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

(Incorporated in the Cayman Islands with limited liability and continued in Bermuda with limited liability)

(Stock Code: 1400)

(Provisional Liquidators Appointed)

(For Restructuring Purposes)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

HIGHLIGHTS

– The Group's total revenue was approximately RMB206.7 million in 2020, decreased from the total revenue of approximately RMB517.7 million in 2019.

– The Group experienced a gross loss of approximately RMB12.3 million in 2020, as compared to a gross profit of approximately RMB11.0 million in 2019.

– The Group's loss decreased to approximately RMB219.0 million in 2020, from approximately RMB287.6 million in 2019.

– Basic and diluted loss per share decreased from loss per share of RMB1.55 cents in 2019 to loss per share of RMB0.76 cents in 2020.

– As at 31 December 2020, the Group's total bank and cash balances amounted to approximately RMB3.6 million (2019: approximately RMB4.6 million), representing a decrease of 21.7% as compared to that as at 31 December 2019.

– 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 2020 (the "Year" or "Year under Review").

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	**2020** *RMB'000*	2019 *RMB'000*
Revenue	*4*	**206,666**	517,665
Cost of sales		**(218,981)**	(506,646)
Gross (loss)/profit		**(12,315)**	11,019
Other income		**40,825**	5,773
Impairment losses for trade and other receivables		**(11,944)**	(81,841)
Selling and distribution costs		**(7,362)**	(8,178)
General and administrative expenses		**(101,344)**	(66,920)
Loss from operations		**(92,140)**	(140,147)
Finance costs	*5*	**(126,909)**	(147,880)
Loss before tax		**(219,049)**	(288,027)
Income tax credit	*6*	**–**	419
Loss and total comprehensive income for the year attributable to the owners of the Company	*7*	**(219,049)**	(287,608)
Loss per share			
Basic *(RMB)*	*8(a)*	**(0.76)**	(1.55)
Diluted *(RMB)*	*8(b)*	**(0.76)**	(1.55)

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment		**209,714**	318,488
Right-of-use assets		**17,032**	21,203
Investment in an associate	*9*	**–**	–
		226,746	339,691
Current assets			
Inventories		**3,599**	43,861
Trade and other receivables	*11*	**46,339**	72,345
Bank and cash balances		**3,571**	4,559
		53,509	120,765
Current liabilities			
Trade and other payables	*12*	**275,524**	247,608
Borrowings		**707,743**	569,245
		983,267	816,853
Net current liabilities		**(929,758)**	(696,088)
Total assets less current liabilities		**(703,012)**	(356,397)
Non-current liabilities			
Borrowings		**243,177**	389,981
Deferred income		**13,098**	13,410
		256,275	403,391
Net liabilities		**(959,287)**	(759,788)
Equity			
Share capital	*13*	**3,100**	1,505
Reserves		**(962,387)**	(761,293)
Total deficit		**(959,287)**	(759,788)

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 29 April 2013 and continued in Bermuda as an exempted company with limited liability under the law of Bermuda on 24 May 2019 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 25 April 2014. The Company's registered office is located at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. The Company's principal place of business is located at 20/F, Infinitus Plaza, 199 Des Voeux Road Central, Sheung Wan, Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries (together with the Company collectively refer to as "Group") are sales of shoes and clothes and design, manufacturing and sales of fabrics in the People's Republic of China (the "PRC").

Going concern

The Group incurred a loss of approximately RMB219,049,000 for the year ended 31 December 2020 and as at 31 December 2020, the Group had net current liabilities and net liabilities of approximately RMB929,758,000 and RMB959,287,000 respectively. Furthermore, as at 31 December 2020, the Group's bank borrowings of approximately RMB69,223,000 were overdue and its bonds of approximately RMB538,520,000 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.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

(a) Application of new and revised IFRS

The IASB has issued the Amendments to Reference to the Conceptual Framework in IFRS Standards and the amendments to IFRSs issued by the IASB that are first effective for its accounting period beginning on 1 January 2020. The application of these amendments in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(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 2020. These new and revised IFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to IFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16 Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to IAS 37 Onerous contracts – cost of fulfilling a contract	1 January 2022
Annual Improvements to IFRSs 2018 – 2020 Cycle	1 January 2022
Amendments to IAS 1 Classification of liabilities as current or non-current	1 January 2023

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 it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statement.

