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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)

- (1) PROPOSED CAPITAL REORGANISATION;**
- (2) CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;**
- (3) APPLICATION FOR WHITEWASH WAIVER; AND**
- (4) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

PROPOSED CAPITAL REORGANISATION

The Board proposes to implement the Capital Reorganisation which involves the following:

- (1) every 10 issued and unissued Existing Shares of HK\$0.10 each will be consolidated into 1 Consolidated Share of HK\$1.00 each and where applicable, the total number of Consolidated Shares in the issued share capital of the Company immediately following the Share Consolidation will be rounded down to a whole number;
- (2) the issued share capital of the Company will be reduced through a cancellation of the paid-up capital of the Company to the extent of HK\$0.90 on each of the issued Consolidated Share such that the nominal value of each issued Consolidated Share will be reduced from HK\$1.00 to HK\$0.10;

- (3) immediately following the Capital Reduction, each of the authorised but unissued Consolidated Shares of HK\$1.00 each will be sub-divided into 10 New Shares of HK\$0.10 each; and
- (4) the credits arising in the books of the Company from the Capital Reduction of approximately HK\$96,941,520 will be credited to the distributable reserve account of the Company which will be utilised by the Company in any manner as the Board may deem fit and permitted under all applicable laws and the memorandum and articles of association of the Company.

Shareholders and potential investors should note that the credits arising in the books of the Company from the Capital Reorganisation will be subject to change depending on the number of the Existing Shares in issue immediately prior to the Capital Reorganisation becoming effective.

The New Shares will remain to be traded in board lot of 2,000 New Shares after the Capital Reorganisation having become effective.

SUBSCRIPTION OF NEW SHARES

On 22 February 2021, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 218,689,624 New Shares at the Subscription Price of HK\$0.183 per Subscription Share to the Subscriber.

The Subscription is subject to various conditions set out below under the paragraph headed “Conditions precedent to the Subscription”. The Subscription Shares represent (i) approximately 203.0% of the existing issued share capital adjusted for the effect of the Capital Reorganisation; and (ii) approximately 67.0% of the then enlarged issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and adjusted for the effect of the Capital Reorganisation, assuming there will be no other change in the number of issued Existing Shares and New Shares between the date of this announcement and Completion, save for the Capital Reorganisation and the Subscription.

Upon Completion, the Subscriber will then hold 218,689,624 New Shares, representing approximately 67.0% of the then issued share capital of the Company as enlarged by the Subscription and adjusted for the effect of the Capital Reorganisation (assuming there will be no other change in the number of issued Existing Shares and New Shares between the date of this announcement and Completion, save for the Capital Reorganisation and the Subscription).

The Subscription Price of HK\$0.183 per Subscription Share, represents: (i) a discount of approximately 98.42% to the adjusted closing price per share of the Company of HK\$11.60 as quoted on the Stock Exchange on 18 July 2019, being the last trading day preceding the date of the Trading Halt Announcement and adjusted for the effect of the Capital Reorganisation; (ii) a discount of approximately 97.41% to the adjusted average closing price per share of the Company of HK\$7.06 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Trading Halt Announcement and adjusted for the effect of the Capital Reorganisation; and (iii) a discount of approximately 98.30% to the adjusted average closing price per share of the Company of HK\$10.76 as quoted on the Stock Exchange for the last 10 consecutive trading days immediately preceding the date of the Trading Halt Announcement and adjusted for the effect of the Capital Reorganisation.

PROCEEDS FROM THE SUBSCRIPTION

The gross proceeds from the Subscription are expected to be approximately HK\$40.0 million in aggregate, among which, approximately HK\$16.4 million of the Subscription consideration will be settled by setting off the Indebted Amount, and the remaining Subscription consideration of approximately HK\$23.6 million will be settled by the Subscriber in cash. After deducting related professional fees and all related expenses of about HK\$1.5 million which will be borne by the Company, the net proceeds of the Subscription will amount to approximately HK\$22.1 million.

IMPLICATIONS OF THE LISTING RULES AND THE TAKEOVERS CODE

As at the date of this announcement, the Subscriber is a company wholly-owned by Mr. Shen Yang, an executive Director. Accordingly, the Subscriber is a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Hence, the Subscription will constitute a connected transaction for the Company, and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will seek the Independent Shareholders' approval for the Subscription Agreement at the EGM.

As at the date of this announcement, neither the Subscriber nor its parties acting in concert holds any Existing Shares. Upon Completion, the shareholding of the Subscriber will increase to approximately 67.0% of the then issued share capital of the Company as enlarged by the Subscription, thereby triggering a general offer obligation under the Takeovers Code.

An application will be made by the Subscriber to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 to the Notes on Dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to the respective approval of the Independent Shareholders on the Subscription and the Whitewash Waiver taken on a poll at the EGM. As the Whitewash Waiver is one of the non-waivable conditions precedent to the Subscription Agreement, the Subscription will not proceed if the Whitewash Waiver is not granted by the Executive, or is not approved by the Independent Shareholders.

FORMATION OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Zheng Yilei and Mr. Ross Yu Limjoco, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the Subscription, the Whitewash Waiver and the respective transactions contemplated thereunder.

BaoQiao has been appointed, with the approval of the Independent Board Committee, to advise the Independent Board Committee and the Independent Shareholders on the Subscription, the Whitewash Waiver and the respective transactions contemplated thereunder.

EGM

The EGM will be convened for the purpose of considering and, if deemed appropriate, approving, among other things, the Capital Reorganisation, the Subscription, the Specific Mandate, the Whitewash Waiver and the respective transactions contemplated thereunder.

