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美好發展集團

MH DEVELOPMENT

MH Development Limited

美好發展集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2662)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2020**

The board (the “Board”) of directors (the “Directors”) of MH Development Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2020 (the “Reporting Period”) with comparative figures as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

		Six months ended 31 December	
		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	4	12,005	5,956
Cost of sales		(11,387)	(4,351)
Gross profit		618	1,605
Other income		132	51
Other gains and losses, net		6,845	(45,692)
Distribution costs		(1,140)	(1,581)
General and administrative expenses		(16,894)	(14,365)
Finance costs		(958)	(849)
Loss before income tax		(11,397)	(60,831)
Income tax credit	5	956	1,060

	Notes	Six months ended 31 December	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Loss for the period	6	<u>(10,441)</u>	<u>(59,771)</u>
Other comprehensive (expense)/income			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation to presentation currency		<u>(3,214)</u>	<u>5,408</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(18,948)	(2,185)
Foreign currency translation reserve reclassified to profit or loss upon deregistration of subsidiaries		<u>365</u>	<u>–</u>
		<u>(18,583)</u>	<u>(2,185)</u>
Total other comprehensive (expense)/income for the period		<u>(21,797)</u>	<u>3,223</u>
Total comprehensive expense for the period		<u>(32,238)</u>	<u>(56,548)</u>
Loss for the period attributable to:			
Owners of the Company		(9,037)	(55,058)
Non-controlling interests		<u>(1,404)</u>	<u>(4,713)</u>
		<u>(10,441)</u>	<u>(59,771)</u>
Total comprehensive expense for the period attributable to:			
Owners of the Company		(30,788)	(51,850)
Non-controlling interests		<u>(1,450)</u>	<u>(4,698)</u>
		<u>(32,238)</u>	<u>(56,548)</u>
Basic and diluted loss per share	9	<u>HK\$(0.01)</u>	<u>HK\$(0.05)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	<i>Notes</i>	31 December 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	<i>10</i>	171	192
Right-of-use assets		3,301	3,795
Intangible assets		32,185	36,368
Goodwill		768	768
		<u>36,425</u>	<u>41,123</u>
Current assets			
Trade and other receivables	<i>11</i>	9,618	2,936
Bank balances and cash		7,489	752
		<u>17,107</u>	<u>3,688</u>
Current liabilities			
Trade and other payables	<i>12</i>	176,946	155,356
Tax liabilities		52,117	46,504
Lease liabilities		962	931
Loan from a related party	<i>13</i>	15,309	–
Bank borrowings		1,598	1,598
Bonds		11,736	11,031
		<u>258,668</u>	<u>215,420</u>
Net current liabilities		<u>(241,561)</u>	<u>(211,732)</u>
Total assets less current liabilities		<u>(205,136)</u>	<u>(170,609)</u>
Non-current liabilities			
Lease liabilities		2,492	2,981
Deferred tax liabilities		8,046	9,092
		<u>10,538</u>	<u>12,073</u>
NET LIABILITIES		<u>(215,674)</u>	<u>(182,682)</u>
Capital and reserves			
Share capital		107,712	107,712
Reserves		(319,971)	(289,183)
Equity attributable to owners of the Company		<u>(212,259)</u>	<u>(181,471)</u>
Non-controlling interests		(3,415)	(1,211)
TOTAL DEFICIT		<u>(215,674)</u>	<u>(182,682)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

1. GENERAL INFORMATION

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

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 structure, 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”).

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.

Referring to the announcements of the Company dated on 14 January 2021 and 29 January 2021, the Company published the financial results and financial reports respectively for the years ended 30 June 2019 and 2020, and for the six months ended 31 December 2019.

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 condensed consolidated financial statements for periods. These condensed consolidated financial statements are presented in thousands of Hong Kong Dollars (“HK\$’000”), unless otherwise stated.