3. SEGMENT INFORMATION

For the years ended 31 December 2020 and 2019, the Group has two reportable segments as follows:

– Sales of shoes and clothes; and

– Sales of fabrics

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.

Segment 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 and bank and cash balances. Segment liabilities do not include amount due to an associate, current and deferred tax liabilities and borrowings.

	Fabrics	**Shoes and clothes**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Segment results			
Year ended 31 December 2020:			
Reportable revenue from external customers	**15,223**	**191,443**	**206,666**
Reportable segment (loss)/profit	**(18,993)**	**6,678**	**(12,315)**
Other income			**40,825**
Impairment losses for trade and other receivables			**(11,944)**
Selling and distribution costs			**(7,362)**
General and administrative expenses			**(101,344)**
Finance costs			**(126,909)**
Loss before tax			**(219,049)**
Other segment items			
Capital expenditure	**1,626**	**–**	**1,626**
Depreciation on right-of-use assets	**444**	**–**	**444**
Depreciation of property, plant and equipment	**23,341**	**–**	**23,341**
Impairment losses	**76,274**	**–**	**76,274**

	Fabrics	Shoes and clothes	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment results			
Year ended 31 December 2019:			
Reportable revenue from external customers	119,859	397,806	517,665
Reportable segment (loss)/profit	(6,537)	17,556	11,019
Other income			5,773
Impairment losses for trade and other receivables			(81,841)
Selling and distribution costs			(8,178)
General and administrative expenses			(66,920)
Finance costs			(147,880)
Loss before tax			(288,027)
Other segment items			
Capital expenditure	1,403	–	1,403
Depreciation on right-of-use assets	558	–	558
Depreciation of property, plant and equipment	31,012	–	31,012
Impairment losses	108,731	–	108,731

	Fabrics	**Shoes and clothes**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Segment assets and liabilities			
At 31 December 2020:			
Segment assets	**270,906**	**5,778**	**276,684**
Unallocated assets			**3,571**
Total assets			**280,255**
Segment liabilities	**288,618**	**–**	**288,618**
Unallocated liabilities			**950,924**
Total liabilities			**1,239,542**

	Fabrics	Shoes and clothes	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment assets and liabilities			
At 31 December 2019:			
Segment assets	444,516	11,381	455,897
Unallocated assets			4,559
Total assets			460,456
Segment liabilities	261,018	–	261,018
Unallocated liabilities			959,226
Total liabilities			1,220,244

Geographical information

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

	2020	2019
	RMB'000	*RMB'000*
The People's republic of China (the "PRC")	**15,563**	119,859
Korea	**173,610**	328,676
Hong Kong	**1,374**	952
The United States	**2,580**	38,142
Japan	**8,713**	21,358
Others	**4,826**	8,678
	206,666	517,665

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 be disclosed.

Information about major customers

No customer contributed 10% or more of the Group's revenue for the year ended 31 December 2020. (2019: Nil).

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:

	2020	2019
	RMB'000	*RMB'000*
Recognised at a point in time within the scope of IFRS 15:		
Sales of fabrics	**15,223**	119,859
Sales of shoes and clothes	**191,443**	397,806
	206,666	517,665

5. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Interest expenses on bank borrowings	**17,837**	20,052
Interest expenses on bonds	**109,072**	127,828
	126,909	147,880

6. INCOME TAX CREDIT

	2020	2019
	RMB'000	*RMB'000*
Deferred tax	**–**	(419)

No provision for Hong Kong Profits Tax and PRC EIT are required since the Group has no assessable profit for the year ended 31 December 2020 (2019: Nil).