In accordance with the Listing Rules and the Takeovers Code, (i) the Subscriber and its associates; (ii) any parties acting in concert with the Subscriber; and (iii) the Shareholders involved or interested in the Subscription or the Whitewash Waiver, will be required to abstain from voting on the resolution(s) to approve the Subscription, the Specific Mandate, the Whitewash Waiver and the respective transactions contemplated thereunder at the EGM. To the best of the knowledge, information and belief of the Directors, no Shareholder has a material interest in the Subscription, the Specific Mandate, the Whitewash Waiver and the respective transactions contemplated thereunder, and will be required to abstain from voting on the resolution(s) to approve the Subscription, the Specific Mandate, the Whitewash Waiver and the respective transactions contemplated thereunder at the EGM.

A circular containing, among other things, (i) further details of the Capital Reorganisation; (ii) further details of the Subscription; (iii) a letter of recommendation from the Independent Board Committee in relation to the Subscription, the Whitewash Waiver and the respective transactions contemplated thereunder; (iv) a letter of advice from the Independent Financial Adviser in relation to the Subscription, the Whitewash Waiver and the respective transactions contemplated thereunder; and (v) a notice convening the EGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules and the Takeovers Code. It is expected that the circular will be despatched to the Shareholders on or before 12 March 2021.

The Subscription Shares will be allotted and issued under the Specific Mandate to allot, issue and deal with New Shares by an ordinary resolution to be proposed for passing by the Independent Shareholders at the EGM.

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

As the Capital Reorganisation and the Subscription are conditional upon the satisfaction of certain conditions precedent (including the resumption on trading of the Existing Shares and the New Shares on the Stock Exchange and the Executive granting the Whitewash Waiver), the Capital Reorganisation and/or the Subscription may or may not complete, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Existing Shares.

On 22 February 2021, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 218,689,624 New Shares at the Subscription Price of HK\$0.183 per Subscription Share to the Subscriber. The Subscription is subject to various conditions set out below under the paragraph headed “Conditions precedent to the Subscription”, one of which being the Capital Reorganisation becomes effective.

PROPOSED CAPITAL REORGANISATION

The Board proposes to implement the Capital Reorganisation which involves the following:

(1) Proposed Share Consolidation

The Share Consolidation will be effected pursuant to which every 10 issued and unissued Existing Shares of HK\$0.10 each will be consolidated into 1 Consolidated Share of HK\$1.00 each and where applicable, the total number of Consolidated Shares in the issued share capital of the Company immediately following the Share Consolidation will be rounded down to a whole number. Fractional Consolidated

Shares will be disregarded and not issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company.

(2) Proposed Capital Reduction and Share Subdivision

- (a) The issued share capital of the Company will be reduced through a cancellation of the paid-up capital of the Company to the extent of HK\$0.90 on each of the issued Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from HK\$1.00 to HK\$0.10;
- (b) immediately following the Capital Reduction, each of the authorised but unissued Consolidated Share of HK\$1.00 each will be sub-divided into 10 New Shares of HK\$0.10 each; and
- (c) the credits arising in the books of the Company from the Capital Reduction of approximately HK\$96,941,520 will be credited to the distributable reserve account of the Company which will be utilised by the Company in any manner as the Board may deem fit and permitted under all applicable laws and the memorandum and articles of association of the Company.

As at the date of this announcement, the authorised share capital of the Company is HK\$300,000,000 divided into 3,000,000,000 Existing Shares of HK\$0.10 each, of which 1,077,128,000 Existing Shares are allotted and issued as fully paid or credited as fully paid.

Immediately following the Capital Reorganisation, the authorised share capital of the Company will be HK\$300,000,000 divided into 3,000,000,000 New Shares of HK\$0.10 each, of which 107,712,800 New Shares will be in issue and the aggregate nominal value of the issued share capital of the Company will be HK\$10,771,280, assuming that there are no other changes in the issued share capital of the Company from the date of this announcement up to the effective date of the Capital Reorganisation.

A credit of approximately HK\$96,941,520 will arise as a result of the Capital Reduction. Such credit will be transferred to the distributable reserve account of the Company which will be utilised by the Company in any manner as the Board may deem fit and permitted under all applicable laws and the memorandum and articles of association of the Company.

Shareholders and potential investors should note that the credits arising in the books of the Company from the Capital Reorganisation will be subject to change depending on the number of the Existing Shares in issue immediately prior to the Capital Reorganisation becoming effective.

Assuming that there are no other changes in the issued share capital of the Company from the date of this announcement and until the effective date of the Capital Reorganisation, the share capital structure of the Company will be as follows:

	As at the date of this announcement	Immediately after the Share Consolidation becoming effective	Immediately after the Capital Reorganisation becoming effective
Amount of authorised share capital	HK\$300,000,000	HK\$300,000,000	HK\$300,000,000
Nominal value	HK\$0.10 per Existing Share	HK\$1.00 per Consolidated Share	HK\$0.10 per New Share
Number of authorised shares	3,000,000,000 Existing Shares	300,000,000 Consolidated Shares	3,000,000,000 New Shares
Amount of issued share capital	HK\$107,712,800	HK\$107,712,800	HK\$10,771,280
Number of issued shares	1,077,128,000 Existing Shares	107,712,800 Consolidated Shares	107,712,800 New Shares
Amount of unissued share capital	HK\$192,287,200	HK\$192,287,200	HK\$289,228,720
Number of unissued shares	1,922,872,000 Existing Shares	192,287,200 Consolidated Shares	2,892,287,200 New Shares

All New Shares will rank pari passu in all respects with each other.

