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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE AUDITED ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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 2021 in relation to the annual results of the Group for the year ended 31 December 2020 (the "**2020 Annual Results Announcement**") and the annual report of the Group for the year ended 31 December 2020 (the "**2020 Annual Report**"). Unless otherwise defined, terms used herein shall bear the same meanings as defined in the 2020 Annual Results Announcement and 2020 Annual Report.

In addition to the information provided in the 2020 Annual Results Announcement and 2020 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 2020.

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 2020, 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 2020, 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, based on the continuing effort of the action plan as details below, will 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 continuing action plan, including:

(i) the Company's implementation of the debt restructuring scheme (the "**Scheme**") of the Company in 2021;

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

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

Further to set out in the 2020 Annual Report, in the view of (i) the postponement of the timetable of implementation of the Scheme, (ii) the extent of the uncertainty relating to the continued support of the Group's bankers, and (iii) the continued ability to general operating cash flows and obtain additional sources of financing, 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 2020, 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.

STATUS AND RESULTS OF THE ACTION PLAN OF THE GROUP TO ADDRESS THE AUDIT QUALIFICATION FOR THE YEAR ENDED 31 DECEMBER 2020

Reference is made to the Company's announcement dated 23 October 2020 in relation to, among others, the action plans (the "**Action Plan**") of the Company to address and remove the audit modification for the year ended 31 December 2020, and the announcement dated 11 November 2020 in relation to the restructuring transaction involving the issue of the shares (the "**Debt Restructuring Transaction**").

Status and results of the Action Plan

(i) Postponement of the implementation of the Scheme

The Group has been incurring losses from operations in the past few years and the outbreak of the COVID-19 continued to affect the Group's financial performance and position in 2020. As at 31 December 2020, the bank and cash balances of the Group amounted to approximately RMB3.6 million (2019: RMB4.6 million). In order to implement the Scheme, the Group is subjected to immediate repayment obligations including legal and professional fees and other general expenses. Due to limited financial resources, the Group has raised net proceeds of approximately HK$6.77 million in 2020, which are intended to be used as general working capital and costs of debt restructuring of the Group.

In light of the COVID-19 pandemic and the quarantine requirements of the government of Hong Kong restricted the physical meetings with a number of bondholders from the People's Republic of China (the "**PRC**"), the Company was yet to obtain their latest intentions towards the Scheme and therefore the Company determined to postpone the timetable of the convene the Scheme meeting. As at 31 December 2020, the major debts involved in the Scheme represents the unsecured bonds (principal and interest) amounted to approximately RMB781.7 million. 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.

In the first quarter of 2021, the management of the Company was still in negotiation of certain creditors for their support towards the Scheme. Upon further meetings with the JPLs and the legal adviser, since all the liabilities under the Scheme are governed under the law of Hong Kong, the Company determined to proceed a Scheme application in the Hong Kong High Court (the "**High Court**"). It is anticipated that after the Company has implemented the Scheme in Hong Kong, the JPLs and the legal adviser of the Company in Bermuda will seek to withdraw the winding up petition of the Company in the Bermuda Court.

In respect of the communications with the bondholders, the Company mainly presented to them (i) the major terms of the Scheme, i.e. the swap of their bonds to the shares of the Company under the Scheme; (ii) the basis of the prices of the Scheme shares as disclosed in the announcements of the Company dated 11 November 2020; and (iii) the future business of the Company, including but not limited to the possible major acquisition of a new business as disclosed in the announcement of the Company dated 27 October 2020, 24 December 2020 and 26 July 2021. All these, together with the risk factors of the Scheme, are all included in the Scheme documents, which will be despatched to all the creditors before the creditors' meeting.

The Company aimed to seek for their support in the creditors' meeting held on the date to be fixed after the Application Hearing. Up to the date of this announcement, the Company has a total number of 183 bond creditors involved in the Scheme, and has received the verbal support from the majority in terms of the amounts involved in the Scheme towards the implementation of the Scheme.

In April 2021, the Company has engaged a Hong Kong legal counsel to represent the Company for such applications. The Company, the JPLs and the legal counsel (together as the "**Team**") have been working on the Scheme documents, affirmations and relevant schedules to be submitted to the High Court. The Company has also sought leave from the High Court to fix the hearing dates for the intended scheme of arrangement. In return, the judge of the High Court (the "**Judge**") had made the following directions: The application for leave to convene the scheme meetings can be listed for hearing at 10 a.m. on 22 June 2021 (the "**Application Hearing**"); and the hearing for sanction of the proposed scheme of arrangement be listed at 10 a.m. on 3 August 2021 (the "**Sanction Hearing**").

