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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 2021**

#### **HIGHLIGHTS**

- The Group's total revenue was approximately RMB155.5 million in 2021, decreased from the total revenue of approximately RMB206.7 million in 2020.
- The Group experienced a gross profit of approximately RMB3.6 million in 2021, as compared to a gross loss of approximately RMB12.3 million in 2020.
- The Group's loss decreased to approximately RMB100.5 million in 2021, from approximately RMB219.0 million in 2020.
- Basic and diluted loss per share decreased from loss per share of RMB7.59 in 2020 to loss per share of RMB2.24 in 2021.
- 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 2021 (the “Year” or “Year under Review”).

## UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2021*

	<i>Note</i>	<b>2021</b> <b>RMB’000</b> <b>(Unaudited)</b>	2020 <i>RMB’000</i> <i>(Audited)</i>
Revenue	4	<b>155,541</b>	206,666
Cost of sales		<u><b>(151,914)</b></u>	<u>(218,981)</u>
<b>Gross profit/(loss)</b>		<b>3,627</b>	(12,315)
Other income		<b>21,078</b>	40,825
Impairment losses for trade and other receivables		<b>(20,090)</b>	(11,944)
Selling and distribution costs		<b>(3,023)</b>	(7,362)
General and administrative expenses		<u><b>(33,836)</b></u>	<u>(101,344)</u>
<b>Loss from operations</b>		<b>(32,244)</b>	(92,140)
Finance costs	5	<u><b>(68,284)</b></u>	<u>(126,909)</u>
<b>Loss before tax</b>		<b>(100,528)</b>	(219,049)
Income tax expense	6	<u>—</u>	<u>—</u>
<b>Loss and total comprehensive income for the year attributable to the owners of the Company</b>	7	<u><b>(100,528)</b></u>	<u>(219,049)</u>
			(Restated)
<b>Loss per share</b>			
Basic ( <i>RMB</i> )	8(a)	<u><b>(2.24)</b></u>	<u>(7.59)</u>
Diluted ( <i>RMB</i> )	8(b)	<u><b>(2.24)</b></u>	<u>(7.59)</u>

# **UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 31 December 2021*

	<i>Note</i>	<b>2021</b> <b>RMB'000</b> <b>(Unaudited)</b>	<b>2020</b> <b>RMB'000</b> <b>(Audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>189,587</b>	209,714
Right-of-use assets		<b>16,626</b>	17,032
Investment in an associate	<i>10</i>	<u>–</u>	<u>–</u>
		<b>206,213</b>	226,746
<b>Current assets</b>			
Inventories		<b>2,012</b>	3,599
Trade and other receivables	<i>11</i>	<b>17,256</b>	46,339
Bank and cash balances		<u><b>2,235</b></u>	<u>3,571</u>
		<b>21,503</b>	53,509
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	<b>291,359</b>	275,524
Borrowings	<i>13</i>	<b>801,492</b>	707,743
Lease liabilities		<u><b>279</b></u>	<u>–</u>
		<b>1,093,130</b>	983,267
<b>Net current liabilities</b>		<u><b>(1,071,627)</b></u>	<u>(929,758)</u>
<b>Total assets less current liabilities</b>		<u><b>(865,414)</b></u>	<u>(703,012)</u>
<b>Non-current liabilities</b>			
Borrowings	<i>13</i>	<b>169,452</b>	243,177
Deferred income		<b>12,786</b>	13,098
Lease liabilities		<u><b>145</b></u>	<u>–</u>
		<b>182,383</b>	256,275
<b>Net liabilities</b>		<u><b>(1,047,797)</b></u>	<u>(959,287)</u>
<b>Equity</b>			
Share capital	<i>14</i>	<b>4,431</b>	3,100
Reserves		<u><b>(1,052,228)</b></u>	<u>(962,387)</u>
<b>Capital deficiency</b>		<u><b>(1,047,797)</b></u>	<u>(959,287)</u>

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2021*

## 1. GENERAL INFORMATION

Moody Technology Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 29 April 2013. On 23 May 2019, the board of directors of the Company (the “Board”) has been de-registered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda (the “Change of Domicile”). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company in Hong Kong is located at 20/F, Infinitus Plaza, 199 Des Voeux Road Central, Sheung Wan, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 25 April 2014 (the “Listing”).