Fractional entitlement to New Shares

No Shareholder will be entitled to receive any fraction of a New Share. Fractions of the New Shares, if any, arising from the Capital Reorganisation will be aggregated and sold (if a premium, net of expenses, can be obtained) for the benefit of the Company.

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional on:

- (1) the passing of the necessary special resolution by the Shareholders to approve the Capital Reorganisation at the EGM;

- (2) the Stock Exchange granting the listing of, and the permission to deal in, the New Shares arising from the Capital Reorganisation;
- (3) the compliance with the relevant procedures and requirements under the laws of the Cayman Islands and the Listing Rules to effect the Capital Reorganisation;
- (4) the Grand Court of the Cayman Islands granting an order confirming the Capital Reduction;
- (5) compliance with any conditions which the Grand Court of the Cayman Islands may impose in relation to the Capital Reduction; and
- (6) the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Capital Reorganisation.

Effects of the Capital Reorganisation

Implementation of the Capital Reorganisation will not, of itself, alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests of the Shareholders, except for the payment of the related expenses. The Board believes that the Capital Reorganisation will not have any material adverse effect on the financial position of the Group and that on the date the Capital Reorganisation is to be effected, there are no reasonable grounds for believing that the Company is, or after the Capital Reorganisation would be, unable to pay its liabilities as they become due.

No equity will be lost as a result of the Capital Reorganisation and, except for the expenses involved in relation to the Capital Reorganisation which are expected to be insignificant in the context of the net asset value of the Company, the net asset value of the Company will remain unchanged before and after the Capital Reorganisation becoming effective. The Capital Reorganisation does not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any paid up capital of the Company nor will it result in any change in the relative rights of the Shareholders.

Listing and dealings

Application will be made to the Stock Exchange for the granting of the listing of, and permission to deal in, the New Shares arising from the Capital Reorganisation.

The Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Existing Shares as at the date of this announcement.

Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, the New Shares will be accepted as eligible securities by HKSCC for deposit,

clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The New Shares will be identical in all respects and rank pari passu in all respects with each other as to all future dividends and distributions which are declared, made or paid. All necessary arrangements will be made for the New Shares to be admitted into CCASS.

No change in board lot size

The New Shares will remain to be traded in board lot of 2,000 New Shares after the Capital Reorganisation having become effective.

At present, the Existing Shares are traded in board lots of 2,000. Based on the Subscription Price of HK\$0.183 per New Share, the value of each board lot of 2,000 Existing Shares is HK\$366. Based on the closing price of HK\$11.60 per New Share on the day immediately preceding the date of the Trading Halt Announcement, the value of each board lot of 2,000 Existing Shares is HK\$23,200. Upon the Capital Reorganisation becoming effective, the board lot size for trading of the New Shares will remain unchanged at 2,000.

Arrangement on odd lot trading

In order to facilitate the trading of odd lots (if any) of the New Shares arising from the Capital Reorganisation, the Company will appoint a securities firm to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the New Shares to make up a full board lot, or to dispose of their holding of odd lots of the New Shares.

Details of the odd lot arrangement will be set out in the circular in relation to the Capital Reorganisation and the convening of the EGM to be despatched to the Shareholders. Holders of odd lots of the New Shares should note that the matching of the sale and purchase of odd lots of the New Shares is not guaranteed.

Reasons for the Capital Reorganisation

Under the Companies Act, the Company is restricted in its ability to issue shares at a price lower than their par value. The Capital Reduction will reduce the par value of the Consolidated Shares, which will provide the Company with greater flexibility to accommodate the issue of New Shares under the Subscription Agreement, and in the future when necessary.

The Board also considers that the credit arising from the Capital Reduction could be transferred to the distributable reserve account of the Company and applied to set off against any future accumulated losses of the Company. Accordingly, it will allow greater flexibility for the Company to consider any declaration of dividends to the Shareholders if and when the Company's financial position allows and the Board considers appropriate in the future, although there is no guarantee that dividend will be declared or paid upon the Capital Reorganisation becoming effective or at any time in the future.

The Board considers that the Capital Reorganisation is beneficial to and in the interests of the Company and the Shareholders as a whole.

Expected timetable

The expected timetable for the EGM is set out below:

Event	2021
Expected date of despatch of circular with notice and form of proxy of the EGM	Friday, 12 March
Latest time for lodging transfer documents and relevant share certificates to be eligible to attend and vote at the EGM	4:30 p.m. on Wednesday, 7 April
Closure of register of members for the purpose of ascertaining Shareholders' eligibility to attend and vote at the EGM (both dates inclusive).....	Thursday, 8 April to Tuesday, 13 April (both dates inclusive)
Latest time for lodging the form of proxy	10:00 a.m. on Sunday, 11 April
Expected date and time of the EGM	10:00 a.m. on Tuesday, 13 April
Publication of announcement of results of the EGM.....	Tuesday, 13 April

All times and dates specified in the timetable above refer to Hong Kong times and dates.

This timetable is indicative only and any subsequent change to the expected timetable will be announced by the Company.

SUBSCRIPTION OF NEW SHARES

On 22 February 2021, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 218,689,624 New Shares at the Subscription Price of HK\$0.183 per Subscription Share to the Subscriber.

The Subscription Agreement

Date

22 February 2021

Parties

- (a) the Company (as issuer); and
- (b) the Subscriber (as subscriber).

As at the date of this announcement, the Subscriber is a company wholly-owned by Mr. Shen Yang, an executive Director. As at the date of this announcement, the Subscriber, its ultimate beneficial owner and each of their associates and parties acting in concert with any of them do not hold any Existing Shares.

