



美好發展集團

MH DEVELOPMENT

MH Development Limited

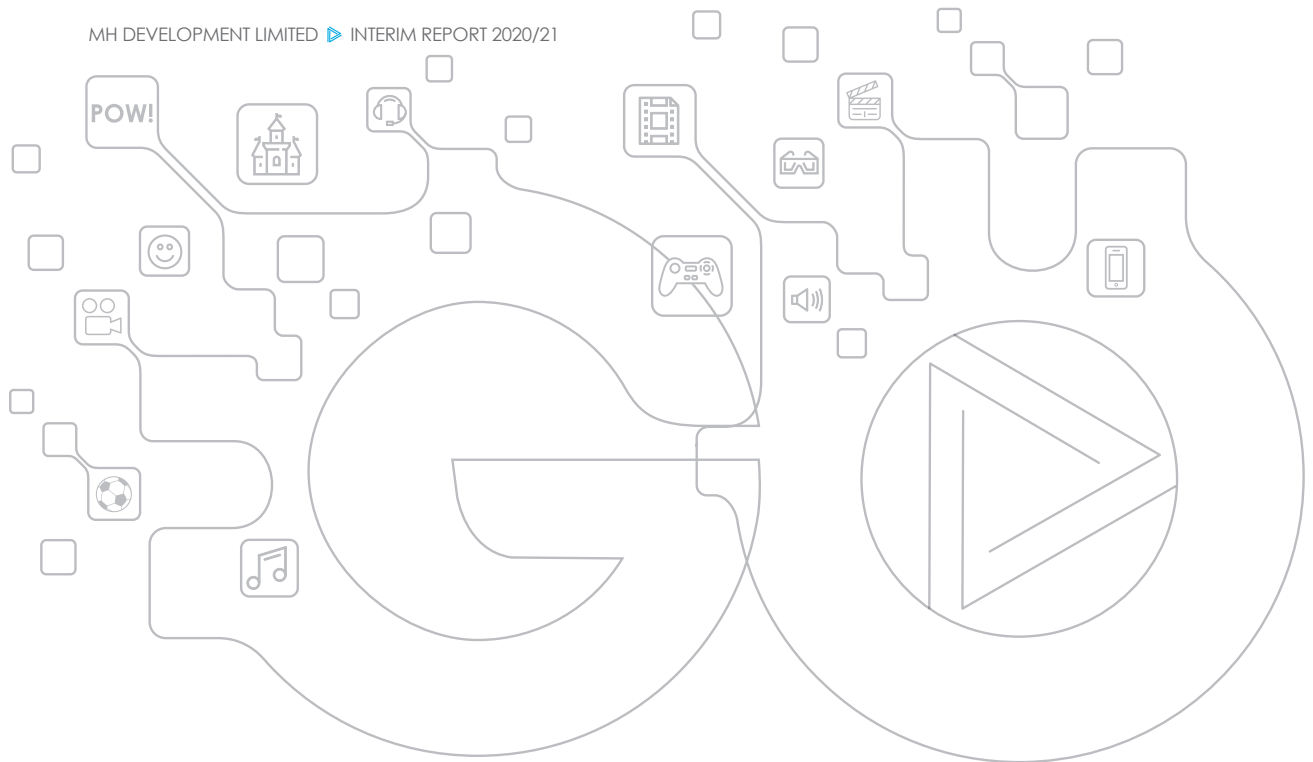
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2662



2020/21

INTERIM REPORT



# CONTENTS

- 2 Management Discussion & Analysis
- 5 Other Information
- 10 Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
- 12 Condensed Consolidated Statement of Financial Position
- 14 Condensed Consolidated Statement of Changes In Equity
- 15 Condensed Consolidated Statement of Cash Flows
- 16 Notes to the Condensed Consolidated Financial Statements

# MANAGEMENT DISCUSSION & ANALYSIS

## OVERALL RESULTS

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

## 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 report. During the six months ended 31 December 2020 (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. During the Reporting Period, the Group signed a total of 16 business contracts worth RMB10.08 million (approximately HK\$12.01 million), including 8 contracts for the sale and distribution of IP-derived products, 6 contracts for IP marketing, and 2 contracts for IP licensing with the revenue from different business segments 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 the sale and distribution 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. In addition, Pow! Entertainment, LLC ("Pow! Entertainment"), a subsidiary of the Group in the US continued to operate independently and generate revenue of HK\$2.06 million for the Group.

