Moody Technology Holdings Limited
滿地科技股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1400)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

HIGHLIGHTS

- The Group's total revenue was approximately RMB250.7 million in 2018, decreased from the total revenue of approximately RMB271.9 million in 2017.
- The Group experienced a gross loss of approximately RMB61,000 in 2018, as compared to a gross loss of approximately RMB16.6 million in 2017.
- The Group's loss decreased to approximately RMB369.3 million in 2018, from approximately RMB732.8 million in 2017.
- Basic and diluted loss per share decreased from loss per share of RMB47.27 cents in 2017 to loss per share of RMB21.62 cents in 2018.
- As at 31 December 2018, the Group's total bank and cash balances amounted to approximately RMB1.4 million (2017: approximately RMB1.3 million), representing an increase of 7.7% as compared to that as at 31 December 2017.
- The Board did not propose the payment of a final dividend.

The board ("Board") of directors (the "Directors") of Moody Technology Holdings Limited ("Moody" or the "Company") is pleased to present the audited consolidated full year results of the Company together with its subsidiaries (collectively, the "Group") for the year ended 31 December 2018 (the "Year" or "Year under Review").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** **RMB'000**	2017 RMB'000
Revenue	4	**250,660**	271,858
Cost of sales		**(250,721)**	(288,462)
Gross loss		**(61)**	(16,604)
Other income		**30,584**	8,591
Selling and distribution costs		**(2,906)**	(2,090)
General and administrative expenses		**(223,322)**	(606,820)
Loss from operations		**(195,705)**	(616,923)
Finance costs	5	**(103,220)**	(68,678)
Impairment losses of goodwill of investment in an associate		**(909)**	–
Share of losses of an associate		**(70,597)**	(15,350)
Loss before tax		**(370,431)**	(700,951)
Income tax credit/(expense)	6	**1,150**	(31,814)
Loss and total comprehensive income for the year attributable to owners of the Company	7	**(369,281)**	(732,765)
Loss per share			
Basic *(RMB cents)*	8(a)	**(21.62)**	(47.27)
Diluted *(RMB cents)*	8(b)	**(21.62)**	(47.27)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	**2018** **_RMB'000_**	2017 *RMB'000*
Non-current assets			
Property, plant and equipment	9	**373,734**	396,372
Leasehold land and land use right	10	**22,665**	23,223
Investment in an associate	11(a)	**–**	71,506
		396,399	491,101
Current assets			
Leasehold land and land use right	10	**558**	558
Inventories	12	**30,707**	52,213
Trade and other receivables	13	**114,119**	225,825
Amount due from an associate	11(b)	**–**	7,290
Bank and cash balances		**1,414**	1,254
		146,798	287,140
Current liabilities			
Trade and other payables	14	**187,595**	162,806
Borrowings	15	**530,489**	438,324
Amount due to an associate	11(b)	**4,492**	–
		722,576	601,130
Net current liabilities		**(575,778)**	(313,990)
Total assets less current liabilities		**(179,379)**	177,111

	Notes	2018 RMB'000	2017 RMB'000
Non-current liabilities			
Borrowings	15	**278,660**	287,337
Deferred income	16	**13,722**	17,237
Deferred income tax liabilities		**419**	1,569
		292,801	306,143
NET LIABILITIES		**(472,180)**	(129,032)
Equity			
Share capital	17	**150,493**	124,010
Reserves		**(622,673)**	(253,042)
TOTAL DEFICIT		**(472,180)**	(129,032)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION

Moody Technology Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 29 April 2013. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company in Hong Kong is located at 39/F, Gloucester Tower, the Landmark, 15 Queen's Road Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 25 April 2014 (the "Listing").

With effect from 30 August 2018, the name of the Company was changed from Wang Tai Holdings Limited to Moody Technology Holdings Limited.

The Company is an investment holding company and its subsidiaries (together the "Group") are principally engaged in the design, manufacturing and sales of fabrics and sales of shoes and clothes.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board (the "IASB"). IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to the consolidated financial statements.

Going concern

The Group incurred a loss of approximately RMB369,281,000 for the year ended 31 December 2018 and as at 31 December 2018, the Group had net current liabilities and net liabilities of approximately RMB575,778,000 and RMB472,180,000, respectively. Furthermore, as at 31 December 2018, the Group's bank borrowings of approximately RMB133,692,000 were overdue and its bonds of approximately RMB326,797,000 are subject to renewal or to be fully repaid within the next twelve months. 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 of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on going concern basis. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon that the Group will be able to successfully negotiate and agree with the creditors to renew or extend the existing borrowings or complete debt financing to meet its liabilities as they fall due. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements, to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. SEGMENT INFORMATION

For the year ended 31 December 2018, the Group has two reportable segments as follows:

– Sales of fabrics; and
– Sales of shoes and clothes

For the year ended 31 December 2017, the Group has three reportable segments as follows:

– Sales of fabrics;
– Sales of cotton yarns; and
– trading of polyetherimide ("PEI")

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in the consolidated financial statements. Segments profit or loss do not include other income, selling and distribution costs, general and administrative expenses, finance costs, impairment losses of goodwill of investment in an associate and share of losses of an associate. Segment assets do not include investment in an associate, amount due from associate and bank and cash balances. Segment liabilities do not include amount due to an associate, current and deferred income tax liabilities and borrowings.

	Fabrics	Shoes and clothes	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment results			
Year ended 31 December 2018:			
Reportable revenue from external customers	**227,163**	**23,497**	**250,660**
Reportable segment (loss)/profit	**(3,427)**	**3,366**	**(61)**
Other income			**30,584**
Selling and distribution costs			**(2,906)**
General and administrative expenses			**(223,322)**
Finance costs			**(103,220)**
Impairment losses of goodwill of investment in an associate			**(909)**
Share of losses of an associate			**(70,597)**
Loss before tax			**(370,431)**
Other segment items			
Capital expenditure	**12,531**	**–**	**12,531**
Amortisation of leasehold land and use right	**558**	**–**	**558**
Depreciation of property, plant and equipment	**33,126**	**–**	**33,126**
Impairment losses	**175,823**	**–**	**175,823**

	Fabrics	Yarns	PEI	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment results				
Year ended 31 December 2017:				
Reportable revenue from external customers	271,858	–	–	271,858
Reportable segment loss	(16,604)	–	–	(16,604)
Other income				8,591
Selling and distribution costs				(2,090)
General and administrative expenses				(606,820)
Share of losses of an associate				(15,350)
Finance costs				(68,678)
Loss before tax				(700,951)
Other segment items				
Capital expenditure	28,774	–	–	28,774
Amortisation of leasehold land and land use right	557	–	–	557
Depreciation of property, plant and equipment	31,606	1,499	–	33,105
Impairment losses	242,071	–	309,605	551,676

Segment assets and liabilities	**Fabrics**	**Shoes and Clothes**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
At 31 December 2018:			
Segment assets	**539,714**	**2,069**	**541,783**
Unallocated assets			**1,414**
Total assets			**543,197**
Segment liabilities	**201,317**	**–**	**201,317**
Unallocated liabilities			**814,060**
Total liabilities			**1,015,377**

	Fabrics *RMB'000*	Yarns *RMB'000*	PEI *RMB'000*	Total *RMB'000*
Segment assets and liabilities				
At 31 December 2017:				
Segment assets	698,191	–	–	698,191
Unallocated assets				80,050
Total assets				778,241
Segment liabilities	177,423	2,620	–	180,043
Unallocated liabilities				727,230
Total liabilities				907,273

Geographical information:

The Group's revenue from external customers by location of operations are detailed below:

	2018 ***RMB'000***	2017 *RMB'000*
The People's Republic of China (the "PRC")	**216,101**	192,974
Korea	**23,497**	–
Hong Kong	**11,062**	78,884
	250,660	271,858

Over 90% of the Group's non-current assets (excluding investment in an associate) are located in the PRC. Accordingly, no further geographical information of non-current assets to disclosed.

