camsing Healthcare Limited, a company listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST") (stock code: BAC). Prior joining the Group, she had worked at 北京大地科技實業總公司 (Beijing Dadi Technology Company Limited*), 寧都創業投資有限公司(Ningdu Venture Investment Company Limited*) and Cinda Securities Company Limited. Ms. Liu is also a member of China Entrepreneur Mulan Club. She received an Executive Master of Business Administration degree from the HEC School of Management in Paris.

Mr. Guo Ben, aged 35, was appointed as an executive Director on 22 September 2020. Mr. Guo has over eight years of experience in the fund management industry and the media industry. From November 2011 to December 2015, Mr. Guo worked in Synergy Media Investment Management Co., Ltd. (上海盛典英華投資管理有限公司) with his last position being the investment director. From January 2016 to July 2017, Mr. Guo worked in Shanghai Huaiting Cultural Communication Co., Ltd.* (上海懷挺文化傳播有限公司) as the general manager and was mainly responsible for organising concerts in the PRC and Hong Kong and the overall management of the company. Since August 2017, he has been the general manager of Beijing Auspicious Impression Media Co., Ltd.* (北京吉祥印像傳媒有限公司) and is primarily responsible for establishing funds in the film and television culture media industry. In April 2016, Mr. Guo passed the examinations organized by Asset Management Association of China in relation to the qualification for engaging in the fund business. Mr. Guo graduated from China University of Mining and Technology (Beijing) with a Bachelor's degree in Marketing in July 2007. He further obtained a Master's degree in Science (Management) from University of Liverpool in December 2010.

Mr. Shen Yang, aged 41, was appointed as an executive Director on 16 October 2020. Mr. Shen has over five years of experience in investment and operation management in the pan-cultural entertainment industry. Mr. Shen has been the president of Jiangsu Xinde Holdings Co., Ltd.* (江蘇信德控股有限公司) since 2014, the supervisor of Shanghai Lianchen Investment Management Co., Ltd.* (上海聯臣投資管理有限公司) since May 2016, and the president of Shanghai Xinde Hongye Enterprise Management Group Co., Ltd.* (上海信德鴻業企業管理集團有限公司) since January 2017. From August 2016 to January 2017, Mr. Shen also served as the chairman of Shanghai Liyumen Supply Chain Management Co., Ltd.* (上海鯉魚門供應鏈管理股份有限公司).

* *for identification purpose*

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lei Jun, aged 50, was appointed as an independent non-executive Director on 21 January 2016. Mr. Lei resigned as an Independent Non-executive Director with effect from 3 December 2019. Mr. Lei ceased to be Chairman of the nomination committee, and a member each of the audit committee and remuneration committee of the Board.

Mr. Ross Yu Limjoco, aged 51, was appointed as an independent non-executive Director on 31 May 2016. Mr. Limjoco is Chief Financial Officer of North Star Technology Group Pte. Ltd. since October 2019 and Advisor of BS Groups (Asian) Pte Ltd since August 2019. He is an independent director and Chairman of Remuneration Committee of CFM Holdings Limited since July 2019. He was an independent director of IPCO international Limited, a company listed on the SGX-ST (stock code: I11), up to 2 August 2017. He is an independent director of Hubei Zhong Liang Huan Energy Management Co., Ltd (湖北綜聯桓能源投資管理股份有限公司), a company listed on the National Equities Exchange and Quotations System ("NEEQ") in the PRC (NEEQ is also commonly known as 新三板 (The New Third Board)) (stock code: 833823). He was assurance and M&A director of Nexia TS Advisory Pte Ltd. He was the managing director of TMS Capital Advisory Limited from May 2014 to March 2016. From 2012 to 2014, he was the chief financial officer and joint company secretary of PSL Holdings Limited, a company listed on the SGX-ST (stock code: BLL). Mr. Limjoco holds a Bachelor of Science in Business Administration degree with a major in accounting from the Philippine School of Business Administration. He is a Practicing Member of the Institute of Singapore Chartered Accountants, a Certified Fraud Examiner, a Chartered Valuer and Appraiser and a member of each of the Philippine Institute of Certified Public Accountants and International Association of Consultants, Valuators and Analysts.

Mr. Zheng Yilei, aged 41, was appointed as an independent non-executive Director of the Company on 31 May 2016. Mr. Zheng currently is a senior partner of Tian Yuan Law Firm, a law firm in the PRC. He has been in the legal practice for 15 years. He started his legal profession in King & Wood Shanghai Office from 2003 to 2006. From 2006 to 2008, he worked for Jones Day Shanghai Office as a senior PRC legal counsel. Afterwards, he joined Fangda Partners as a senior associate until 2011. Since 2011, he worked as a partner in Jingtian & Gongcheng. In 2018, he joined Tian Yuan Law Firm. Mr. Zheng obtained a Bachelor of Law degree from Peking University Law School in 2001. He holds a Master's Degree in Law from Transnational Law & Business University and also a Master's Degree in Law from the Law School of University of California, Berkeley.

SENIOR MANAGEMENT

Ms. Jie Jing, the Chief Executive Officer of the Company, is responsible for the Group's daily operations and management. She has more than 20 years of experience in sales and marketing and customer relations, and held various positions at well-known institutions such as China Guangfa Bank, China CITIC Bank, United Airlines and MasterCard.

Mr. Song Ankun, was the former Chief Financial Officer of the Group during the Year, and he left the Group in December 2019. Mr. Song was responsible for the finance and internal control of the Group before he left the Group.

Ms. Jiang Qianya, was the former Content Development and Licensing Director of the Group during the Year, and she resigned from the Group on July 2019. Ms. Jiang was responsible for the Group's content development and licensing business before her resignation.

* *for identification purpose*

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining and ensuring a high level of corporate governance standards and continuously reviews and improves our corporate governance and internal control practices. We believe that corporate governance in a commercial and profit-making organisation is about promoting fairness, transparency, accountability and responsibility. Therefore, it is necessary to direct greater or additional efforts towards enhancing managerial transparency by improving and strengthening disclosure requirements, in order to have better and stronger corporate governance. The following paragraphs set out the principles of corporate governance as adopted by the Group during the reporting year.

The Board confirms that the Group has complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") except for the deviations as stated in this report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

During the year ended 30 June 2020, the Chairman of the Board is Ms. Lo Ching and the chief executive officer is Ms. Jie Jing. There is a clear distinction between the Chairman's responsibility for overall strategic planning and the chief executive officer's responsibility for the management of day-today operation of the Group's business.

During the Year, the Company was not in compliance with Code A.2.7 of the CG Code. Since 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 arrange such meetings going forward.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of Mr. Lei Jun (resigned on 3 December 2019), Mr. Ross Yu Limjoco and Mr. Zheng Yilei, being an independent non-executive Director was appointed for a specific term of one year and subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association (the "Articles").

All Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every executive Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Board established nomination committee for the selection and recommendation of candidates for directorships of the Company. The nomination committee shall, base on appropriate experience, personal skills and time commitments, among others, identify and recommend the proposed candidate to the Board for approval.

During the Year, the Company was not in compliance with Codes A.4.1 and A.4.2 of the CG Code. No general meeting was held since 24 November 2018. Therefore, no Directors have been subject to retirement and reelection by the shareholders at the general meeting. General meeting will be held in due course for the retirement and re-election of Directors.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 of the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the code for dealing in securities of the Group by the Directors. Having made specified enquiry, the Company confirmed that all Directors have complied with the required standard as set out in the Model Code during the year ended 30 June 2020.

BOARD OF DIRECTORS

The Board is responsible for leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The principal focus of the Board is on the overall strategic development of the Group. The Board also monitors the financial performance and internal controls of the Group's business operations. The executive Directors, constituting the senior management of the Company, are delegated with responsibilities in the day-to-day management of the Company and make operational and business decisions within the control and delegation framework of the Company.

During the year ended 30 June 2020, the Board comprises two executive Directors, namely Ms. Lo Ching (vacated on 22 September 2020) and Ms. Liu Hui and three independent non-executive Directors, Mr. Lei Jun (resigned on 3 December 2019), Mr. Ross Yu Limjoco and Mr. Zheng Yilei. The members of the Board have no financial, business, family or other material/relevant relationships with each other.

Biographical details of the Directors are set out in the section of "Biographical details of Directors and senior management" on pages 12 to 13.

The Company has received from each of Mr. Ross Yu Limjoco and Mr. Zheng Yilei, the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors to be independent.

During the year ended 30 June 2020, the Directors have made active contribution to the affairs of the Group and four board meetings and one general meeting were held. Details of the Directors' attendance records are set out as follow:

Directors	No. of Eligible Board Meetings Attended/Held
Executive Directors	
Ms. Lo Ching *(Chairman)* Note 1	0/15
Ms. Liu Hui	15/15
Mr. Guo Ben Note 2	0/0
Mr. Shen Yang Note 3	0/0
Independent Non-Executive Directors	
Mr. Lei Jun Note 4	9/15
Mr. Ross Yu Limjoco	15/15
Mr. Zheng Yilei	15/15

Notes:

1. The office of Ms. Lo as an executive Director of the Company has been vacated with effect from 22 September 2020.
2. Mr. Guo Ben has been appointed on 22 September 2020
3. Mr. Shen Yang has been appointed on 16 October 2020
4. Mr. Lei Jun resigned on 3 December 2019

Corporate Governance Report

The Board also held a board meeting on 14 January 2020 to review and consider, inter alias, the audited financial statements of the Group for the year ended 30 June 2020, internal control and risk management systems and certain corporate governance matters in accordance with Paragraph D3 of the CG Code.

Every newly appointed Director shall receive a comprehensive, formal and tailored induction on the first occasion of his appointment. All Directors shall be updated and briefed on continuing professional development as is necessary to ensure that they have a proper understanding of the operations and the business of the Company and that they are fully aware of their responsibilities under the applicable laws and regulations. The Board has a procedure for Directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Company's expenses to enable and facilitate the Directors to make well considered decisions. Appropriate insurance coverage for Directors' and officers' liability has been arranged against possibility of legal action to be taken against the Directors and the management.

According to A.6.5 of the CG Code, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

During the year ended 30 June 2020, the Directors also participated in the following trainings:

Name of Directors	Attending or Participating in the Briefing Sessions/ Seminars/ Programs relevant to the Business/
Executive Directors	
Ms. Lo Ching	
(vacated on 22 September 2020)	N/A (Note)
Ms. Liu Hui	✓
Independent Non-Executive Directors	
Mr. Lei Jun	
(resigned on 3 December 2019)	✓
Mr. Ross Yu Limjoco	✓
Mr. Zheng Yilei	✓

Note: Ms. Lo Ching was unable to attend training. Her office was vacated on 22 September 2020.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company.

The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Nomination Committee has considered the current composition of the Board maintain in appropriate range and reflects the balance of skills, educational background, experience and diversity of perspectives desirable for the effective management of the Company.

Selection of candidates will be based on a range of diversity perspectives as stated above. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

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 committee comprises Mr. Ross Yu Limjoco as Chairman, Mr. Lei Jun (resigned on 22 December 2019), and Mr. Zheng Yilei, all of whom are independent non-executive Directors. The Audit Committee is provided with sufficient resources to discharge its duties, meets regularly with the management and external auditors, and reviews their reports.

During the financial year, the Audit Committee held two meetings with respect to discussing matters regarding (i) the inside information announcement of the Company dated 5 July 2019; (ii) the voluntary announcement of unusual price and trading volume movements announcement of the Company dated 9 July 2019; (iii) the information from the press and (iv) the resignation of independent auditor.

Since certain accounting records of the Group were seized by the police due to Ms. Lo's custody, there were no annual results of the Group for the Year presented to the Audit Committee for review during the Year. The Audit Committee has subsequently reviewed the audited consolidated financial statements of the Group for the Year in January 2021.

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 have confirmed that there is no disagreement between the Company and Deloitte Touche Tohmatsu.