The Subscription Shares

The Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 218,689,624 New Shares at the Subscription Price of HK\$0.183 per Subscription Share to the Subscriber, with an aggregate consideration of approximately HK\$40.0 million payable by the Subscriber pursuant to the following:

- (a) Approximately HK\$16.4 million of the Subscription consideration shall be applied to set off the Indebted Amount; and
- (b) the remaining Subscription consideration of approximately HK\$23.6 million shall be payable by cheque or bank transfer to the Company upon Completion of the Subscription.

References are made the announcements of the Company dated 18 September 2020, 16 October 2020, 23 October 2020 and 1 December 2020, in relation to the granting of the Loans to the Company by the Subscriber to support the Company's business and daily operations. The Loans comprised (i) an unsecured loan of HK\$2,000,000 carrying interest of 10% per annum; and (ii) a secured loan of HK\$18,000,000 carrying interest of 10% per annum. The Loans are repayable on either (i) 31 May 2021; or (ii) the date of the delisting of the Company by the Stock Exchange; or (iii) when an extension of time for resumption on trading of shares of the Company is not granted by the Stock Exchange, whichever is

earlier, subject to the discretion of the Subscriber to extend the repayment date under the Loans. For the unsecured loan, there is no penalty charge for late repayment. For the secured loan, if there is late repayment by the Company, interest will be accrued daily at the interest rate of 10% per annum as penalty charge. As at the date of the Subscription Agreement, the Company is indebted to the Subscriber a total principal amount of approximately HK\$16.4 million (i.e. the Indebted Amount) and accrued interest fees of approximately HK\$0.35 million.

Pursuant to the Subscription Agreement, the Subscriber shall waive the full amount of the accrued interest fees of the Loans (i.e. approximately HK\$0.35 million as at the date of the Subscription Agreement) payable by the Company if the Subscription is completed. If the Company has not been delisted by the Stock Exchange on 31 May 2021, the Subscriber shall extend the repayment date of the Loans until (i) the date of the delisting of the Company by the Stock Exchange; or (ii) when an extension of time for resumption of the Company is not granted by the Stock Exchange, whichever is earlier, such that any late repayment of the Loans by the Company after 31 May 2021 shall not be considered as default under the Loans.

The Subscription Shares represent (i) approximately 203.0% of the existing issued share capital adjusted for the effect of the Capital Reorganisation; and (ii) approximately 67.0% of the then enlarged issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and adjusted for the effect of the Capital Reorganisation, assuming there will be no other change in the number of issued Existing Shares and New Shares between the date of this announcement and Completion, save for the Capital Reorganisation and the Subscription.

Upon Completion, the Subscriber will then hold 218,689,624 New Shares, representing approximately 67.0% of the then issued share capital of the Company as enlarged by the Subscription and adjusted for the effect of the Capital Reorganisation (assuming there will be no other change in the number of issued Existing Shares and New Shares between the date of this announcement and Completion, save for the Capital Reorganisation and the Subscription). The aggregate nominal value of share capital for the Subscription Shares is approximately HK\$21,868,962.4.

Subscription Price

The Subscription Price of HK\$0.183 per Subscription Share represents:

- (i) a discount of approximately 98.42% to the adjusted closing price per share of the Company of HK\$11.60 as quoted on the Stock Exchange on 18 July 2019, being the last trading day preceding the date of the Trading Halt Announcement and adjusted for the effect of the Capital Reorganisation;

- (ii) a discount of approximately 97.41% to the adjusted average closing price per share of the Company of HK\$7.06 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Trading Halt Announcement and adjusted for the effect of the Capital Reorganisation; and
- (iii) a discount of approximately 98.30% to the adjusted average closing price per share of the Company of HK\$10.76 as quoted on the Stock Exchange for the last 10 consecutive trading days immediately preceding the date of the Trading Halt Announcement and adjusted for the effect of the Capital Reorganisation.

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber taking into account, among others, (i) the financial position of the Group (i.e. made loss of approximately HK\$634.5 million for the year ended 30 June 2019 and approximately HK\$75.6 million for the year ended 30 June 2020, and recorded net liabilities of approximately HK\$182.7 million as at 30 June 2020); (ii) the fund required for the continuing operation and development of the Group; (iii) the Subscriber's waiver of all interest fees payable by the Company under the Loans if the Subscription is completed; and (iv) the suspension of trading in the Existing Shares on the Stock Exchange. The Directors (excluding Mr. Shen Yang who abstained from voting on the Board resolutions approving the Subscription Agreement and the transactions contemplated thereunder and the independent non-executive Directors who will express their views after considering the advice from the Independent Financial Adviser to be appointed) consider that the terms of the Subscription Agreement (including the issue price of the Subscription Shares) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The gross proceeds from the Subscription are expected to be approximately HK\$40.0 million in aggregate, among which, approximately HK\$16.4 million of the Subscription consideration will be settled by setting off the Indebted Amount, and the remaining Subscription consideration of approximately HK\$23.6 million will be settled by the Subscriber in cash. After deducting related professional fees and all related expenses of about HK\$1.5 million which will be borne by the Company, the net proceeds of the Subscription will amount to approximately HK\$22.1 million.

Conditions precedent to the Subscription

Completion is conditional upon fulfillment of the following conditions:

- (i) completion of the Capital Reorganisation;
- (ii) resumption on trading of the Existing Shares and the New Shares on the Stock Exchange;
- (iii) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Subscription Shares;

- (iv) the Executive granting the Whitewash Waiver pursuant to Note 1 to the Notes on Dispensations from Rule 26 of the Takeovers Code to the Subscriber;
- (v) the Independent Shareholders approving the Subscription and the related transactions contemplated thereunder by ordinary resolution(s) and by way of poll;
- (vi) the Independent Shareholders approving the Whitewash Waiver by special resolution(s) and by way of poll; and
- (vii) all the warranties by the Company as issuer under the Subscription Agreement remain true, accurate and not misleading in all material respects at all times from the date of the Subscription Agreement up to Completion.