Information about major customers

	2018 ***RMB'000***	2017 *RMB'000*
Customer A	**35,159**	–*
Customer B	**–***	40,723
Customer C	**–***	29,334

* Revenue from these customers did not exceed 10% of total revenue for the year. These amounts were shown for comparative purpose.

4. REVENUE

Revenue represents the aggregation of net amounts received and receivable during the year. An analysis of the Group's revenue for the year is as follows:

	2018	2017
	RMB'000	*RMB'000*
Recognised at point in time:		
Sales of fabrics	**227,163**	271,858
Sales of shoes and clothes	**23,497**	–
	250,660	271,858

5. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Interest expenses on bank borrowings	**21,077**	18,625
Interest expenses on bonds	**82,143**	50,053
	103,220	68,678

6. INCOME TAX (CREDIT)/EXPENSE

	2018	2017
	RMB'000	*RMB'000*
Current tax:		
Hong Kong Profits Tax		
Under-provision in prior years	**–**	232
PRC Enterprise Income Tax ("PRC EIT")		
Under-provision in prior years	**–**	267
	–	499
Deferred tax	**(1,150)**	31,315
	(1,150)	31,814

No provision for Hong Kong Profits Tax is required since the Group has no assessable profits for the year ended 31 December 2018 (2017: Nil).

PRC EIT has been provided at a rate of 25% (2017: 25%) on the estimated assessable profits of those subsidiaries established in the PRC for the year ended 31 December 2018.

7. LOSS FOR THE YEAR

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

	2018	2017
	RMB'000	*RMB'000*
Auditor's remuneration	**776**	1,041
Raw materials and consumables used	**175,989**	246,826
Depreciation of property, plant and equipment	**34,768**	33,657
Amortisation of leasehold land and land use right	**558**	557
Minimum lease payments under operating leases in respect of office premises	**3,040**	946
Loss on disposals of property, plant and equipment	**109**	459
Gain on disposal of available-for-sale financial assets	**–**	(300)
Net foreign exchange (gains) / losses	**(7,889)**	15,347
Impairment losses of inventories	**7,373**	1,529
Impairment losses of trade receivables	**176,546**	445,544
Impairment losses of other receivables	**2,825**	–
(Reversal of impairment)/impairment losses of prepayments	**(10,921)**	104,603
Staff costs (including directors' emoluments):		
Salaries, bonuses and other benefits	**17,676**	16,745
Retirement benefit scheme contributions	**1,384**	6,811
	19,060	23,556

Note: Depreciation of property, plant and equipment and staff costs of approximately RMB33,126,000 and RMB10,517,000 (2017: RMB33,105,000 and RMB10,827,000) were included in the cost of sales.

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share is based on the following:

	2018	2017
	RMB'000	*RMB'000*
Loss for the year attributable to owners of the Company used in the basic loss per share calculation	**(369,281)**	(732,765)

	Number of shares	
	2018	2017
Weighted average number of ordinary shares in issue during the year used in basic loss per share calculation	**1,707,972,603**	1,550,000,000

(b) Diluted loss per share

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary share during the two years ended 31 December 2018 and 2017.

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Machinery and equipment *RMB'000*	Office equipment, furniture and vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost					
At 1 January 2017	371,037	232,915	5,197	–	609,149
Additions	–	6,274	–	22,500	28,774
Disposals	–	(35,458)	(407)	–	(35,865)
At 31 December 2017 and 1 January 2018	371,037	203,731	4,790	22,500	602,058
Additions	**–**	**6,510**	**120**	**5,901**	**12,531**
Transfer	**26,919**	**–**	**–**	**(26,919)**	**–**
Disposals	**–**	**(3,835)**	**(142)**	**–**	**(3,977)**
At 31 December 2018	**397,956**	**206,406**	**4,768**	**1,482**	**610,612**
Accumulated depreciation					
At 1 January 2017	72,481	129,011	2,227	–	203,719
Charge for the year	16,590	16,515	552	–	33,657
Disposals	–	(31,365)	(325)	–	(31,690)
At 31 December 2017 and 1 January 2018	89,071	114,161	2,454	–	205,686
Charge for the year	**15,934**	**17,192**	**1,642**	**–**	**34,768**
Disposals	**–**	**(3,448)**	**(128)**	**–**	**(3,576)**
At 31 December 2018	**105,005**	**127,905**	**3,968**	**–**	**236,878**
Carrying amount					
At 31 December 2018	**292,951**	**78,501**	**800**	**1,482**	**373,734**
At 31 December 2017	281,966	89,570	2,336	22,500	396,372

As at 31 December 2018, buildings of the Group with carrying amount of approximately RMB250,431,000 (2017: RMB186,733,000) and machinery and equipment of the Group with carrying amount of approximately RMB27,447,000 (2017: RMB34,689,000) were pledged as collateral for certain bank borrowings of the Group (note 15).

The Group has carried out a review of the recoverable amount of its property, plant and equipment as at 31 December 2018 with reference to the independent valuation performed by an independent valuer, Castores Magi (Hong Kong) Limited. The recoverable amount is assessed based on fair value less cost of disposal by using replacement cost basis under level 3 fair value measurement. No impairment loss is recognised for the year ended 31 December 2018 (2017: Nil) as the recoverable amount of the subject property, plant and equipment is higher than and close to its carrying amount as at 31 December 2018.

10. LEASEHOLD LAND AND LAND USE RIGHT

	2018	2017
	RMB'000	*RMB'000*
At 1 January	**23,781**	24,338
Amortisation for the year	**(558)**	(557)
At 31 December	**23,223**	23,781
Less: current portion	**(558)**	**(558)**
Non-current portion	**22,665**	23,223

Leasehold land and land use right represent the net book amount of prepaid operating lease payments. All land use right is located in the PRC. As at 31 December 2018, the Group's leasehold land and land use right with carrying amount of approximately RMB23,223,000 (2017: RMB23,781,000) were pledged as collateral for certain bank borrowings of the Group (note 15).