2. GOING CONCERN BASIS

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Group incurred a loss attributable to owners of the Company of approximately HK\$9,037,000 for the six months ended 31 December 2020 and as at 31 December 2020 the Group had net current liabilities and net liabilities of approximately HK\$241,561,000 and approximately HK\$215,674,000 respectively. Also the Group recorded net cash outflows in operating activities of approximately HK\$16,063,000 for the six months ended 31 December 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 condensed 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 Company 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 Runjing Holdings Limited, a company wholly-owned by Mr. Shen Yang, an executive director since 16 October 2020. Up to the reporting date, the unsecured loan of HK\$2,000,000 and the secured loan of HK\$18,000,000 were drawn down by the Company.

The Directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 31 December 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 31 December 2020 and believe that the Group will continue as a going concern and consequently have prepared the condensed consolidated financial statements on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2020 are the same as those presented in the Group's annual financial statements for the year ended 30 June 2020.

Adoption of new and revised HKFRSs

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 July 2020. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior periods except as stated below.

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 condensed consolidated financial position.

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the business of provision of (i) sales and distribution of intellectual property (“IP”) derived products and mobile devices; and (ii) IP licensing and comprehensive services, including IP licensing and content creation, provision of theme events services and marketing services.

The information reported to the chief operating decision maker (“CODM”) (i.e. the executive directors of the Company) 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.

(a) Revenue

	Six months ended 31 December	
	2020 <i>HK\$’000</i> (Unaudited)	2019 <i>HK\$’000</i> (Unaudited)
Revenue from contracts with customers:		
Sales of goods	3,049	–
Rendering of services	6,894	–
Licensing fee income	2,062	5,956
	<u>12,005</u>	<u>5,956</u>

Disaggregation of revenue from contracts with customers:

Segments	Sales and distribution of IP derived products and mobile devices <i>HK\$’000</i> (Unaudited)	IP licensing and comprehensive services <i>HK\$’000</i> (Unaudited)	Total <i>HK\$’000</i> (Unaudited)
For the six months ended 31 December 2020			
<u>Major products/services</u>			
<i>Sales of goods</i>			
IP derived products and mobile devices	3,049	–	3,049
<i>Rendering of services</i>			
Marketing services	–	6,894	6,894
<i>Licensing fee income</i>			
IP licensing fee income	–	2,062	2,062
	<u>3,049</u>	<u>8,956</u>	<u>12,005</u>
<u>Timing of revenue recognition</u>			
At a point in time	3,049	–	3,049
Over time	–	8,956	8,956
	<u>–</u>	<u>8,956</u>	<u>8,956</u>
Total	<u>3,049</u>	<u>8,956</u>	<u>12,005</u>

Segments	IP licensing and comprehensive services <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
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For the six months ended 31 December 2019

Major services

Licensing fee income

IP licensing fee income	5,956	5,956
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For the six months ended 31 December 2019, all the revenue are recognised over time.

Geographical information:

	Revenue by external customers	
	Six months ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
The People's Republic of China (the "PRC")	9,943	–
The United States (the "US")	2,062	5,956
	<u>12,005</u>	<u>5,956</u>

Revenue from major customers:

	Six months ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Sales and distribution of IP derived products and mobile devices		
Customer A	–	2,780
Customer B	–	870
Customer C	–	783
Customer D	3,049	–
IP licensing and comprehensive services		
Customer E	<u>4,484</u>	<u>–</u>

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

	Sales and distribution of IP derived products and mobile devices <i>HK\$'000</i> (Unaudited)	IP licensing and comprehensive services <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
For the six months ended 31 December 2020			
Revenue from external customers	3,049	8,956	12,005
Segment profit/(loss)	315	(11,415)	(11,100)
Unallocated operating expenses			(6,184)
Unallocated other income and gains and losses, net			6,845
Finance costs			(958)
Consolidated loss before income tax			<u>(11,397)</u>

	Sales and distribution of IP derived products and mobile devices <i>HK\$'000</i> (Unaudited)	IP licensing and comprehensive services <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
For the six months ended 31 December 2019			
Revenue from external customers	–	5,956	5,956
Segment loss	(23,324)	(28,992)	(52,316)
Unallocated operating expenses			(7,098)
Unallocated other income and gains and losses, net			(568)
Finance costs			(849)
Consolidated loss before income tax			<u>(60,831)</u>

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

Segment profit or loss represents the profit earned or loss suffered by each segment without allocation of certain other income, other gains and losses, 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.

