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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 UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS

– The Group's total revenue was approximately RMB517.7 million in 2019, increased from the total revenue of approximately RMB250.7 million in 2018.

– The Group experienced a gross profit of approximately RMB11,019,000 in 2019, as compared to a gross loss of approximately RMB61,000 in 2018.

– The Group's loss decreased to approximately RMB221,613,000 in 2019, from approximately RMB369,281,000 in 2018.

– Basic and diluted loss per share decreased from loss per share of RMB2.16 cents in 2018 (restated) to loss per share of RMB1.19 cents in 2019.

– As at 31 December 2019, the Group's total bank and cash balances amounted to approximately RMB4.6 million (2018: approximately RMB1.4 million), representing an increase of 222.4% as compared to that as at 31 December 2018.

– 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 unaudited consolidated full year results of the Company together with its subsidiaries (collectively, the "Group") for the year ended 31 December 2019 (the "Year" or "Year under Review").

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Audited)
Revenue	*3*	**517,665**	250,660
Cost of sales		**(506,646)**	(250,721)
Gross profit/(loss)		**11,019**	(61)
Other income		**7,318**	30,584
Selling and distribution costs		**(8,178)**	(2,906)
General and administrative expenses		**(82,754)**	(223,322)
Loss from operations		**(72,595)**	(195,705)
Finance costs	*4*	**(149,437)**	(103,220)
Impairment losses of goodwill of investment in an associate		**–**	(909)
Share of losses of an associate		**–**	(70,597)
Loss before tax		**(222,032)**	(370,431)
Income tax credit	*5*	**419**	1,150
Loss and total comprehensive income for the year attributable to owners of the Company	*6*	**(221,613)**	(369,281)
			(Restated)
Loss per share			
Basic *(RMB cents)*	*7(a)*	**(1.19)**	(2.16)
Diluted *(RMB cents)*	*7(b)*	**(1.19)**	(2.16)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**343,916**	373,734
Leasehold land and land use right		**–**	22,665
Right-of-use assets		**22,666**	–
Investment in an associate	*8(a)*	**–**	–
		366,582	396,399
Current assets			
Leasehold land and land use right		**–**	558
Inventories		**43,861**	30,707
Trade and other receivables	*10*	**99,035**	114,119
Bank and cash balances		**4,559**	1,414
		147,455	146,798
Current liabilities			
Trade and other payables	*11*	**245,948**	187,595
Borrowings		**524,912**	530,489
Amount due to an associate	*8(b)*	**–**	4,492
		770,860	722,576
Net current liabilities		**(623,405)**	(575,778)
Total assets less current liabilities		**(256,823)**	(179,379)

	Notes	2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Audited)
Non-current liabilities			
Borrowings		**434,314**	278,660
Deferred income		**13,410**	13,722
Deferred income tax liabilities		**–**	419
		447,724	292,801
NET LIABILITIES		**(704,547)**	(472,180)
Equity			
Share capital	*12*	**1,505**	150,493
Reserves		**(706,052)**	(622,673)
TOTAL DEFICIT		**(704,547)**	(472,180)

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

(a) Application of new and revised IFRSs

The International Accounting Standards Board ("IASB") has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Of these, the following developments are relevant to the Group's consolidated financial statements:

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, and the related interpretations, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases-Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact or leases where the Group is the lessor. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity as at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting and transitional impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities as at the date of initial application.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients as at the date of initial application of IFRS 16:

(i) elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in a similar economic environment. Specifically, discount rate for certain leases of leasehold land and land use right was determined on a portfolio basis;

(iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;

(iv) excluded initial direct costs from measuring the right-of-use assets as at the date of initial application; and

(v) relied on the assessment of whether leases are onerous by applying IAS 37 as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

The following table reconciles the operating lease commitments as disclosed in note 14 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	933
Less: commitments relating to lease exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(933)
Lease liabilities recognised as at 1 January 2019	–

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of consolidated financial position as at 31 December 2018.

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The following table summaries the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16	*Note*	**Carrying amount as at 31 December 2018**	**Effects of adoption of IFRS 16**	**Carrying amount as at 1 January 2019**
			Reclassification	
		RMB'000	*RMB'000*	*RMB'000*
Assets				
Right-of-use assets		–	23.223	23,223
Leasehold land and land use right	*(i)*	23,223	(23,223)	–

Note:

(i) Upfront payments for leasehold lands in the PRC own used properties were classified as leasehold land and land use right as at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of leasehold land and land use right amounting to RMB558,000 and RMB22,665,000 respectively were classified to right-of-use assets.