Attendance records of each Audit Committee Member are set out as follows:

Audit Committee Members	No. of Eligible Meetings Attended/Held
Mr. Ross Yu Limjoco *(Chairman)*	2/2
Mr. Lei Jun *Note*	1/2
Mr. Zheng Yilei	2/2

Note: Mr. Lei Jun resigned on 3 December 2019

The duties of the Audit Committee shall be:

(a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of external auditors, to approve the remuneration and terms of engagement of external auditors, and to deal with any questions of resignation or dismissal of external auditors;

(b) to consider the plan for each year's audit submitted by external auditors and to discuss the same at a meeting if necessary;

(c) to review and monitor external auditors' independence and objectivity;

(d) to discuss with auditors the nature and scope of the audit and reporting obligations before the audit commences;

(e) to develop and implement policy on the engagement of external auditors to provide non-audit services.

(f) to review the financial statements of the Company and the Company's annual report and accounts and half-year report, and to review significant financial reporting judgments contained in them. In this regard, in reviewing the Company's annual report and accounts and half-year report before submission to the Board, the Committee should focus particularly on:

    (i) any changes to accounting policies and practices;

    (ii) major judgmental areas;

    (iii) significant adjustments resulting from audit;

    (iv) the going concern assumptions and any qualifications;

    (v) compliance with accounting standards; and

    (vi) compliance with requirements under the Listing Rules and other regulatory and legal requirements.

(g) to review the Company's financial control, internal control and risk management systems;

(h) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;

(i) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

(j) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;

(k) to review the Group's financial and accounting policies and practices.

REMUNERATION COMMITTEE

The Board established the remuneration committee (the "Remuneration Committee") and the Board adopted the new terms of reference of the Remuneration Committee in alignment with the mandatory provisions set out in the CG Code.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Group's policy and structure for all remuneration of Directors and senior management and reviewing specific remuneration packages of all executive Directors and senior management of the Group.

The Remuneration Committee comprises three independent non-executive Directors, namely, Mr. Zheng Yilei as the Chairman, Mr. Lei Jun (resigned on 3 December 2019) and Mr. Ross Yu Limjoco.

The Remuneration Committee did not hold any meeting for the year ended 30 June 2020.

NOMINATION COMMITTEE

The Board established the Nomination Committee with the written terms of reference based as suggested under the new CG code.

The duties of the Nomination Committee are to review the structure, size and composition of the Board, to identify individuals suitably qualified to become Board members, to assess the independence of independent Non-Executive Directors, to select or make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and Chief Executive Officer, and to determine policy concerning diversity of the Board members.

The Nomination Committee comprises two independent non-executive Directors, namely Mr. Lei Jun as the Chairman and Mr. Zheng Yilei, and one Executive Director Ms. Lo Ching (vacated on 22 September 2020). The Board is satisfied that these Directors possess relevant qualifications and management expertise to enable them to discharge fully the duties of the Nomination Committee.

The Nomination Committee did not hold any meeting for the year ended 30 June 2020.

CORPORATE GOVERNANCE FUNCTIONS

The Board did not establish a corporate governance committee. During the Year, the Board has (i) reviewed the Company's policies and practices on corporate governance and made relevant recommendations; (ii) reviewed and monitored the training and continuous professional development of the Directors; (iii) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements; (iv) reviewed and monitored the code of conduct applicable to employees and Directors; and (v) reviewed the Company's compliance with the CG Code and disclosure in this report.

AUDITOR'S REMUNERATION

The Audit Committee of the Group is responsible for considering the appointment of external auditor and reviewing any non-audit functions performed by external auditors. During the Year under review, approximately HK$2,140,000 is payable to the external auditors for their services, of which approximately HK$260,000 was paid for non-audit services performed.

There is no disagreement between the Board and the Audit Committee on the re-appointment of Deloitte Touche Tohmatsu as the Company's independent auditor, and they both have agreed to recommend the re-appointment of Deloitte Touche Tohmatsu as the independent auditor for its ensuing year at the 2018 annual general meeting of the Company.

ACCOUNTABILITY AND AUDIT

The Board acknowledges its responsibility to prepare consolidated financial statements for each financial year which give a true and fair view of the affairs of the Group. 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.

The Board acknowledges its responsibility to present a balanced, clear and understandable assessment in the Group's annual and interim reports, price sensitive announcements and financial disclosures required under the Listing Rules, and reports to the regulators as well as information required to be disclosed pursuant to statutory requirements.

INTERNAL CONTROL

The Board and the Audit Committee conducted an annual review on the system of internal control and risk management of the Group and its effectiveness of the risk management and internal control systems of the Group, which covered the financial, operational, human resources and administration, compliance controls and risk management functions, and considered them effective and adequate. The Board is committed to implementing an effective and sound internal control system to safeguard the interest of shareholders and the Group's assets. The Board had considered the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function.

The Group has appointed an independent third party to perform internal audits for the Group. The Board reviewed business functions in the Group on a systematic and ongoing basis.

COMPANY SECRETARY

Mr. Fung Nam Shan was nominated by an external service provider as the Company Secretary, and his primary corporate contact person is Ms. Liu Hui.

According to Rule 3.29 of the Listing Rules, Mr. Fung Nam Shan has taken not less than 15 hours of relevant professional training for the financial year ended 30 June 2020.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy") that aims to create long-term, sustainable and stable returns for the Company's shareholders. According to the Dividend Policy, when recommending any dividend payout, the Board will take into account a series of factors, including but not limited to: actual and expected financial performance and financial position, expected working capital requirements and future development plans, shareholders' interests, business strategy and development, overall economic situation as well as other internal and external factors that may have impacts on the Company's financial performance and financial position, and subject to the applicable laws, regulations, rules and the Articles of Association of the Company.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interest and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, pursuant to the Company's Articles of Association, shareholder(s) holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings may request the Company to convene an extraordinary general meeting by sending a written requisition to the Board or the Company Secretary. The objects of the meeting must be stated in the written requisition.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board. The contact details are as follows:

The Board of Directors
MH Development Limited (formerly known as Camsing International Holding Limited)

Address: Unit 1904, 19/F., Podium Plaza,
5 Hanoi Road, Tsim Sha Tsui,
Kowloon, Hong Kong

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the Company and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.mhdlhk.com) immediately after the relevant general meetings.

CONSTITUTIONAL DOCUMENTS

During the year under review, the Company has not made any changes to its Articles of Association. An up to date version of the Articles of Association is available on the Company's website and the Stock Exchange's website.

COMMUNICATION WITH SHAREHOLDERS

The Board endeavours to maintain an on-going dialogue with shareholders. All Directors are encouraged to attend the general meetings to have personal communication with shareholders. In annual general meeting, Chairman of the Board and the chairman of each committee are required to attend and answer questions from shareholders in respect of the matters that they are responsible and accountable for. The external auditor is also required to be present to assist the Directors in addressing any relevant queries by shareholders. The Company has also set up an investor relations website for communication with shareholders and public.

The Company's annual general meeting ("AGM") and extraordinary general meeting ("EGM") provide good opportunities for shareholders to air their views and ask Directors and management questions regarding the Company. All shareholders of the Company receive the annual report, circulars and notices of AGM and EGM and other corporate communications in a form chosen by each shareholder of the Company. The notices are also published on the Company's website. Separate resolutions are required at general meetings on each distinct issue. A shareholder is permitted to appoint any number of proxies to attend and vote in his stead.

During the Year, the Company was not in compliance with Codes E.1.1, E.1.2, E.1.3, and E.2.1 of the CG Code. No general meeting was held since 24 November 2018. General meeting of the Company will be arranged in due course.

CONCLUSION

The Group strongly believes that good corporate governance can safeguard the effective allocation of resources and protect shareholders' interest and the management will keep on reviewing its corporate governance standards on a timely basis and the Board endeavors to take the necessary actions to ensure the compliance with the provisions of the CG Code.

DIRECTORS' REPORT

The Directors of the Company (the "Directors") present the annual report and the audited consolidated financial statements of the Company for the year ended 30 June 2020 (the "Year").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries and an associate are set out in notes 33 and 18, respectively, to the consolidated financial statements.

BUSINESS REVIEW

Overview and performance of the Year

A discussion and analysis of the Group's performance during the Year and the key factors affecting its results and financial position are set out in the section headed "Management Discussion and Analysis" of this annual report. Furthermore, a fair review of, and an indication of likely future development in the Group's business, are set out in the sections headed "Executive Director's Statement" of this annual report.

Environmental policies and performance

In conducting its business, the Group endeavors to minimise the adverse effects of its operations on the environment. The Group has complied with a number of environmental protection laws of PRC and Hong Kong, in connection with water pollutants, air pollutants, solid waste pollutants, as well as noise pollution generated from its manufacturing operations. During the Year, the Group complied with the applicable environmental laws and regulations and was not subject to any fines or legal action resulting from incidents of non-compliance with any applicable environmental laws and regulations, nor was there any threatened or pending action by any environmental regulatory authority.

Compliance with relevant laws and regulations

During the Year, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

Key relationships with stakeholders

The Group's long-term success depends on its employees, customers, suppliers and other stakeholders. As the Group recognises the importance of its employees, it offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to employees including housing and travel allowances depending on their grade and ranking within the Group. The Group also maintains medical insurance for the benefit of its employees. The Group conducts induction training for all of its new employees and on-going training from time to time during their employment. The nature of training offered depends on their specific field of operation. The Group strives to maintain and enhance the relationship with its customers and to maintain a fair and co-operating relationship with its suppliers.

Significant investment held

Save as disclosed herein, during the financial year and up to the date of this report, the Group did not hold any significant investment.

Liquidity, financial resources and capital structure

As of 30 June 2020, the net liabilities of the Group amounted to approximately negative HK$182.7 million. The gearing ratio of the Group was negative 0.07 (2019: negative 0.08) due to Company's negative equity position which was calculated based on the Group's total borrowing and bonds amounting to approximately HK$12,629,000 (2019: approximately HK$9,776,000) and the negative approximately equity attributable to owners of the Company amounting to negative approximately HK$181,471,000 (2019: negative approximately HK$122,388,000).

Staff

As at 30 June 2020, the total number of employees being employed by the Group was 15 (2019: 72) of which 7 were employed in Mainland China, 2 were employed in Hong Kong, and 6 were employed in the USA.

Foreign currency 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 USD, HK$ and RMB. The Directors of the Company consider the exposure is not significant and no hedging contracts were entered.

Charge on Group's assets

During the financial year and up to the date of this report, none of the assets of the Group was pledged or charged (2019: nil).

Contingent liabilities

During the financial year and up to the date of this report, the Group had no contingent liabilities (2019: nil).

EVENTS DURING AND AFTER THE YEAR

1. References are made to the announcements of the Company dated 5 July 2019, 18 July 2019 and 19 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 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. Two bank accounts of the Group maintained in the PRC were being restricted for use without any notices from any legal or regulatory authorities in the PRC. In view of this, trading in the shares of the Company on the Stock Exchange was halted with effect from 9:00 a.m. on 19 July 2019 pending the release of a clarification announcement that constitutes inside information of the Company.

   As at 14 August 2019, the Board of the Company received a letter from the Stock Exchange setting out the resumption guidance for the Company. As at 2 October 2019, the Company received additional resumption guidance issued by the Stock Exchange.

   For the update on the Company's resumption of trading of the shares, please refer to the quarterly update announcement of the Company on the status of resumption.

Directors' Report

2. References are made to the announcements dated 15 April 2020 and 28 July 2020 in relation to the Company's execution of a non-legally binding term sheet with a potential investor for the possible issuance of a senior note in the principal amount of RMB43,000,000, the proceeds of which shall be used as general working capital for the operation of the Group unless otherwise agreed in writing by the investor. As disclosed in the announcement of the Company dated 28 October 2020, the Company had halted negotiations on the subscription with the potential investor. As both parties fail to agree on the projects that the Company intends to invest in, the Company and the potential investor have not signed any document relating to the term sheet.

   Please refer to the announcements of the Company dated 15 April 2020 and 28 July 2020 for the details of the above matters.