7. LOSS FOR THE YEAR

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

	2020	2019
	RMB'000	*RMB'000*
Auditor's remuneration	**800**	794
Cost of inventories sold	**197,978**	460,688
Depreciation of property, plant and equipment	**23,341**	31,012
Depreciation on right-of-use assets	**444**	558
Net foreign exchange (gains)/losses	**(39,370)**	9,211
Impairment losses on property, plant and equipment	**22,731**	25,428
Impairment losses on right-of-use assets	**–**	1,462
Impairment losses of inventories	**19,659**	–
Impairment losses of trade receivables	**9,228**	55,152
Impairment losses of other receivables	**5,541**	26,689
Loss/(gain) on disposals of property, plant and equipment	**3,816**	(229)
Minimum lease payments under operating leases in respect of office premises	**166**	2,599
Impairment losses/(reversal of impairment losses) of prepayment, net	**21,940**	(407)
Staff costs (including directors' emoluments)		
– Salaries, bonuses and allowances	**4,582**	13,395
– Retirement benefit scheme contributions	**190**	1,134
	4,772	14,529

Note: Depreciation of property, plant and equipment and staff costs of approximately RMB23,296,000 and RMB2,539,000 (2019: RMB30,844,000 and RMB8,412,000) 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:

	2020	2019
	RMB'000	*RMB'000*
Loss for the year attributable to owners of the Company used in the basic loss per share calculation	**(219,049)**	(287,608)

	2020	2019
Weighted average number of ordinary shares in issue during the year used in basic loss per share calculation	**288,649,179**	186,000,000

(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 2020 and 2019.

9. INTERESTS IN AN ASSOCIATE

Investment in an associate

	2020 *RMB'000*	2019 *RMB'000*
Unlisted investments:		
Share of net assets	**–**	–
Goodwilll	**60,909**	60,909
Impairment loss on goodwill	**60,909**	60,909
Share of net assets	**(60,909)**	(60,909)
	–	–

Details of the Group's associate at 31 December 2020 are as follows:

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

10. DIVIDEND

No dividend to respect of the years ended 31 December 2020 and 2019 were declared and approved by the directors.

11. TRADE AND OTHER RECEIVABLES

	2020 *RMB'000*	2019 *RMB'000*
Trade receivables *(note (a))*	**825,593**	820,370
Less: Allowance for trade receivables *(note (a))*	**(816,358)**	(807,130)
	9,235	13,240
Prepayments to suppliers for purchase of raw materials	**179,909**	177,514
Less: Allowance for prepayments	**(174,372)**	(152,662)
	5,537	24,852
Other receivables	**63,797**	63,767
Less: Allowance for other receivables	**(32,230)**	(29,514)
	31,567	34,253
	46,339	72,345

(a) Trade receivables

The Group's trading terms customers are mainly on credit. The credit terms generally 90 days (2019: 90 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:

	2020	2019
	RMB'000	*RMB'000*
Within 1 month	**–**	1,595
Over 1 month but less than 3 months	**–**	–
Over 3 months but less than 6 months	**4,465**	2,970
Over 6 months but less than 9 months	**2,213**	3,561
Over 9 months but less than 12 months	**2,557**	5,114
	9,235	13,240

As of 31 December 2020, trade receivables of approximately RMB9,235,000 (2019: RMB11,645,000) 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:

	2020	2019
	RMB'000	*RMB'000*
Neither past due nor impaired	**–**	1,595
Less than 3 months past due	**4,465**	2,970
Over 3 months but less than 6 months past due	**2,213**	3,561
Over 6 months but less than 9 months past due	**2,557**	5,114
	9,235	13,240

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

The Group applied simplified approach to provide the ECL as prescribed by IFRS 9.

As part of the Group's credit risk management, the Group assesses the impairment for its customers based on different group of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

12. TRADE AND OTHER PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**86,509**	86,563
Advance payments from customers	**14,497**	10,650
Payables for purchases of property, plant and equipment	**35,737**	35,823
Salary payables	**21,527**	23,850
Interest payables	**72,615**	55,999
Other payables and accruals	**44,639**	34,723
	275,524	247,608

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

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**1,566**	19,841
Over 3 months but less than 12 months	**5,931**	34,789
Over 12 months	**79,012**	31,933
	86,509	86,563