(c) *Impact of the financial results and cash flows of the Group*

Under the recognition exemption and practical expedients of the initial application of IFRS 16, the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019. Therefore, the Group's results and cash flows had no impact as compared to the results and cash flows if IAS 17 had been applied during the year.

(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 2019. 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 3 Definition of a Business	1 January 2020
Amendments to IAS 1 and IAS 8 Definition of Material	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform	1 January 2020

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.

2. SEGMENT INFORMATION

For the year ended 31 December 2019 and 2018, the Group had 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.

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

	Shoes and clothes	**Fabrics**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Segment results			
Year ended 31 December 2019:			
Reportable revenue from external customers	**397,806**	**119,859**	**517,665**
Reportable segment profit/(loss)	**17,556**	**(6,537)**	**11,019**
Other income			**7,318**
Selling and distribution costs			**(8,178)**
General and administrative expenses			**(82,754)**
Finance costs			**(149,437)**
Loss before tax			**(222,032)**
Other segment items			
Capital expenditure	**–**	**1,402**	**1,402**
Amortisation of leasehold land and use right	**–**	**557**	**557**
Depreciation of property, plant and equipment	**–**	**31,012**	**31,012**
Impairment losses	**–**	**55,153**	**55,153**

	Shoes and clothes *RMB'000* (Audited)	Fabrics *RMB'000* (Audited)	Total *RMB'000* (Audited)
Segment results			
Year ended 31 December 2018:			
Reportable revenue from external customers	23,497	227,163	250,660
Reportable segment profit/(loss)	3,366	(3,427)	(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

Segment assets and liabilities	**Shoes and clothes** ***RMB'000*** **(Unaudited)**	**Fabrics** ***RMB'000*** **(Unaudited)**	**Total** ***RMB'000*** **(Unaudited)**
As at 31 December 2019:			
Segment assets	**7,197**	**502,281**	**509,478**
Unallocated assets			**4,559**
Total assets			**514,037**
Segment liabilities	**108**	**259,250**	**259,358**
Unallocated liabilities			**959,226**
Total liabilities			**1,218,584**

Segment assets and liabilities	Shoes and clothes *RMB'000* (Audited)	Fabrics *RMB'000* (Audited)	Total *RMB'000* (Audited)
As at 31 December 2018:			
Segment assets	2,069	539,714	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

Geographical information:

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
The People's Republic of China (the "PRC")	**119,859**	216,101
Korea	**328,676**	23,497
Hong Kong	**952**	11,062
The United States	**38,142**	–
Japan	**21,358**	–
Others	**8,678**	–
	517,665	250,660

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Customer A	**–***	35,159

* *Revenue from this customer did not exceed 10% of total revenue for the year. This amount was shown for comparative purpose.*

3. 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:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Recognised at point in time:		
Sales of shoes and clothes	**397,806**	23,497
Sales of fabrics	**119,859**	227,163
	517,665	250,660

4. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interest expenses on bank borrowings	**21,609**	21,077
Interest expenses on bonds	**127,828**	82,143
	149,437	103,220

5. INCOME TAX CREDIT

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current tax:		
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax ("PRC EIT")	**–**	–
	–	–
Deferred tax	**(419)**	(1,150)
	(419)	(1,150)

No provision for Hong Kong Profits Tax is required since the Group has no assessable profits for the year ended 31 December 2019 (2018: Nil).

PRC EIT has been provided at a rate of 25% (2018: 25%) on the estimated assessable profits of those subsidiaries established in the PRC for the year ended 31 December 2019.