5. INCOME TAX CREDIT

	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Deferred tax	<u>956</u>	<u>1,060</u>

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the six months ended 31 December 2020 and 2019. No provision for Hong Kong Profits Tax has been made for the six months ended 31 December 2020 as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 31 December 2020.

Other jurisdictions mainly included the US. Taxation arising in other jurisdictions of which the US is at 21% is calculated at the rates prevailing in the respective jurisdictions for the six months ended 31 December 2020 and 2019.

Under the Enterprise Income Tax Law of the PRC, the Enterprise Income Tax rate for the Company's subsidiaries established in the PRC was 25% for the six months ended 31 December 2020 and 2019.

6. LOSS FOR THE PERIOD

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

	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Cost of inventories	2,301	–
Depreciation of property, plant and equipment	21	47
Depreciation of right-of-use assets	495	1,905
Amortisation of intangible assets (included in cost of sales)	4,197	4,239
Net exchange (gain)/loss	(2)	570
Gain on deregistration of subsidiaries (included in other gains and losses, net) (note 7)	(9,532)	–
Impairment loss on trade and other receivables, net	5,875	7,650
Impairment loss on inventories	15	9,742
Impairment loss on property, plant and equipment	16	13,548
Impairment loss on interest in an associate	–	867
Written off of prepayments	–	2,826
Loss of assets	–	8,236
Gain on termination of lease	–	(191)
Interest income	<u>(2)</u>	<u>(3)</u>

7. DEREGISTRATION OF SUBSIDIARIES

During the six months ended 31 December 2020, indirect non-wholly owned subsidiaries of the Company 喀什廣音達文化創意有限公司 (Kashen Guangyinda Cultural Creative Company Limited) (“Kashen Guangyinda”) and 北京魔氣互動信息技術有限公司 (Beijing Moke Interactive Information Technology Company Limited) (“Beijing Moke”) have been deregistered.

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

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

8. DIVIDEND

No interim dividend was proposed for the six months ended 31 December 2020 and 2019.

9. BASIC AND DILUTED LOSS PER SHARE

The calculation of the basic loss per share for the six months ended 31 December 2020 is based on the loss for the period attributable to owners of the Company of approximately HK\$9,037,000 (six months ended 31 December 2019: approximately HK\$55,058,000) and the number of 1,077,128,000 (six months ended 31 December 2019: 1,077,128,000) ordinary shares in issue during the six months ended 31 December 2020.

Diluted loss per share is not presented for the six months ended 31 December 2020 and 2019 as there is no potential ordinary shares outstanding during both periods or at the end of the reporting period.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2020 and 2019, the Group did not acquire any property, plant and equipment.

During the six months ended 31 December 2020, no property, plant and equipment was disposed (2019: approximately HK\$59,000 property, plant and equipment was disposed).

11. TRADE AND OTHER RECEIVABLES

	At 31 December 2020 <i>HK\$'000</i> (Unaudited)	At 30 June 2020 <i>HK\$'000</i> (Audited)
Trade receivables	33,468	15,609
Less: allowance for doubtful debts	<u>(29,021)</u>	<u>(14,486)</u>
	4,447	1,123
Prepayments	1,103	418
Deposits and other receivables	<u>4,068</u>	<u>1,395</u>
	<u>9,618</u>	<u>2,936</u>

12. TRADE AND OTHER PAYABLES

	At 31 December 2020 <i>HK\$'000</i> (Unaudited)	At 30 June 2020 <i>HK\$'000</i> (Audited)
Trade payables	26,983	20,486
Contract liabilities	59,367	45,694
Accruals and other payables (<i>note</i>)	<u>90,596</u>	<u>89,176</u>
	<u>176,946</u>	<u>155,356</u>

Note: As at 31 December 2020, included in accruals and other payables, approximately HK\$58,019,000 (30 June 2020: approximately HK\$53,592,000) was due to a related company in which Ms. Lo has significant influence, and approximately HK\$2,167,000 (30 June 2020: approximately HK\$2,167,000) was due to a non-controlling shareholder of a subsidiary of the Company. The balances are non-trade in nature, unsecured, interest-free and repayable on demand.