13. SHARE CAPITAL

	Number of ordinary shares '000			
	At HK$0.10 per share	**At HK$1.00 per share**	**At HK$0.01 per share**	***HK$'000***
Authorised:				
1 January 2019 (audited)	10,000,000	–	–	1,000,000
Effects of share consolidation *(note (a(i)))*	(10,000,000)	1,000,000	–	–
Effects of share subdivision *(note (a(iii)))*	–	(1,000,000)	100,000,000	–
At 31 December 2019, 1 January 2020 and 31 December 2020 (audited)	–	–	100,000,000	1,000,000
Issued and fully paid:				
1 January 2019 (audited)	1,860,000	–	–	186,000
Share consolidation *(note (a(i)))*	(1,860,000)	186,000	–	–
Capital reduction *(note (a(ii)))*	–	(186,000)	186,000	(184,140)
At 31 December 2019 and 1 January 2020	–	–	186,000	1,860
Placing of new shares under general mandate *(note b)*	**–**	**–**	**37,200**	**372**
Issue of shares upon rights issue *(note c)*	**–**	**–**	**79,321**	**793**
Placing of new shares under general mandate *(note d)*	**–**	**–**	**60,504**	**605**
At 31 December 2020	**–**	**–**	**363,025**	**3,630**
Equivalent to RMB'000:				
At 31 December 2019 (audited)				1,505
At 31 December 2020 (audited)				**3,100**

Note:

(a) On 19 June 2019, the capital reorganisation has become effective after the change of domicile on 24 May 2019 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 share so that the nominal value of each issued consolidated shares will be reduced from HK$1.00 to HK$0.01 and the credit of HK$184,140,000 arising from the capital reduction will be credited to the contribution surplus account of the Company; and

 (iii) the share subdivision of each authorised but unissued consolidated share of HK$1.00 (including those arising from the capital reduction) into one hundred adjusted shares of HK$0.01 each.

(b) On 24 December 2019, the Company and JMC Capital HK Limited (the "Placing Agent"), entered into a placing agreement in respect of the placing of 37,200,000 ordinary shares (the "Placing Shares") of HK$0.10 each at a price of HK$0.086 per Placing Share under general mandate (the "First Placing"). The Placing was completed on 4 February 2020. The net proceeds from the First Placing (after deducting the placing commission payable to the Placing Agent and other expenses incurred in the First Placing) was approximately HK$3.09 million. Details of the First Placing were disclosed in announcements of the Company dated 24 December 2019, 17 January 2020, 23 January 2020 and 4 February 2020.

(c) On 29 April 2020, the Company allotted and issued 79,321,083 new shares on the basis of one rights share for every two shares held by qualifying shareholders at the subscription price of HK$0.139 per rights share ("Rights Issue"). The gross proceeds from the Rights Issue was approximately HK$11 million and costs incurred for the Rights Issue amounted to approximately HK$856,000. Details of the Rights Issue were disclosed in the Rights Issue Announcements dated 6 March 2020, 23 March 2020, 25 March 2020, 3 April 2020 and 28 April 2020 and the Prospectus dated 3 April 2020.

(d) On 2 September 2020, the Company and the Placing Agent, entered into a placing agreement in respect of the placing of 60,504,216 ordinary shares (the "Placing Shares") at a price of HK$0.143 per Placing Share under general mandate (the "Second Placing"). The Second Placing was completed on 30 September 2020. The net proceeds from the Second Placing (after deducting the placing commission payable to the Placing Agent and other expenses incurred in the Second Placing) was approximately HK$8.50 million. Details of the Second Placing were disclosed in announcements of the Company dated 2 September 2020, 27 September 2020 and 30 September 2020.

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 2020 and 2019.

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.

14. CAPITAL COMMITMENT

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

	2020	2019
	RMB'000	*RMB'000*
Property, plant and equipment	**3,387**	3,387

15. CONTINGENT LIABILITIES

During the course of business, the Group has received claims from suppliers, customers and lenders concerned with the quality of goods and repayment of debts, 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) Winding up Petition

On 20 September 2019, the Company received the Petition from the Petitioner in the matter of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32, Laws of Hong Kong) filed in the High Court under Companies Winding-up Proceedings No. 283 of 2019 that the Company may be wound up by the High Court. The Petitioner is the holder of the Bonds. Since then, the Company entered into two repayment agreements with the Petitioner in relation to the repayment under the Bonds. The Petitioner alleged that the outstanding indebtedness owed by the Company to him up to 11 March 2019 was approximately HK$2,890,000.