All conditions set out above cannot be waived by the Company or the Subscriber, save for condition (vii) above which may be waived by the Subscriber at its absolute discretion. In the event that any of the conditions of the Subscription is not fulfilled or waived on or before 31 December 2021 (or such later date as may be agreed between the Company and the Subscriber in writing), the Subscription Agreement will terminate and all obligations of the Company and the Subscriber under the Subscription Agreement shall cease and determine and neither the Company nor the Subscriber shall have any claim against the other in respect of any matter arising out of or in connection with the Subscription Agreement, except for any antecedent breach of any obligation and any liabilities under the Subscription Agreement.

Regarding condition (ii) above, the Company has continued to take active steps to address and comply with the resumption guidance of the Company, details of which are set out under section headed “Update on Resumption Progress” in the Company’s announcement dated 18 January 2021 in respect of quarterly update on status of resumption.

Completion of the Subscription Agreement

Completion will take place on the fifth Business Day after the date on which all the conditions of the Subscription are fulfilled or waived (or such other date as may be agreed between the Company and the Subscriber in writing).

Lock-up arrangement for the Subscription Shares

Pursuant to the Subscription Agreement, the Subscriber undertook that, without the prior written consent of the Company, during a period commencing from and including the date of Completion and ending on and including the date which is one year from the date of Completion, the Subscriber shall not, and shall procure that none of its associates or companies controlled by it or nominees or trustees holding in trust for it shall sell, transfer or otherwise dispose of (or enter into any agreement to dispose of) any Subscription Shares

held by the Subscriber, nor permit the registered holder to dispose of (or enter into any agreement to dispose of) any of their direct or indirect interests in such Subscription Shares.

Specific Mandate

The Subscription Shares will be allotted and issued under the Specific Mandate to allot, issue and deal with New Shares by an ordinary resolution to be proposed for passing by the Independent Shareholders at the EGM.

IMPLICATIONS OF THE LISTING RULES AND THE TAKEOVERS CODE

As at the date of this announcement, the Subscriber is a company wholly-owned by Mr. Shen Yang, an executive Director. Accordingly, the Subscriber is a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Hence, the Subscription will constitute a connected transaction for the Company, and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will seek the Independent Shareholders' approval for the Subscription Agreement at the EGM.

As at the date of this announcement, neither the Subscriber nor its parties acting in concert holds any Existing Shares. Upon Completion, the shareholding of the Subscriber will increase to approximately 67.0% of the then issued share capital of the Company as enlarged by the Subscription, hereby triggering a general offer obligation under the Takeovers Code.

An application will be made by the Subscriber to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 to the Notes on Dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to the respective approval of the Independent Shareholders on the Subscription and the Whitewash Waiver taken on a poll at the EGM. As the Whitewash Waiver is one of the non-waivable conditions precedent to the Subscription Agreement, the Subscription will not proceed if the Whitewash Waiver is not granted by the Executive, or is not approved by the Independent Shareholders. Each of the Subscription and the Whitewash Waiver requires to be approved by ordinary resolution(s) and special resolution(s), respectively, by the Independent Shareholders at the EGM.

None of the Subscriber or Mr. Shen Yang or any person acting or presumed to be acting in concert with any of them owns or has control or direction over any voting right in or rights over any Existing Shares or any convertible securities, warrants or options in respect of the Existing Shares, or has entered into any outstanding derivatives in respect of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; nor is there any arrangement (whether by way of option, indemnity or otherwise) in relation to the Existing Shares or shares of the Subscriber and which might be material to the transactions

contemplated under the Subscription Agreement and the Whitewash Waiver, or any agreements or arrangements to which the Subscriber, Mr. Shen Yang or any person acting or presumed to be acting in concert with any of them is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Subscription Agreement and/or the Whitewash Waiver. None of the Subscriber, Mr. Shen Yang or any persons acting or presumed to be acting in concert with any of them has received an irrevocable commitment to vote for or against the resolutions relating to the Subscription Agreement and/or the Whitewash Waiver. Further, none of Subscriber, Mr. Shen Yang or any persons acting or presumed to be acting in concert with any of them has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. The Subscriber, Mr. Shen Yang or any persons acting in concert with any of them had not acquired voting rights in the Company during the six months prior to this announcement. There was no disqualifying transaction (as described in paragraph 3 of Schedule VI to the Takeovers Code) by the Subscriber or any person acting in concert with it in the six months prior to this announcement. There is no special deal (as defined under Rule 25 of the Takeovers Code between (i) the Subscriber, Mr. Shen Yang and parties acting in concert with any of them; and (ii) the Company. As at the date of this announcement, apart from the Subscription consideration of approximately HK\$40.0 million, there is no other consideration, compensation or benefit in whatever form paid or to be paid by the Subscriber, Mr. Shen Yang and parties acting in concert with any of them to the Company in connection with the Subscription. As at the date of this announcement, there is no understanding, arrangement, agreement, or special deal between (1) any Shareholder; and (2) (a) the Subscriber, Mr. Shen Yang and parties acting in concert with any of them, or (b) the Company, its subsidiaries or associated companies. As at the date of this announcement, the Company does not believe that the proposed transactions give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the circular. The Company notes that the Executive may not grant the Whitewash Waiver if the proposed transactions do not comply with other applicable rules and regulations.