6. LOSS FOR THE YEAR

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Auditor's remuneration	**794**	776
Raw materials and consumables used	**80,298**	175,989
Depreciation of property, plant and equipment	**31,012**	34,768
Amortisation of leasehold land and land use right	**557**	558
Minimum lease payments under operating leases in respect of office premises	**2,599**	3,040
(Gain)/loss on disposals of property, plant and equipment	**(229)**	109
Net foreign exchange gains	**(1,698)**	(7,889)
Impairment losses of inventories	**–**	7,373
Impairment losses of trade receivables	**55,153**	176,546
Impairment losses of other receivables	**–**	2,825
Reversal of impairment losses of prepayments, net	**(407)**	(10,921)
Staff costs (including directors' emoluments):		
Salaries, bonuses and other benefits	**14,424**	17,676
Retirement benefit scheme contributions	**1,134**	1,384
	15,558	19,060

Note: Depreciation of property, plant and equipment and staff costs of approximately RMB30,844,000 and RMB8,412,000 (2018: RMB33,126,000 and RMB10,517,000) were included in the cost of sales.

7. LOSS PER SHARE

(a) Basic loss per share

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Loss for the year attributable to owners of the Company used in the basic loss per share calculation	**(221,613)**	(369,281)

	Number of shares	
	2019	2018
	(Unaudited)	(Audited)
		(Restated)
Weighted average number of ordinary shares in issue during the year used in basic loss per share calculation	**186,000,000**	170,797,260

(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 2019 and 2018.

8. INTERESTS IN AN ASSOCIATE

(a) Investment in an associate

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Unlisted investments:		
Share of net assets	**–**	–
Goodwill	**–**	60,909
	–	60,909
Impairment loss on goodwill	**–**	(60,909)
Share of net assets	**–**	–

Details of the Group's associate as at 31 December 2019 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 to an associate

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

9. DIVIDEND

No dividend to respect of the years ended 31 December 2019 and 2018 were declared and approved by the directors.

10. TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables *(note (a))*	**820,370**	787,834
Less: Allowance for trade receivables *(note (a))*	**(807,130)**	(751,978)
	13,240	35,856
Prepayments to suppliers for purchase of raw materials	**177,514**	158,633
Less: Allowance for prepayments	**(152,662)**	(153,069)
	24,852	5,564
Other receivables	**63,768**	75,185
Less: Allowance for other receivables	**(2,825)**	(2,825)
	60,943	72,360
Amount due from a former director *(note (b))*	**–**	339
	99,035	114,119

Notes:

(a) Trade receivables

The Group's trading terms customers are mainly on credit. The credit terms generally 90 days (2018: 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:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 6 months	**4,565**	30,927
Over 6 months but less than 12 months	**8,675**	4,929
	13,240	35,856

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

(b) Amount due from a former director

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

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

	Maximum outstanding balance during the year	2019	2018
	RMB'000	***RMB'000***	*RMB'000*
	(Unaudited)	**(Unaudited)**	(Audited)
Mr. Lin Qingxiong	339	**–**	339

11. TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**86,563**	54,300
Advance payments from customers	**10,650**	9,279
Payables for purchases of property, plant and equipment	**35,823**	34,145
Salary payables	**23,850**	23,371
Interest payables	**57,556**	37,160
Other payables and accruals	**31,506**	29,340
	245,948	187,595

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**19,841**	15,055
Over 3 months but less than 12 months	**34,789**	11,250
Over 12 months	**31,933**	27,995
	86,563	54,300

12. SHARE CAPITAL

	Number of ordinary shares ’000 At HK$0.10 per share	At HK$0.01 per share	*HK$’000*
Authorised:			
As at 1 January 2018, 31 December 2018 and 1 January 2019 (audited)	10,000,000	–	1,000,000
Effects of share consolidation *(note (b(i)))*	**(10,000,000)**	**1,000,000**	**–**
Effects of share subdivision *(note (b(iii)))*	**–**	**99,000,000**	**–**
As at 31 December 2019 (unaudited)	**–**	**100,000,000**	**1,000,000**
Issued and fully paid:			
As at 1 January 2018 (audited)	1,550,000	–	155,000
Issue of shares *(note (a))*	310,000	–	31,000
As at 31 December 2018 and 1 January 2019 (audited)	1,860,000	–	186,000
Share consolidation *(note (b(i)))*	**(1,860,000)**	**186,000**	**–**
Capital reduction *(note (b(ii)))*	**–**	**–**	**(184,140)**
As at 31 December 2019 (unaudited)	**–**	**186,000**	**1,860**
Equivalent to RMB’000:			
As at 31 December 2018 (audited)			150,493
As at 31 December 2019 (unaudited)			**1,505**

Note:

(a) 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.