11. INTERESTS IN AN ASSOCIATE

(a) Investment in an associate

	2018	2017
	RMB'000	*RMB'000*
Unlisted investments:		
Share of net assets	**–**	70,597
Goodwill	**60,909**	60,909
	60,909	131,506
Impairment loss on goodwill	**(60,909)**	(60,000)
Share of net assets	**–**	71,506

Details of the Group's associate at 31 December 2018 are as follows:

Name	**Place of incorporation**	**Issued and paid up capital**	**Percentage of ownership interest**	**Principal activities and place of operation**
百鑫(中國)有限公司 Baixin (China) Co., Limited	The PRC	RMB100,000,000	50%	Manufacturing and sales of yarn and cotton fabric, the PRC

(b) Amount due from / to an associate

The amount due from / to an associate is unsecured, interest-free and repayable on demand.

12. INVENTORIES

	2018	2017
	RMB'000	*RMB'000*
Raw materials	**9,593**	6,601
Work-in-progress	**7,129**	7,209
Finished goods	**13,985**	38,403
	30,707	52,213

As at 31 December 2018, the Group's inventories with carrying amount of approximately RMB5,445,000 (2017: RMB14,138,000) were pledged as collateral for certain bank borrowings of the Group (note15).

13. TRADE AND OTHER RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables *(note (a))*	**787,834**	731,359
Less: Allowance for trade receivables *(note (a))*	**(751,978)**	(575,432)
	35,856	155,927
Prepayments to suppliers for purchase of raw materials	**158,633**	181,716
Less: Allowance for prepayments	**(153,069)**	(163,990)
	5,564	17,726
Other receivables	**75,185**	52,172
Less: Allowance for other receivables	**(2,825)**	–
	72,360	52,172
Amount due from a director *(note (b))*	**339**	–
	114,119	225,825

Notes:

(a) Trade receivables

The Group's trading terms customers are mainly on credit. The credit terms generally 90 days (2017: 90–120 days). Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

	2018	2017
	RMB'000	*RMB'000*
Within 6 months	**30,927**	103,998
Over 6 months but less than 12 months	**4,929**	51,929
	35,856	155,927

As of 31 December 2018, trade receivables of approximately RMB35,856,000 (2017: RMB155,927,000) were past due but not impaired. These trade receivables related to customers for whom there was no recent history of default. The ageing analysis of these trade receivables, based on due date, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Neither past due nor impaired	**27,668**	58,186
Less than 6 months past due	**3,259**	75,755
Over 6 months but less than 12 months past due	**4,929**	21,986
	35,856	155,927

The Group does not charge interest or hold any collateral over these balances.

Lifetime ECL that has been recognised in accordance with simplified approach set out in IFRS 9 for the year ended 31 December 2018 is as follows:

	2018
	RMB'000
At 1 January	**575,432**
Charged for the year	**176,546**
At 31 December	**751,978**

Prior to 1 January 2018, impairment losses were recognised when there was objective evidence of impairment. The movement of the impairment losses of the trade receivables for the year ended 31 December 2017 is as follows:

	2017
	RMB'000
At 1 January	129,888
Charged for the year	445,544
At 31 December	575,432

(b) Amount due from a director

The amount due is unsecured, interest-free and repayable on demand.

Amount due from a director disclosed pursuant to section 383(1)(d) to the Hong Kong Companies Ordinance is as follows:

	Maximum outstanding balance during the year	**2018**	2017
	RMB'000	***RMB'000***	*RMB'000*
Mr. Lin Qingxiong	339	**339**	–

14. TRADE AND OTHER PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**54,300**	59,270
Advance payments from customers	**9,279**	6,453
Payables for purchases of property, plant and equipment	**34,145**	26,845
Salary payables	**23,371**	23,783
Interest payables	**37,160**	25,109
Other payables and accruals	**29,340**	21,346
	187,595	162,806

An aging analysis of trade payables at the end of the reporting period, based on the invoice date, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**15,055**	4,203
Over 3 months but less than 12 months	**11,250**	8,505
Over 12 months	**27,995**	46,562
	54,300	59,270

15. BORROWINGS

	Note	**2018** *RMB'000*	2017 *RMB'000*
Current:			
Secured bank borrowings	(a)	**190,173**	227,475
Unsecured bank borrowings	(a)	**13,519**	24,286
Unsecured bonds	(b)	**326,797**	186,563
		530,489	438,324
Non-current:			
Secured bank borrowings	(a)	**30,000**	–
Unsecured bonds	(b)	**248,660**	287,337
		278,660	287,337
		809,149	725,661

Notes:

(a) Bank borrowings

As at 31 December 2018, bank borrowings amounted to approximately RMB133,692,000 (2017: RMB195,991,000) were overdue by the Group due to temporary shortage of funds. As a result, the Group is subject to a penalty interest expense during the overdue period.

The Group's bank borrowings of approximately RMB220,173,000 (2017: RMB227,475,000) were secured by its property, plant and equipment (note 9), leasehold land and land use right (note 10) and inventories (note 12).

The effective interest rates on bank borrowings were ranging from 5.64% to 14.58% (2017: 5.75% to 10.16%) per annum for the year ended 31 December 2018.

The maturity profile of the carrying amount of the bank borrowings is analysed as follows:

	2018 *RMB'000*	2017 *RMB'000*
Within one year	**203,692**	251,761
In the second year	**30,000**	–
	233,692	251,761

(b) Unsecured bonds

As at 31 December 2018, the Company issued a number of HK$-denominated bonds with an aggregate principal of approximately RMB671,815,000 (2017: RMB557,266,000). The bonds are unsecured, bearing interest rates at a range of 1.5%–24% (2017: 1.5%–14%) per annum, and repayable during the period from January 2019 to December 2027 (2017: January 2018 to June 2026). The maturity profile of the carrying amount of the bonds is analysed as follows:

	2018	2017
	RMB'000	*RMB'000*
Within one year	**326,797**	186,563
In the second year	**13,997**	77,613
In the third to fifth years, inclusive	**138,350**	89,996
After five years	**96,313**	119,728
	575,457	473,900

16. DEFERRED INCOME

	2018	2017
	RMB'000	*RMB'000*
Government grants relating to leasehold land and land use right	**13,722**	14,035
Government grants relating to plant and equipment	**–**	3,202
	13,722	17,237

The movements of deferred income during the year are as follows:

	2018	2017
	RMB'000	*RMB'000*
At 1 January	**17,237**	18,104
Amortised as income	**(3,515)**	(867)
At 31 December	**13,722**	17,237

17. SHARE CAPITAL

	2018		2017	
	Number of shares (thousands)	**Amount *HK$'000***	Number of shares (thousands)	Amount *HK$'000*
Authorised:				
Ordinary shares of HK$0.10 each				
At 1 January and 31 December	**10,000,000**	**1,000,000**	10,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of HK$0.10 each				
At 1 January	**1,550,000**	**155,000**	1,550,000	155,000
Issue of shares *(note)*	**310,000**	**31,000**	–	–
At 31 December	**1,860,000**	**186,000**	1,550,000	155,000
Equivalent to RMB'000		**150,493**		124,010

Note: On 17 May 2018, the Company and the placing agent entered into a placing agreement in respect of the placement of 310,000,000 ordinary shares of HK$0.10 each at a price of HK$0.10 per share under general mandate. The placement was completed on 29 June 2018. As the shares were issued at par value, the share issue expenses of approximately RMB350,000 was debited to the Company's share premium account.