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

### Going concern

The Group incurred a loss of approximately RMB100,528,000 for the year ended 31 December 2021 and as at 31 December 2021, the Group had net current liabilities and net liabilities of approximately RMB1,071,627,000 and RMB1,047,797,000 respectively. Furthermore, as at 31 December 2021, the Group’s bank borrowings of approximately RMB163,312,000 and its bonds of approximately RMB638,180,000 are subject to renewal or to be fully repaid within the next twelve months. The conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on going concern basis. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon that the Group will be able to successfully negotiate and agree with the creditors to renew or extend the existing borrowings or complete debt financing to meet its liabilities as they fall due. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements, to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

## 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

### (a) Application of new and revised IFRS

The International Accounting Standards Board (“IASB”) has issued the Amendments to Reference to the Conceptual Framework in IFRS Standards and the amendments to IFRSs issued by the IASB that are first effective for its accounting period beginning on 1 January 2021. The application of these amendments in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

The Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2021. 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 Business Combination	1 January 2022
– Reference to the Conceptual Framework	
Amendments to IAS 16 Property Plant and Equipment	1 January 2022
– Proceeds before Intended Use	
Amendments to IAS 37 Onerous Contracts	1 January 2022
– Cost of Fulfilling a Contract	
Annual Improvements to IFRSs 2018 – 2020 Cycle	1 January 2022
Amendments to IAS 1 Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements	1 January 2023
– Disclosure of Accounting Policies	
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
– Definition of Accounting Estimates	
Amendments to IAS 12 Income Taxes	1 January 2023
– Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	
Amendment to IFRS 16 COVID-19 Related Rent Concessions beyond 30 June 2021	1 April 2021

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statement.

**3. SEGMENT INFORMATION**

For the years ended 31 December 2021 and 2020, the Group has two reportable segments as follows:

- Sales of shoes and clothes; and
- Sales of fabrics

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

Segment profit or loss do not include other income, impairment losses for trade and other receivables, selling and distribution costs, general and administrative expenses and finance costs. Segment assets do not include investment in an associate and bank and cash balances. Segment liabilities do not include lease liabilities, deferred tax liabilities and borrowings.

	<b>Fabrics</b> <b><i>RMB'000</i></b> <b>(Unaudited)</b>	<b>Shoes and</b> <b>clothes</b> <b><i>RMB'000</i></b> <b>(Unaudited)</b>	<b>Total</b> <b><i>RMB'000</i></b> <b>(Unaudited)</b>
<b>Segment results</b>			
<b>Year ended 31 December 2021:</b>			
Reportable revenue from external customers	<b>29,896</b>	<b>125,645</b>	<b>155,541</b>
Reportable segment profit	<b>906</b>	<b>2,721</b>	<b>3,627</b>
Other income			<b>21,078</b>
Impairment losses for trade and other receivables			<b>(20,090)</b>
Selling and distribution costs			<b>(3,023)</b>
General and administrative expenses			<b>(33,836)</b>
Finance costs			<b>(68,284)</b>
Loss before tax			<b>(100,528)</b>
<b>Other segment items</b>			
Depreciation of property, plant and equipment	<b>21,428</b>	<b>144</b>	<b>21,572</b>
Depreciation on right-of-use assets	<b>406</b>	<b>–</b>	<b>406</b>
Impairment losses on right-of-use assets	<b>568</b>	<b>–</b>	<b>568</b>
Impairment losses of trade receivables	<b>4,996</b>	<b>–</b>	<b>4,996</b>
Impairment losses of other receivables	<b>13,961</b>	<b>1,133</b>	<b>15,094</b>
Impairment losses of prepayments	<b>2,106</b>	<b>–</b>	<b>2,106</b>
Write off of property, plant and equipment	<b>–</b>	<b>1,443</b>	<b>1,443</b>
Write off of inventories	<b>–</b>	<b>1,160</b>	<b>1,160</b>
	<b>(Audited)</b>	<b>(Audited)</b>	<b>(Audited)</b>
<b>Segment results</b>			
<b>Year ended 31 December 2020:</b>			
Reportable revenue from external customers	15,223	191,443	206,666
Reportable segment (loss)/profit	(18,993)	6,678	(12,315)
Other income			40,825
Impairment losses for trade and other receivables			(11,944)
Selling and distribution costs			(7,362)
General and administrative expenses			(101,344)
Finance costs			(126,909)
Loss before tax			<b>(219,049)</b>
<b>Other segment items</b>			
Additions to property, plant and equipment		1,626	1,626
Depreciation of property, plant and equipment	23,302	39	23,341
Depreciation on right-of-use assets	444	–	444
Impairment losses of property, plant and equipment	22,731	–	22,731
Impairment losses of inventories	19,659	–	19,659
Impairment losses of trade receivables	9,228	–	9,228
Impairment losses of other receivables	2,680	36	2,716
Impairment losses of prepayments	21,940	–	21,940
Loss on disposals of property, plant and equipment and right-of-use assets	3,816	–	3,816