Details of the subsequent events of the Group after the Year are set out in note 35 to the consolidated financial statements of the Group in this report.

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

Major risks and uncertainties

The business of the Group is affected by many other factors, such as the global and domestic economic environment. The Group is exposed to a variety of financial risks including foreign currency risk, credit risk, liquidity risk and interest rate risk. Details of the aforesaid key risks are set out in note 6 to the consolidated financial statements of the Group in this report.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 44 to 45 of this report.

The Board does not recommend the payment of any dividend for the Year (as of 30 June 2019: nil).

FIVE YEAR FINANCIAL SUMMARY

The results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, are summarised on page 104 of this report.

SHARE CAPITAL

Details of the Company's share capital are set out in note 28 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the Year, there was no purchase, redemption or disposal of the Company's listed securities by the Group.

DISTRIBUTABLE RESERVES OF THE COMPANY

There are no distributable reserves of the Company as at 30 June 2020 and 2019.

Under the Companies Law (2001 Second Revision) of the Cayman Islands, the contributed surplus is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

DIRECTORS

The Directors during the Year and up to the date of this report were:

Executive Directors

Ms. Lo Ching (vacated on 22 September 2020)
Ms. Liu Hui
Mr. Guo Ben (appointed on 22 September 2020)
Mr. Shen Yang (appointed on 16 October 2020)

Independent Non-Executive Directors

Mr. Lei Jun (resigned on 3 December 2019)
Mr. Ross Yu Limjoco
Mr. Zheng Yilei

In accordance with Articles 87(1) of the Company's Articles of Association (the "Articles"), at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three year at the general meeting. Accordingly, Ms. Liu Hui will retire, and being eligible, offer herself for re-election as Director at the forth coming annual general meeting.

In accordance with Articles 86(3) of the Articles, any Director so appointed shall hold office only until the next following general meeting (in case of filing casual vacancy) or until the next following annual general meeting (in case of an addition to the Board) and shall then be eligible for reappointment. Accordingly, Mr. Guo Ben and Mr. Shen Yang will retire, and being eligible, offer themselves for re-election as Directors at the forth coming annual general meeting.

The Company has received, from each of Mr. Ross Yu Limjoco and Mr. Zheng Yilei the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Biographical details of the Directors and the senior management of the Group are set out on pages 12 to 13 of this report.

DIRECTORS' SERVICE CONTRACTS

Each of Ms. Lo Ching (vacated on 22 September 2020) and Ms. Liu Hui, the Executive Directors of the Company, entered into a service contract with the Company for a term of two years.

Each of Mr. Guo Ben and Mr. Shen Yang, the Executive Directors of the Company, entered into a service contract with the Company for a term of three years.

Each of Mr. Lei Jun (resigned on 3 December 2019), Mr. Ross Yu Limjoco and Mr. Zheng Yilei, the independent non-executive Directors, entered into a letter of appointment with the Company and was appointed for a period of one year subject to retirement by rotation under the Articles.

Save as aforesaid, none of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, the Directors shall be indemnified and secured harmless out of the assets and profit of the Company from and against all actions, costs, charges, losses, damages and expense which they shall or may incur or sustain. In addition, the Company has arranged for appropriate directors and officers liabilities insurance to indemnify its Directors and officers against liabilities arising out of legal action on corporate activities.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, the interests and short position of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (b) or pursuant to Section 352 of the SFO to be recorded in the register to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long Position

Ordinary shares of HK$0.1 each of the Company

Name of Director	Capacity	Number of Issued Ordinary Shares Held	Percentage of the Issued Share Capital of the Company
Ms. Lo Ching ("Ms. Lo") *(Note 1)*	Interest of Controlled Corporations *(Note 2)*	698,769,952	64.87%

Note:

(1) The office of Ms. Lo as an Executive Director of the Company has been vacated with effect from 22 September 2020.

(2) Out of the total 698,769,952 Shares, 676,864,150 shares are registered in the name of and beneficially owned by China Base Group Limited ("China Base"), a company incorporated in the British Virgin Islands. The entire issued share capital of China Base is beneficially owned by Ms. Lo. The remaining 21,905,802 shares are beneficially owned by Creative Elite Holdings Limited ("Creative Elite") and Ms. Lo owns the entire issued share capital of Creative Elite. Accordingly, Ms. Lo is deemed to be interested in 698,769,952 shares held by China Base and Creative Elite respectively under the SFO. The office of Ms. Lo as an Executive Director of the Company has been vacated with effect from 22 September 2020.

Save as disclosed above, as at 30 June 2020, none of the Directors nor chief executive and their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations that were required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on an extraordinary general meeting of the Company 17 December 2018 (the "Adoption Date") for the primary purpose of providing incentives and rewards to directors and eligible persons for their contribution to the growth of the Group, and will expire on 16 December 2028. The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

The subscription price in respect of the Scheme shall, subject to any adjustments in the event of any alteration in the capital structure of the Company, be a price determined by the board of directors of the Company and notified to each grantee but may not be less than the higher of:

(i) the average of the closing price of the shares as stated in the Stock Exchange daily quotation sheets for the five business days immediately preceding the date of grant; and

(ii) the closing price of the shares as stated in the Stock Exchange daily quotation sheet on the date of grant, which must be a business day, provided that in the event of fractional prices, the subscription price shall be rounded upwards to the nearest whole cent.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme shall not, in aggregate, exceed ten percent of the total number of the issued shares as at the Adoption Date.

No share option was granted since the adoption of the Scheme and there are no outstanding share options as at 30 June 2020.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Year was the Company, its ultimate holding company or any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contracts of significance, to which the Company's holding company, fellow subsidiaries or subsidiaries was a party and in which a Director or a connected entity of a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 June 2020, the following persons (not being Directors or chief executive of the Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, and/or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Directors' Report

Long Position

Ordinary shares of HK$0.1 each of the Company

Name of Shareholder	Capacity	Total Interests	Percentage of the Issued Share Capital of the Company *(Note 9)*
China Base Group Limited ("China Base") *(Note 1)*	Beneficial Owner	676,864,150	62.84%
Founder Securities Co., Ltd. *(Notes 2 and 3)*	Security Interest	196,766,400	18.27%
Changjiang Securities International Financial Group Limited *(Notes 2 and 4)*	Security Interest	196,766,400	18.27%
Changjiang Securities Company Limited *(Notes 2 and 5)*	Interest of controlled corporations	196,766,400	18.27%
創世核心企業系列私募基金 *(Note 6)*	Security Interest	676,864,150	62.84%
上海歌斐資產管理有限公司 *(Note 6)*	Fund manager of 創世核心企業系列私募基金	676,864,150	62.84%
上海諾亞投資管理有限公司 *(Notes 6 and 7)*	Interest of controlled corporations	676,864,150	62.84%
Wang Jingbo *(Notes 6 and 7)*	Interest of controlled corporations	676,864,150	62.84%
諾亞(上海)融資租賃有限公司 *(Note 8)*	Security Interest	676,864,150	62.84%
Noah Holdings Limited *(Note 8)*	Interest of controlled corporations	676,864,150	62.84%

Notes:

1. The entire issued share capital of China Base Group Limited is owned by Ms. Lo.

2. A facility agreement, an account charge and a debenture had been entered among China Base as borrower and both Founder Securities Financial Service (Cayman) Limited and Changjiang Finance (HK) Limited as the lenders. Pursuant to the facility agreement, China Base provided the shares of the Company as security of the loan (the "Security"). Due to the failure of repayment of loan, Founder Securities (Hong Kong) Limited proceeded its right to the Security.

3. Founder Securities (Hong Kong) Limited and Founder Securities Financial Service (Cayman) Limited is wholly owned by Founder Securities (Hong Kong) Financial Holdings Limited of which is wholly owned by Founder Securities Co., Ltd.

4. Changjiang Finance (HK) Limited is wholly owned by Changjiang Securities International Financial Group Limited.

5. Changjiang Finance (HK) Limited is wholly owned by Changjiang Securities International Financial Group Limited. Changjiang Securities International Financial Group Limited is a company owned 64.18% by Changjiang Securities Company Limited, a company listed in Shenzhen Stock Exchange.

6. 上海歌斐資產管理有限公司 is a fund manager of 創世核心企業系列私募基金. 上海歌斐資產管理有限公司 is wholly owned by 歌斐資產管理有限公司 of which is wholly owned by 上海諾亞投資管理有限公司.

7. 上海諾亞投資管理有限公司 is a company owned 46% by Wang Jingbo.

8. 諾亞(上海)融資租賃有限公司 is wholly owned by Noah Group Honest Asia Limited of which is wholly owned by Noah Holdings Limited.

9. The approximate percentages were calculated based on 1,077,128,000 Shares in issue as at 30 June 2020.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2020.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

Subject to shareholders' approval, the emoluments of the Directors are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of Directors' emoluments during the Year are set out in note 12 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers comprised approximately 68.8% of the Group's total sales from the continuing operations and the sales attributable to the Group's largest customer were approximately 24.8% of the Group's total sales from the continuing operations for the Year.

The aggregate purchases attributable to the Group's five largest suppliers comprised approximately 2.0% of the Group's total cost of sales from the continuing operations and the purchases attributable to the Group's largest supplier were approximately 1.0% of the Group's total cost of sales from the continuing operations for the Year.

At no time during the Year did a Director, a close associate of a Director or a shareholder of the Company (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) have any beneficial interest in any of the Group's five largest suppliers or customers.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

TAX RELIEF

The Company is not aware of any relief on taxation available to the shareholders by reason of their holdings of the shares of the Company.

CONTINUING CONNECTED TRANSACTIONS

Theme Park Management Services Agreement

On 20 June 2018, 奇承(廣州)景區管理有限公司 (Qi Cheng (Guangzhou) Scenic Management Limited*) ("Qi Cheng (Guangzhou)"), an indirect wholly-owned subsidiary of former Camsing International, and 佛山奇境文化投資有限公司 (Fo Shan Qi Jing Cultural Investments Limited*) ("Fo Shan Qi Jing") entered into the Theme Park Management Services Agreement (the "Agreement"). Fo Shan Qi Jing was a direct wholly-owned subsidiary of 廣東奇境文化投資有限公司 (Guangdong Qi Jing Cultural Investments Limited*) ("Guangdong Qi Jing"), which was in turn directly wholly-owned by 上海承勵投資管理咨詢有限公司 (Shanghai Cheng Li Investment Management and Consultancy Limited*) ("Shanghai Cheng Li") and 廣東承興控股集團有限公司 (Guangdong Cheng Xing Holdings Limited*) ("Guangdong Cheng Xing") together. Shanghai Cheng Li was directly owned as to 60% by Ms. Lo, who was a Substantial Shareholder, the chairman of the Board, chief executive officer of the Company and executive Director at that time, while Guangdong Cheng Xing was directly owned as to 97% by Mr. Lo Wei, who was a brother of Ms. Lo. Fo Shan Qi Jing would pay a fixed amount of RMB2,000,000 plus a bonus of 5% of the annual revenue of Fo Shan Qi Jing to Qi Cheng (Guangzhou) on a yearly basis. The details of the transaction were disclosed in the announcement dated 20 June 2018 of the Company. Such amount had not been paid as scheduled under the arrangement made by Ms. Lo Ching, the then chairman of former Camsing International and Lo Ian, the then Financial Director.

