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

(Incorporated in the Cayman Island with limited liability and continued in Bermuda with limited liability)
(Stock Code: 1400)
(Provisional Liquidators Appointed)
(For Restructuring Purposes)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE AUDITED ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the announcements made by Moody Technology Holdings Limited (the **"Company"**) and its subsidiaries (together referred to as the **"Group"**) dated 31 March 2020 and 7 July 2020 in relation to the annual results of the Group for the year ended 31 December 2019 (the **"2019 Annual Results Announcement"**) and the annual report of the Group for the year ended 31 December 2019 (the **"2019 Annual Report"**). Unless otherwise defined, terms used herein shall bear the same meanings as defined in the 2019 Annual Results Announcement and 2019 Annual Report.

In addition to the information provided in the 2019 Annual Results Announcement and 2019 Annual Report, the Board would like to provide further information in relation to the disclaimer of opinion (the **"Audit Qualification"**) issued by the auditor of the Company (the **"Auditor"**) in relation to the consolidated financial statements of the Group for the year ended 31 December 2019.

DETAILS OF THE AUDIT QUALIFICATION AND MANAGEMENT'S VIEW ON THE AUDIT QUALIFICATION

As detailed in Note. 2 to the consolidated financial statements for the year ended 31 December 2019, those conditions existed indicate the existence of material uncertainties which may cast significant doubt regarding the Group's ability to continue as a going concern. In view of such circumstances, the Board of directors (the **"Directors"**) had assessed the Group's current liquidity, performance and available sources of financing in considering the Group's ability to continue as a going concern.

The Directors has also taken or will continue to implement the measures to mitigate the Group's liquidity pressure and improve the conditions of cash flow, and on the assumption of successful and continued implementation of such measures, and taking into account the Group's cash flow projections which covers a period of not less than 12 months from 31 December 2019, the management of the Company and also the Directors are satisfied that it is appropriate to prepare the Group's consolidated financial statements on a going concern basis. The Directors are of the view that the Group will, based on the measures devised (the **Measures**, as further detailed below in this announcement), have sufficient cash resources to satisfy future working capital and other financing requirements as and when they fall due in the next twelve months from the reporting date.

The consolidated financial statements have therefore been prepared on a going concern basis, the validity of which however depends on the outcome of the Measures, including:

(i) the Company's ability to seek the creditors, mainly the bondholders, to support the debt restructuring scheme (the **"Scheme"**) of the Company;

(ii) the Company's ability to successfully negotiate with the creditor banks to renew or extend the existing borrowings as they fall due; and

(iii) the Group's ability to generate operating cash flows and obtain additional sources of financing to finance the Group's businesses and other funding needs.

As set out in the 2019 Annual Report, in the view of (i) the extent of the uncertainty relating to the continued support of the Group's bankers and bondholders and (ii) the timetable of implementation of the Scheme was yet to be concrete, which may constitute the possible cumulative effects on the consolidated financial statements, the Auditor disclaimed their opinion on the consolidated financial statements in respect of the material uncertainty relating to the going concern basis.

AUDIT COMMITTEE'S VIEW ON THE AUDIT QUALIFICATION

The audit committee of the Company (the **"Audit Committee"**) had critically reviewed the Audit Qualification and also the Directors' position and action plan of the Group to address the Audit Qualification. The Audit Committee is in agreement with the Directors with respect to the Audit Qualification and the Group's ability to continue as a going concern, and in particular the Measures to be implemented by the Directors or the Group. The Audit Committee's views are based on (i) a critical review of (a) the Directors' action plan to address the Audit Qualification (and the assumption of successful and continued implementation), and (b) a review of the Group's cash flow projections which covers a period of not less than 12 months from 31 December 2019, and also (ii) discussions between the Audit Committee, the Auditor and the Directors regarding the Audit Qualification. The Audit Committee is also of the view that the Directors shall and keep continued its efforts in implementing the Measures set out above with the intention of mitigating the Group's liquidity pressure and removing the Audit Qualification.

ACTION PLAN OF THE GROUP TO ADDRESS THE AUDIT QUALIFICATION AND IMPACT OF THE AUDIT QUALIFICATION ON THE COMPANY'S FINANCIAL POSITION

Details of the action plan (the "Action Plan") of the Group to address the Audit Qualification

In order to mitigate the Group's liquidity position and to improve the Group's financial position, the Company has been taking and/or intends to continue to implement the following actions:

(i) continued efforts to obtain positive feedback from the creditors, mainly the bondholders of the Company, for their supports on the Scheme. The Directors has collaborated with the joint and several provisional liquidators of the Company to formulate the Scheme. The implementation of the Scheme is subject to the agreements of the majority of the creditors in the creditors' meeting and the order granted by the Bermuda Court and the Hong Kong High Court. As at 31 December 2019, the major debts involved in the Scheme represents the unsecured bonds (principal and interest) amounted to approximately RMB725.6 million. In light of the recent COVID-19 epidemic, the meetings with a number of bondholders from the PRC have been postponed, the Company is yet to obtain their latest intentions towards the Scheme. The holding of the creditors' meeting is also subject to the approval by both the Bermuda Court and Hong Kong High Court. As advised by the JPLs and the Company's Bermuda legal advisor, the hearing of the Company's winding-up petition has been adjourned to a date to be fixed. Up to the date of this announcement, the Company have not received the adjourned hearing date. The Company targets to proceed with the Scheme in the first quarter of year 2021. Further announcements will be published as and when necessary to update the shareholders and potential investors for any progress of the Scheme;

(ii) continued efforts to negotiate with the local creditor banks in the PRC to renew or extend the existing bank borrowings owed by the PRC subsidiaries of the Group in Hubei and Fujian.