FORMATION OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Zheng Yilei and Mr. Ross Yu Limjoco, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the Subscription, the Whitewash Waiver and the respective transactions contemplated thereunder.

BaoQiao has been appointed, with the approval of the Independent Board Committee, to advise the Independent Board Committee and the Independent Shareholders on the Subscription, the Whitewash Waiver and the respective transactions contemplated thereunder.

EGM

The EGM will be convened for the purpose of considering and, if deemed appropriate, approving, among other things, the Capital Reorganisation, the Subscription, the Specific Mandate, the Whitewash Waiver and the respective transactions contemplated thereunder.

In accordance with the Listing Rules and the Takeovers Code, (i) the Subscriber and its associates; (ii) any parties acting in concert with the Subscriber; and (iii) the Shareholders involved or interested in the Subscription or the Whitewash Waiver, will be required to abstain from voting on the resolution(s) to approve the Subscription, the Specific Mandate, the Whitewash Waiver and the respective transactions contemplated thereunder at the EGM. To the best of the knowledge, information and belief of the Directors, no Shareholder has a material interest in the Subscription, the Specific Mandate, the Whitewash Waiver and the respective transactions contemplated thereunder, and will be required to abstain from voting on the resolution(s) to approve the Subscription, the Specific Mandate, the Whitewash Waiver and the respective transactions contemplated thereunder at the EGM.

As at the date of this announcement, Mr. Shen Yang, an executive Director, was the ultimate beneficial owner of the Subscriber. Accordingly, Mr. Shen Yang was considered to have a material interest in the Subscription Agreement, the Whitewash Waiver and the transactions contemplated thereunder by virtue of his interest in the Subscriber, and had abstained from voting on the Board resolutions approving the Subscription Agreement, the Whitewash Waiver and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Capital Reorganisation; (ii) further details of the Subscription; (iii) a letter of recommendation from the Independent Board Committee in relation to the Subscription, the Whitewash Waiver and the respective transactions contemplated thereunder; (iv) a letter of advice from the Independent Financial Adviser in relation to the Subscription, the Whitewash Waiver and the respective transactions contemplated thereunder; and (v) a notice convening the EGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules and the Takeovers Code. It is expected that the circular will be despatched to the Shareholders on or before 12 March 2021.

Application for listing

The Subscription Shares will be allotted and issued under the Specific Mandate to allot, issue and deal with New Shares by an ordinary resolution to be proposed for passing by the Independent Shareholders at the EGM.

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Subscriber is a company incorporated in the British Virgin Islands with limited liability, which is an investment holding company. The Subscriber is wholly-owned by Mr. Shen Yang, an executive Director.

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) (“**Jiangsu Xinde**”) since 2014, the supervisor of Shanghai Lianchen Investment Management Co., Ltd.* (上海聯臣投資管理有限公司) (“**Shanghai Lianchen**”) 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) (“**Shanghai Xinde**”) (a company held by Jiangsu Xinde and Shanghai Liyumen Supply Chain Management Co., Ltd.* (上海鯉魚門供應鏈管理股份有限公司) (“**Shanghai Liyumen**”) as to 60% and 40%, respectively) since January 2017. From August 2016 to January 2017, Mr. Shen also served as the chairman of Shanghai Liyumen. Mr. Shen is currently a shareholder of Shanghai Liyumen. Mr. Shen was responsible for determining strategic directions, making major decisions and the overall operations and management of Jiangsu Xinde, Shanghai Xinde and Shanghai Liyumen, and he was responsible for supervising the senior management and the overall operations in Shanghai Lianchen.

Mr. Shen has years of experience in the pan-cultural entertainment industry, through his investments and operation management experience in businesses regarding cultural, film and television, and fast-moving consumer goods industries. In particular, one of the subsidiaries of Shanghai Xinde, namely Beijing Jixiang Impression Media Co., Ltd.* (北京吉祥印象傳媒有限公司) (“**Beijing Jixiang**”), is a well-known film and television production company in the PRC and has invested in a number of film and television productions such as “The Thunder (破冰行動)”, which is a popular web television series in the PRC. Beijing Jixiang has also cooperated with a number of cultural and literature industry companies such as (i) Nanjing Dazhong Web Book Culture Co., Ltd.* (南京大眾書網圖書文化有限公司) which operates “LinkSure Literature (連尚文學)”, a platform that integrates network literature and comics, copyrights cooperation and cultivation of intellectual property rights; and (ii) Beijing Fengyue Culture Technology Co., Ltd.* (北京鳳閱文化科技有限公司) which operates a popular web novel site known as “Fread.com (翻閱小說)”. In addition, Mr. Shen has also invested in business that cooperates with Shanghai Free Trade Zone International Cultural Investment Development Co., Ltd.* (上海自貿區國際文化投資發展有限公司), a wholly-owned subsidiary of Shanghai Waigaoqiao Free Trade Zone Group Co., Ltd. (上海外高橋集團股份有限公司, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600648.SH)).

The Group's business operations mainly comprise (A) IP licensing and comprehensive services which include provision of services in respect of (1) IP licensing (including IP co-branded credit card); (2) IP content creation; and (3) IP marketing; and (B) sale and distribution of IP derived products and mobile devices (the "**IP Related Business**"). It is expected that Mr. Shen's past cooperation with the abovementioned companies and platforms may help the Group expand and develop its business through possible introduction of IP rights in relation to the cultural, film and television and literature industries, and other IP derived cultural and creative products to the Company in future, which is in line with the Group's overall business operations, development and strategy. Mr. Shen has high expectations on the Group's performance in the future, especially under his leadership and with his relevant experience, and therefore he decided to invest in the Group by way of the Subscription.