In mid-June 2021, as advised by the legal counsel, the Team needed more time to formulate the content of scheme document and hence the Company applied to re-fix the Application Hearing date. In return, the Judge had relisted the date of the Application Hearing on 3 August 2021 and the Sanction Hearing on 5 October 2021.

In the Application Hearing held on 3 August 2021, the Judge ordered the Team shall modify the content of the Scheme documents and adjourned the Application Hearing to 3 September 2021.

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been halted ("**Trading Halt**") with effect from 9:00 a.m. on 30 August 2021, pending the release of an announcement in relation to an inside information of the Company. The Team has considered the effect of the Trading Halt and hence applied to re-fix the Application Hearing date and Sanction Hearing date on 31 August 2021. In return, the Judge had relisted the date of the Application Hearing on 25 February 2022 and the Sanction Hearing on 12 May 2022. The Team is currently preparing the modified Scheme documents to be submitted to the Court before the adjourned Application Hearing.

Further announcements will be published as and when necessary to update the shareholders and potential investors for any progress of the Scheme.

(ii) Negotiation 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 2020 Annual Report, the secured bank borrowings and unsecured bank borrowings were amounted to approximately RMB112.1 million and RMB57.1 million, respectively, which includes the current bank borrowings (the "**Current Bank Borrowing**") of approximately RMB100 million and the overdue bank borrowings (the "**Overdue Bank Borrowing**") 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 RMB69.2 million (2019: RMB133.6 million) due to temporary shortage of funds.

The Company has extended the repayment of Current Bank Borrowings of approximately RMB10 million and RMB90 million, which were due in January 2021 and April 2021, to January 2022 and April 2022. The Company will continue to negotiate with the banks for a further extension of the repayment of the Current Bank Borrowing by their due dates.

The following table demonstrates the Overdue Bank Borrowings and penalty interests payable of the Group as at 31 December 2020:

	RMB'000
Principal owed by Hongtai China	49,545
Principal owed by Fengtai Hubei	19,678
Penalty interests	6,969
Total	76,192

Fengtai Hubei

Since 1 January 2021 to the date of this announcement, Fengtai Hubei had repaid the Overdue Bank Borrowing amounted to approximately RMB1.2 million to the local creditor banks. Fengtai Hubei will continue to repay the Overdue Bank Borrowings by installment depending on its liquidity. Pursuant to the bank loan agreements entered between Fengtai Hubei and the creditor banks, Fengtai Hubei is subjected to penalty interest expenses until the full repayment of the overdue loans. Up to the date of this announcement, the local creditor banks have not demanded for immediate repayment for its overdue loans. The Company have not been informed for any further legal actions taken by the banks in relation to the Overdue Borrowings.

Hongtai China

Upon the forced sale of the buildings in Shishi, the operation of Hongtai China had been suspended since April 2020. Based on the audited financial information as at 31 December 2020, Hongtai China had net current liabilities of approximately RMB142.2 million and net liabilities of approximately RMB90.2 million. Based on the above, Hongtai China do not have sufficient funds to repay the Overdue Bank Borrowings. Up to the date of this announcement, the Company have not been informed for any further legal actions taken by the banks in relation to the Overdue Borrowings. The Group will continue its effort to negotiate with the banks for the extension of the Overdue Borrowings.

(iii) Fund raising from the financing activities

Set out below is the summary of equity fund raising activities of the Company during the past twelve months immediately preceding the date of this announcement.

Date of announcement	Fund raising activities	Net proceeds raised	Intended use of proceeds	Actual use of proceeds	Unutilised proceeds
2 September 2020, 27 September 2020 and 30 September 2020	Placing of new shares under general mandate	Approximately HK$8.5 million	General working capital of the Group and cost of debt restructuring	Use as intended	Fully utilised
29 March 2021 and 26 April 2021	Allotment and issue of new shares under general mandate	Approximately HK$6.77 million	General working capital of the Group and cost of debt restructuring	Use as intended	Fully utilised
18 July 2021 and 6 August 2021	Allotment and issue of new shares under general mandate	Approximately HK$7.80 million	General working capital of the Group and cost of debt restructuring	Use as intended	Approximately HK$7.12 million

The Group will continue generating operating cash flows and seeking of other alternative financing, including but not limited to the placing of new shares by general mandate and/or specific mandate if necessary.