IP Services Agreement

On 14 May 2019, 廣州波音達品牌管理有限公司 (Guangzhou Boyinda Brand Management Company Limited*) ("Guangzhou Boyinda"), an indirect wholly-owned subsidiary of former Camsing International, and 廣東博森旅遊文化投資有限公司 (Guangdong Bosen Tourism Culture Investment Company Limited*) ("Guangdong Bosen") entered into the IP Services Agreement (the "IP Services Agreement") Guangdong Bosen was owned by 廣東奇境文化投資有限公司 (Guangdong Qi Jing Cultural Investments Limited*) ("Guangdong Qi Jing") and江蘇奇境文化投資有限公司(Jiangsu Qi Jing Cultural Investments Limited*) ("Jiangsu Qi Jing") as to 75% and 25%, respectively, which in turn were both directly wholly-owned by 上海承勵投資管理咨詢有限公司 (Shanghai Cheng Li Investment Management and Consultancy Limited*)("Shanghai Cheng Li") and 廣東承興控股集團有限公司 (Guangdong Cheng Xing Holdings Limited*) ("Guangdong Cheng Xing") together. Shanghai Cheng Li was directly owned as to 60% by Ms. Lo, who was a Substantial Shareholder, the chairman of the Board, chief executive officer of the Company and executive Director at that time, while Guangdong Cheng Xing was directly owned as to 97% by Mr. Lo Wei, who was a brother of Ms. Lo. The IP Services Agreement had not been rendering any services and no transaction had been conducted thereunder till now due to the halted business affected by the case in July 2019.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the Year.

AUDITOR

The consolidated financial statements of the Group for the year ended 30 June 2018 have been audited by Deloitte Touche Tohmatsu who has resigned as the auditor of the Company on 6 March 2020. 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 consolidated financial statements of the Group for the years ended 30 June 2019 and 2020 have been audited by ZHONGHUI ANDA CPA Limited. 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.

On behalf of the Board

Ms. Liu Hui
Executive Director

14 January 2021

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SCOPE AND REPORTING PERIOD

This is the fourth Environmental, Social, and Governance (ESG) report of MH Development Limited (formerly known as "Camsing International Holding Limited") (hereinafter referred as the "Company", and together with its subsidiaries referred as the "Group"), highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 to the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

The principal activity of the Group is the development, licensing and diversified operations of pan-entertainment intellectual property ("IP") in the People's Republic of China ("PRC"). This ESG report covers the Group's overall performance in two subject areas, namely, Environmental and Social of the business operations of the office situated in Guangzhou, the PRC, from 1 July 2019 to 30 June 2020 ("Reporting Period"), unless otherwise stated. The lease of head offices in the Chow Tai Fook Financial Center was terminated and the head office is relocated to the East Tower, Yangcheng International Trade Center, No. 122 Tiyu East Road, Tianhe District, Guangzhou in the Reporting Period.

The board of directors of the Company (Board) acknowledges that it has overall responsibility for the Group's ESG strategy and reporting and for evaluating and determining the Group's ESG-related risks. The Group has complied with all the "comply or explain" provisions set out in the ESG Reporting Guide during the Reporting Period.

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on its environmental, social and governance approach and performance. Please give your suggestions or share your views via email at enquiry@mhdlhk.com.

A. ENVIRONMENTAL

The Group's main business is mainly conducted through the internet, and the environmental concerns towards this business is relatively low. The business does not involve in the consumption of packaging materials, production-related air, water, and land pollutions which are regulated under national laws and regulations.

During the Reporting Period, the Group did not note any cases of material non-compliance relating to air and greenhouse gas ("GHG") emissions, discharge into water and land, and the generation of hazardous and non-hazardous waste as required by the applicable laws and regulations.

A1. Emissions

A1.1 Air Emissions

During the Reporting Period, the Group did not undergo combustion of fuel nor own any vehicles. Therefore, air emissions generated from the combustion of gaseous fuel or vehicle fuel was not resulted.

Environmental, Social and Governance Report

A1.2 Greenhouse Gas (GHG) Emissions

There were 13.24 tonnes of carbon dioxide equivalent (CO_2eq) GHG (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group's operation during the Reporting Period.

The Group's GHG emissions included the following and scopes and activities:

- Energy indirect (scope 2) GHG emissions: Purchased electricity; and
- Other indirect (scope 3) GHG emissions: Business air travel, municipal freshwater and sewage processing, and paper waste disposed at landfills.

The details of GHG emissions of the Reporting Period and changes in GHG emission intensity are illustrated below:

Scope of GHG emissions	Emission sources	GHG Emission *(in tCO_2eq)*	Total GHG emission *(in percentage)*
Scope 1 Direct emission	Combustion of fuel	N/A	N/A
Scope 2 Energy indirect emission[1]	Purchased electricity	13.13	99%
Scope 3 Other indirect emission	Paper waste disposed at landfills	0.11	1%
Total		13.24	100%

Note 1: Emission factor of 0.8046 tCO_2eq/MWh was used for purchased electricity from the Guangdong Province, the PRC.

A1.3 Hazardous Waste

During the Reporting Period, the Group's business did not generate any hazardous waste.

A1.4 Non-hazardous Waste

Non-hazardous waste generated by the Group was mainly paper waste and office waste. During the Reporting Period, it is estimated that the Group disposed of 23.7 kg paper waste.

A1.5 Measures to Mitigate Emissions

To reduce emissions, the Group encourages employees to take public transport instead of driving when commuting to/from office. Audio conference is considered and encouraged for meetings with colleagues, business partners and clients to reduce travelling.

A1.6 Wastes Handling and Reduction Initiatives

The Group's business did not involve generation of significant amount of hazardous and non-hazardous waste. Paper waste was collected by designated service supplier in the PRC for recycling and the building management in Hong Kong for disposal.

For daily operation, the Group has adopted paper saving practices to encourage employees to reuse or recycle paper as below:

- Promote the use of electronic communication;
- Collect single-side printed papers for reuse; and
- Encourage employees to use paper on both sides.

A2. Use of Resources

The Group upholds and promotes the principle of effective use of resources. To meet the Group's environmental commitments, various efficiency-initiatives have been implemented to minimise resources consumption.

A2.1 Energy Consumption

During the Reporting Period, the Group consumed 16,319 Kilowatt-hour (kWh) electricity.

A2.2 Water Consumption

The Group does not involve significant use of water resources in its business operation. Hence, no formal initiative relating to water use efficiency has been established.

A2.3 Energy Use Efficiency Initiatives

Though the Group has not established formal energy saving policy, the Group ensures rational use of energy resources at work. It encourages employees to switch off idling computers and monitors, and turn off all lightings before leaving the office.

A2.4 Water Use Efficiency Initiatives

The Group does not involve significant use of water resources in its business operation. Hence, no formal initiative relating to water use efficiency has been established.

A2.5 Packaging Material

The Group's business did not involve any use of packaging materials. Hence, no policy has been established and no data is available.

A3. The Environment and Natural Resources

A3.1 Significant Impacts of Activities on the Environment

The Group's operation does not cause any significant impacts on the environment. The Group did not receive any complaints from the surrounding community regarding air pollution, odour, noise, or light pollution.

B. SOCIAL

1. Employment and labour practices

The Group complies with the laws and regulations relating to employment, child and forced labour practices. The Group's employee handbook is designed to communicate important regulations and work ethics surrounding employment, benefits and welfare, and obligation and responsibilities. It is an essential tool in helping to define the expectations of both the management and the employees, and to protect them from any unfair treatment or discrimination.

B1. Employment

The Group stringently complies with laws and regulations concerning employment, including but not limited to the Labour Law of the PRC and Labour Contract Law of the PRC.

During the Reporting Period, there were no major changes in employment policies, and no material case of non-compliance with relevant laws and regulations that has a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare had been identified.

Workforce

The Group had a total number of 9 employees as of 30 June 2020, all of them were full time employees. The decline in workforce was due to the organisational restructuring, resulting in job cuts.

Recruitment

Recruitment of employees is strictly abided by the hiring procedures and guidelines of the Group so that suitable talents are recruited in accordance with relevant laws, job requirement, and candidates' expectation.

Dismissal

Any employees proposing to terminate the labour contract must notify the company in writing 30 days in advance. The department proposing to terminate the labour contract with an employee should report the reason for termination and provide relevant supporting materials. The human resources department will review and determine whether financial compensation is needed and proceed in accordance with relevant laws and regulations. Both the Group and the employees shall sign an agreement to terminate the labour contract.

Compensation and Benefits

The Group meets all applicable national and local laws, regulations and standards relating to employment and labour practices. Employees are entitled to salaries, various types of paid leaves, medical benefits, insurance and annual body check.

Equal Opportunity

The Group's employees are not discriminated against or deprived of such opportunities on the basis of gender, ethnic background, religion, colour, sexual orientation, age, marital status, family status, retirement, disability, pregnancy or any other grounds of discrimination prohibited by applicable laws.

B2. Employee Health and Safety

The Group emphasises the importance of the well-being of employees and strives to provide a safe and healthy working environment to them. Regular reviews and audits are performed in accordance with the statutory and industrial requirements.

During the reporting period, the Group did not violate any related safety and health ordinance and provisions. All employees should perform their work in a safe manner, and jointly develop and support alcohol- and drug-free workplace. The Group did not note any case of material non-compliance relating to health and safety during the Reporting Period.

Occupational Health and Safety Data in the Reporting Period	
Work related fatality	0
Work injury cases >3 days	0
Work injury cases ≤3 days	0
Lost days due to work injury	0

B3. Development and Training

The Group encourages continuous improvement of business knowledge and job skills through multiple channels and methods, aiming to create a passionate learning atmosphere. The Group's training consists of internal and external training. Internal training includes induction, job skill, and management training. Employees can also apply for external trainings. The heads of department and the human resources department are responsible for reviewing the application. After participating in external trainings, employees should submit training materials and certificates to the human resources department for record.

B4. Labour Standards

The Group protects human rights and labour rights. The Group strictly follows relevant laws and regulations such as Labour Law and Labour Contract Law of the PRC. The human resources department checks the new employees' identification documents, such as identity card and academic certificates, to ensure that they are legally entitled to work for the Group to prevent any child labour or forced labour. The employees are obligated to ensure the information provided is true and accurate. If violation is involved, employees will be dismissed from his/her job immediately.

There were no major risks associated with incidents of child labour, forced or compulsory labour within the Group. No non-compliance with relevant laws and regulations that have a significant impact on the group relating to preventing child and forced labor had been identified during the Reporting Period.

2. Operating Practices

B5. Supply Chain Management

To ensure goods and services are procured in an honest, competitive, fair, and transparent manner that delivers the highest cost performance, the Group's systematic supplier management system is in place to manage its supply chain so that suppliers are selected based upon rational and clear criteria.

With the supplier qualifying process and the supplier performance measurement, suppliers are being accessed based on selection criteria including reputation, delivery performance, price, environment, etc. Supplier survey and on-site audit are conducted during supplier selection. There were 6 suppliers being selected during the Reporting Period.

B6. Product Responsibility

Product Labelling, Health and Safety, and Advertising

During the Reporting Period, the Group did not note any cases of material non-compliance with laws and regulations relating to advertising, labelling and privacy matters regarding the products and services provided.

Protection of Intellectual Property Rights

The Group's business includes the development, management and licensing of intellectual properties ("IP") and the sales of IP derived products. The operation requires license agreements with brand owners regarding the production and distribution of licensed products under their renowned brands. The Group strictly complies with the IP rights regulations.

During the reporting period, there was no material infringement of the IP rights and the Group is confident that all reasonable measures have been taken to prevent any infringement of its own IP rights and the IP rights of third parties.

Data Protection

The Group ensures strict compliance with the statutory requirements to fully meet a high standard of security and confidentiality of personal data privacy protection. The Group is strictly abided by the regulation in the collection, disclosure, usage, retention, and storage of data to ensure data integrity and safety. The Group properly manages and protects the data collected from its business partners, customers, employees and suppliers to protect their privacy and confidentiality. As stipulated in the employee handbook on data protection, employees are instructed of their responsibility to use and secure the entirety of information being collected. Employees shall sign a confidentiality agreement stating that disclosure of information is not allowed. Any information that is no longer required for the purpose for which the data is used shall be erased within two years. Servers and computers are protected from access passwords

There were no non-compliance cases noted in relation to the Group's investment practices and data privacy that had a significant impact on the Group during the Reporting Period.

B7. Anti-corruption

To promote ethical conduct, the Group strictly follows the Anti-Unfair Competition Law of the PRC, Criminal Law of the PRC, and other laws, regulations and regulatory documents related to commercial bribery.