(b) On 19 June 2019, the Capital reorganisation (“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.

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 2019 and 2018.

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.

13. CAPITAL COMMITMENT

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Property, plant and equipment	**3,387**	4,654

14. OPERATING LEASE ARRANGEMENTS

The Group as lessee

As at 31 December 2019, the Group had no commitment for future minimum lease payments under non-cancellable operating leases in respect of premises for factory and office.

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

	2018
	RMB'000
	(Audited)
Within one year	933
In the second to fifth years inclusive	–
	933

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.

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 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) Winding up Petition

On 20 September 2019, the Company received a petition (the "Petition") from Su Dajie (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 of The Hong Kong Special Administrative Region (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 2% bond in the principal amount of RMB3,000,000 issued by the Company on 12 April 2018 and the 2.5% bond in the principal amount of RMB3,005,530 issued by the Company on 13 April 2018 ("collectively, 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 RMB2,890,000.

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 (the "JPL Application") of 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 (together "JPLs") on a light touch approach for restructuring purpose was presented and filed with the Supreme Court of Bermuda (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 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 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 RMB2,070,000 and default interest on RMB2,000,000 at rate of 15% per annuum 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 RMB3,070,000. 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, a 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 Group 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 years ended 31 December 2019 and 2018.

16. EVENTS AFTER THE REPORTING PERIOD

(a) Effect of the new coronavirus (COVID-19) outbreak

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impact on the Group's financial position, cash flow and operating results at the date on which these financial statements are authorised for issue of the COVID-19 has impact on the global business environment, which brought about additional uncertainties to the Group's operation.

(b) Completion of placing

On 4 February 2020, an aggregate of 37,200,000 placing shares (the "Placing Shares") have been successfully placed by JMC Capital HK Limited (the "Placing Agent") to not less than six placees at the placing price of RMB0.086 per Placing Share (the "Placing"). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the placees are third parties independent of the Company and not connected nor acting in concert with any of the connected persons of the Company or any of their respective associates. None of the placees has become a substantial shareholder (within the meaning of the Listing Rules) of the Company immediately upon completion of the Placing. The net proceeds from the Placing (after deducting the placing commission payable to the Placing Agent and other expenses incurred in the Placing) is approximately RMB3.09 million which is intended for general working capital of the Group and costs for debt restructuring.

(c) Proposed Rights Issue on the basis of one (1) rights share for every two (2) existing shares held on the Record Date

The Board proposes to raise up to approximately HK$15.5 million before expenses by issuing 111,600,000 new shares (the "Rights Shares", and each a "Rights Share") at the Subscription Price of HK$0.139 per Rights Share by way of the rights issue (the "Rights Issue"), on the basis of one (1) Rights Share for every two (2) existing Shares held on 20 March 2020 or such other date as the Company may determine (the "Record Date").

The estimated net proceeds from the Rights Issue, if fully subscribed, will be approximately HK$14.9 million (equivalent to a net price of approximately HK$0.133 per Rights Share) which will be used (i) as to approximately HK$4.5 million for general working capital; (ii) as to approximately HK$6.0 million for the expenses for the debt restructuring; and (iii) as to approximately HK$4.4 million for the development of new business. In the event that there is an undersubscription of the Rights Issue, the net proceeds of the Rights Issue may not be sufficient to satisfy all the above uses. Under such circumstances, the Company will prioritise using the net proceeds from the Rights Issue for the expenses for the debt restructuring.

The Board considers that the Rights Issue provides a good opportunity for the Group to strengthen its capital base and to enhance its financial position, while at the same time the Rights Issue will enable all shareholders of the Company to participate in the future development of the Company on equal terms. Since the Rights Issue will allow the Shareholders whose names appear on the register of members of the Company on the Record Date to maintain their respective pro rata shareholdings in the Company and therefore avoid dilution, the Board considers that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

CHAIRMAN'S STATEMENT

Results

In 2019, the Chinese textile industry faced a tough time. Under the Sino-U.S. economic and trade frictions, the punitive tariffs imposed by the U.S. on Chinese products adversely affect Chinese exports to its biggest overseas market, including a steep decline in textile and apparel exports. Facing both sluggish domestic and overseas market demands, the overall profitability of the Chinese textile industry was adversely affected. Under such unfavourable circumstances, the Group has commenced in sales of shoes and clothes in December 2018, which has developed into a major revenue-generating unit of the Group.