The Company engaged professional parties to prepare the documentations for a financial restructuring plan in respect of all of the Company's total indebtedness. To facilitate the Company's financial restructuring, on 10 October 2019, a winding up petition together with an application for the appointment of the JPLs on a light touch approach for restructuring purpose was presented and filed with the Bermuda Court by the Company's Bermuda Counsel, Conyers Dill & Pearman at the request of the Company.

On 24 October 2019, the Bermuda Court made the orders as sought by the Company under the JPL Application, inter alia, Tang Chung Wah and Kan Lap Kee of Shinewing Specialist Advisory Services Limited and Edward Alexander Niles Whittaker of R&H Services Limited be appointed as joint and several provisional liquidators of the Company on a light touch approach for restructuring purpose and following the appointment of the JPLs pursuant to the Bermuda Court Order, the JPLs informed the Company that the JPLs intend to seek their appointment to be recognized by the High Court in Hong Kong.

On 24 January 2020, the High Court in Hong Kong granted an order to, inter alia, recognize the appointment of the JPLs and that so long as the Company remains in provisional liquidation in Bermuda, no action or proceeding shall be proceeded with or commenced against the Company or its assets or affairs, or its property within the jurisdiction of the Hong Kong Court, except with leave of the High Court of Hong Kong and subject to such terms as the Hong Kong Court may impose.

The joint application of the Petitioner and the Company by way of the consent summons, an order was made by the High Court on 5 March 2020 that the Petition be dismissed. Whilst the Petition was dismissed, the winding petition for restructuring purpose in Bermuda will still continue to facilitate the debt restructuring.

(b) Demand for repayment of borrowings

(i) 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 these 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 years ended 31 December 2019 and 2018.

(ii) On 18 June 2019, Mr. Liang Chi Yuan filed a claim through the District Court of The Hong Kong Special Administrative Region (the "District Court") in respect of the bond principal with interest of approximately HK$2,070,000 and default interest on HK$2,000,000 at rate of 15% per annum from 1 May 2019 until repayment. Up to the date of 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.

(iii) On 26 September 2019, Mr. Lui Chun Kit filed a claim through the High Court for the repayment bonds principal and interest of approximately HK$3,070,000. Up to the date of 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.

(c) Contract disputes

(i) Since 9 November 2016, claim of approximately RMB2,620,000 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 these 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 these consolidated financial statements, the directors are of the opinion that no provision of the claim of approximately RMB2,620,000 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 RMB2,244,000 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 these 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 years ended 31 December 2019 and 2018.

(iii) On 18 December 2019, claim of approximately RMB2,668,000 in aggregation was brought against Hongtai (China) by a supplier namely 新疆嘉豐棉業有限公司 (the "Plaintiff 3") alleging that Hongtai (China) was liable for payment of goods supplied to Hongtai (China) by the Plaintiff 3. This case was filed in the Urumqi Shuimogou District People's Court（烏魯木齊市水磨溝區人民法院）against Hongtai (China). Up to the date of these 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 2019.

16. EVENTS AFTER THE REPORTING PERIOD

(a) Memorandum of understanding in respect of a possible acquisition

On 24 December 2020, the Company entered into the non-legally binding memorandum of understanding (the "MOU") with an independent third party ("Target Company") in relation to the possible acquisition (the "Possible Acquisition") of approximately 66.67% of the entire issued share capital of the Target Company. The Company paid a non-refundable earnest payment of HK$500,000 in cash to the Target Company upon signing of the MOU. The Possible Acquisition is subject to, among other things, the negotiation and execution of the Definitive Transaction Documents. The Company therefore may or may not proceed with the Possible Acquisition. Details of which are disclosed in the announcements of the Company dated 27 October 2020 and 24 December 2020.