	<b>Fabrics</b> <b><i>RMB'000</i></b> <b>(Unaudited)</b>	<b>Shoes and</b> <b>clothes</b> <b><i>RMB'000</i></b> <b>(Unaudited)</b>	<b>Total</b> <b><i>RMB'000</i></b> <b>(Unaudited)</b>
<b>Segment assets and liabilities</b>			
<b>At 31 December 2021:</b>			
<b>Segment assets</b>	<b>220,145</b>	<b>5,336</b>	<b>225,481</b>
Unallocated assets			<u>2,235</u>
<b>Total assets</b>			<u><u>227,716</u></u>
<b>Segment liabilities</b>	<b>304,132</b>	<b>13</b>	<b>304,145</b>
Unallocated liabilities			<u>971,368</u>
<b>Total liabilities</b>			<u><u>1,275,513</u></u>

	<b>Fabrics</b> <b><i>RMB'000</i></b> <b>(Audited)</b>	<b>Shoes and</b> <b>clothes</b> <b><i>RMB'000</i></b> <b>(Audited)</b>	<b>Total</b> <b><i>RMB'000</i></b> <b>(Audited)</b>
<b>Segment assets and liabilities</b>			
<b>At 31 December 2020:</b>			
<b>Segment assets</b>	<b>268,113</b>	<b>8,571</b>	<b>276,684</b>
Unallocated assets			<u>3,571</u>
<b>Total assets</b>			<u><u>280,255</u></u>
<b>Segment liabilities</b>	<b>288,452</b>	<b>170</b>	<b>288,622</b>
Unallocated liabilities			<u>950,920</u>
<b>Total liabilities</b>			<u><u>1,239,542</u></u>

### Geographical information

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

	<b>2021</b> <b><i>RMB'000</i></b> <b>(Unaudited)</b>	<b>2020</b> <b><i>RMB'000</i></b> <b>(Audited)</b>
The People's republic of China (the "PRC")	<b>29,896</b>	15,563
Korea	<b>95,541</b>	173,610
Hong Kong	<b>—</b>	1,374
The United States	<b>5,079</b>	2,580
Japan	<b>16,678</b>	8,713
Others	<b>8,347</b>	4,826
	<u><u>155,541</u></u>	<u><u>206,666</u></u>

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

#### Information about major customers

No customer contributed 10% or more of the Group's revenue for the year ended 31 December 2021. (2020: Nil).