At stated in the Employee Handbook, bribery and corrupt practices, unlawful or unethical behaviours are strictly prohibited by the Group. The Group conducts periodic and systematic risk assessment and communicates related anti-fraud policy and procedures to employees on a regular basis.

Whistle-blowing

The Group has established a whistle-blowing system through which employees could report any concern or complaint about suspected misconduct, fraudulent activities and conflict of interest that seriously affect the interest of the Group in strict confidence. Reporting cases would be directed to the General Manager, Human Resources and Administration Manager or Directors for assessment and investigation.

The Group has not aided, abetted, assisted or colluded with an individual who has committed, or conspired to commit any unlawful activities. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to corruption, bribery, extortion, fraud and money laundering had been identified during the Reporting Period.

B8. Community Investment

No formal policy on community investment has been established.

INDEPENDENT AUDITOR'S REPORT

中汇
ZHONGHUI

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
MH DEVELOPMENT LIMITED
(FORMERLY KNOWN AS "CAMSING INTERNATIONAL HOLDING LIMITED")
(Incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of MH Development Limited (formerly known as "Camsing International Holding Limited") (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 44 to 103, which comprise the consolidated statement of financial position as at 30 June 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2020 and 2019, 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 2020 and 2019 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:

BASIS FOR DISCLAIMER OF OPINION (Continued)

1. Limited accounting books and records of the Group (Continued)

	2020 *HK$'000*	2019 *HK$'000*
Income and expenses		
Revenue	–	2,652,137
Costs of sales	–	(2,391,183)
Gross profit	–	260,954
Other income	48	9,398
Other gains and losses, net	(51,080)	(752,857)
Distribution costs	(1,666)	(11,094)
General and administrative expenses	(2,497)	(38,337)
Finance costs	(147)	–
Loss before income tax	(55,342)	(531,936)
Income tax expenses	–	(61,832)
Loss for the year from continuing operations	(55,342)	(593,768)
Discontinued operations		
Profit for the year from discontinued operations	–	40,461
Loss for the year	(55,342)	(553,307)
Other comprehensive expense		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	(245)	(12,550)
Foreign currency translation reserve reclassified to profit or loss upon disposal of subsidiaries	–	(10,369)
Total other comprehensive expense for the year	(245)	(22,919)
Total comprehensive expense for the year	(55,587)	(576,226)

BASIS FOR DISCLAIMER OF OPINION (Continued)

1. Limited accounting books and records of the Group (Continued)

	2020 *HK$'000*	2019 *HK$'000*
Assets and liabilities		
Property, plant and equipment	–	13,846
Interest in an associate	–	886
Inventories	–	9,956
Trade and other receivables	1,377	9,491
Bank balances and cash	411	10,517
Trade and other payables	(129,703)	(128,779)
Tax liabilities	(46,504)	(47,969)
Net liabilities	(174,419)	(132,052)

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 2020 and 2019.

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 2020 and 2019 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$70,154,000 for the year ended 30 June 2020 and as at 30 June 2020, the Group had net liabilities of approximately HK$182,682,000 and net current liabilities of approximately HK$211,732,000. Also the Group recorded net cash outflows in operating activities of approximately HK$7,444,000 for the year ended 30 June 2020.

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.

BASIS FOR DISCLAIMER OF OPINION (Continued)

4. Material uncertainty on going concern basis (Continued)

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 year ended 30 June 2020 and 2019 and the consolidated financial position of the Group as at 30 June 2020 and 2019, and the related disclosures thereof in the consolidated financial statements.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Pang Hon Chung
Audit Engagement Director
Practising Certificate Number P05988
Hong Kong, 14 January 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	7	9,732	2,662,267
Costs of sales		(8,632)	(2,400,317)
Gross profit		1,100	261,950
Other income		2,166	10,580
Other gains and losses, net	8	(51,080)	(809,470)
Distribution costs		(1,993)	(14,904)
General and administrative expenses		(26,346)	(60,096)
Finance costs	9	(1,548)	(1,149)
Loss before income tax		(77,701)	(613,089)
Income tax credit/(expense)	10	2,110	(61,860)
Loss for the year from continuing operations		(75,591)	(674,949)
Discontinued operations			
Profit for the year from discontinued operations	13(a)	–	40,461
Loss for the year	11	(75,591)	(634,488)
Other comprehensive income/(expense)			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		13,220	10,598
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(2,114)	(9,555)
Foreign currency translation reserve reclassified to profit or loss upon disposal of subsidiaries		–	(10,369)
		(2,114)	(19,924)
Total other comprehensive income/(expense) for the year		11,106	(9,326)
Total comprehensive expense for the year		(64,485)	(643,814)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Note	2020 HK$'000	2019 HK$'000
(Loss)/profit for the year attributable to:			
Owners of the Company			
— from continuing operations		**(70,154)**	(664,006)
— from discontinued operations		**–**	40,461
		(70,154)	(623,545)
Non-controlling interests			
— From continuing operations		**(5,437)**	(10,943)
		(75,591)	(634,488)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(59,083)**	(632,882)
Non-controlling interests		**(5,402)**	(10,932)
		(64,485)	(643,814)
Basic and diluted (loss)/earnings per share	15		
— from continuing and discontinued operations		**HK$(0.07)**	HK$(0.58)
— from continuing operations		**HK$(0.07)**	HK$(0.62)
— from discontinued operations		**N/A**	HK$0.04

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	16	192	14,144
Right-of-use assets	17	3,795	–
Interest in an associate	18	–	886
Intangible assets	19	36,368	45,135
Goodwill	20	768	774
		41,123	60,939
Current assets			
Inventories		–	9,956
Trade and other receivables	21	2,936	12,044
Bank balances and cash	22	752	12,349
		3,688	34,349
Current liabilities			
Trade and other payables	23	155,356	144,456
Tax liabilities		46,504	47,969
Lease liabilities	24	931	–
Bank borrowings	25	1,598	–
Bonds	26	11,031	9,776
		215,420	202,201
Net current liabilities		(211,732)	(167,852)
Total assets less current liabilities		(170,609)	(106,913)
Non-current liabilities			
Lease liabilities	24	2,981	–
Deferred tax liabilities	27	9,092	11,284
		12,073	11,284
NET LIABILITIES		(182,682)	(118,197)

Consolidated Statement of Financial Position

As at 30 June 2020

	Note	2020 HK$'000	2019 HK$'000
Capital and reserves			
Share capital	28	107,712	107,712
Reserves		(289,183)	(230,100)
Equity attributable to owners of the Company		(181,471)	(122,388)
Non-controlling interests		(1,211)	4,191
TOTAL DEFICIT		(182,682)	(118,197)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Attributable to owners of the Company									
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Other reserve** *HK$'000*	**Contributed surplus** *HK$'000* *(Note i)*	**Special reserve** *HK$'000* *(Note ii)*	**Exchange reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Sub-total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
At 1 July 2018, as previously reported	107,712	366,526	–	11,478	6,400	249	(11,184)	481,181	5,331	486,512
Effect of change on accounting policies	–	–	–	–	–	–	(5,314)	(5,314)	–	(5,314)
At 1 July 2018, as restated	107,712	366,526	–	11,478	6,400	249	(16,498)	475,867	5,331	481,198
Loss for the year	–	–	–	–	–	–	(623,545)	(623,545)	(10,943)	(634,488)
Exchange differences arising on translation	–	–	–	–	–	1,032	–	1,032	11	1,043
Foreign currency translation reserve reclassified to profit or loss upon disposal of subsidiaries	–	–	–	–	–	(10,369)	–	(10,369)	–	(10,369)
Total comprehensive expense for the year	–	–	–	–	–	(9,337)	(623,545)	(632,882)	(10,932)	(643,814)
Capital injection from non-controlling shareholders *(note 31(a))*	–	–	47,553	–	–	–	–	47,553	9,792	57,345
Dividend recognised as distribution *(note 14)*	–	(12,926)	–	–	–	–	–	(12,926)	–	(12,926)
Foreign currency translation reserve not be reclassified to profit or loss upon disposal of subsidiaries	–	–	–	–	–	16,584	(16,584)	–	–	–
At 30 June 2019	107,712	353,600	47,553	11,478	6,400	7,496	(656,627)	(122,388)	4,191	(118,197)
At 1 July 2019	**107,712**	**353,600**	**47,553**	**11,478**	**6,400**	**7,496**	**(656,627)**	**(122,388)**	**4,191**	**(118,197)**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(70,154)**	**(70,154)**	**(5,437)**	**(75,591)**
Exchange differences arising on translation	**–**	**–**	**–**	**–**	**–**	**11,071**	**–**	**11,071**	**35**	**11,106**
Total comprehensive income/(expense)for the year	**–**	**–**	**–**	**–**	**–**	**11,071**	**(70,154)**	**(59,083)**	**(5,402)**	**(64,485)**
At 30 June 2020	**107,712**	**353,600**	**47,553**	**11,478**	**6,400**	**18,567**	**(726,781)**	**(181,471)**	**(1,211)**	**(182,682)**

Notes:

(i) The contributed surplus represents the difference between the fair value of the underlying assets of a subsidiary acquired and the nominal value of the shares issued by the Company in exchange in December 2004.

(ii) The special reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the share capital of the subsidiaries acquired pursuant to a group reorganisation in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited in 2005.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Notes	2020 HK$'000	2019 HK$'000
Operating activities			
(Loss)/profit before tax			
— from continuing operations		(77,701)	(613,089)
— from discontinued operations	13(a)	–	40,461
Adjustments for:			
Depreciation of property, plant and equipment		47	2,379
Depreciation of right-of-use assets		2,386	–
Amortisation of intangible assets		8,441	8,480
Finance costs		1,548	1,149
Loss on disposals of property, plant and equipment		–	63
Impairment loss on trade and other receivables		7,516	676,686
Impairment loss on goodwill		–	56,608
Impairment loss on property, plant and equipment		13,482	–
Impairment loss on inventories		9,694	8
Impairment loss of interest in an associate		863	–
Written off of prepayments		3,368	69,073
Gain on termination of lease		(191)	–
Share of results of an associate		–	85
Interest income		(5)	(90)
Gain on disposal of subsidiaries	13	–	(37,663)
Operating cash flows before movements in working capital		(30,552)	204,150
Change in trade and other receivables and deposits		6,823	(298,097)
Change in inventories		–	(5,516)
Change in trade and other payables		17,550	16,440
Cash used in from operations		(6,179)	(83,023)
Income tax paid		(1,265)	(45,548)
NET CASH USED IN OPERATING ACTIVITIES		(7,444)	(128,571)
Cash flow from investing activities			
Interest received		5	90
Proceeds from disposals of property, plant and equipment		60	–
Purchase of property, plant and equipment		–	(16,574)
Proceeds from disposal of subsidiaries	13	–	16,631
NET CASH GENERATED FROM INVESTING ACTIVITIES		65	147

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	Note	2020 *HK$'000*	2019 *HK$'000*
Cash flow from financing activities			
Repayment to a related company		(1,505)	–
Advance from a related company		–	44,109
Dividend paid		–	(12,926)
Bank borrowings raised		1,598	–
Repayment of lease liabilities		(3,851)	–
Interest paid		(293)	(42)
Repayment to a non-controlling shareholder		(90)	(709)
Capital injection from non-controlling shareholders	31(a)	–	57,345
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		(4,141)	87,777
NET DECREASE IN CASH AND CASH EQUIVALENTS		(11,520)	(40,647)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		12,349	54,077
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(77)	(1,081)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		752	12,349
Analysis of cash and cash equivalents			
Bank balances and cash		752	12,349

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

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"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company is an investment holding company. Particulars of the principal activities of its subsidiaries are set out in note 33 to the consolidated financial statements.

Referring to the announcements of the Company dated on 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 (the "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 ("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 as "Resumption Guidance").

1. GENERAL INFORMATION (Continued)

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.

These consolidated financial statements are presented in thousands of Hong Kong dollars ("HK$'000"), unless otherwise stated.

