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Mobile Internet (China) Holdings Limited
移動互聯（中國）控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1439)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL RESULTS AND THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Reference is made to the announcement (the "**Annual Results Announcement**") of Mobile Internet (China) Holdings Limited (the "**Company**", and together with its subsidiaries the "**Group**") dated 14 May 2021 in relation to, among others, the annual results for the year ended 31 December 2020, and the annual report of the Company for the year ended 31 December 2020 (the "**Annual Report**").

The board of directors of the Company wishes to provide further information as follows to the shareholders and potential investors of the Company.

DISCLAIMER OF OPINION

As disclosed in the Annual Results Announcement and the Annual Report, the auditors of the Company expressed a disclaimer of opinion to the consolidated financial statements for the year ended 31 December 2020 in relation to uncertainties relating to going concern (the "**Disclaimer of Opinion**"), details of which are set out in Note 3 to the consolidated financial statements included in both the Annual Results Announcement and the Annual Report.

Action Plan to Address the Disclaimer of Opinion

The Group has taken and will continue to take the following plans and measures to mitigate its liquidity position:

(a) Tightening cost controls

For the packaging segment

- To optimize product mix by shifting out of lower margin products (e.g., flexo-printed products) to focus on higher value-added products (e.g., stone paper based products);
- To carry out cost-benefit analysis for each client with a view to cultivating key accounts with good credit and order track record;
- To cross-train employees in an effort to reduce labour costs and boost bottom line;
- To take prudent cost and inventory management measures;
- To impose stringent selling and administration expenses control;
- To centralize procurement for negotiation for better price and longer credit period;
- To optimize production schedule to improve utilization rate; and
- To improve general productivity by seeking constant enhancements in every aspect of production including raw materials, process management, etc.

For the mobile game segment

- To carefully review the Group's positioning and strategies, recognizing the deteriorating performance in this segment, before committing further resources; and
- To impose stringent cost controls across all aspects of the operations, ranging from human resources to game promotion and marketing expenses.

(b) Negotiations with promissory noteholders, convertible bondholders

*Promissory notes and convertible bond with an aggregate outstanding principal amount of HK$160.0 million and approximately HK$6.7 million, respectively, issued by the Company to Chance Talent Management Limited ("**Chance Talent**")*

Throughout the year ended 31 December 2020 and up to the date of this announcement, the Company continues to make efforts to reach a debt restructuring agreement with Chance Talent. During the period, several debt restructuring proposals were submitted to Chance Talent for its consideration, but the parties have yet to come to an agreement on issues of contention such as the total settlement amount and the repayment schedule. Given the amount of debt involved, the Company anticipates that it will take the parties more time to come to an agreement acceptable to both sides. As at the date of this announcement, no agreement has been reached and negotiations are on-going. The Company and Chance Talent intend that further negotiations will be carried out after the Company published its financial results, and the Company expects the process to resume shortly. The Company will make a further announcement on the terms and conditions of the settlement as and when appropriate.

*Promissory note with an outstanding principal amount of HK$90.0 million issued by the Company to Peng Dongmiao ("**Mr. Peng**")*

On 8 June 2021, the Company and Mr. Peng agreed to extend the maturity date of the promissory note to 7 June 2022, with all other terms and conditions remaining unchanged.

(c) Business plan for strengthening its capital base

The Company has been exploring ways to strengthen its capital base, including but not limited to seeking the possibility of share placements and discussing with potential investors who might be interested in either debt financing or equity financing of the Company or a combination of both. As at the date of this announcement, no agreement has been reached and negotiations with potential investors are on-going. The Company will make a further announcement as and when appropriate.

(d) Financial support provided by controlling shareholder

Novel Blaze Limited ("**Novel Blaze**") is the Company's single largest shareholder holding 29.62% shareholding in the Company. With Novel Blaze under liquidation (details of which were disclosed in the Annual Results Announcement and the Annual Report), the Company approached and discussed with Mr. Sun Shao Hua, an Executive Director of the Company, with regards to financial support to the Group.

Mr. Sun agreed to provide financial support in order to enable the Group to continue as a going concern and meet its liabilities as they fall due. Further details are provided in the section headed "Financial Support Provided by Mr. Sun Shao Hua" to this announcement.