As disclosed in the 2019 Annual Report, bank borrowings of Hongtai (China) Co., Limited (**"Hongtai China"**), the Company's subsidiary in Fujian, and Fengtai (Hubei) Textile Co. Limited (**"Fengtai Hubei"**), the Company's subsidiary in Hubei amounted to approximately RMB133,642,000 were overdue due to temporary shortage of funds. The following table demonstrates the overdue bank borrowings and penalty interests payable of the Group as at 31 December 2019:

	RMB'000
Principal owed by Hongtai China	107,995
Principal owed by Fengtai Hubei	25,647
Penalty interest	14,237
Total	147,879

As disclosed in the Company's announcement dated 20 April 2020 and the 2019 Annual Report, the abovementioned bank borrowings of Hongtai China were partially settled by the Forced Sale of a factory building of Hongtai China with a consideration of RMB69.2 million. After such settlement, the outstanding balances of Hongtai China with the local banks were approximately RMB38.8 million.

For the bank borrowings owed by Fengtai Hubei, as of the date of this announcement, the local creditor banks have not demanded for immediate repayment for its overdue loans. Fengtai Hubei is subjected to penalty interest expenses until the full repayment of the overdue loans. Up to the date of this announcement, the Company have not informed any further legal actions taken by the banks in relation to the overdue borrowings.

The Group have spared no effort to negotiate with the local banks in the PRC to renew or extend the bank borrowings. In 2019, the Group succeeded to extend the repayment of bank borrowings amounted to approximately RMB90 million for one year from year 2020 to year 2021. The Group will continue such efforts on the negotiation with the banks for the other overdue bank borrowings to maintain its liquidity and cashflow.

(iii) continued generation of operating cash flows and active seeking of other alternative financing, including but not limited to the placing of new shares by general mandate and/or specific mandate if necessary. Reference is made to the Company's announcements dated 2 September 2020, 27 September 2020 and 30 September 2020, the Company has completed the Placing of aggregate 60,504,216 Placing Shares at a price of HK$0.143 per Placing Shares on 30 September 2020 and the net proceeds from the Placing was approximately HK$8.50 million; and

(iv) continue to explore new business opportunities through mergers and acquisitions to diversify the businesses of the Group in order to enhance the income stream so as to improve the overall financial position and performance of the Group. The Company has been approaching various potential business partners for the development of the Group's new business, such business partners are engaged in various industries, including but not limit to manufacturing, infrastructure, finance and healthcare. When evaluating the potential business development opportunities, the Company take into account of the profitability, assets and liabilities level, cash flows as well as industry prospects of such businesses, with an objective to enhance the Company's financial performance. Up to the date of this letter, the Company is still in preliminary negotiations with these business partners and no agreements have been made between the Company and any of these business partners.

Impact of the Audit Qualification on the Company's financial position

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effect of these adjustments has not been reflected in the consolidated financial statements of the Group for the year ended 31 December 2019.

Removal of the Audit Qualification

Based on the Company's discussion with the Auditor, the Board is given to understand that if all of the above Measures had been completed as at 31 December 2019, the Audit Qualification would not have been issued. The Auditor has advised the Directors that as the Audit Qualification relates to a going concern issue, in preparing the financial statements for the year ending 31 December 2020, the Directors are responsible for assessing the Company's ability to continue as a going concern and the appropriateness of preparing the Group's consolidated financial statements on a going concern basis, based on the conditions and circumstances as at 31 December 2020. In accordance with the Hong Kong Standards on Auditing, the Auditor needs to obtain sufficient appropriate audit evidence regarding the appropriateness of the Directors' use of the going concern basis of accounting in the preparation of the Group's consolidated financial statements, and to conclude, based on the audit evidence obtained, whether a material uncertainty exists regarding the Company's ability to continue as a going concern.

The Directors' assessment of the Company's ability to continue as a going concern as at 31 December 2020 would need to take into consideration of the then conditions and circumstances and also include cash flow projections covering a period of not less than 12 months from 31 December 2020. As such, the Auditor is unable to ascertain whether the Audit Qualification can be removed in the next financial year based purely on the Action Plan, given sufficient appropriate audit evidence is yet to be obtained regarding the Directors' future assessment as at 31 December 2020.

Therefore, assuming if (i) the Company proceeds with the Scheme in the first quarter of year 2021, (ii) the Company and the creditors (including the local creditor banks in the PRC) have come up with a preliminary plan in settling the outstanding debts, and (iii) there is a satisfactory completion of review of the Directors' assessment of the Company's going concern by the Auditor together with sufficient and appropriate evidence, the Audit Qualification is expected to be removed in connection with the audit of the consolidated financial statements of the Group for the year ending 31 December 2020.

This supplemental announcement has been reviewed by the Auditor.

Further announcement(s) will be made by the Company to keep its shareholders and investors informed of any significant development in due course.

By order of the Board
Moody Technology Holdings Limited
(Provisional Liquidators Appointed)
(For Restructuring Purposes)
Wu Jianxiong
Chairman and Executive Director

Hong Kong, 23 October 2020

As of the date of this announcement, the executive Directors are Mr. Wu Jianxiong, Mr. Lin Guoqin and Ms. Lin Yuxi; and the independent non-executive Directors are Mr. Chow Yun Cheung, Mr. Lin Yugang and Mr. Liu Junting.