2. GOING CONCERN BASIS

The Company and its subsidiaries (the "Group") incurred a loss attributable to owners of the Company from continuing operations of approximately HK$70,154,000 for the year ended 30 June 2020; and as at 30 June 2020, the Group had net current liabilities and net liabilities of approximately HK$211,732,000 and approximately HK$182,682,000 respectively. Also the Group recorded net cash outflows in operating activities of approximately HK$7,444,000 for the year ended 30 June 2020. 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.

2. GOING CONCERN BASIS (Continued)

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 2020 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 2020 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 HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has adopted all the new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 July 2019. 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 consolidated financial statements and amounts reported for the current year and prior years except as stated below.

HKFRS 16 "Leases"

The Group was initially applied HKFRS 16 "Leases" with effect from 1 July 2019 and has taken transitional provisions and methods not to restate comparative information for prior period.

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as 'operating leases' under HKAS 17 "Leases", resulted in changes in the consolidated amounts reported in the consolidated financial statements as follows:

	1 July 2019 *HK$'000*
Increase in right-of-use assets	17,678
Increase in lease liabilities	17,678

	1 July 2019 *HK$'000*
Operating lease commitment at 30 June 2019	20,281
Less:	
Discounting at 4.01%	(813)
Recognition exemption for leases with less than 12 months of lease term at transition	(1,790)
Lease liabilities as at 1 July 2019	17,678

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the Directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consolidation (Continued)

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the noncontrolling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, investment at fair value through other comprehensive income), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combination and goodwill (Continued)

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Renminbi ("RMB"). The Directors 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.

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discontinued operations

Non-current assets or disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets or disposal group are available for immediate sale in their present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal group classified as held for sale are measured at the lower of the assets' or disposal group's previous carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss and other comprehensive income, which comprises:

— The post-tax profit or loss of the discontinued operation; and

— The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

Property, plant and equipment

Property, plant and equipment including held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	10%
Office equipment	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses/revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

The Group as lessor

Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rate for office premises is 5 years.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US$5,000.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Inventories under intellectual properties ("IP") licensing and comprehensive services are stated at costs.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under financial assets at amortised cost.

(i) Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

— the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

— the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue from contract with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

— the customer simultaneously receives and consumes the benefits provided by the Group's performance;

— the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

— the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other income

Interest income is recognised using the effective interest method.

Rental income is recognised on a straight-line basis over the lease term.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

The Group also participates in a defined contribution retirement scheme organized by the government in the PRC. The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and other intangible assets except goodwill and deferred income tax assets and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the assumptions and measures as explained in note 2 to consolidated financial statements.

(b) Consolidation of entity of less than 50% equity interest

Although the Group owns less than 50% of the equity interest in 北京魔氪互動信息技術有限公司 (the "魔氪"), 魔氪 is treated as a subsidiary because the Group is able to control the relevant activities of 魔氪 as a result of the shareholders' agreement between the Group and other shareholders of 魔氪.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill and intangible assets at the end of the reporting period was approximately HK$768,000 (2019: approximately HK$774,000) and approximately HK$36,368,000 (2019: approximately HK$45,135,000) respectively after an impairment loss of approximately HK$Nil (2019: approximately HK$56,608,000) and HK$Nil (2019: HK$Nil) respectively was recognised during the year ended 30 June 2019. Details of the impairment loss calculation are provided in notes 19 and 20 to consolidated financial statements.

(b) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade receivables, prepayments and other receivables, including the current creditworthiness and the past collection history of each customer and debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade receivables, prepayments and other receivables and doubtful debt expenses in the year in which such estimate has been changed. As at 30 June 2020, the carrying amount of trade receivables, prepayments and other receivables is approximately HK$2,936,000 (2019: approximately HK$12,044,000). During the year ended 30 June 2020, impairment losses amounted to approximately HK$10,884,000 (2019: approximately HK$745,759,000) was recognised in profit or loss.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

Key sources of estimation uncertainty (Continued)

(c) Impairment loss of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the present value of estimated future cashflows. Where the future cashflows are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of future estimate cash flows, a material impairment loss may arise. During the year ended 30 June 2020, impairment losses of approximately HK$13,482,000 (2019: HK$Nil) was recognised in profit or loss.

(d) Assessment of the useful lives of intangible assets with finite useful lives

The intangible assets with finite useful lives of the Group represents the IP arising from acquisition of POW! Entertainment Inc. ("POW! Entertainment") during the year ended 30 June 2018 which are amortised on a straight line basis over the estimated useful lives of the asset. The Group determines the estimated useful lives of IP on initial recognition in order to determine the amount of amortisation expense to be recorded during any reporting period. The useful lives of the IP were determined with reference to a number of factors, including the useful lives of similar intangible assets in certain comparable transactions, management's experience and industry knowledge. The amortisation expense for future periods is adjusted if there are significant changes from previous estimates. The carrying amount of intangible assets is appromixately HK$36,368,000 at 30 June 2020 (2019: appromixately HK$45,135,000) (note 19).

(e) Estimated allowances for inventories

Inventories are stated at the lower of cost and net realisable values. As at 30 June 2020, the carrying amount of inventories is approximately HK$Nil (2019: approximately HK$9,956,000). During the year ended 30 June 2020, impairment losses on inventories amounted to approximately HK$9,694,000 (2019: approximately HK$8,000) was recognised in profit or loss.

At the end of each reporting period, management carries out the assessment of write-down of inventories by comparing the carrying amounts of inventories with the net realisable values. The net realisable values are extended primarily by reference to the estimated selling prices. Moreover, management also reviews the usability and saleability of inventories at the end of reporting period, and write-down for slow moving inventories. The assessment of writedown for inventories requires significant management judgement in determining net realisable values with reference to estimated selling prices and reviewing the usability and saleability of inventories. If the estimates are inaccurate, write-down for inventories may increase or decrease accordingly.

(f) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
US$	**1,881**	4,367	**18,569**	12,492
HK$	**–**	1,555	**35,019**	28,267

The following details the Group's sensitivity to a 5% (2019: 5%) increase and decrease in the value of the functional currencies against the relevant foreign currencies. 5% (2019: 5%) is the sensitivity rate used and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items but excludes monetary items denominated in US$ and HK$ for entities with HK$ and US$ as functional currencies, respectively, as the Directors consider that the Group's exposure to US$ and HK$ is insignificant on the ground that HK$ is pegged to US$.

For the year ended 30 June 2020, if US$ had strengthened/weakened by 5% against RMB with all other variables including tax rate being held constant, the Group's loss would have been approximately HK$834,000 higher/lower (2019: profit would have been approximately HK$406,000 lower/higher), as a result of currency translation gains/losses on the US$-denominated financial assets (including bank and cash balances and trade and other receivables)/liabilities (including borrowings).

For the year ended 30 June 2020, if HK$ had strengthened/weakened by 5% against RMB with all other variables including tax rate being held constant, the Group's loss would have been approximately HK$1,751,000 higher/lower (2019: profit would have been approximately HK$1,336,000 lower/higher), as a result of currency translation gains/losses on the RMB-denominated financial assets (including bank and cash balances and trade and other receivables)/liabilities (including borrowings).

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

The carrying amount of the bank balances and cash, trade and other receivables and rental deposits paid included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has significant concentration of credit risk as receivable from three customers (2019: three customers) accounted for approximately 85% (2019: 87%) of its total trade receivables as at 30 June 2020.

It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on bank balances and cash is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

— actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

— significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 30 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year HK$'000	Between 1 and 5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
At 30 June 2020				
Trade and other payables	109,662	–	109,662	109,662
Bank borrowings	16	1,611	1,627	1,598
Bonds	70,586	–	70,586	11,031
	180,264	1,611	181,875	122,291

	Less than 1 year HK$'000	Between 1 and 5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
At 30 June 2019				
Trade and other payables	99,879	–	99,879	99,879
Bonds	70,672	–	70,672	9,776
	170,551	–	170,551	109,655

(d) Interest rate risk

The Group is exposed to fair value interest rate risk on its fixed interest-rate bank borrowings and bonds. The Group is exposed to cash flow interest rate risk on its bank balances because these balances carry interest at prevailing rates.

The Group currently does not have any interest rate hedging policy in relation to fair value interest rate risk and cash flow interest rate risk. The Directors monitor the Group's exposure on an ongoing basis and will consider hedging the interest rate should the need arises.

The Directors consider that the Group's exposure to cash flow interest rate risk is low as the financial impact arising from the changes of market interest rate is insignificant, therefore, no sensitivity analysis presented.

6. FINANCIAL RISK MANAGEMENT (Continued)

(e) Categories of financial instruments

	2020 *HK$'000*	2019 *HK$'000*
Financial assets:		
Financial assets at amortised cost (including cash and cash equivalents)	**3,270**	23,263
Financial liabilities:		
Financial liabilities at amortised costs	**122,291**	109,655

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. REVENUE AND SEGMENT INFORMATION

(a) Revenue

	2020 *HK$'000*	2019 *HK$'000*
Revenue from contracts with customers:		
Sales of goods	**–**	2,538,102
Rendering of services	**–**	280,351
Licensing fee income	**9,732**	31,146
	9,732	2,849,599
Representing:		
Continuing operations	**9,732**	2,662,267
Discontinued operations *(note 13(a))*	**–**	187,332
	9,732	2,849,599

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.

7. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Revenue (Continued)

Rendering of services

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

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.

7. REVENUE AND SEGMENT INFORMATION (Continued)

(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 had been disposed during the year ended 30 June 2019. Details are referred to note 13(a) to the consolidated financial statements)

During the year ended 30 June 2019, the Group entered into an agreement for First Disposal Transaction (as defined in note 13(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:

	Continuing operations	
Segments	**IP licensing and comprehensive services** *HK$'000*	**Total** *HK$'000*
For the year ended 30 June 2020		
Major service		
Licensing fee income		
IP licensing fee income	9,732	9,732

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

7. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Disaggregation of revenue from contracts with customers: (Continued)

	Continuing operations			Discontinued operations *(Note 13(a))*	
Segments	**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					
Major products/service					
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

7. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Geographical information

	Revenue by external customers	
	2020	2019
	HK$'000	*HK$'000*
The People's Republic of China (the "PRC")	**–**	2,780,448
Hong Kong	**–**	59,021
The United States of America (the "US")	**9,732**	10,130
	9,732	2,849,599

Reconciliations of reportable segment revenue and profit or loss:

	Continuing operations		
	Sales and distribution of IP derived products and mobile devices	IP licensing and comprehensive services	Total
	HK$'000	*HK$'000*	*HK$'000*
For the year ended 30 June 2020			
Revenue from external customers	**–**	**9,732**	**9,732**
Segment loss	**(28,797)**	**(36,081)**	**(64,878)**
Unallocated operating expenses			**(1,884)**
Unallocated other income and gains and losses, net			**(9,391)**
Finance costs			**(1,548)**
Consolidated loss before income tax			**(77,701)**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

7. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Reconciliations of reportable segment revenue and profit or loss: (Continued)

	Continuing operations			Discontinued operations *(Note 13(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 13(a))*					(40,461)
Consolidated loss before income tax					(613,089)

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:

	2020	2019
	HK$'000	*HK$'000*
Sales and distribution of IP derived products and mobile devices		
Customer A	–	1,324,256
Customer B	–	374,004

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

8. OTHER GAINS AND LOSSES, NET

	2020	2019
	HK$'000	*HK$'000*
Net foreign exchange loss	**(8,528)**	(6,595)
Impairment loss on trade and other receivables	**(7,516)**	(676,686)
Impairment loss on goodwill	**–**	(56,608)
Impairment loss on property, plant and equipment	**(13,482)**	–
Impairment loss on interest in an associate	**(863)**	–
Written off of prepayments	**(3,368)**	(69,073)
Gain on termination of lease	**191**	–
Impairment loss of inventories	**(9,694)**	–
Loss on disposals of property, plant and equipment	**–**	(63)
Loss of assets	**(7,820)**	–
Gain on disposal of a subsidiary	**–**	5
	(51,080)	(809,020)
Representing:		
Continuing operations	**(51,080)**	(809,470)
Discontinued operations *(note 13(a))*	**–**	450
	(51,080)	(809,020)

9. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest on bank borrowings	**6**	–
Interest on bonds	**1,255**	1,149
Interest on lease liabilities	**287**	–
	1,548	1,149

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

10. INCOME TAX (CREDIT)/EXPENSE

	2020 *HK$'000*	2019 *HK$'000*
Current tax		
PRC enterprise income tax (the "EIT")	–	61,486
PRC withholding tax on licensing fee income	–	346
	–	61,832
Deferred tax *(note 27)*	(2,110)	28
	(2,110)	61,860
Representing:		
Continuing operations	(2,110)	61,860

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the years ended 30 June 2020 and 2019. No provision for Hong Kong Profits Tax has been made for the years ended 30 June 2020 and 2019 as the Group did not generate any assessable profits arising in Hong Kong during the years ended 30 June 2020 and 2019.