(b) Reference is made to the announcement of the Company dated 29 March 2021 (the "Share Subscription Announcement") in relation to a subscription of new shares under general mandate. On 29 March 2021, the Company entered into the Subscription Agreements with the Subscribers pursuant to which the Subscribers have conditionally agreed to subscribe, and the Company has conditionally agreed to allot and issue, an aggregate of 72,604,167 Subscription Shares at the Subscription Price of HK$0.096 per Subscription Share.

The Subscription Shares represent approximately 20.00% of the existing issued share capital of the Company and approximately 16.67% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares (assuming there is no change to the share capital of the Company between the date of the Subscription Agreements and the date of completion of the Subscription). The Subscription Shares will be issued under the Refreshed General Mandate and will rank pari passu in all respects among themselves and with the existing Shares in issue.

The Subscription Price of HK$0.096 per Subscription Share represents (i) a discount of approximately 11.1% to the closing price of HK$0.108 per Share as quoted on the Stock Exchange on the Last Trading Day, being the last full trading day for the Shares before the date of the Subscription Agreements; and (ii) a discount of approximately 5.0% to the average closing price of approximately HK$0.101 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day.

The aggregate gross proceeds of the Subscription will be approximately HK$6.97 million. The aggregate net proceeds of the Subscription, after the deduction of related expenses, will be approximately HK$6.77 million. The Company intends to apply the net proceeds of the Subscription in the manner set out in the paragraph headed "Reasons for the Subscription and use of proceeds" of the Share Subscription Announcement.

17. CERTAIN COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The changes included the reclassification of (i) Impairment losses for trade receivables previously classified under "General and administrative expenses" to "Impairment losses for trade and other receivables"; and (ii) Impairment losses for other receivables previously classified under "General and administrative expenses" to "Impairment losses for trade and other receivables". The new classification of the accounting items was considered to provide a more appropriate presentation of the consolidated financial performance of the Group.

AUDIT OPINION

The auditor of the Company issues 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 REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2020.

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

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 RMB219,049,000 for the year ended 31 December 2020, and as at 31 December 2020, the Group had net current liabilities and net liabilities of approximately RMB929,758,000 and RMB959,287,000, respectively. Furthermore, as at 31 December 2020, the Group's bank borrowings of approximately RMB69,223,000 were overdue and its bonds of approximately RMB538,520,000 are subject to renewal or to be fully repaid within the next twelve months as disclosed in note 24 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.

OUTLOOK

As directly affected by the outbreak of the COVID-19, the Group experienced a difficult year in 2020. Looking forward to 2021, the Company's management is determined to set a new direction for the Company and try to find new opportunities. The Company is also working hard to negotiate certain investment targets in order to diversify its business and improve the financial position and cash flow of the Group.

As affected by the epidemic and funds matters, the Company's restructuring schedule has been postponed. As further discussed with the joint and provisional liquidators of the Company, the Company is scheduled to submit a formal application for debt restructuring to the Bermuda Court in the second quarter of the year 2021. The management will continue to strive for more resources from the market and work hard with all the stakeholders to support to Group and relieve the current difficult position.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the Year, the Group's revenue dropped by 60.1% to RMB206.7 million when compared with last year. Loss attributable to owners of the Company decreased by 23.9% to approximately RMB219.0 million against last year.

INDUSTRY REVIEW

In early 2020, the outbreak of COVID-19 pandemic had an unprecedented impact on the global economy. In an effort to control the pandemic, Chinese authorities shut down more than half the country, and the economy contracted by 6.8% in the first three months of 2020. Despite the slight economic recovery in the second half year, the growth of GDP of the PRC for the Year was only 2.3%, as compared with 6.1% in 2019. According to statistics from the National Bureau of Statistics of the PRC, the aggregate sales achieved by sizeable textile enterprises amounted to RMB2,277.8 billion in 2020, representing a 6.7% decrease year-on-year, with profit totalling RMB110.5 billion, up by 7.9% year-on-year. According to statistics from the General Administration of Customs of the PRC, the textile products amounted to approximately US$153.8 billion were exported from China in 2020, representing a year-on-year increase of 29.2% with the value of garments at US$137.4 billion, representing a year-on-year decrease of 6.4%.