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 capital structure of the Group comprises all components of shareholders' equity.

The Group reviews the capital structure frequently by considering the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts, redemption of existing debts or selling assets to reduce debts. No change was made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017.

The only externally imposed capital requirement for the Group is that in order to maintain its listing on the Stock Exchange, it has to have a public float of at least 25% of the shares. The Group has maintained a sufficient public float to comply with the Listing Rules from the date of the Listing.

18. CAPITAL COMMITMENT

Capital commitment contracted but not provided for at the end of the reporting period but not yet incurred are as follows:

	2018	2017
	RMB'000	*RMB'000*
Property, plant and equipment	**4,654**	45,749

19. LEASE COMMITMENT

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018	2017
	RMB'000	*RMB'000*
Within one year	**933**	1,145
In the second to fifth years inclusive	**–**	859
	933	2,004

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of two years and rentals are fixed over the lease terms and contingent rentals.

20. CONTINGENT LIABILITIES

During the course of business, the Group has received claims from suppliers, customers and employees concerned with the quality of goods and personal injuries, including claims of insignificant or unspecified amounts. The directors are of the opinion that the Group has a meritorious defence against these claims. Accordingly, the directors do not believe that these claims will have any material adverse impact on the Group and accordingly no provisions have been made in respect thereof.

(a) Demand for repayment of borrowings

(i) On 16 January 2018, the Company received demand from Bank of China (Hong Kong) Limited for the repayment of import invoice finance granted under the general banking facilities letter, with its principal amount of approximately US$423,000, interest payable as at 10 January 2018 of approximately US$5,000, and further interest accrued from 11 January 2018 to the date of payment at its rate of 10.5% per annum which subject to fluctuation. This bank borrowing was fully settled during the year 2018.

(ii) On 29 January 2018, the Company received demand from PC Securities Limited ("PC Securities"), the bond holder, in respect of repayment of the debt or secure or compound for it to the PC Securities' satisfaction, with its principal amount of HK$84,000,000 and interest of approximately HK$2,980,000. With respect to the default of the aforesaid bond, another bond with its principal amount of HK$57,900,000 is regarded as cross default, PC Securities also demands the Company to repay it immediately.

On 5 March 2018, the Company received a petition ("Petition") entitled HCCW 56/2018 presented by PC Securities ("Petitioner") to the High Court of Hong Kong S.A.R. for winding up of the Company and the hearing of the Petition was fixed for 9 May 2018 before a Master in Court. The Petitioner claimed to be the holder of a bond for the principal amount of HK$84,000,000 with coupons 7% issued by the Company on 28 January 2015 (the "Bond"). However, according to the register kept by the Registrar, the Bank of New York Depository (Nominees) Limited, the Petitioner is not the registered holder of the Bond. The Company is now making enquiry of the locus standi of the Petitioner and seeking legal advice on the matter.

On 19 April 2018, Moody Group (Int'l) Holding Limited (formerly known as "Hongtai Group (Int'l) Holding Limited"), a wholly-owned subsidiary of the Company and the Petitioner entered into a settlement deed ("Settlement Deed"). Pursuant to the Settlement Deed, the parties thereto agreed that the total outstanding amount owed by the Company to the Petitioner as at the date of the Settlement Deed was HK$92,600,306.38 and Moody Group (Int'l) agreed to settle such outstanding amount by instalments (with the date of the final instalment being 29 June 2019) together with further interest. Upon signing of the Settlement Deed and following the receipt of the cheques/cashier orders required in the Settlement Deed and the clearance of the cheques/cashier orders for the first instalment payment of HK$6,524,217.26, the Petitioner shall enter into a consent summons to seek leave from the court to have the Petition withdrawn.

On 24 May 2018, the High Court made an order that the Petition be withdrawn following the Company and the Petitioner have made a joint application by way of consent summons to the court for the withdrawal of the Petition.

(iii) On 13 February 2018, the Company received demand from Mr. Zhang Hua, the bond holder, in respect of repayment of the bond principal of HK$27,000,000, interest payable from 28 December 2017 to 9 January 2018 of approximately HK$192,000 and daily default interest of approximately HK$13,000 payable until repayment. On 13 February 2018, the Company received final demand from Well Honour Investment (Group) Limited, the bond holder, in respect of repayment of the bond principal of HK$430,000, or otherwise legal actions will be taken. The Company settled the above bonds during the year 2018.

(iv) On 3 February 2018, Mr. Lin Yingjie ("Mr. Lin") filed a claim through Fujian Province Shishi City People's Court (福建省石獅市人民法院) against to an indirect wholly-owned subsidiary of the Group, Hongtai (China) Co., Limited (宏太(中國)有限公司) ("Hongtai (China)") for the repayment of outstanding borrowing in aggregate of approximately RMB1,350,000. Up to the date of the consolidated financial statements, the legal proceeding in respect of above case was still in progress and the outcome of which cannot be ascertain. Accordingly, the directors consider that no provision for the claim is required in preparing the consolidated financial statements for the year ended 31 December 2018.

(b) Contract disputes

(i) Since 9 November 2016, claim of approximately HK$2,620,000 in aggregation was brought against Hongtai (China) by a supplier namely重慶紗線產品交易中心有限公司 (the "Plaintiff 1") alleging that Hongtai (China) was liable for payment of defected goods supplied to Hongtai (China) by the Plaintiff 1. This case was filed in the Chongqing Nan'an District People's Court (重慶市南岸區人民法院) against Hongtai (China). Up to the date of the consolidated financial statements, the legal proceeding in respect of above case was still in progress and the outcome of which cannot be ascertain. In preparing the consolidated financial statements, the directors are of the opinion that no provision of the claim of approximately HK$2,620,000 is necessary as having considered the legal advice from the Group's PRC legal counsel, the directors believe that the Company has merits in the defence against the claim.

(ii) On 23 January 2017, claim of approximately HK$2,244,000 in aggregation was brought against Hongtai (China) by a supplier namely 莆田市瑞鑫紡織服裝貿易有限公司 (the "Plaintiff 2") alleging that Hongtai (China) was liable for payment of defected goods to the Plaintiff 2. This case was filed in the Fujian Province Shishi City People's Court (福建省石獅市人民法院) against Hongtai (China). Up to the date of the consolidated financial statements, the legal proceeding in respect of above case was still in progress and the outcome of which cannot be ascertain. Accordingly, the directors consider that no provision for the claim is required in preparing the consolidated financial statements for the year ended 31 December 2018.