(e) Negotiations with debtors on trade receivables

The Group has made strenuous efforts to improve its trade receivables collection process. As at 15 April 2021, over 80% of the trade receivables outstanding as at 31 December 2020 has been collected and settled. The Group will continue to evaluate its trade receivables collection strategy and take actions accordingly.

Prior Year Audit Modification

The Company's auditors issued a similar disclaimer of opinion for the year ended 31 December 2019 in relation to uncertainties relating to going concern (the "**Prior Year Audit Modification**"), details of which are set out in the respective results announcement and annual report for the year ended 31 December 2019.

It is the Company's understanding that one of its auditors' principal concerns was whether or not the Company will be able successfully to negotiate a debt restructuring with Chance Talent, which in the auditor's opinion resulted in material uncertainty over the Company's current status as a going concern.

To address the Prior Year Audit Modification, the Company has been making efforts to reach a debt restructuring agreement with Chance Talent. Given the amount of the debt involved, however, more time will be required for the parties to come to an agreement. As at the date of this announcement, the Company is still in negotiations with Chance Talent.

In addition to the auditors' principal concern regarding the debt restructuring negotiations with Chance Talent, the auditors also considered the fact that the Group recorded a significant loss when issuing a similar Disclaimer of Opinion for the year ended 31 December 2020. 2020 was a challenging year for the Group. During the first half of 2020, the outbreak of COVID-19 and its escalation on a global scale triggered unprecedented disruptions to the overall economy and business operations of many companies in general. The Group inevitably felt the severe impact of a much-weakened domestic economy as a result. While the business gradually picked up in the second half of the financial year, the recovery of many SMEs in China including the Group lagged behind the recovery speed of the overall economy. Consequently and on an annual basis, the Group saw a decrease in both turnover and profitability.

The Company is of the view that there were no material delay or variance in its actions taken as compared to the measures it has taken to address the Prior Year Audit Modification. However, the factors combined as explained above contributed to the view of the auditor as to the uncertainty over the Company as a going concern, and as a result of such the auditors issued a similar Disclaimer of Opinion for the year ended 31 December 2020.

Audit Committee's View on the Disclaimer of Opinion

The Audit Committee held discussions with the auditors, and generally understood the concerns of the auditors and appreciates the reasons for the Disclaimer of Opinion.

Nonetheless, the Audit Committee has reviewed and agreed with the management's position concerning their judgment in major areas including the going concern assumptions on the basis that (i) the management has been and still is actively negotiating a restructuring of the Group's debt with Chance Talent; (ii) each of the Company's operating subsidiaries has adequate resources to continue to operate as normal; and (iii) neither the Company nor any of its operating subsidiaries is the subject of any winding-up proceedings. Accordingly, the Audit Committee agreed that it was appropriate to use a going concern assumption to prepare the consolidated financial statements.

Financial Support Provided by Mr. Sun Shao Hua

The Company approached and discussed with Mr. Sun Shao Hua, an Executive Director of the Company, with regards to financial support to the Group. Mr. Sun agreed to provide financial support to enable the Group to continue as a going concern and to settle its liabilities as and when they fall due.

In order to assess the financial ability of Mr. Sun, the Company has requested Mr. Sun for a list of assets under his name with evidence and supporting documents including but not limited to the associated property ownership certificates and proof of shareholding where applicable. As elaborated in the section headed "Action Plan to Address the Disclaimer of Opinion" to this announcement, the Company has taken and will continue to take various measures to mitigate the liquidity position of the Group. After reviewing the evidence provided, and coupled with the Group's efforts to improve its liquidity, the Board of Directors is of the view that Mr. Sun is capable of providing the necessary financial support to the Group as and when needed.

Removal of Disclaimer of Opinion

The Company is of the view that the Disclaimer of Opinion was mainly due to the auditor's concern as to whether the Company will be able successfully to negotiate a restructuring of its debts with Chance Talent. The Group has discussed with the auditors, and expects that, on the assumptions that the Company is able to (i) restructure and/or refinance its borrowings, (ii) obtain sufficient funds to continue its business and to meet its liabilities as they fall due for at least 12 months from the report date for the year ending 31 December 2021, and (iii) there are no other material threats to the adoption of going concern basis, the modification opinion in relation to the current year will then be considered to be removed for the year ending 31 December 2021.