Other jurisdictions mainly included the US. Taxation arising in other jurisdictions of which the US is at 21% (2019: 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 2020 and 2019.

The reconciliation between the income tax expense and the product of loss before tax from continuing operations multiplied by EIT rate is as follows:

	2020 *HK$'000*	2019 *HK$'000*
Loss before income tax from continuing operations	(77,701)	(613,089)
Tax at the EIT rate 25%	(19,425)	(153,272)
Tax effect of expenses not deductible for tax purposes	11,331	202,267
Tax effect of income not taxable for tax purposes	(132)	(2,064)
Tax effect of tax losses not recognised	5,123	13,062
Tax effect of deductible temporary differences not recognised	–	80
Effect of different tax rate of group entities operating in jurisdictions other than the PRC	993	(389)
Change in deferred tax liabilities resulting from a increase in applicable tax rate *(note 27)*	–	1,809
PRC withholding tax on licensing fee income	–	346
Tax effect of share of results of an associate	–	21
Income tax (credit)/expense for the year	(2,110)	61,860

11. (LOSS)/PROFIT FOR THE YEAR

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

	2020 ***HK$'000***	2019 *HK$'000*
Continuing operations		
Directors' emoluments *(note 12)*	**1,948**	2,010
Other staff costs	**1,228**	26,935
Retirement benefit scheme contributions (excluding contributions in respect of Directors)	**44**	1,627
Total staff costs	**3,220**	30,572
Auditors' remuneration		
— audit services	**1,880**	2,280
— non-audit services	**260**	80
Depreciation of property, plant and equipment	**47**	768
Depreciation of right-of-use assets	**2,386**	–
Amortisation of intangible assets (included in cost of sales)	**8,441**	8,480
Cost of inventories recognised as an expense (included in cost of sales)	**–**	2,400,317
Impairment loss on inventories	**9,694**	–
Interest income	**(5)**	(71)

Discontinued operations

	Period from 1 July 2018 to 19 November 2018 *HK$'000*
Total staff costs	18,177
Depreciation of property, plant and equipment	1,611
Loss on disposals of property, plant and equipment	63
Cost of inventories recognised as an expense (included in cost of sales under discontinued operations)	172,425
Impairment loss on inventories	8
Interest income	(19)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

12. DIRECTORS' EMOLUMENTS

The emoluments of each director were as follows:

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total *HK$'000*
Year ended 30 June 2020				
Executive directors:				
Ms. Lo *(note a)*	–	1,200	36	1,236
Ms. Liu Hui	–	420	–	420
Independent non-executive directors:				
Mr. Lei Jun *(note b)*	52	–	–	52
Mr. Ross Yu Limjoco	120	–	–	120
Mr. Zheng Yilei	120	–	–	120
	292	1,620	36	1,948

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total *HK$'000*
Year ended 30 June 2019				
Executive directors:				
Ms. Lo *(note a)*	–	1,200	30	1,230
Ms. Liu Hui	–	420	–	420
Independent non-executive directors:				
Mr. Lei Jun *(note b)*	120	–	–	120
Mr. Ross Yu Limjoco	120	–	–	120
Mr. Zheng Yilei	120	–	–	120
	360	1,620	30	2,010

Notes:

(a) Ms. Lo had been suspended all administrative and executive duties and powers as the Chairman and executive director on 29 July 2019. 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.

(b) Mr. Lei resigned on 3 December 2019.

12. DIRECTORS' EMOLUMENTS (Continued)

During the years ended 30 June 2020 and 2019, no emoluments were paid by the Group to the directors and the chief executive officer as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, neither the chief executive officer nor any of the directors waived any emoluments during the years ended 30 June 2020 and 2019.

13. 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 First 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 from the discontinued operations:

	Period from 1 July 2018 to 19 November 2018 *HK$'000*
Profit from discontinued operations	2,803
Gain on disposal of discontinued operations	37,658
	40,461

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

13. DISCONTINUED OPERATIONS/DISPOSAL OF A SUBSIDIARY (Continued)

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

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

	Period from 1 July 2018 to 19 November 2018 *HK$'000*
Revenue	187,332
Cost of sales	(172,425)
Gross profit	14,907
Other income	537
Other gains and losses	450
Distribution costs	(2,975)
General and administrative expenses	(10,116)
Profit before tax	2,803
Income tax expense	–
Profit for the period from discontinued operations	2,803

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

13. DISCONTINUED OPERATIONS/DISPOSAL OF A SUBSIDIARY (Continued)

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

(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.

13. DISCONTINUED OPERATIONS/DISPOSAL OF A SUBSIDIARY (Continued)

(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.

14. DIVIDEND

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

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.

No interim dividend was proposed during the years ended 30 June 2020 and 2019.

15. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

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

	2020			2019		
	Loss for the year attributable to owners of the Company	**Weighted average number of ordinary shares**	**Basic loss earnings per share**	(Loss)/profit for the year attributable to owners of the Company	Weighted average number of ordinary shares	Basic (loss)/ earnings per share
	HK$'000	***'000***	***HK$***	*HK$'000*	*'000*	*HK$*
From continuing operations	**(70,154)**	**1,077,128**	**(0.07)**	(664,006)	1,077,128	(0.62)
From discontinued operations	**N/A**	**N/A**	**N/A**	40,461	1,077,128	0.04
From continuing and discontinued operations	**(70,154)**	**1,077,128**	**(0.07)**	(623,545)	1,077,128	(0.58)

Diluted (loss)/earnings per share

Diluted (loss)/earnings per share are not presented for the years ended 30 June 2020 and 2019 as there is no potential ordinary share outstanding during both years or at the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Office equipment *HK$'000*	Total *HK$'000*
COST			
At 1 July 2018	2,446	1,013	3,459
Additions	12,871	164	13,035
Exchange realignment	(455)	(33)	(488)
At 30 June 2019 and 1 July 2019	14,862	1,144	16,006
Disposal	–	(60)	(60)
Exchange realignment	(520)	(28)	(548)
At 30 June 2020	14,342	1,056	15,398
ACCUMULATED DEPRECIATION AND IMPAIRMENT			
At 1 July 2018	853	302	1,155
Provided for the year	497	271	768
Exchange realignment	(46)	(15)	(61)
At 30 June 2019 and 1 July 2019	1,304	558	1,862
Provided for the year	–	47	47
Impairment loss	13,201	281	13,482
Exchange realignment	(163)	(22)	(185)
At 30 June 2020	14,342	864	15,206
CARRYING AMOUNTS			
At 30 June 2020	–	192	192
At 30 June 2019	13,558	586	14,144

17. RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	HK$'000
At 30 June 2020	
Right-of-use assets	
— Office premises	3,795

17. RIGHT-OF-USE ASSETS (Continued)

The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:

	HK$'000
— Less than 1 year	1,042
— Between 1 and 2 years	1,073
— Between 2 and 5 years	2,050
	4,165

Year ended 30 June 2020:	
Depreciation charge of right-of-use assets	
— Office premises	2,386
Lease interests	287
Termination of lease:	
Decrease of right-of-use assets due to termination of lease	11,125
Decrease of lease liabilities due to termination of lease	(11,316)
Gain on termination of lease	(191)
Total cash outflow for leases	(3,851)

18. INTEREST IN AN ASSOCIATE

	2020 HK$'000	2019 HK$'000
Cost of unlisted investment in an associate	**1,152**	1,152
Share of post-acquisition loss and other comprehensive expense	**(289)**	(266)
Impairment loss	**(863)**	–
	–	886

Detail of the Group's associate at the end of the reporting period is as follows:

Name of entity	Place of incorporation/ operation	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
		2020	2019	**2020**	2019	
南京潤騰科技有限公司	The PRC	**30%**	30%	**30%**	30%	IP and brand licensing and management business

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

19. INTANGIBLE ASSETS

	IP *HK$'000*
COST	
At 1 July 2018	59,487
Exchange realignment	(248)
At 30 June 2019 and 1 July 2019	59,239
Exchange realignment	(491)
At 30 June 2020	58,748
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 July 2018	5,665
Provided for the year	8,480
Exchange realignment	(41)
At 30 June 2019 and 1 July 2019	14,104
Provided for the year	8,441
Exchange realignment	(165)
At 30 June 2020	22,380
CARRYING AMOUNT	
At 30 June 2020	36,368
At 30 June 2019	45,135

The IP of the Group arised from the acquisition of POW! Entertainment and its subsidiaries (collectively refer to the "POW! Group") during the year ended 30 June 2018. The remaining useful lives of the IP is 5 years (2019: 6 years).

For the purpose of impairment testing, IP have been allocated to the CGU representing POW! Group (note 20). Particulars regarding impairment testing of the CGU representing POW! Group as at 30 June 2019 are set out in note 20.

20. GOODWILL

	HK$'000
COST	
At 1 July 2018	57,508
Exchange realignment	(240)
At 30 June 2019 and 1 July 2019	57,268
Exchange realignment	(475)
At 30 June 2020	56,793
ACCUMULATED IMPAIRMENT LOSSES	
At 1 July 2018	–
Impairment loss	56,608
Exchange realignment	(114)
At 30 June 2019, 1 July 2019	56,494
Exchange realignment	(469)
At 30 June 2020	56,025
CARRYING AMOUNT	
At 30 June 2020	768
At 30 June 2019	774

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill arose from the acquisition of POW! Group during the year ended 30 June 2018 and had been allocated to IP licensing and comprehensive services segment.

The recoverable amounts of the CGUs are determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the year ended 30 June 2019. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and revenue are based on past practices and expectations on market development.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

20. GOODWILL (Continued)

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Directors for the next five years with the residual period using the growth rate of 2.6% during the year ended 2020 (2019: 2.6%). This rate does not exceed the average long-term growth rate for the relevant markets.

The Group has recognised an impairment loss on goodwill of HK$Nil (2019: approximately HK$56,608,000) during the year ended 30 June 2020 based on the impairment assessment performed.

The rate used to discount the forecast cash flows from POW! Entertainment is 17.9% (2019: 16.8%) for the year ended 30 June 2020.

21. TRADE AND OTHER RECEIVABLES

	2020 **HK$'000**	2019 HK$'000
Trade receivables	**15,609**	16,384
Less: allowance for doubtful debts	**(14,486)**	(14,483)
	1,123	1,901
Prepayments	**418**	1,130
Deposits and other receivables	**1,395**	9,013
	2,936	12,044

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:

	2020 **HK$'000**	2019 HK$'000
0–30 days	**646**	1,516
91–180 days	**39**	–
181-365 days	**438**	–
Over 365 days	**–**	385
	1,123	1,901

21. TRADE AND OTHER RECEIVABLES (Continued)

Reconciliation of loss allowance for trade receivables:

	2020	2019
	HK$'000	*HK$'000*
At beginning of the year	**14,483**	6,861
Impairment losses recognised during the year	**514**	14,779
Amounts written off as uncollectible	**–**	(6,861)
Exchange realignment	**(511)**	(296)
At end of the year	**14,486**	14,483

22. BANK BALANCES AND CASH

Bank balances and cash comprise certain short-term bank deposits at interest rates ranging from 0.01% to 0.30% (2019: 0.01% to 0.30%) per annum with an original maturity of three months or less.