BUSINESS REVIEW

Following the impact from the Sino-U.S. economic and trade frictions in 2019 and then the outbreak of the COVID-19 in early 2020, the Group's production scale of the fabrics products has reduced during the Year. The Group's production line in Fujian had shut down in April 2020. Revenue of the Group mainly comprised sales of clothes and shoes, as well as sales of grey and dyed garment fabrics.

The Group's production capacities of fabrics were similar to the last year's level whereas the utilisation rate decreased given the decreasing of sales volume. The average selling price of fabrics decreased by approximately 57.9% to RMB2.4 per meter (2019: RMB5.7 per meter) when compared with the last year. The average unit cost of fabrics decreased from RMB5.9 per meter for the year ended 31 December 2019 to RMB5.5 per meter representing a decrease of 6.8% for the year ended 31 December 2020, which led to a result of gross loss margin in 24.8% in the fabrics segment. The overall gross loss margin for the year ended 31 December 2020 was approximately 6.0%, compare with gross profit margin 2.1% in 2019.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by 60.1% from approximately RMB517.7 million for the year ended 31 December 2019 to approximately RMB206.7 million for the year ended 31 December 2020. Such decrease in the revenue was mainly due to decrease in sales volume of shoes and clothes as well as the fabric products as a result of the outbreak of COVID-19 during the Year.

The table below sets out a breakdown of the Group's revenue categorised by products during the year:

	Year ended 31 December			
	2020 ***RMB'000***	**% to total revenue**	2019 *RMB'000*	% to total revenue
Shoes and clothes	**191,443**	**92.6**	397,806	76.8
Fabrics	**15,223**	**7.4**	119,859	23.2
Total	**206,666**	**100.0**	517,665	100.0

Cost of sales

The Group's cost of sales decreased by 56.8% from approximately RMB506.6 million for the year ended 31 December 2019 to approximately RMB219.0 million for the year ended 31 December 2020. Such decrease in cost of sales was in line with the decreased turnover during the Year.

The table below sets out a breakdown of the Group's cost of sales categorised by products during the year:

	Year ended 31 December			
	2020	**% to total cost of sales**	2019	% to total cost of sales
	RMB'000		*RMB'000*	
Shoes and clothes	**184,765**	**84.4**	380,250	75.1
Fabrics	**34,216**	**15.6**	126,396	24.9
Total	**218,981**	**100.0**	506,646	100.0

Gross profits/(loss)

The table below sets out a breakdown of the Group's gross profits/(losses) categorised by products during the year:

	Year ended 31 December			
	2020	**Gross profit/ (loss) margin**	2019	Gross profit/ (loss) margin
	RMB'000		*RMB'000*	
Shoes and clothes	**6,678**	**3.5%**	17,556	4.4%
Fabrics	**(18,993)**	**(125%)**	(6,537)	(5.5%)
Total	**(12,315)**	**(6.0%)**	11,019	2.1%

The change from gross profits of approximately RMB11.0 million, representing gross profit margin of 2.1% in 2019 to gross loss of RMB12.3 million, representing gross loss margin of 6.0% in 2020, was mainly because (i) the drop of sales volume of shoes and clothes from last year decreased the overall gross profits from this segment; and (ii) the sales of fabrics recorded gross loss of approximately RMB19.0 million due to decrease in average selling price from RMB5.7 per meter in 2019 to RMB2.4 per meter in 2020 while the average cost decreased only from RMB5.9 per meter in 2019 to RMB5.5 per meter in 2020.

Other income

Increase in other income by 607% from approximately RMB5.8 million for the year ended 31 December 2019 to approximately RMB40.8 million for the year ended 31 December 2020 was mainly arose from the net foreign exchange gains approximately RMB39.4 million due to the appreciation of RMB against HKD in 2020.

Selling and distribution expenses

The decrease in selling and distribution expenses by 10.0% from approximately RMB8.2 million for the year ended 31 December 2019 to approximately RMB7.4 million for the year ended 31 December 2020 as the transportation charges decreased in line with drop of sales amounts in the year.