21. EVENT AFTER THE REPORTING PERIOD

(a) Proposed change of domicile; proposed adoption of new memorandum of continuance and new Bye-laws; proposed cancellation of share premium account; and proposed capital reorganisation

On 12 November 2018, the Company announcement that the board of directors of the Company (the "Board") proposes to change the domicile of the Company from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda (the "Change of Domicile"). The implementation of the Change of Domicile will not affect the continuity of the Company and its listing status on the Stock Exchange.

In connection with the Change of Domicile, it is proposed that the new Memorandum of Continuance and the new Bye-laws be adopted by the Company to replace the existing Memorandum and the Articles, respectively, in order to comply with the laws of Bermuda.

The Board proposes to cancel the entire amount standing to the credit of the share premium account of the Company and to transfer the credits arising from such cancellation to an account designated as the contributed surplus account of the Company before the Change of Domicile becoming effective. The account designated as the contributed surplus account of the Company, subject to the approval of the shareholders at the extraordinary general meeting by way of special resolution, shall be the contributed surplus account of the Company within the meaning of the Companies Act upon the Change of 1981 of Bermuda Domicile becoming effective.

The Board proposes to implement the capital reorganisation ("Capital Reorganisation") after the Change of Domicile becoming effective which comprises the following:

(i) share consolidation on the basis of every ten issued and unissued existing shares of par value HK$0.10 each into one consolidated share of par value HK$1.00 each;
(ii) reduction of the issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK$0.99 on each of the issued consolidated shares so that the nominal value of each issued consolidated share will be reduced from HK$1.00 to HK$0.01; and
(iii) the share subdivision of each authorised but unissued consolidated share of HK$1 (including those arising from the capital reduction) into one hundred adjusted shares of HK$0.01 each.

On 21 February 2019, the Board of the Company announced that the Change of Domicile has not yet become effective and therefore it is expected that the effective date of the Capital Reorganisation will be delayed.

Details of above are set out in the Company's announcements dated 12 November 2018 and 21 February 2019.

(b) Demand for repayment of borrowings

On 14 February 2019, the Company received demand from Ms. Zhang Xue Ping, the bond holder, in respect of repayment of the bond principal of approximately HK$680,000 together with the interest (including the bond interest and the default interest). The Company is seeking legal advice on this matter.

22. ADOPTION OF NEW AND REVISED IFRSs

(a) Application of new and revised IFRSs

The IASB has issued a number of new and revised IFRSs that are first effective for annual periods beginning on or after 1 January 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

(i) IFRS 9 Financial Instruments; and
(ii) IFRS 15 Revenue from Contracts with Customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 9 Financial instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

The adoption of IFRS 9 resulted in the following changes to the Group's accounting policies.

(a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

– those to be measured subsequently at fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL"); and
– those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

(b) Measurement

At initial recognition, the Group measures a financial assets at its fair value plus, in the case of a financial assets not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(c) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its financial assets carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Set out below is the impact of the adoption of IFRS 9 on the Group.

With respect to the financial assets classified as loans and receivables (which were measured at amortised cost) under IAS 39, the Group have assessed the business model under which the financial assets are managed and its contractual cash flow characteristics, and these financial assets will continue with their respective classification and measurements upon the adoption of IFRS 9, and the carrying amounts of these financial assets as at 1 January 2018 have not been impacted by the initial application of IFRS 9.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application.

The Group did not designate or de-recognise any financial assets or financial liabilities at FVTPL at 1 January 2018 and the initial adoption of IFRS 9 did not have impact on the Group's opening accumulated losses.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognsied. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. The initial adoption of IFRS 15 did not have impact on the Group's opening accumulated losses and how the Group recognised its revenue.

(b) New and revised IFRSs in issue but not yet effective

The Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2018. These new and revised IFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 16 Leases	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to IFRSs 2015 -2017 Cycle	1 January 2019
Amendments to IAS 28 Long-term Interest in Associates and Joint Ventures	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of IFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). IFRS 16 carries forward the accounting requirements for lessors in IAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or finance leases.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under IFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 19, the Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to approximately RMB933,000 as at 31 December 2018. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of IFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statements from 2019 onwards.

AUDIT OPINION

The auditors of the Company issue a Disclaimer of Opinion on the financial statements of the Group for the year under review. An extract of the auditor's report is set out in the section headed "Extract of the independent auditor's report" below.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPROT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2018.

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

1. **Opening balances and corresponding figures**

   In the predecessor auditor's report dated 29 March 2018 in respect of the audit of the consolidated financial statements of the Group for the year ended 31 December 2017 (the "2017 Financial Statements"), the predecessor auditor did not express an opinion on the 2017 Financial Statements. The disclaimer of opinion was resulted from scope limitation based on reasons summarised in the basis for disclaimer of opinion paragraphs therein.

   Consequently, we were unable to obtain sufficient appropriate audit evidence regarding the opening balances and corresponding figures and there were no alternative audit procedures to satisfy ourselves as to whether the opening balances and corresponding figures were free from material misstatement. Any adjustments that might have been found necessary may have effect on the Group's assets and liabilities as at 31 December 2017 and 1 January 2018 and its results for the year ended 31 December 2018, and the presentation and disclosure thereof in the consolidated financial statements.

2. Trade and other receivables, impairment losses of trade receivables and reversal of impairment losses of prepayments

As at 31 December 2017, the carrying amounts of trade receivables and prepayments were approximately RMB155,927,000 (net of allowance for trade receivables of approximately RMB575,432,000) and RMB17,726,000 (net of allowance for prepayments of approximately RMB163,990,000) respectively and during the year ended 31 December 2018, the Group recognised impairment losses of trade receivables and reversal of impairment losses of prepayments of approximately RMB176,546,000 and RMB10,921,000 respectively. We have been unable to obtain sufficient and appropriate audit evidence to satisfy ourselves whether the aforesaid balances of trade receivables and prepayments were fairly stated as at 31 December 2017 and whether the related impairment losses of trade receivables and reversal of impairment losses of prepayments were properly recorded for the year ended 31 December 2018.

3. Investment in an associate, impairment losses of goodwill of investment in an associate and share of losses of an associate

As at 31 December 2017, the carrying amount of investment in an associate were approximately RMB71,506,000 (net of impairment losses of goodwill of investment in an associate of approximately RMB60,000,000) and during the year ended 31 December 2018, the Group recognised impairment losses of goodwill of investment in an associate and share of losses of an associate of approximately RMB909,000 and RMB70,597,000 respectively. We have been unable to obtain sufficient and appropriate audit evidence to satisfy ourselves whether the aforesaid balance of investment in an associate was fairly stated as at 31 December 2017 and whether the related impairment losses of goodwill of investment in an associate and share of losses of an associate were properly recorded for the year ended 31 December 2018.

Any adjustments found to be necessary in respect of the figures as described above might have a significant consequential effect on the Group's financial performance and cash flows for the years ended 31 December 2018 and the financial positions of the Group as at 31 December 2017, and the related disclosures thereof in the consolidated financial statements.