As disclosed in the quarterly update announcement of the Company dated 18 January 2021, the Company has continued to take active steps to address and comply with the resumption guidance of the Company, one of which is to demonstrate its compliance with Rule 13.24 of the Listing Rules to warrant the continued listing of the Existing Shares.

Regarding the above, the Group has continued to use its best endeavours to resume and expand its operations regarding its IP Related Business. As at the date of this announcement, the Group has entered into a number of contracts with its customers, which will bring sales to the Group. As such, the operations of the Group in the PRC (including Hong Kong) require further capital injection to maintain the cash flow position and for general working capital purposes. Due to the current suspension in trading of the Existing Shares on the Stock Exchange, the Company faced difficulties in obtaining debt financing for its operations. The Directors consider that the Subscription represents an opportunity to raise capital for the Company in order to maintain the cash flow position of the Group and to enhance the capital base of the Company. The Board believes that the proceeds from the Subscription will enable the Group to continue and expand its current operations, which will in turn demonstrate its compliance with Rule 13.24 of the Listing Rules. In addition, the Directors consider that the Subscription will allow the Company to settle the Indebted Amount, and all the accrued interest fees payable by the Company under the Loans will be waived, without utilising existing financial resources of the Company while reducing the gearing level of the Group and hence can strengthen the financial position of the Group.

In view of the above, the Directors (excluding Mr. Shen Yang who abstained from voting on the Board resolutions approving the Subscription Agreement and the transactions contemplated thereunder and the independent non-executive Directors who will express their views after considering the advice from the Independent Financial Adviser to be appointed) consider that the terms of the Subscription Agreement is on normal commercial terms or better and that the entering into of the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The gross proceeds from the Subscription are expected to be approximately HK\$40.0 million in aggregate, among which, approximately HK\$16.4 million of the Subscription consideration will be settled by setting off the Indebted Amount, and the remaining Subscription consideration of approximately HK\$23.6 million will be settled by the Subscriber in cash. After deducting related professional fees and all related expenses of about HK\$1.5 million which will be borne by the Company, the net proceeds of the Subscription will amount to approximately HK\$22.1 million. The net proceeds from the Subscription will be applied for the following purposes:

- (i) approximately 25%, or approximately HK\$5.5 million, will be utilised for investing in IP licensing and comprehensive services business, it is expected that the Company will involve in at least two IP projects using self-owned IP resources of the Group;
- (ii) approximately 25%, or approximately HK\$5.5 million, will be utilised for settling professional fees and other expenses in relation to the compliance with the resumption conditions of the Company;
- (iii) approximately 15%, or approximately HK\$3.3 million, will be utilised for expanding the offices of the Group, including hiring additional staff and experienced personnel, and leasing new offices in Hong Kong and the PRC;
- (iv) approximately 13%, or approximately HK\$2.9 million, will be utilised for the sale and distribution of IP derived products and mobile devices business, which requires the Group to pay its suppliers before receiving payments from the Group's customers;
- (v) approximately 12%, or approximately HK\$2.7 million, will be utilised for settling trade payables when they fall due; and
- (vi) approximately 10%, or approximately HK\$2.2 million, will be utilised for the Company's general working capital purposes.

The net Subscription Price (calculated as the total Subscription consideration (after deducting related professional fees and all related expenses) divided by the number of Subscription Shares) is approximately HK\$0.176 per Subscription Share.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activities in the past 12 months as at the date of this announcement.

CHANGES TO THE SHAREHOLDING STRUCTURE AS A RESULT OF THE CAPITAL REORGANISATION AND THE SUBSCRIPTION

As at the date of this announcement, the Company has 1,077,128,000 Existing Shares in issue. Set out below is a table showing the shareholding structure of the Group (i) as at the date of this announcement; (ii) immediately upon completion of the Capital Reorganisation; and (iii) immediately upon completion of the Capital Reorganisation and the Subscription (assuming there will be no other change in the issued share capital of the Company, save for the Capital Reorganisation and the Subscription).

Shareholder	At the date of this announcement		Immediately upon completion of the Capital Reorganisation		Immediately upon completion of the Capital Reorganisation and the Subscription	
	No. of shares	%	No. of shares	%	No. of shares	%
The Subscriber (<i>Note 1</i>)	—	—	—	—	218,689,624	67.0
China Base Group Limited ("China Base") (<i>Notes 2 & 4</i>)	281,210,150	26.1	28,121,015	26.1	28,121,015	8.6
Creative Elite Holdings Limited (<i>Notes 3 & 4</i>)	21,905,802	2.0	2,190,580	2.0	2,190,580	0.7
Other public Shareholders	<u>774,012,048</u>	<u>71.9</u>	<u>77,401,205</u>	<u>71.9</u>	<u>77,401,205</u>	<u>23.7</u>
Total	<u>1,077,128,000</u>	<u>100.0</u>	<u>107,712,800</u>	<u>100.0</u>	<u>326,402,424</u>	<u>100.0</u>

Notes:

- The entire issued share capital of the Subscriber is legally owned by Mr. Shen Yang, an executive Director.
- The entire issued share capital of China Base is, to the best knowledge and belief of the Directors, legally owned by Lo Ching (a former chairman of the Board and executive Director). As disclosed in the announcement of the Company dated 28 July 2020, pursuant to a facility agreement dated 9 August 2018 entered into between China Base (as borrower), Lo Ching (as guarantor), Founder Securities (Hong Kong) Capital Company Limited and Changjiang Finance (HK) Limited (as arrangers), Founder Securities (Hong Kong) Capital Company Limited (as facility agent) and Founder Securities (Hong Kong) Limited ("FSHK") (as security agent), an event of default occurred on 5 July 2019 which was triggered by the borrower and the guarantor. As a result, the facility agent sent a notice to the borrower and the guarantor on 9 July 2019, informing them the occurrence of an event of default. Accordingly, FSHK has been empowered to act for China Base pursuant to a Deed of Appointment of Proxy and Attorney which provides FSHK with authorisation to represent China Base and act in the name of China Base to exercise the rights to the shares in the Company held by China Base. As such, to the best knowledge and belief of the Directors, the Existing Shares held by China Base and the voting rights attached thereto were under the control of FSHK as at the date of this announcement.