General and administrative expenses

The increase in general and administrative expenses by 51.4% from approximately RMB66.9 million for the year ended 31 December 2019 to approximately RMB101.3 million for the year ended 31 December 2020 was mainly due to impairment losses of inventories of approximately RMB19.7 million was made during the year. Provision of prepayment of approximately RMB21.9 million based on the provision policies for prepayment of the Group, being provision for long outstanding with no subsequent settlement up to the date of this announcement.

Finance costs

The decrease in finance costs by 14.2% from approximately RMB147.9 million for the year ended 31 December 2019 to approximately RMB126.9 million for the year ended 31 December 2020 was mainly due to decrease in the average balance of borrowings and interest expenses for the year.

Income tax expense

No provision for both Hong Kong Profits Tax and PRC Enterprise Income Tax were provided because there are no assessable profits for the subsidiaries in both Hong Kong and PRC.

Cash flows

During the year, the Group funded its working capital and other capital requirements principally by cash generated from our investing activities.

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 the Group's current ratio, quick ratio, gearing ratio and debt to equity as at 31 December 2020 and 2019:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Current assets	**53,509**	120,765
Current liabilities	**983,267**	816,853
Net Current liabilities	**(929,758)**	(696,088)
Current ratio	**5.4%**	14.8%
Quick ratio	**5.1%**	9.4%
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 2020 are set out in note 24 to the consolidated financial statements.

Pledge of assets

As at 31 December 2020, the Group's rights-of-use assets and buildings, machinery and equipment with an aggregate net book value of approximately RMB176.3 million were pledged to secure banking facilities for purposes of working capital and purchases of fixed assets for the Group (as at 31 December 2019: approximately RMB277.6 million).

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

Save as those disclosed in note 15 to this announcement, the Group did not have any material contingent liabilities as at 31 December 2020.

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 2020.

EVENTS AFTER THE REPORTING PERIOD

Except for disclosed under the heading of "Events after the reporting period" of this announcement, there were no important events affecting the Group, which occurred after the end of the reporting period and up to the date of this announcement.

USE OF PROCEEDS

Reference is made to the announcements of the Company dated 6 March 2020, 23 March 2020, 25 March 2020, 3 April 2020 and 28 April 2020 in relation to, among other things, the rights issue on the basis of one (1) rights share for every two (2) existing shares; and the announcements of the Company dated 2 September 2020, 27 September 2020 and 30 September 2020 in relation to, among other things, the placing of new ordinary shares under general mandate. As at the date of this announcement, all the net proceeds have been utilised for general working capital and costs of debt restructuring as intended.

HUMAN RESOURCES

As at 31 December 2020, the Group had a total workforce of 55 (as at 31 December 2019: 350). 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 2020 (2019: Nil). As there is no interim dividend payable during the year, there will be no dividend distribution for the whole year of 2020.

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 2020, 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.

REVIEW OF ANNUAL RESULTS BY THE 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 2020 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. The chairman of the audit committee has professional qualification and experience in financial matters in compliance with the requirement of the Listing Rules.

The audit committee of the Company has agreed with the external auditors of the Group, McMillian Woods (Hong Kong) CPA Limited, and has reviewed the accounting principles and practices adopted by the Group and the consolidated results of the Group for the year ended 31 December 2020. The audit committee considered that the consolidated results of the Group for the year ended 31 December 2020 are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been duly made.

SCOPE OF WORK OF MCMILLAN WOODS (HONG KONG) 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 2020 as set out in this announcement have been agreed by the Group's auditor, McMillan Woods (Hong Kong) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2020. The work performed by McMillan Woods (Hong Kong) 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 McMillan Woods (Hong Kong) CPA Limited on this annual results announcement.

PUBLICATIONS OF THE AUDITED RESULTS ANNOUNCEMENT

This announcement is published on the websites of the Company (http://moodytech-holdingltd.com) and the Stock Exchange (www.hkexnews.hk), and the 2020 annual report of the Company continuing 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
(Provisional Liquidators Appointed)
(For Restructuring Purposes)
Lin Guoqin
Acting Chairman and Executive Director

Hong Kong

31 March 2021

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

Executive Directors:	Mr. Lin Guoqin
	Ms. Lin Yuxi
Independent non-executive Directors:	Mr. Chow Yun Cheung
	Mr. Lin Yugang
	Mr. Liu Junting