IMPAIRMENT LOSS ON PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2020, the Group has provided for the impairment losses of property, plants and equipment of RMB58.9 million. Such impairment losses were mainly attributed to the impairment provision of certain machineries for production, further details on the impairment could be found in Note 16 to the consolidated financial statements in the Annual Report.

Due to the decrease in revenue and loss for both of the business segments during the year, the directors concluded that there were indicators for impairment and conducted impairment assessment on recoverable amounts of certain property, plant and equipment with carrying amounts of RMB258,552,000. The Group carried out an impairment assessment of the property, plant and equipment allocated to cash generating unit of the paper-based packing products segment ("**Packaging CGU**") and the mobile game products segment ("**Gaming CGU**"). As a result, the carrying amount of the plant and machinery was written down to its recoverable amount.

The Group estimated the recoverable amount of the individual assets allocated to the Packaging CGU and the Gaming CGU based on their fair values less cost of disposal under level 3 fair value hierarchy. The fair values were established based on the cost of reproducing or replacing assets, less depreciation from physical deterioration and all relevant forms of obsolescence and optimisation. The fair values were arrived at by a valuation carried out at the end of the reporting period by an independent professional valuer not connected to the Group.

In the assessment of the fair value, all three approaches, the cost approach, the market approach and the income approach, were considered. In the absence of the active market and reliable income stream, cost approach was selected to determine the fair value.

In order to determine the fair value, the valuer made the following major assumptions and adjustments:

- 5% discount to reflect the general cost of disposals;

- Adjustment reference to appropriate price indices to the historical cost to estimate the cost of reproduction new;

- Adjustment to reflect deductions for physical deterioration, functional obsolescence, and economic/external obsolescence reflected observed condition; current use; and planned future utilization;

- Assume the equipment was in good condition as at the valuation date and can perform efficiently according to the purposes for which they were designed and built;

- Assumed that all-necessary license, procedures, and measures were implemented in accordance with the Government legislation and guidance;

- Assumed that there are no hidden or unapparent conditions of the assets which would render it more or less valuable;

- Assumed that the owner sells the real property interest on the open market in its existing state without the benefit of any deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the real property interest;

- Assumed that the owner of the real property interest has free and uninterrupted rights to use, transfer or lease the real property interest for the whole of the unexpired term of the land use rights;

- Assumed that the Real Property can be freely disposed of, transferred and leased to third parties on the open market without any additional payment to the relevant government authorities;

- Assumed all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the valuation report;

- Assumed no environment impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed unless otherwise stated, defined, and considered in the report. It is also assumed that all required licences, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organisation either have been or can be obtained or renewed for any use which the report covers; and

- Assumed a forced sale situation where the seller is compelled to sell with a sense of immediacy on an "as-is, where-is" basis.

For the Packaging CGU, since it was profit making during the year ended 31 December 2019, the Directors concluded there was no impairment indicator and consequently the Group did not carried out any impairment assessment of the Packaging CGU for the year ended 31 December 2019. Given the impairment indicator as explained earlier for the year ended 31 December 2020, the Group decided to conduct the impairment assessment based on fair value less cost of disposal.

For the Gaming CGU and for the year ended 31 December 2019 and 2020, respectively, the Group determined the recoverable amount of the Gaming CGU based on value-in-use calculation. In view of the continuous unfavourable operating results of the Gaming CGU for the year ended 31 December 2020, the Directors expect that the value-in-use of the Gaming CGU as at 31 December 2020 is minimal. The Group's property, plant and equipment of the Gaming CGU as at 31 December 2020 were impaired to their fair value less cost of disposal.

The Company engaged an independent valuer to carry the impairment assessment, and an impairment losses of property, plants and equipment of RMB58.9 million for the year ended 31 December 2020 were provided for after such assessment covering both the Packaging CGU and the Gaming CGU.

By order of the Board
Mobile Internet (China) Holdings Limited
Chen Hong Cai
Chairman

Jiangxi Province, the PRC, 19 July 2021

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Chen Hong Cai (Chairman), Mr. Sun Shao Hua and Mr. Wang Yun Fang, and four independent non-executive Directors, namely Mr. Wu Ping, Mr. Fang Zhi Xiang, Mr. Wu Yu Kun and Mr. Wang Chen Guang.