## FINANCIAL REVIEW

### Income Statement Review

	Six months ended 31 December			
	2020 HK\$'000	2019 HK\$'000	YoY Growth/Decline HK\$'000	%
Revenue	12,005	5,956	6,049	102%
Gross profit	618	1,605	(987)	-61%
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%

## Management Discussion & Analysis

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 period, representing a year-on-year increase of approximately 102%, while the gross profit was approximately HK\$0.6 million, representing a year-on-year decrease of 61%; the loss for the period was approximately HK\$10.4 million, with the basic loss per share of HK\$0.01. The loss recorded for the period was mainly attributed to an increase in cost due to expenses incurred during the Group's disposal of bad assets and before resumption of trading. No relevant cost is expected after the disposal of the bad assets and resumption of trading.

	Six months ended 31 December			
	2020 Revenue HK\$'000	2019 Revenue HK\$'000	YoY Growth/Decline HK\$'000	%
IP licensing and content creation	2,062	5,956	(3,894)	-65%
Marketing services	6,894	-	-	-
Sales and distribution of IP derived products and mobile devices	3,049	-	-	-

During the Reporting Period, segments including the IP marketing and sale 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 revenue of HK\$2.06 million for the Group.

### 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.

### EVENTS AFTER THE REPORTING PERIOD

Subsequent events of the Group after the period are set out in note 16 to the condensed consolidated financial statements in this announcement. Save as disclosed, there are no significant events affecting the Group after the Reporting Period.

### 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).

## Management Discussion & Analysis

### **SUBSTANTIAL ACQUISITION AND DISPOSAL OF ASSETS AND MERGER ISSUES**

The Group had no substantial acquisition and disposal of assets and merger issues during the Reporting Period.

### **CAPITAL COMMITMENTS**

The Group did not have any capital commitments as at 31 December 2020.

### **STAFF**

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

### **SIGNIFICANT INVESTMENT HELD**

Save as disclosed herein, during the 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).

### **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

The Group did not have specific plans for material investments or capital assets as at 31 December 2020.

### **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).

## OTHER INFORMATION

### DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2020, the interests and short position of the Directors, the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; (b) or pursuant to Section 352 of the SFO to be recorded in the register to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

#### Long position

##### Ordinary shares of HK\$0.1 each of the Company (the "Shares")

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Ms. Lo Ching ("Ms. Lo") (Note 1)	Interest of controlled corporations (Note 2)	698,769,952	64.87%

Note:

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

Save as disclosed above, as at 31 December 2020, none of the Directors nor chief executive and their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

### SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 December 2020, the following persons (not being Directors or chief executive of the Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, and/or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

## Other Information

### Long position

#### Ordinary shares of HK\$0.1 each of the Company

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

#### Notes:

- The entire issued share capital of China Base Group Limited is owned by Ms. Lo.
- A facility agreement, an account charge and a debenture had been entered among China Base as borrower and both Founder Securities Financial Service (Cayman) Limited and Changjiang Finance (HK) Limited as the lenders. Pursuant to the facility agreement, China Base provided the shares of the Company as security of the loan (the "Security"). Due to the failure of repayment of loan, Founder Securities (Hong Kong) Limited proceeded its right to the Security.
- Founder Securities (Hong Kong) Limited and Founder Securities Financial Service (Cayman) Limited had a direct securities interest in 196,766,400 Shares jointly. Founder Securities (Hong Kong) Limited and Founder Securities Financial Service (Cayman) Limited is wholly owned by Founder Securities (Hong Kong) Financial Holdings Limited of which is wholly owned by Founder Securities Co., Ltd.
- Changjiang Finance (HK) Limited had a direct securities interest in 196,766,400 Shares. Changjiang Finance (HK) Limited is wholly owned by Changjiang Securities International Financial Group Limited.
- Changjiang Securities International Financial Group Limited is a company owned 64.18% by Changjiang Securities Company Limited, a company listed in Shenzhen Stock Exchange.
- 創世核心企業系列私募基金 had a direct securities interest in 676,864,150 Shares. 上海歌斐資產管理有限公司 is a fund manager of 創世核心企業系列私募基金. 上海歌斐資產管理有限公司 is wholly owned by 歌斐資產管理有限公司 of which is wholly owned by 上海諾亞投資管理有限公司.
- 上海諾亞投資管理有限公司 is a company owned 46% by Wang Jingbo.
- 諾亞(上海)融資租賃有限公司 had a direct securities interest in 676,864,150 Shares. 諾亞(上海)融資租賃有限公司 is wholly owned by Noah Group Honest Asia Limited of which is wholly owned by Noah Holdings Limited.
- The approximate percentages were calculated based on 1,077,128,000 Shares in issue as at 31 December 2020.