The Group recorded revenue of approximately RMB517.7 million for the year ended 31 December 2019, representing an increase of approximately 106.5% compared with the revenue of RMB250.7 million for the year ended 31 December 2018. The increase in revenue was mainly attributable to increase in sales amounts in shoes and clothes, which was commenced in the fourth quarter of 2018. The gross profit margin of the Group's products was approximately 2.1%, representing an increase from gross loss margin of approximately 0.02% from previous year. Loss attributable to owners of the Company for the Year decreased significantly from loss of approximately RMB369.3 million in 2018 to loss of approximately RMB221.6 million in 2019, representing a decrease of approximately 40.0% as compared with the last year, which was mainly attributable to the increase in sales turnover and gross profit margin generated from the sales of shoes and clothes as well as the decrease in general and administrative expenses resulted from less impairments made during the Year. Sales of shoes and clothes contributed revenue amounted to approximately RMB397.8 million for the year ended 31 December 2019, Revenue from sales of fabrics decreased from approximately RMB227.2 million for the year ended 31 December 2018 to approximately RMB119.9 million for the year ended 31 December 2019, representing a decrease of 47.3%.

Outlook

Looking forward to 2020, the unsolved Sino-U.S. economic and trade frictions coupled with outbreak of the COVID-19 across the world, the global economy is expected to remain sluggish with difficult operating environment. The existing principal business of sales of fabrics and yarns has been worsening as they are subject to unfavourable macroeconomic environment and continuous unsatisfactory market condition. It is also expected the outbreak of COVID-19 would reduce the overall export of the shoes and clothes products to Asia in the forthcoming year. Under such challenging circumstances, the Group will explore any new business opportunities. The Group would consider possible masks production by transforming the Group's production lines and purchasing new mask production machinery. The Group has been applying the relevant certificates and permission from the local government in order to carry out such business. Meanwhile, the Group would continue to explore any new healthy and stable industry through merger and acquisition and diversity its business in order to enhance the Group's profitability and improve the financial position and cash flow of the Group.

In 2019, the Company has completed the change of domicile from the Cayman Islands to Bermuda and capital reorganisation. To facilitate the financial restructuring, the Company has filed with the Bermuda Court a winding up petition together with application for appointment of provisional liquidators of the Company on a light touch approach for restructuring purpose only. The joint provisional liquidators ("JPLs") were appointed in Bermuda and recognised by the High Court in Hong Kong. Whilst monitoring by the JPLs, the Company is in progress on the discussions with the bonds creditors any possible restructuring scheme, and target to complete the scheme by the end of year 2020. The management will continue to 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the Year, the Group recorded revenue of approximately RMB517.7 million, representing an increase of approximately 106.5% as compared with revenue of RMB250.7 million in 2018, and loss attributable to owners of the Company decreased from loss of approximately RMB369.3 million in 2018 to loss of approximately RMB221.6 million in 2019, representing a decrease in loss of approximately 40.0% as compared with last year. The increase in revenue was mainly attributable to an increase in sales amounts in shoes and clothes, which was commenced in the fourth quarter of 2018. The decrease in net loss attributable to owners of the Company was mainly due to a decrease in impairment loss in trade receivables for the Year.

Industry review

During the Year, the PRC economy was at the stage of structural adjustment, showing increasing downward pressure. The growth of GDP for the year was only 6.1%, compared with 6.6% in 2018. According to statistics from the National Bureau of Statistics of the PRC, the aggregate sales achieved by sizeable textile enterprises amounted to RMB2,403.8 billion in 2019, representing a 1.8% decrease year-on-year, with profit totalling RMB100.9 billion, down by 10.9% year-on-year. The production volume of fabrics amounted to 57.56 billion meters in 2019, representing a 12.4% decrease from 2018. According to data from PRC Customs, the textile products amounted to approximately US$120.2 billion were exported from China in 2019, representing a year-on-year increase of 0.9% with the value of garments at US$151.4 billion, representing a year-on-year decrease of 4.0%. Negatively affected by the Sino-U.S economic and trade frictions, the Chinese textile industry faced more risks and challenges. The U.S. tariffs on China's products reduced export volumes of textile products to the largest overseas market, and demonstrated a slowing down production volume of textile products in 2019. In terms of the raw materials, according to the data from China Chamber of Commerce for Import and Export of Textile and Apparel, the annual average price was approximately RMB14,212 per ton, a year-on-year decrease of 10.5%. The average annual price of the CotlookA index was US$77.83 cents per lb, representing a year-on-year decrease of 14.85%.