(iv) Explore of new business opportunities

For the year ended 31 December 2020, the Company had approached various potential business partners for the development of the Group's new business. Reference is made to the announcement of the Company dated 24 December 2020 in relation to the memorandum of understanding (the "**MOU**") in respect of a possible acquisition. The Possible Acquisition is subject to, among other things, the negotiations and execution of the Definitive Transaction Documents. There was no formal agreement to further extend the MOU but mutual understanding between the Company and the Vendor to pending for the Definitive Transaction Document as the due diligence and draft in of the sales and purchase agreements continued after the exclusivity period of the MOU expired on 31 March 2021.

Reference is made to the announcement of the Company dated 26 July 2021, the Company and the Vendor entered into the Agreement, pursuant to which the Company agreed to acquire, and the Vendor agreed to sell, the Sale Shares, which represents 51.0% equity interests of the Target Company involving the issue of the Consideration Shares under specific mandate. It is expected that such acquisition could expand the Company's business in the production and the sales of elastic webbing used for bras and underwear, and strengthen the products, revenue sources and cash flow position of the Group in future. The Directors are of the view that the Acquisition is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

The Company is in progress to prepare a circular containing, among other information, (i) details of the Acquisition, (ii) details of the Specific Mandate; and (iii) a notice of the SGM, which will be despatched to the Shareholders on or before 30 September 2021. Further announcement(s) will be made by the Company to keep its shareholders and investors informed.

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 2020.

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 2020, 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 2021, 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 2021. 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 2021 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 2021. 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 2021.

Therefore, assuming if (i) the Company proceeds with the Scheme during the 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 2021.

Supplementary information for the annual results of the Group

Fabrics segment

Revenue from fabrics decreased from approximately RMB119.9 million in 2019 to approximately RMB15.2 million in 2020. 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 had reduced since the sales orders from the customers and numbers of customers decreased (2020: 16; 2019: 131) for the year ended 31 December 2020. In addition, the Group's production line in Fujian had closed down in April 2020, the Group concentrated its fabrics production in its Hubei base.

Same as year 2019, the revenue of the Group comprises of both grey garment fabrics and chemical fiber textile. The sales volume of fabrics decreased from approximately 21 million meters in 2019 to approximately 8.6 million meters in 2020. The average selling prices of fabrics decreased from RMB5.7 per meter in 2019 to RMB2.4 per meter, representing a decrease of 57.9% for the Year, while the average unit costs of fabrics decreased from RMB5.9 per meter in 2019 to RMB5.5 per meter in 2020, representing a decrease of 6.8% for the Year, and this resulted in the gross loss of approximately RMB18.9 million in this segment for the Year.

Shoes and clothes segment

Revenue from sales of shoes and clothes decreased approximately RMB397.8 million in 2019 to approximately RMB191.4 million in 2020, which was because of the overall decrease in sales volume and numbers of customers (2020: 193; 2019: 311) as affected by the outbreak of COVID-19. Facing the drop in sales turnover, the Company attempted to maintain positive gross margins by controlling the costs from the suppliers in the PRC. The gross margins of the products were 3.5% (2019: 4.4%) in 2020.

Outlook

In 2021, the Group will try to diversify its products, including manufacturing the fabrics-related by-products and semi-finished products. Following the close down of the Fujian base, the Group intends to operate a new production line in order to replenish the production capacity in Hubei through the major acquisition of the Target Company as mentioned above.

Furthermore, it is expected that the sales volume of the shoes and clothes will increase as the Group has put much effort to maintain good relationship with its suppliers in the PRC and its overseas customers mainly in Korea and Japan. This segment is expected to be the major income stream of the Group in 2021.

Human Resources

As at 31 December 2020, the Group had a total workforce of 55 (as at 31 December 2019: 350). The Group had laid off approximately 300 permanent employees following the close down of the production line in Fujian and the decrease in the production scale in Hubei due to the outbreak of COVID-19 for the Year. The Group had paid the respective compensation according to the Labour Law of the PRC and was not aware of any disagreement with those employees. In order to streamline the structure of the Group and strict the staff costs of the Group, there are mainly temporary employees in the production line in Hubei. In addition, the Group mainly outsourced the transportation works to the logistics companies. As a results, the staff costs (including directors' emoluments) decreased to approximately RMB4.8 million for the year ended 31 December 2020 from approximately RMB14.5 million for the year ended 31 December 2019.

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)
Lin Guoqin
Acting Chairman and Executive Director

Hong Kong, 9 September 2021

As of the date of this announcement, the executive Directors are 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.