## Other Information

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2020.

### 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") regarding the insufficient number of independent non-executive Directors, please refer to the sub-paragraph headed "Insufficient independent non-executive Directors" below.

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

<b>CG Code provision</b>	<b>Reason for the non-compliance and improvement actions took or to be taken</b>
A.2.7	Since the custody of Ms. Lo and the suspension of Ms. Lo's administrative and executive duties and powers as the Chairman and executive Director on 29 July 2019, (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 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 reelection by the shareholders at the annual 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.

#### 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 endeavour 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.

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



## Other Information

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. 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.

### DIRECTORS' RIGHTS TO ACQUIRE SECURITIES OR DEBENTURE

At no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire such rights in the Company or any other body corporate.

### DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Reporting Period, none of the Directors or the controlling shareholders or substantial shareholders (as defined in the Listing Rules) of the Company or their respective close associates (as defined in the Listing Rules) were considered to have any interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group and/or caused, or was likely to cause any other conflicts of interest with the Group, as required to be disclosed under the Listing Rules.

### PURCHASE, SALE OR REDEMPTION OF SHARES

During the Reporting Period, there was no purchase, sale or redemption of the Group's listed securities by the Group.

### SHARE OPTION SCHEME

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

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

- (i) the average of the closing price of the shares as stated in the Stock Exchange daily quotation sheets for the five business days immediately preceding the date of grant; and
- (ii) the closing price of the shares as stated in the Stock Exchange daily quotation sheet on the date of grant, which must be a business day, provided that in the event of fractional prices, the subscription price shall be rounded upwards to the nearest whole cent.

## Other Information

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

No share option was granted since the adoption of the Scheme and there are no outstanding share options as at 31 December 2020.

### AUDIT COMMITTEE

The Company has formed an audit committee (the "Audit Committee") to assist the Board in providing an independent review of the effectiveness of the financial reporting process and the internal control and risk management systems of the company. On 3 December 2019, Mr. Lei Jun resigned as independent non-executive Director, chairman of the nomination committee, and a member of each of the Audit Committee and the remuneration Committee of the Board. The existing committee comprises Mr. Ross Yu Limjoco, as the chairman, and Mr. Zheng Yilei, all of whom are independent non-executive Directors. The Audit Committee is provided with sufficient resources to discharge its duties and meets regularly with the management and external auditors and review their reports. The Audit Committee has reviewed the unaudited condensed consolidated financial statements and results announcement of the Company for the Reporting Period which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Listing Rules and legal requirements and adequate disclosures have been made.

### 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 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.

### REVIEW OF INTERIM RESULT

The Company's unaudited interim results For the six months ended 31 December 2020 have been reviewed by the Audit Committee.

By order of the Board  
**MH Development Limited**  
**Liu Hui**  
*Executive Director*

Hong Kong, 19 February 2021

*As at the date of this report, 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.*

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

For the six months ended 31 December 2020

	Notes	Six months ended 31 December	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Revenue</b>	4	<b>12,005</b>	5,956
Cost of sales		<b>(11,387)</b>	(4,351)
Gross profit		<b>618</b>	1,605
Other income		<b>132</b>	51
Other gains and losses, net		<b>6,845</b>	(45,692)
Distribution costs		<b>(1,140)</b>	(1,581)
General and administrative expenses		<b>(16,894)</b>	(14,365)
Finance costs		<b>(958)</b>	(849)
Loss before income tax		<b>(11,397)</b>	(60,831)
Income tax credit	5	<b>956</b>	1,060
<b>Loss for the period</b>	6	<b>(10,441)</b>	(59,771)
<b>Other comprehensive (expense)/income</b>			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation to presentation currency		<b>(3,214)</b>	5,408
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>(18,948)</b>	(2,185)
Foreign currency translation reserve reclassified to profit or loss upon deregistration of subsidiaries		<b>365</b>	–
		<b>(18,583)</b>	(2,185)
Total other comprehensive (expense)/income for the period		<b>(21,797)</b>	3,223
<b>Total comprehensive expense for the period</b>		<b>(32,238)</b>	(56,548)