4. Material uncertainty related to going concern

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss of approximately RMB369,281,000 for the year ended 31 December 2018, and as at 31 December 2018, the Group had net current liabilities and net liabilities of approximately RMB575,778,000 and RMB472,180,000, respectively. Furthermore, as at 31 December 2018, the Group's bank borrowings of approximately RMB133,692,000 were overdue and its bonds of approximately RMB326,797,000 are subject to renewal or to be fully repaid within the next twelve months as disclosed in note 15 to the consolidated financial statements. 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. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon that the Group will be able to successfully renew or extend the existing borrowings or complete debt financing to meet its liabilities as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from the failure to meet in full its financial obligations in the foreseeable future. We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements. However, in view of the extent of the uncertainty relating to the continued support of the Group's bankers and bondholders, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

AUDIT COMMITTEE'S VIEW

The Group's consolidated financial statements for the year ended 31 December 2018 have been reviewed by the audit committee of the Company (the "Audit Committee").

ACTING CHAIRLADY'S STATEMENT

Results

The Group was exposed to enormous threats and pressure over the challenging environment and market during 2018. For the domestic market condition, the policies and reforms in China triggered rising costs of domestic enterprises amid changing international market conditions, the second half of the Year witnessed a significant impact on the domestic economy and consumer sentiment, while consumer spending and various economic indicators demonstrated a sign of economic slowdown. Our Group commenced some clothes trading in the fourth quarter of 2018 in the overseas market. However, the overseas market was also subject to unstable macroeconomic environment arising from the friction between China and the United States escalated from the trade issues to a full-scale conflict as against changing complicated landscapes in global politics and economy.

Under these unfavourable market conditions, the Group recorded revenue of approximately RMB250.7 million for the Year, representing a decrease of approximately 7.8% on a year-on-year basis, and the gross loss margin of the Group's products was immaterial to be only approximately 0.02%, representing a decrease of approximately 6.08% points over the previous year. Loss attributable to owners of the Company for the Year decreased significantly from loss of approximately RMB732.8 million in 2017 to loss of approximately RMB369.3 million in 2018, representing a decrease of approximately 47.8% as compared with the last year, which was mainly attributable to the substantial decrease in gross loss as just mentioned, the substantial decrease in general and administrative expenses resulted from less impairments made during the Year. Sales of fabrics decreased significantly from approximately RMB271.9 million for the year ended 31 December 2017 to approximately RMB227.2 million for the year ended 31 December 2018. The Group commenced a new business of shoes and clothes trading in the fourth quarter of the Year which contributed sales of trading of shoes and clothes of approximately RMB23.5 million. The name of the Company was changed from Wang Tai Holdings Limited to Moody Technology Holdings Limited which represented a new milestone of the Group. In the future, the Group will not only enhance the operations of principal business of sales of fabrics, but also develop a number of business activities like clothes trading which will bring the Group into a fast growing business entity.

Outlook

The existing principal business of sales of fabrics and yarns was worsening during the past few years as they were subject to unfavourable macroeconomic environment and continuous unsatisfactory market condition. In March 2018, a new team of directors joined the Company to understand the Group's situation and continuously find the niche to improve the principal business of manufacturing and sales of fabrics. However, the result of the change of the management was not obvious as the industry seemed to be difficult to turn around in the short time duration. The principal business of manufacture and sale of fabrics will still be carried on but the Board will attempt to smooth out the operations by adoption of appropriate strategies from time to time.

After the name of the Company was changed from Wang Tai Holdings Limited to Moody Technology Holdings Limited during 2018, the management of the Group desires to provide a fresh image and take every opportunity to develop new potential businesses which will bring forth the Group into a new milestone. Clothes trading was commenced in the fourth quarter of 2018 which will generate higher income to the Group. As mentioned in the Acting Chairlady's statement, the international political and macroeconomic environments were unstable, the management must take caution to commence any business. The new team of directors need time and resources to understand the problems of the existing Group, find the means to resolve the problems and look for changing the Group into a fast growing business entity. The Group's resources were very limited. The management will strive for more resources from the market and work hand-in-hand with the stakeholders to support the Group in order to relieve the current difficult position.

Looking forward to 2019, the textile industry is expected to continuously face challenges and uncertainties. The Group will still keep the principal business, but the Group will also explore any new businesses at the same time. The clothes trading to the Asian countries will grow continuously in this forthcoming year.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the Year, the Group recorded revenue of approximately RMB250.7 million, representing a decrease of approximately 7.8% as compared with the last year, and loss attributable to owners of the Company increased from loss of approximately RMB732.8 million in 2017 to loss of approximately RMB369.3 million in 2018, representing a decrease of approximately 49.6% as compared with last year. The decrease in revenue was mainly attributable to decrease in demand for the fabric products. The decrease in net loss attributable to owners of the Company was mainly due to decrease in impairments.

Industry review

During the Year, the PRC economy was at the stage of transformation with structural adjustment, showing increasing downward pressure. The growth of GDP for the year was only 6.6%. Negatively affected by the macro economy, the Chinese textile industry was also under growing pressure, featuring a shift in growth drivers, continuous adjustments and an overall stable performance.

According to the statistics released by the China Cotton Textile Association, the production volume of fabrics increased by 1.43% to approximately 70.55 billion meters in 2018. This demonstrated a slowing down production volume of textile products in 2018 mainly because of sluggish demand from the garment manufacturing customers.

In terms of the raw materials, as the cotton policy has been reformed by the PRC government drove cotton prices being increasingly market-oriented and narrowed the gap between domestic and overseas prices, coupled with the growth in end-user spending, cotton prices showed an improving trend. According to the Cotton A Index, the average price for cotton in China during the Year was approximately RMB16,000 per ton, representing a year-on-year decrease of approximately 1.34%. Overseas cotton prices also increased due to stronger demand. The average global market price for cotton, according to the Cotlook A Index, was approximately US$82.4 cents per pound, representing a year-on-year decrease of approximately 1.34%. In the long run, the narrowing gap between domestic and overseas cotton prices will help improve the overall competitiveness of China’s exporting textile manufacturing industry.

Business review

During 2018, as the domestic cotton price was on a decline path due to weak recovery of the global economy, sluggish textile demand and impact from imported textile products, the selling price of China's textile products decreased accordingly, narrowing down the gross profit margin of textile products of the Group.

Revenue of the Group mainly comprises sales of grey and dyed garment fabrics as well as trading of cloths. During the Year, sales of fabrics represented 90.6% of the Group's total revenue for the Year, amounting to approximately RMB227.2 million, representing a decrease of approximately 16.4% when compared to the revenue of last year. The Group's production capacities were similar to the last year's level whereas the utilisation rate decreased given the decreasing of sales volume. For the year ended 31 December 2018 the business of trading of shoes and clothes commenced and contributed approximately RMB23.5 million to the Group's revenue.