Business review

In 2019, the domestic cotton price witnessed significant decrease with abundant supply and reduced demand affected by uncertainties from the overseas markets under the Sino-U.S. economic and trade frictions, the sales volume and selling price of China's textile products both decreased accordingly and further narrowing down the gross profit margin of textile products of the Group. As the textile industry has been worsening in past few years, the Group has changed the nature of textile products from cotton textile to chemical fiber textile. Revenue of the Group mainly comprises 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 3.4% to RMB5.7 per meter (2018: RMB5.9 per meter) when compared with the last year. The average unit cost of fabrics slightly increase from RMB5.9 per meter for the year ended 31 December 2018 to RMB6.0 per meter representing an increase of 1.7% for the year ended 31 December 2019. The overall gross profit for the year ended 31 December 2019 was approximately 2.1%, compare with gross loss margin 0.02% in 2018 because the sales of shoes and clothes representing 76.9% of the Group's total revenue contributed profit margin of approximately 4.4%, despite the gross loss generated from the sales of fabrics of approximately 5.5% during the year.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 106.5% from approximately RMB250.7 million for the year ended 31 December 2018 to approximately RMB517.7 million for the year ended 31 December 2019. Such increase in the revenue was mainly due to an increase in sales volume of shoes and clothes during the year. Decrease in the revenue of our fabric products was primarily due to decline in the sales volume and the average selling price from around RMB5.9 per meter in 2018 to RMB5.7 per meter in 2019.

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

	Year ended 31 December			
	2019	**% to total**	2018	% to total
	RMB'000	**revenue**	RMB'000	revenue
Shoes and clothes	**397,806**	**76.8**	23,497	9.4
Fabrics	**119,859**	**23.2**	227,163	90.6
Total	**517,665**	**100.0**	250,660	100.0

Cost of sales

The Group's cost of sales increased by 102.1% from approximately RMB250.7 million for the year ended 31 December 2018 to approximately RMB506.7 million for the year ended 31 December 2019. Such increase in cost of sales was in line with the increased 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			
	2019 RMB'000	**% to total cost of sales**	2018 RMB'000	% to total cost of sales
Shoes and clothes	**380,250**	**75.1**	20,131	8.0
Fabrics	**126,396**	**24.9**	230,590	92.0
Total	**506,646**	**100.0**	250,721	100.0

Gross profit/(loss)

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

	Year ended 31 December			
	2019 RMB'000	**Gross profit/(loss) margin**	2018 RMB'000	Gross profit/(loss) margin
Shoes and clothes	**17,556**	**4.4%**	3,366	14.3%
Fabrics	**(6,537)**	**(5.5%)**	(3,427)	(1.5%)
Total	**11,019**	**2.1%**	(61)	(0.0%)

The change from gross loss of approximately RMB61,000, representing gross loss margin of 0.02% for the year ended 31 December 2018 to gross profit of RMB11 million, representing gross profit margin of 2.1% for the year ended 31 December 2019, was mainly because the sales of shoes and clothes contributed approximately 76.9% of the Group's revenue during the year. The gross profits of the shoes and clothes decreased from 14.3% in 2018 to 4.4% in 2019 mainly because the Group outsourced certain logistics works in order to boost the sales turnover for the year. The gross loss margin of fabrics products increased from 1.5% in 2018 to 5.5% in 2019 was mainly because of a decrease in average selling price from around RMB5.9 per meter in 2018 to RMB5.7 per meter in 2019, while the average cost slightly increased from RMB5.9 per meter in 2018 to RMB6.0 per meter in 2019.

Selling and distribution costs

The increase in selling and distribution costs by 181.4% from approximately RMB2.9 million for the year ended 31 December 2018 to approximately RMB8.2 million for the year ended 31 December 2019 as the transportation charges increased in line with an increase in exports sales of shoes and clothes during the year.