3. The entire issued share capital of Creative Elite Holdings Limited is, to the best knowledge and belief of the Directors, legally owned by Lo Ching (a former chairman of the Board and executive Director).
4. China Base and Creative Elite Holdings Limited will be regarded as public shareholders upon completion of the Subscription.

As the Capital Reorganisation and the Subscription are conditional upon the satisfaction of certain conditions precedent (including the resumption on trading of the Existing Shares and the New Shares on the Stock Exchange and the Executive granting the Whitewash Waiver), the Capital Reorganisation and/or the Subscription may or may not complete, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Existing Shares.

CONTINUED SUSPENSION OF TRADING

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

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

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or a Sunday) on which banks are generally open for business in Hong Kong
“Capital Reduction”	the proposed reduction of the issued share capital of the Company through the cancellation of the paid-up capital of the Company to the extent of HK\$0.90 on each of the issued Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from HK\$1.00 to HK\$0.10
“Capital Reorganisation”	the proposed reorganisation of the share capital of the Company involving the Share Consolidation, the Capital Reduction and the Share Subdivision

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	the Companies Act, Cap. 22 (Act 3 of 1961), of the Cayman Islands as consolidated and revised
“Company”	MH Development Limited, an exempted company incorporated in the Cayman Islands with limited liability, and the Existing Shares of which are listed on Stock Exchange
“Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Company immediately after the Share Consolidation becoming effective but prior to the Capital Reduction and the Share Subdivision
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Capital Reorganisation, the Subscription, the Specific Mandate, the Whitewash Waiver and the respective transactions contemplated thereunder
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Existing Share(s)”	ordinary share(s) of HK\$0.10 each in the existing share capital of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Indebted Amount”	the amount owing by the Company to the Subscriber in an aggregate principal amount of approximately HK\$16.4 million as at the date of the Subscription Agreement under the Loans
“Independent Board Committee”	the independent Board committee, comprising Mr. Zheng Yilei and Mr. Ross Yu Limjoco, being all the independent non-executive Directors, which has been formed to advise the Independent Shareholders in respect of the Subscription, the Whitewash Waiver and the respective transactions contemplated thereunder
“Independent Financial Adviser” or “BaoQiao”	BaoQiao Partners Capital Limited, the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders on the Subscription, the Whitewash Waiver and the respective transactions contemplated thereunder, and a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Independent Shareholders”	Shareholders other than (i) the Subscriber and its associates; (ii) any parties acting in concert with the Subscriber or Mr. Shen Yang; and (iii) parties involved in or interested in the Subscription, the Whitewash Waiver and the respective transactions contemplated thereunder
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Loans”	collectively, (i) pursuant to a loan agreement executed by the Company and the Subscriber dated 18 September 2020, an unsecured loan in the principal amount of HK\$2,000,000 granted by the Subscriber to the Company; (ii) pursuant to a loan agreement executed by the Company and the Subscriber dated 16 October 2020, a secured loan in the principal amount of HK\$13,000,000 granted by the Subscriber to the Company; and (iii) pursuant to a supplemental loan agreement executed by the Company and the Subscriber dated 1 December 2020, an additional secured loan in the principal amount of HK\$5,000,000 granted by the Subscriber to the Company, details of which were included in the announcements of the Company dated 18 September 2020, 16 October 2020, 23 October 2020 and 1 December 2020
“New Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company immediately after the Capital Reorganisation becoming effective
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Consolidation”	the proposed consolidation of every 10 issued and unissued Existing Shares into 1 Consolidated Share
“Share Subdivision”	the proposed sub-division of each of the authorised but unissued Consolidated Shares of HK\$1.00 each into 10 New Shares of HK\$0.10 each
“Shareholder(s)”	holder(s) of the Existing Shares and the New Shares

“Specific Mandate”	the mandate to be granted to the Directors to allot and issue the Subscription Shares at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Runjing Holdings Limited, a company wholly-owned by Mr. Shen Yang, an executive Director, as at the date of this announcement
“Subscription”	the conditional allotment and issue of the Subscription Shares by the Company to the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the agreement dated 22 February 2021 entered into between the Company and the Subscriber in respect of the Subscription
“Subscription Price”	HK\$0.183 per Subscription Share
“Subscription Share(s)”	218,689,624 New Shares to be allotted and issued to the Subscriber pursuant to the Subscription Agreement
“Trading Halt Announcement”	the announcement of the Company dated 19 July 2019 in relation to the trading halt in the Existing Shares on the Main Board of the Stock Exchange
“Takeovers Code”	the Codes on Takeovers and Mergers
“Whitewash Waiver”	the waiver by the Executive under Note 1 to the Notes on Dispensations from Rule 26 of the Takeovers Code of the obligation on the part of the Subscriber to make a general offer to the Shareholders for all issued shares of the Company not already owned or agreed to be acquired by the Subscriber or parties acting in concert with it as a result of the allotment and issue of the Subscription Shares to the Subscriber
%	per cent

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

Hong Kong, 22 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.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.