As at 30 June 2020, no bank balances and cash of the Group denominated in RMB (2019: approximately HK$8,946,000). Conversion of RMB into foreign currencies subject to the PRC's Foreign Exchange Control Regulations.

23. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**20,486**	20,932
Contract liabilities	**45,694**	44,577
Accruals and other payables *(note)*	**89,176**	78,947
	155,356	144,456

Note: As at 30 June 2020, included in accruals and other payables, approximately HK$50,500,000 (2019: approximately HK$53,398,000) was due to a related company in which Ms. Lo has significant influence, and approximately HK$2,167,000 (2019: approximately HK$2,275,000) 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

24. LEASE LIABILITIES

	Lease payments As at 30 June *2020*	Present value of lease payments As at 30 June *2020*
Within one year	**1,042**	931
In the second to fifth years, inclusive	**3,123**	2,981
	4,165	
Less: Future finance charges	**(253)**	
Present value of lease liabilities	**3,912**	3,912
Less: Amount due for settlement within 12 months (shown under current liabilities)		(931)
Amount due for settlement after 12 months		2,981

At 30 June 2020, the average effective borrowing rate was 4.01%. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

25. BANK BORROWINGS

	2020 *HK$'000*	2019 *HK$'000*
Unsecured bank borrowings	**1,598**	–
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities) and the maturity analysis based on the scheduled repayment dates set out in the loan agreements are:		
— Within one year	**1,598**	–

26. BONDS

	2020 *HK$'000*	2019 *HK$'000*
Unsecured bonds	**11,031**	9,776
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(11,031)**	(9,776)
Amount due for settlement after 12 months	**–**	–

26. BONDS (Continued)

The carrying amounts of the above bonds are repayable based on the scheduled repayment terms set out in the bond agreements as follows:

	2020 *HK$'000*	2019 *HK$'000*
On demand or within one year	**11,031**	9,776

Interest on the bonds will be payable annually in arrears at the interest rate of 0.06% per annum. The principal amount would be payable on 24 October 2035.

All bonds are subject to covenant clauses and the Company had not comply with certain covenants as stipulated in the bond agreement. Hence, all bonds have been classified as current liabilities as at 30 June 2019.

The early redemption option is considered as closely related to the host debt. The effective interest rate of the bonds is 13.34% per annum.

27. DEFERRED TAX LIABILITIES

	Revaluation of assets upon acquisition of a subsidiary *HK$'000*
At 1 July 2018	11,303
Credited to profit or loss	(1,781)
Effect of change in tax rate *(note)*	1,809
Exchange realignment	(47)
At 30 June 2019 and 1 July 2019	11,284
Credited to profit or loss	(2,110)
Exchange realignment	(82)
At 30 June 2020	9,092

Note: During the year ended 30 June 2019, the management planned and started to expand its IP licensing and comprehensive services in PRC. Deferred taxation recognised from the revaluation of assets as at 30 June 2019 has been adjusted to the new tax rate accordingly.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

28. SHARE CAPITAL

	Number of Shares	Amount
		HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 July 2018, 30 June 2019, 1 July 2019 and 30 June 2020	3,000,000,000	300,000
Issued and fully paid:		
At 1 July 2018, 30 June 2019, 1 July 2019 and 30 June 2020	1,077,128,000	107,712

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, non-controlling interests, retained profits and other reserves) and includes some forms of subordinated debts.

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 HK$'000	2019 HK$'000
Current assets		
Amounts due from subsidiaries	118,255	174,484
Trade and other receivables	2,051	2,051
Bank balances and cash	411	411
	120,717	176,946
Current liabilities		
Amounts due to subsidiaries	37,267	38,474
Other payables	255,101	246,893
Bonds	11,031	9,776
	303,399	295,143
Net current liabilities	(182,682)	(118,197)
NET LIABILITIES	(182,682)	(118,197)
Capital and reserves		
Share capital	107,712	107,712
Share premium and reserves	(290,394)	(225,909)
TOTAL DEFICIT	(182,682)	(118,197)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

30. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Company

	Share premium HK$'000	Contribution surplus HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2018	366,526	514,645	(12,064)	(505,525)	363,582
Dividend recognised as distribution *(note 14)*	(12,926)	–	–	–	(12,926)
Total comprehensive income/ (expense) for the year	–	–	233	(576,798)	(576,565)
At 30 June 2019 and 1 July 2019	353,600	514,645	(11,831)	(1,082,323)	(225,909)
Total comprehensive income/ (expense) for the year	–	–	1,070	(65,555)	(64,485)
At 30 June 2020	**353,600**	**514,645**	**(10,761)**	**(1,147,878)**	**(290,394)**

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW

(a) Capital injection from non-controlling interests

On 4 March 2019, 廣州仁宏市場營銷有限公司("仁宏"), First Creative and an independent third party (the "Investor") entered into a sales and purchase agreement, in which the First Creative disposed of 15.33% equity interests of 仁宏 to the Investor. On the completion date, the equity holding of the First Creative in 仁宏 decreased from 100% to 84.67% (the "Transaction A").

On 4 March 2019, 廣州澤展市場營銷有限公司("澤展"), 廣州燦宏供應鏈管理有限公司("燦宏") and the Investor entered into a sales and purchase agreement, in which 燦宏 disposed of 7% equity interests of 澤展 to the Investor. On the completion date, the equity holding of 燦宏 in 澤展 decreased from 70% to 63% (the "Transaction B").

On 5 March 2019, 廣州波音達品牌管理有限公司("波音達"), First Creative and the Investor entered into a sales and purchase agreement, in which First Creative disposed of 5% equity interests of 波音達 to the Investor. On the completion date, the equity holding of First Creative in 波音達 decreased from 100% to 95% (the "Transaction C").

The effect of Transaction A, Transaction B and Transaction C on the equity attributable to the owners of the Company is a gain recognised directly in other reserve of the Group of approximately HK$47,553,000.

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW (Continued)

(b) Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Amount due to a related company	Bank borrowings	Lease liabilities	Bonds	Amount due to a non-controlling shareholder of a subsidiary of the Company	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2018	8,976	–	–	8,669	2,995	20,640
Changes in cash flows	44,109	–	–	(42)	(709)	43,358
Non-cash changes:						
Interest on bonds	–	–	–	1,149	–	1,149
Exchange realignment	313	–	–	–	(11)	302
At 30 June 2019 and 1 July 2019	53,398	–	–	9,776	2,275	65,449
Changes in cash flows	(1,505)	1,592	(4,138)	–	(90)	(4,141)
Non-cash changes:						
Initial adoption on HKFRS 16 *(note 3)*	–	–	17,678	–	–	17,678
Interest on borrowings	–	6	–	–	–	6
Interest on lease liabilities	–	–	287	–	–	287
Interest on bonds	–	–	–	1,255	–	1,255
Settlement through net-off of deposit	–	–	1,774	–	–	1,774
Termination of lease	–	–	(11,316)	–	–	(11,316)
Exchange realignment	(1,393)	–	(373)	–	(18)	(1,784)
At 30 June 2020	**50,500**	**1,598**	**3,912**	**11,031**	**2,167**	**69,208**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

32. OPERATING LEASES

At 30 June 2019, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2019 *HK$'000*
Within one year	8,280
In the second to fifth years inclusive	12,001
	20,281

Operating lease payments represent rentals payable by the Group for certain of its offices and factory. Leases are negotiated for an average term of 5 years and rentals are fixed over the lease terms and do not include contingent rentals.

At 30 June 2019, the total future minimum sublease payments expected to be received under non-cancellable subleases amounted to approximately HK$1,756,000.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2019 *HK$'000*
Within one year	1,756

33. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Company name	Place of establishment/ incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company Indirectly		Principal activities
			2020	2019	
仁宏 *(note i)*	The PRC	Paid up capital RMB10,299,600	**84.67%**	84.67%	Marketing services and sports events organising business
魔氪 *(note i)*	The PRC	Paid up capital RMB1,000,000	**43.18%**	43.18%	Sports events organising business
Bingxun *(note i)*	The PRC	Paid up capital RMB Nil	**100%**	100%	Sports events organising business
波音達 *(note i)*	The PRC	Paid up capital RMB1,064,160	**95%**	95%	IP and brand licensing business
奇摩品牌顧問(北京)有限公司 *(note i)*	The PRC	Paid up capital RMB Nil	**66.5%**	66.5%	Consulting on corporate management business
喀什廣音達文化創意有限公司 *(note i)*	The PRC	Paid up capital RMB500,000	**95%**	95%	IP licensing business
POW! Entertainment	US	Ordinary share US$1,000	**85%**	85%	Multimedia production and licensing business

Notes

(i) These subsidiaries are established and registered as limited liability companies under the PRC Law.

(ii) None of the subsidiaries had issued any debt securities at the end of the year.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

34. PARTICULARS OF SUBSIDIARY OF THE COMPANY THAT HAVE MATERIAL NON-CONTROLLING INTEREST

The table below shows details of non-wholly owned subsidiary of the Company that have material non-controlling interests:

Name of subsidiary	**POW! Entertainment**	
	2020	2019
Principal place of business/country of incorporation	***US/US***	*US/US*
% of ownership interests of the Company/voting rights held by non-controlling interests	**85%/15%**	85%/15%

Summarised financial information in respect of subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2020	2019
	HK$'000	*HK$'000*
Financial information of consolidated statement of financial position		
Non-current assets	**40,355**	45,433
Current assets	**2,010**	4,235
Current liabilities	**(32,229)**	(29,980)
Non-current liabilities	**(12,073)**	(11,284)
	(1,937)	8,404
Accumulated non-controlling interests of the Group	**(291)**	1,261

	2020	2019
	HK$'000	*HK$'000*
Revenue	**9,732**	10,130
Loss for the year	**(10,575)**	(22,652)
Total comprehensive loss for the year	**(10,341)**	(22,576)
Loss allocate to non-controlling interests	**(1,586)**	(3,398)

	2020	2019
	HK$'000	*HK$'000*
Financial information of consolidated statement of cash flows		
Net cash outflow from operating activities	**(2,126)**	(12,793)
Net cash inflow/(outflow) from investing activities	**61**	(137)
Net cash inflow from financing activities	**574**	—
Net cash outflow	**(1,491)**	(12,930)

35. 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.

Further, subsequent to the reporting period, the Group obtained an unsecured loan facility and a secured loan facility of HK$20,000,000 in aggregate, details of which are stated in note 2(c) to the consolidated financial statements.

36. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board on 14 January 2021.

FINANCIAL SUMMARY

RESULTS

	Year ended 30 June				
	2016 HK$'000	2017 HK$'000 (restated)	2018 HK$'000	2019 HK$'000	**2020 HK$'000**
Continuing operations					
Revenue	461,922	2,400,731	2,920,435	2,662,267	**9,732**
(Loss)/profit before income tax	(50,829)	55,888	143,942	(613,089)	**(77,701)**
Income tax (expense)/credit	(849)	(11,891)	(27,415)	(61,860)	**2,110**
(Loss)/profit for the year from continuing operations	(51,678)	43,997	116,527	(674,949)	**(75,591)**
Attributable to:					
Owners of the Company	(51,678)	44,139	117,350	(664,006)	**(70,154)**
Non-controlling interests	–	(142)	(823)	(10,943)	**(5,437)**
	(51,678)	43,997	116,527	(674,949)	**(75,591)**

ASSETS AND LIABILITIES

	At 30 June				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020 HK$'000**
Total assets	430,992	521,801	798,798	95,288	**44,811**
Total liabilities	68,583	136,726	312,286	213,485	**227,493**
Shareholders' funds/(deficit)	362,409	385,075	486,512	(118,197)	**(182,682)**
Attributable to:					
Owners of the Company	362,409	385,221	481,181	(122,388)	**(181,471)**
Non-controlling interests	–	(146)	5,331	4,191	**(1,211)**
	362,409	385,075	486,512	(118,197)	**(182,682)**