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2020

	Notes	Six months ended 31 December	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Loss for the period attributable to:			
Owners of the Company		(9,037)	(55,058)
Non-controlling interests		(1,404)	(4,713)
		(10,441)	(59,771)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(30,788)	(51,850)
Non-controlling interests		(1,450)	(4,698)
		(32,238)	(56,548)
Basic and diluted loss per share	9	HK\$(0.01)	HK\$(0.05)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	31 December 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	171	192
Right-of-use assets		3,301	3,795
Intangible assets		32,185	36,368
Goodwill		768	768
		<b>36,425</b>	41,123
<b>Current assets</b>			
Trade and other receivables	11	9,618	2,936
Bank balances and cash		7,489	752
		<b>17,107</b>	3,688
<b>Current liabilities</b>			
Trade and other payables	12	176,946	155,356
Tax liabilities		52,117	46,504
Lease liabilities		962	931
Loan from a related party	13	15,309	–
Bank borrowings		1,598	1,598
Bonds		11,736	11,031
		<b>258,668</b>	215,420
<b>Net current liabilities</b>		<b>(241,561)</b>	(211,732)
<b>Total assets less current liabilities</b>		<b>(205,136)</b>	(170,609)
<b>Non-current liabilities</b>			
Lease liabilities		2,492	2,981
Deferred tax liabilities	14	8,046	9,092
		<b>10,538</b>	12,073
<b>NET LIABILITIES</b>		<b>(215,674)</b>	(182,682)

## Condensed Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	31 December 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
<b>Capital and reserves</b>			
Share capital	15	107,712	107,712
Reserves		(319,971)	(289,183)
Equity attributable to owners of the Company		(212,259)	(181,471)
Non-controlling interests		(3,415)	(1,211)
<b>TOTAL DEFICIT</b>		<b>(215,674)</b>	(182,682)

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2020

	Attributable to owners of the Company							Sub-total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Contributed surplus HK\$'000 (note i)	Special reserve HK\$'000 (note ii)	Exchange reserve HK\$'000	Accumulated losses HK\$'000			
<b>At 1 July 2019 (audited)</b>	107,712	353,600	47,553	11,478	6,400	7,496	(656,627)	(122,388)	4,191	(118,197)
Loss for the period	-	-	-	-	-	-	(55,058)	(55,058)	(4,713)	(59,771)
Exchange differences arising on translation	-	-	-	-	-	3,208	-	3,208	15	3,223
Total comprehensive expense for the period	-	-	-	-	-	3,208	(55,058)	(51,850)	(4,698)	(56,548)
<b>At 31 December 2019 (unaudited)</b>	107,712	353,600	47,553	11,478	6,400	10,704	(711,685)	(174,238)	(507)	(174,745)
<b>At 1 July 2020 (audited)</b>	107,712	353,600	47,553	11,478	6,400	18,567	(726,781)	(181,471)	(1,211)	(182,682)
Loss for the period	-	-	-	-	-	-	(9,037)	(9,037)	(1,404)	(10,441)
Exchange differences arising on translation	-	-	-	-	-	(22,116)	-	(22,116)	(46)	(22,162)
Foreign currency translation reserve reclassified to profit or loss upon deregistration of subsidiaries (note 7)	-	-	-	-	-	365	-	365	-	365
Total comprehensive expense for the period	-	-	-	-	-	(21,751)	(9,037)	(30,788)	(1,450)	(32,238)
Deregistration of subsidiaries (note 7)	-	-	-	-	-	-	-	-	(754)	(754)
<b>At 31 December 2020 (unaudited)</b>	107,712	353,600	47,553	11,478	6,400	(3,184)	(735,818)	(212,259)	(3,415)	(215,674)

## Notes:

- (i) The contributed surplus represents the difference between the fair value of the underlying assets of a subsidiary acquired and the nominal value of the shares issued by the Company in exchange in December 2004.
- (ii) The special reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the share capital of the subsidiaries acquired pursuant to a group reorganisation in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited in 2005.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the six months ended 31 December 2020

	Notes	Six months ended 31 December	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(8,325)</b>	(9,624)
<b>Cash flow from investing activities</b>			
Interest received		2	3
Proceeds from disposals of property, plant and equipment	10	–	59
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>		<b>2</b>	62
<b>Cash flow from financing activities</b>			
Repayment to a related company		–	(1,042)
Loan raised from a related party		16,500	–
Repayment of loan from a related party		(1,191)	–
Interest paid		(59)	(262)
Repayment of lease liabilities		(459)	(447)
Repayment to a non-controlling shareholder		–	(90)
<b>NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES</b>		<b>14,791</b>	(1,841)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>6,468</b>	(11,403)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		<b>752</b>	12,349
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		269	(215)
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		<b>7,489</b>	731
<b>Analysis of cash and cash equivalents</b>			
Bank balances and cash		7,489	731



# 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").

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

## 1. GENERAL INFORMATION (Continued)

Referring to the announcement of the Company dated on 25 September 2020, having considered that Ms. Lo has not been able to discharge her duties as the chairman and an executive director and has been absent from the meetings of the Board for more than six consecutive months, the Board resolved on 22 September 2020 that the office of Ms. Lo as the Chairman and an executive director shall be vacated with immediate effect. As such, Ms. Lo shall cease to be a member of the nomination committee of the Board with effect from 22 September 2020.

