

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

QUARTERLY UPDATE ON STATUS OF RESUMPTION

This announcement is made by MH Development Limited (the “**Company**”, collectively with its subsidiaries, the “**Group**”) pursuant to Rules 13.09(2)(a) and 13.24A of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to (i) the announcements of the Company dated 5 July 2019, 9 July 2019, 16 July 2019, 18 July 2019, 19 July 2019, 29 July 2019, 15 August 2019, 4 September 2019, 30 September 2019, 10 October 2019, 6 March 2020, 15 April 2020, 18 September 2020, 16 October 2020, 23 October 2020, 9 November 2020, 1 December 2020, 11 December 2020, 14 January 2021, 15 January 2021 and 22 February 2021; (ii) the annual reports of the Company for the years ended 30 June 2019 and 2020; (iii) the interim reports of the Company for the six months ended 31 December 2019 and 2020; (iv) the announcement of results of special audit for the seven months ended 31 January 2021 of the Company dated 23 March 2021; and (v) the quarterly update announcements of the Company dated 18 October 2019, 20 January 2020, 21 April 2020, 28 July 2020, 22 October 2020 and 18 January 2021 (collectively, the “**Announcement(s)**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the Announcements.

UPDATE ON THE BUSINESS OPERATIONS OF THE GROUP

The business operations of the Group 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 (i.e. the IP Related Business). For further updates on the business operations of the Group, please refer to the sub-paragraph headed “(c) Compliance with Rule 13.24” under the paragraph headed “Update on resumption progress” below.

RESUMPTION GUIDANCE

The Stock Exchange has set out the below Resumption Guidance for the Company in August 2019 and October 2019:

- (a) disclose details of the Custody of Ms. Lo by the Bureau and its impact on the Company’s financial and operation position;
- (b) 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;
- (c) demonstrate its compliance with Rule 13.24 of the Listing Rules to warrant the continued listing of the Shares;
- (d) clarify the Company’s current shareholding structure;
- (e) announce all material information for the Shareholders and investors to appraise its position; and
- (f) publish all outstanding financial results and address any audit modifications.

UPDATE ON RESUMPTION PROGRESS

The Company has continued to take active steps to address and comply with the Resumption Guidance. The Stock Exchange has confirmed that, subject to further developments or any issues arising from any changes of situation in future, the Company has satisfied paragraph (d) of the Resumption Guidance. Regarding paragraphs (a), (b) and (e) of the Resumption Guidance, there is no update on the progress of complying with the Resumption Guidance as at the date of this announcement. The Company will make further

update announcements in relation to the paragraphs (a), (b) and (e) of the Resumption Guidance as and when appropriate. The following are the updates on the progress of complying with paragraphs (c) and (f) of the Resumption Guidance:

(c) Compliance with Rule 13.24

Regarding paragraph (c) of the Resumption Guidance, 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 18 contracts which are mostly long-term business contracts with independent third party customers, including 4 contracts for IP licensing business, 6 contracts for IP marketing business, and 8 contracts for sale and distribution of IP derived products and mobile devices business. These contracts locked a total amount of approximately HK\$53.2 million revenue, which is crucial for the Group's business. The Board believes that the Group has a viable and sustainable business as a whole and will be operating in full compliance with Rule 13.24 of the Listing Rules.

(f) Financial results and audit modifications

Regarding paragraph (f) of the Resumption Guidance, the audited financial reports for FY2019 and FY2020 have been published on 29 January 2021, and the unaudited financial reports for 6M2019 and the six months ended 31 December 2020 have been published on 29 January 2021 and 26 February 2021 respectively. In addition, the Company has published the audited financial results of the Company for the seven months ended 31 January 2021 on 22 March 2021, to better demonstrate the Company's compliance with paragraph (f) of the Resumption Guidance. As disclosed in the quarterly update announcement of the Company dated 18 January 2021, it is expected that the potential audit modified qualification on the consolidated financial statements of the coming years are as follows:

- (i) ***For the year ending 30 June 2021:*** Modified opinion is expected to be issued on the (i) profit or loss effect on the gain/loss on the Disposal; and (ii) the opening balance of assets and liabilities, and the comparative profit or loss (being FY2020) of the Target Companies and its subsidiaries included in the comparative figures in the financial statements of the Company;
- (ii) ***For the year ending 30 June 2022:*** Modified opinion is expected to be issued on the profit or loss effect during the year ending 30 June 2021 (included in the comparative figure of the financial information for the financial information for the year ending 30 June 2022) on gain/loss on the Disposal; and
- (iii) ***For the year ending 30 June 2023:*** No modified opinion is expected.

OTHER UPDATES

Proposed Capital Reorganisation and the Subscription Agreement

Reference is made to the announcement of the Company dated 22 February 2021 (the “**Subscription Announcement**”).

As disclosed in the Subscription Announcement, the Board proposed 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.

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 net proceeds of the Subscription is expected to be approximately HK\$22.1 million.

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.

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.

The Company has despatched the circular to the Shareholders on 29 March 2021, containing, among other things, further details of the Capital Reorganisation and the Subscription, and a notice convening the EGM to be held on 30 April 2021 for the purpose of considering, among other things, and if thought fit, approving the Capital Reorganisation, the Subscription and the transactions contemplated thereunder.

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 Shares.

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

Hong Kong, 16 April 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.