The Group changed the nature of textile products from cotton textile to chemical fiber textile. The average selling price of fabrics decreased by approximately 22.4% to RMB5.9 per meter (2017: RMB7.6 per meter) when compared with the last year. The average unit cost of fabrics decreased significantly from RMB8.06 per meter for the year ended 31 December 2017 to RMB5.90 per meters representing a decrease of 26.8% for the year ended 31 December 2018. The gross loss margin for the year ended 31 December 2018 decreased from gross loss margin 6.1% in 2017 to gross loss margin of 0.02% in 2018 because of greater decrease in selling price despite of decrease of costs.

Decrease in general and administrative expenses was outweighed by increase in selling and distribution expenses which pulled down loss attributable to the owners of the Company to loss of approximately RMB369.3 million for the year ended 31 December 2018 from loss of approximately RMB732.8 million for the year ended 31 December 2017. Significant decrease in general and administrative expenses was mainly due to less impairment made during the Year.

Prospect

This is still a fierce competition in the PRC's textile industry, yet the market is immense and highly fragmented. A number of players in the textile industry are consolidated with survival of relatively strong competitive manufacturers in the industry. In 2019, the Group will remain focusing on extending its reach into domestic market, retain the existing market presence and step forward to the overseas trading market. The Group is more determined than ever to enhance its profitability to optimising the existing product portfolio and developing new invented and improved quality products that meet market demand.

With the above strategies, we hope not only to maintain the strategic position but to enhance the quality of products, boost our revenue and improve the profitability and customer loyalty.

FINANCIAL REVIEW

Turnover

The Group's revenue decreased by 7.8% from approximately RMB271.9 million for the year ended 31 December 2017 to approximately RMB250.7 million for the year ended 31 December 2018. Such decrease in the revenue was mainly due to revenue of our fabrics products decreased from approximately RMB271.9 million in 2017 to approximately RMB227.2 million in 2018. Such decrease in the revenue of our fabric products was primarily due to decline in the average selling price from around RMB7.6 per meter in 2017 to RMB5.9 per meter in 2018 mainly due to change of textile products from cotton in nature to chemical fiber in nature, which the latter has lower selling price.

Cost of sales

The cost of sales decreased to approximately RMB250.7 million for the year ended 31 December 2018 from approximately RMB288.5 million for the year ended 31 December 2017, mainly due to less raw materials and consumables used for decline in sales volume.

Gross loss and gross loss margin

The decrease in gross loss by 99.6% from approximately gross loss of RMB16.6 million for the year ended 31 December 2017 to gross loss of approximately RMB61,000 for the year ended 31 December 2018 was mainly due to decrease in revenue.

The Group changed the nature of textile products from cotton textile to chemical fiber textile. The average selling price of fabrics decreased by approximately 22.4% to RMB5.9 per meter (2017: RMB7.6 per meter) when compared with the last year. The average unit cost of fabrics decreased significantly from RMB8.06 per meter for the year ended 31 December 2017 to RMB5.90 per meters representing a decrease of 26.8% for the year ended 31 December 2018. The gross loss margin for the year ended 31 December 2018 increased from gross loss margin 6.1% in 2017 to gross loss margin of 0.02% in 2018 because of greater decrease in selling price despite of decrease of costs.

Selling and distribution expenses

The increase in selling and distribution expenses by 38.1% from approximately RMB2.1 million for the year ended 31 December 2017 to approximately RMB2.9 million for the year ended 31 December 2018 as the freight outward charges increased by approximately RMB6.6 million.

General and administrative expenses

The significant decrease in general and administrative expenses by 63.2% from approximately RMB606.8 million for the year ended 31 December 2017 to approximately RMB223.3 million for the year ended 31 December 2018 was mainly due to less impairments made during the year.

A provision of RMB176.5 million based on the provision policies for trade receivable of the Group, being provision for long outstanding with no settlement up to the date of this announcement.

Other income

Increase in other income by 256.0% from approximately RMB8.6 million for the year ended 31 December 2017 to approximately RMB30.6 million for the year ended 31 December 2018 was mainly due to increase of net foreign exchange gain of approximately RMB7.9 million and reversal of impairment losses of prepayment of approximately RMB10.9 million.

Finance costs

The increase in finance costs by 50.2% from approximately RMB68.7 million for the year ended 31 December 2017 to approximately RMB103.2 million for the year ended 31 December 2018 was mainly due to increase in the average balance of borrowings in order to meet our needs of working capital.

Share of loss of investment accounted for using equity method

By application of equity method, the Group incurred a share of loss of investment in an associate of approximately RMB70.6 million with comparison of approximately RMB15.4 million for the year ended 31 December 2017, the increase in loss was mainly due to suspension of production during the year ended 31 December 2018 and the associate recorded the impairment losses of asset approximately RMB184,856,000 during the year.

Income tax credit/(expense)

The Group's income tax expense decreased by 103.8% to income tax credit of approximately RMB1.2 million in 2018 from tax expense of approximately RMB31.8 million in 2017.

Leasehold land, property, plant and equipment

The Group's leasehold land, property, plant and equipment situated at Shishi and Hubei Production Facilities are land and various buildings in the manufacturing plants. The Group has 100% interest of 2 parcels of land located at Da Sheng Guan Shan Industrial Zone, Huangmei County, Huanggang City, Hubei Province, the PRC with gross floor area of approximately 99,903 square meters.

Inventories

Decrease in inventories by 41.2% from approximately RMB52.2 million as at 31 December 2017 to approximately RMB30.7 million as at 31 December 2018 was mainly due to impairment of approximately RMB8.0 million was made for slow moving items during the Year.

Trade and other receivables and prepayments

Decrease in trade and other receivables significantly from approximately RMB287.1 million as at 31 December 2017 to approximately RMB114.1 million as at 31 December 2018 was mainly due to increase in allowance for trade receivables by approximately RMB176.5 million and decrease in allowance for prepayments by approximately RMB10.9 million for the year 2017.

The Group has made full provision for those trade and bills receivables of approximately RMB176.5 million which are past due/or in default of payments. Such impaired amounts were directly made against trade receivables when there was no expectation of recovering any amount.

The Group has also made reversal of provision for prepayment to suppliers for purchase of raw materials of approximately RMB10.9 million which are past due/or in default of receivables. Such impaired amounts were also directly made against the prepayment to suppliers for purchase of raw materials when there was no expectation of recovering any amount.

Cash flows

Net cash generated from operating activities amounted to approximately RMB6.6 million, mainly resulted from the net increase of trade and other receivables amounted to approximately RMB56.2 million, together with the increase in trade and other payables of approximately RMB24.8 million and the effect of loss before taxation of approximately RMB370.4 million.

Net cash used in investing activities amounting to approximately RMB12.8 million, mainly resulted from purchase of property, plant and equipment of approximately RMB12.5 million which was partially offset by the proceed from disposal of property, plant and equipment RMB0.3 million.

Net cash generated from financing activities amounted to approximately RMB6.4 million which was mainly attributable to proceeds from borrowings of approximately RMB265.8 million which was partially offset by the repayments from borrowings of approximately RMB241.5 million and interest payment of approximately RMB44.0 million.