13. LOAN FROM A RELATED PARTY

	At 31 December 2020 HK\$'000 (Unaudited)	At 30 June 2020 HK\$'000 (Audited)
Secured loan (<i>note b</i>)	13,309	–
Unsecured loan (<i>note c</i>)	2,000	–
	<u>15,309</u>	<u>–</u>
The loans are repayable as follows:		
— Within one year	<u>15,309</u>	<u>–</u>

Notes:

- (a) Referring to note 2 to the condensed consolidated financial statements, the Company had been granted secured loan and unsecured loan by Runjing Holdings Limited, a company wholly-owned by Mr. Shen Yang, an executive director since 16 October 2020.
- (b) As at 31 December 2020, secured loan of HK\$13,309,000 with interest rate of 10% per annum granted to the Company were secured by shares of its subsidiaries and repayable on 15 June 2021.
- (c) As at 31 December 2020, unsecured loan of HK\$2,000,000 with interest rate of 10% per annum granted to the Company were repayable on 31 May 2021.

14. EVENTS AFTER THE REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW

With the signing of loan agreements, the Group has restarted its marketing services, sales and distribution of IP derived products, and IP licensing business. For details of the loan agreements, please refer to note 2(c) to the condensed consolidated financial statements in this announcement. During the Reporting Period, the Company signed a total of 16 business contracts worth RMB10.08 million (approximately HK\$12.01 million), including 8 contracts for sales of IP derived products, 6 contracts for marketing services, and 2 contracts for IP licensing with the revenue of RMB2.56 million (approximately HK\$3.05 million), RMB5.79 million (approximately HK\$6.89 million), and RMB1.73 million (approximately HK\$2.06 million), respectively. To restart the business of sales of IP derived products, the Group has established cooperative relationships with several product manufacturers by signing a total of 4 product ordering contracts. During the Reporting Period, the Group recorded operating revenue of HK\$3.05 million from sales of IP derived products, accounting for 25% of the Group's total revenue. A majority of revenue from the contracts will be gradually accounted for in the coming months. In addition, Pow! Entertainment, LLC ("Pow! Entertainment"), a subsidiary of the Group in the US continued to operate independently and generate profit for the Group. During the Reporting Period, the Group realised revenue of approximately HK\$12.01 million, an increase of approximately HK\$6.05 million or approximately 102% as compared with the respective period in 2019.

FINANCIAL REVIEW

Income Statement Review

	2020	2019	YoY Growth/Decline	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Revenue	12,005	5,956	6,049	102%
Gross profit	364	1,605	(1,241)	-77%
Loss for the period	(10,441)	(59,771)	49,330	-83%
Basic loss per share (HK\$)	HK\$(0.01)	HK\$(0.05)	0.04	-80%

The Group's overall operating revenue from its business improved as compared to part of financial indicators in 2019, with a total revenue of approximately HK\$12.01 million for the year, representing a year-on-year increase of approximately 102%, while the gross profit was approximately HK\$0.4 million, representing a year-on-year decrease of 77%; the loss for the year was approximately HK\$10.4 million, with the basic loss per share of HK\$0.01.

	2020	2019	YoY Growth/Decline	
	<i>Revenue</i>	<i>Revenue</i>	<i>HK\$'000</i>	<i>%</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
IP licensing and content creation	2,062	5,956	(3,894)	-65%
Theme events services	-	-	-	-
Marketing services	6,894	-	-	-
Sales and distribution of IP derived products and mobile devices	3,049	-	-	-

During the Reporting Period, segments including the marketing services and sales and distribution of IP derived products and mobile devices have recovered, with a revenue of HK\$6.89 million and HK\$3.05 million, respectively. Pow! Entertainment, a subsidiary of the Group in the US continued to operate independently and generate profit for the Group.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the Reporting Period, the Group's total assets amounted to approximately HK\$53.5 million, representing an increase of approximately 19.5% as compared to the same as at 30 June 2020; net liabilities amounted to approximately HK\$215.7 million, representing an increase of approximately 18.1%; and the liabilities-to-assets ratio reached approximately 502.9%, representing an increase of approximately 4.8 percentage points. The Group had bank balances and cash of approximately HK\$7.5 million as at 31 December 2020. The gearing ratio of the Group was approximately negative 0.12 (30 June 2020: approximately negative 0.07) due to Company's negative equity position, which was calculated based on the Group's total borrowing and bonds amounting to approximately HK\$28,643,000 (30 June 2020: approximately HK\$12,629,000) and the equity attributable to owners of the Company amounting to negative HK\$212,259,000 (30 June 2020: approximately negative HK\$181,471,000).