Referring to the announcement of the Company dated on 13 January 2021, the name of the Company was changed from Camsing International Holding Limited to MH Development Limited.

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 of the Company selected Hong Kong dollars ("HK\$") as the presentation currency because the shares of the Company are listed on the Stock Exchange and HK\$ has been adopted as presentation currency in the Group's 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\$8,325,000 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.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

### 2. GOING CONCERN BASIS (Continued)

- (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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

## 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 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Revenue from contracts with customers:</b>		
Sales of goods	3,049	–
Rendering of services	6,894	–
Licensing fee income	2,062	5,956
	<b>12,005</b>	<b>5,956</b>

### Disaggregation of revenue from contracts with customers:

Segments	Sales and distribution of IP derived products and mobile devices HK\$'000 (Unaudited)	IP licensing and comprehensive services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>For the six months ended 31 December 2020</b>			
<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
	<b>3,049</b>	<b>8,956</b>	<b>12,005</b>
<u>Timing of revenue recognition</u>			
At a point in time	3,049	–	3,049
Over time	–	8,956	8,956
<b>Total</b>	<b>3,049</b>	<b>8,956</b>	<b>12,005</b>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

### 4. REVENUE AND SEGMENT INFORMATION (Continued)

#### (a) Revenue (Continued)

##### Disaggregation of revenue from contracts with customers: (Continued)

Segments	IP licensing and comprehensive services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>For the six months ended 31 December 2019</b>		
<i>Major service</i>		
<i>Licensing fee income</i>		
IP licensing fee income	5,956	5,956

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 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
The People's Republic of China (the "PRC")	9,943	–
The United States (the "US")	2,062	5,956
	<b>12,005</b>	5,956

##### Revenue from major customers:

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

## 4. REVENUE AND SEGMENT INFORMATION (Continued)

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

	Sales and distribution of IP derived products and mobile devices HK\$'000 (Unaudited)	IP licensing and comprehensive services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>For the six months ended 31 December 2020</b>			
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			(11,397)

	Sales and distribution of IP derived products and mobile devices HK\$'000 (Unaudited)	IP licensing and comprehensive services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>For the six months ended 31 December 2019</b>			
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			(60,831)

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.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

### 5. INCOME TAX CREDIT

	Six months ended 31 December	
	2020 HK\$'000	2019 HK\$'000
Deferred tax (note 14)	956	1,060

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 HK\$'000	2019 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	(2)	(3)

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

### 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	(2,336)	(194)	(2,530)
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	352	13	365
Gain on deregistration of subsidiaries ( <i>note 6</i> )	(8,517)	(1,015)	(9,532)

### 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).



## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

### 11. TRADE AND OTHER RECEIVABLES

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

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

	At 31 December 2020 HK\$'000	At 30 June 2020 HK\$'000
0-30 days	3,893	646
91-180 days	77	39
Over 365 days	477	438
	4,447	1,123

### 12. TRADE AND OTHER PAYABLES

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

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.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

### 13. LOAN FROM A RELATED PARTY

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

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. DEFERRED TAX LIABILITIES

	Revaluation of assets upon acquisition of a subsidiary HK\$'000
At 1 July 2019	11,284
Credited to profit or loss	(2,110)
Exchange realignment	(82)
At 30 June 2020 and 1 July 2020	9,092
Credited to profit or loss	(956)
Exchange realignment	(90)
At 31 December 2020	8,046

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

### 15. SHARE CAPITAL

	Number of Shares	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 July 2019, 31 December 2019, 1 July 2020 and 31 December 2020	3,000,000,000	300,000
Issued and fully paid:		
At 1 July 2019, 31 December 2019, 1 July 2020 and 31 December 2020	1,077,128,000	107,712

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

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

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

### 16. 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.

### 17. APPROVAL OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These condensed consolidated financial statements were approved and authorised for issue by the Board on 19 February 2021.