Liquidities and financial resources

Our primary uses of cash are to satisfy our working capital needs and our capital expenditure needs. Since our establishment, our working capital needs and capital expenditure requirements have been principally financed through a combination of shareholders' equity, cash generated from operations, and borrowings.

The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and minimize the cost of funds, the Group's treasury activities and cash and cash equivalents are generally deposited with certain financial institutions such as banks denominated mostly in Renminbi and Hong Kong dollars.

Net current assets and working capital

The following table sets forth our current assets, current liabilities, current ratio, quick ratio, gearing ratio and debt to equity ratio as at 31 December 2017 and 2018:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current assets		
Leasehold land and land use right	**558**	558
Inventories	**30,707**	52,213
Trade and other receivables and prepayments	**114,119**	225,825
Amount due from an associate	**–**	7,290
Cash and bank balances	**1,414**	1,254
Total current assets	**146,798**	287,140
Current liabilities		
Borrowings	**530,489**	438,324
Trade and other payables	**187,595**	162,806
Amount due to an associate	**4,492**	–
Total current liabilities	**722,576**	601,130
Net current liabilities	**(575,778)**	(314,548)
Current ratio	**20.32%**	47.67%
Quick ratio	**16.07%**	39.00%
Gearing ratio	**N/A**	N/A
Debt to equity ratio	**N/A**	N/A

Borrowings

Particulars of borrowings of the Company and the Group as at 31 December 2018 are set out in note 15 to this result announcement.

Pledge of assets

As at 31 December 2018, the Group's land use rights and buildings, machinery and equipment with an aggregate net book value of approximately RMB301.1 million were pledged to secure banking facilities for purposes of working capital and purchases of fixed assets for the Group (as at 31 December 2017: approximately RMB245.2 million).

Paid in capital

The total number of issued shares of the Company was kept at 1,860,000,000 as at the date of this announcement.

Foreign exchange risk

The Group mainly operates in the mainland China with most of the revenue and expenditure transactions denominated and settled in RMB, where its foreign exchange risk is limited. The Group's exposure to foreign exchange risk is mainly on its sales and purchase transactions (i.e. export or import of products) in Hong Kong which are mainly denominated in USD, and the bonds denominated in HKD. The functional currency of the Company and its subsidiaries is RMB.

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2018, except for disclosed under the heading of "Significant events after the reporting period".

Significant investment, material acquisitions and disposal of subsidiaries and associated companies

The Group did not have any material investment, acquisitions and disposal of subsidiaries and associated companies during the year 2018.

USE OF PROCEEDS AND EXPANSION PLAN

From 25 April 2014 (the "Listing Date") to the date of this announcement, the Group has been following the pattern of application of the net proceeds as described in the prospectus of the Company dated 10 April 2014 (the "Prospectus"). In addition, the Group does not intend to change its expansion plan as described in the Prospectus save as the reschedule of the second phase of Hubei Production Facilities. As at 31 December 2018, all net proceeds have been utilised.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

(a) Dismissal of winding up petition against the Company

As disclosed in the announcement of the Company dated 8 March 2018, 9 March 2018 and 19 April 2018 in relation to winding up petition against the Company, on 5 March 2018, the Company received a petition (the "Petition") entitled HCCW56/2018 presented by PC Securities Limited (the "Petitioner") to the High Court of Hong Kong S.A.R. for winding up of the Company and the hearing of the Petition is fixed for 9 May 2018 before a Master in Court. The Petitioner claimed to be the holder of a bond for the principal amount of HK$84,000,000 with coupons 7% issued by the Company on 28 January 2015 (the "Bond"). As disclosed in the announcement of the Company dated 24 May 2018, the winding up petition was dismissed according to the order of the High Court.

ANNUAL GENERAL MEETING (THE "AGM")

The AGM will be held on 30 May 2019 and a notice convening the AGM will be published and dispatched in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in due course.

HUMAN RESOURCES

As at 31 December 2018, the Group had a total workforce of 420 (as at 31 December 2017: 455). The Group successfully follows a higher ratio of the number of operating staff to the number of machines to scale down the total workforce. New employees were recruited to cater for the Group's business expansion during the year. The Group offers its staff competitive remuneration schemes. In addition, discretionary bonuses and share options may also be granted to eligible staff based on individual and Group's performance. The Group is committed to nurturing a learning and sharing culture in the organization. Heavy emphasis is placed on the training and development of individual staff and team building, as the Group's success is dependent on the contribution of all functional divisions comprising skilled and motivated staff.

DIVIDEND POLICY

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2018 (2017: Nil). As there is no interim dividend payable during the year, there will be no dividend distribution for the whole year of 2018.

PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

There was no purchase, sale or redemption of the Company's shares by the Company or its subsidiaries during the Year.

CORPORATE GOVERNANCE

The Company was committed to maintaining high level of corporate governance and has steered its development and protected the interests of its shareholders in an enlightened and open manner. The Board comprises three executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (the "Code Provisions") set out in Appendix 14 to the Listing Rules. Throughout the year 2018, the Company had complied with the Code Provisions.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct for dealing in securities of the Company by the Directors. After specific enquiry made by the Company, all of the Directors confirmed that they had complied with the required standards set out in the Model Code and the Company's code of conduct regarding the Directors' securities transactions throughout the Year.

AUDIT COMMITTEE

The Audit Committee, comprising of the independent non-executive Directors, has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2018 and discussed with the management of the Company the accounting principles and accounting standards adopted by the Group and matters relating to risk management and internal control systems and financial reporting of the Group.

SCOPE OF WORK OF WORLD LINK CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditors, World Link CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2018. The work performed by World Link CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by World Link CPA Limited on the preliminary announcement.

CLOSURE OF REGISTERED MEMBERS

In order to determine the entitlement to attend the AGM, the register of members of the Company will be closed from 27 May 2019 to 30 May 2019 (both days inclusive), during which period no transfer of Shares can be registered. In order to qualify for attending the AGM, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by not later than 4:30 p.m. on 24 May 2019.

PUBLICATIONS OF RESULTS ANNOUNCEMENT

This results announcement is published on the websites of the Company (www.texitm.com) and the Stock Exchange (www.hkexnews.hk). An annual report for the year ended 31 December 2018 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and available on the websites of the Company and the Stock Exchange in due course.

ACKNOWLEDGEMENT

The Directors would like to take this opportunity to express our sincere thanks to all the shareholders and business associates for their continuous support and the entire staff for their dedication and contribution to the Group during the Year.

By Order of the Board
Moody Technology Holdings Limited
Li Jia Yin
Acting Chairlady and Executive Director

Hong Kong
27 March 2019

As at the date of this announcement, the Board comprises the following directors:

Executive Directors:	Ms. Li Jia Yin Mr. Wu Jianxiong Mr. Lin Qingxiong
Independent non-executive Directors:	Mr. Chan Sui Wa Mr. Liu Shungang Mr. Lin Yugang