STAFF

As at 31 December 2020, the Group employed a total of 16 staff members, of which 7 were employed in Mainland China, 3 were employed in Hong Kong, and 6 were employed in the US. The Group has implemented remuneration package, bonus and share option scheme as part of the remuneration policy designed to motivate individual staff by linking part of the staff's compensation with their respective performance. In addition, fringe benefits such as insurance, medical allowance and pensions were provided to ensure the competitiveness of remuneration packages offered by the Group.

SIGNIFICANT INVESTMENT HELD

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

FOREIGN EXCHANGE RISK EXPOSURE

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

CHARGE ON GROUP'S ASSETS

During the Reporting Period, none of the assets of the Group was pledged or charged (31 December 2019: nil).

CONTINGENT LIABILITIES

During the Reporting Period, the Group did not have any contingent liabilities (31 December 2019: nil).

DIVIDEND

The Board does not recommend the payment of dividend in respect of the six months ended 31 December 2020 (as of 31 December 2019: nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

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

EVENTS AFTER THE REPORTING PERIOD

Subsequent events of the Group after the period are set out in note 14 to the condensed consolidated financial statements in this announcement. Save as disclosed, there are no significant events affecting the Group after the Reporting Period.

FUTURE OUTLOOK

Although the operations of the Group has been affected by Ms. Lo's incident, the Group remains optimistic about the prospects of the IP-centred pan-entertainment sector. However, in view of COVID-19 and a series of uncertainties in the current global economy, the Group will seek progress while maintaining stability to ensure its business development in the coming year by focusing on the improvement of the existing businesses' operating efficiency and core competitiveness.

NON-COMPLIANCE WITH THE LISTING RULES

Insufficient independent non-executive Directors

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

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

In order to ensure compliance with the Listing Rules, the Company will make its best endeavours to identify suitable candidate(s) to fill the casual vacancies on the Board for the position of independent non-executive Director as soon as possible pursuant to Rule 3.11 of the Listing Rules. Further announcement(s) will be made by the Company as and when appropriate.

CORPORATE GOVERNANCE

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

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

CG Code provision	Reason for the non-compliance and improvement actions took or to be taken
A.2.7	Since the custody of Ms. Lo and the suspension of Ms. Lo’s administrative and executive duties and powers as the Chairman and executive Director on 29 July 2019, (i) the Board did not hold regular meetings quarterly; and (ii) the Chairman did not hold meetings with the independent non-executive Directors without the presence of other directors. The Company will appoint a Chairman as soon as practicable and arrange such meetings to be held.
A.4.1, A.4.2	No annual general meeting was held since 24 November 2018. Therefore, no Directors have been subject to retirement and re-election by the shareholders of the Company at the general meeting. Annual general meeting will be held in due course for the retirement and re-election of Directors.
E.1.1, E.1.2, E.1.3, E.2.1	No annual general meeting was held since 24 November 2018. Annual general meeting of the Company will be arranged in due course.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities trading. Having made specific enquiries of all Directors, the Company confirmed that in respect of the six months ended 31 December 2020, all Directors have fully complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the unaudited interim results of the Company for the six months ended 31 December 2020.

CHANGE OF AUDITOR

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

PUBLICATION OF INTERIM RESULTS AND 2020 INTERIM REPORT

This announcement is published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.mhdlhk.com). The 2020 Interim Report will be despatched to the shareholders of the Company and available on the websites of the Stock Exchange and the Company in due course.

CONTINUED SUSPENSION OF TRADING

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

By Order of the Board of Directors
MH Development Limited
Liu Hui
Executive Director

Hong Kong, 19 February 2021

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