General and administrative expenses

The significant decrease in general and administrative expenses by 62.9% from approximately RMB223.3 million for the year ended 31 December 2018 to approximately RMB82.8 million for the year ended 31 December 2019 was mainly because less impairments had been made during the Year. Provision of RMB55.2 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

Decrease in other income by 76.1% from approximately RMB30.6 million for the year ended 31 December 2018 to approximately RMB7.3 million for the year ended 31 December 2019 was mainly due to a decrease in reversal of impairment losses or prepayments from approximately RMB10.9 million in 2018 to approximately RMB0.4 million in 2019, a decrease in government grants received from approximately RMB7.9 million in 2018 to approximately RMB0.6 million in 2019 and a decrease in net foreign exchange gains from approximately RMB7.9 million in 2018 to approximately RMB1.7 million in 2019.

Finance costs

The increase in finance costs by 44.8% from approximately RMB103.2 million for the year ended 31 December 2018 to approximately RMB149.4 million for the year ended 31 December 2019 was mainly due to an increase in the average balance of borrowings and interest expenses 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 RMB71.5 million 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 for the year ended 31 December 2018. The Group's share of carrying amount of interest was fully impaired and hence there was no such item for the year ended 31 December 2019.

Income tax credit

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 financing 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. As at 31 December 2019, the Group had secured and unsecured interest-bearing bank borrowings of approximately RMB233.6 million (2018: RMB233.6 million) and unsecured bonds of approximately RMB725.6 million (2018: RMB575.5 million).

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 2019 and 2018:

	2019	2018
	RMB'000	*RMB'000*
Current assets	**147,455**	146,798
Current liabilities	**770,860**	722,576
Net Current liabilities	**(623,405)**	(575,778)
Current ratio	**19.13%**	20.32%
Quick ratio	**13.44%**	16.07%
Gearing ratio	**N/A**	N/A
Debt to equity ratio	**N/A**	N/A

Pledge of assets

As at 31 December 2019, the Group's land use rights and buildings, machinery and equipment with an aggregate net book value of approximately RMB285.0 million were pledged to secure banking facilities for purposes of working capital and purchases of fixed assets for the Group (as at 31 December 2018: approximately RMB301.1 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 above under the heading of "Contingent liabilities" of this announcement, the Group did not have any material contingent liabilities as at 31 December 2019.

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 2019.

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 24 December 2019, 17 January 2020, 23 January 2020 and 4 February 2020 in relation to, among other things, the placing of new ordinary shares under general mandate. All the net proceeds have been utilised for general working capital and costs for debt restructuring as intended.

HUMAN RESOURCES

As at 31 December 2019, the Group had a total workforce of 350 (as at 31 December 2018: 420). 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 2019 (2018: Nil). As there is no interim dividend payable during the year, there will be no dividend distribution for the whole year of 2019.

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 nonexecutive 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 2019, 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.

AUDITOR

Reference is made to the announcement made by the Company dated 10 February 2020, World Link CPA Limited ("World Link") has resigned as the auditor of the Company with effect from 10 February 2020, after taking into account the circumstances and conditions including the change of its engagement team personnel responsible for carrying out the audit work for the Group for the year ended 31 December 2019. On the same date, the Company appointed McMillan Woods (Hong Kong) CPA Limited ("McMillan Woods") as the new auditor of the Company, to fill the casual vacancy following the resignation of World Link and to hold office until the conclusion of the next annual general meeting of the Company. The consolidated financial statements for the Year have been auditing by McMillan Woods.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to restrictions in force in parts of China to combat the COVID-19 outbreak. The unaudited results contained herein have not been agreed by the Company's auditors. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcements as and when necessary if there are other material development in the completion of the auditing process.

PUBLICATIONS OF THE UNAUDITED RESULTS ANNOUNCEMENT

This unaudited results announcement is published on the websites of the Company (http://moodytech-holdingltd.com) and the Stock Exchange (www.hkexnews.hk).

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)
Wu Jianxiong
Chairman and Executive Director

Hong Kong
31 March 2020

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

Executive Directors:	Mr. Wu Jianxiong Mr. Lin Guoqin Mr. Wang Zhiping
Independent non-executive Directors:	Mr. Chow Yun Cheung Mr. Lin Yugang Mr. Liu Junting