#### 4. REVENUE

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

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Recognised at a point in time within the scope of IFRS 15:		
Sales of fabrics	29,896	15,223
Sales of shoes and clothes	125,645	191,443
	<u>155,541</u>	<u>206,666</u>

#### 5. FINANCE COSTS

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Interest expenses on bank borrowings	15,810	17,837
Interest expenses on bonds	52,462	109,072
Interest expenses on lease liabilities	12	–
	<u>68,284</u>	<u>126,909</u>

#### 6. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax and PRC Enterprise Income Tax are required since the Group has no assessable profit for the year ended 31 December 2021 (2020: Nil).



## 7. LOSS FOR THE YEAR

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

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Auditor's remuneration	788	800
Cost of inventories sold	145,161	197,873
Depreciation of property, plant and equipment	21,572	23,341
Depreciation on right-of-use assets	406	444
Net foreign exchange gains	(17,109)	(39,370)
(Reversal of impairment losses)/impairment losses on property, plant and equipment	(2,888)	22,731
Impairment losses on right-of-use assets	568	–
Impairment losses of inventories	–	19,659
Impairment losses of trade receivables	4,996	9,228
Impairment losses of other receivables	15,094	2,716
Impairment losses of prepayments	2,106	21,940
Loss on disposals of property, plant and equipment and right-of-use assets	–	3,816
Expenses relating to short-term lease (included in cost of sales and general and administrative expenses)	227	166
Write off of property, plant and equipment	1,443	–
Write off of inventories	1,160	–
Staff costs (including directors' emoluments)		
– Salaries, bonuses and allowances	4,860	4,582
– Retirement benefit scheme contributions	30	190
	<b>4,890</b>	<b>4,772</b>

## 8. LOSS PER SHARE

### (a) Basic loss per share

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

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Loss for the year attributable to owners of the Company used in the basic loss per share calculation	<b>(100,528)</b>	<b>(219,049)</b>
	2021 (Unaudited)	2020 (Audited) (Restated)
Weighted average number of ordinary shares in issue during the year used in basic loss per share calculation	<b>44,808,194</b>	28,864,918

**(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 2021 and 2020.

For the purpose of calculation of basic and diluted loss per share for the years ended 31 December 2021 and 2020, the share consolidation of the Company being effective on 8 March 2022 (note 17(b)) was deemed to be effective throughout the period from 1 January 2020 to 31 December 2021.

**9. DIVIDEND**

No dividend to respect of the years ended 31 December 2021 and 2020 were declared and approved by the directors.

**10. INTERESTS IN AN ASSOCIATE**

**Investment in an associate**

	<b>2021</b> <b>RMB'000</b> <b>(Unaudited)</b>	<b>2020</b> <b>RMB'000</b> <b>(Audited)</b>
Unlisted investments:		
Share of net assets	—	—
Goodwill	<b>60,909</b>	60,909
	<hr/>	<hr/>
Impairment loss on goodwill	<b>60,909</b>	60,909
Share of net assets	<b>(60,909)</b>	(60,909)
	<hr/>	<hr/>
	<b>—</b>	<b>—</b>
	<hr/>	<hr/>

Details of the Group's associate at 31 December 2021 are as follows:

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

# 11. TRADE AND OTHER RECEIVABLES

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Trade receivables	2,186	825,593
Less: Allowance for trade receivables	(147)	(816,358)
	<u>2,039</u>	<u>9,235</u>
Prepayments	95,493	180,139
Less: Allowance for prepayments	(87,038)	(174,602)
	<u>8,455</u>	<u>5,537</u>
Other receivables	38,975	63,797
Less: Allowance for other receivables	(32,213)	(32,230)
	<u>6,762</u>	<u>31,567</u>
	<u>17,256</u>	<u>46,339</u>

The Group's trading terms customers are mainly on credit. The credit terms generally 90 days (2020: 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:

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Within 1 month	–	–
Over 1 month but less than 3 months	–	–
Over 3 months but less than 6 months	1,343	4,465
Over 6 months but less than 9 months	362	2,213
Over 9 months but less than 12 months	334	2,557
	<u>2,039</u>	<u>9,235</u>

## 12. TRADE AND OTHER PAYABLES

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Trade payables	82,672	86,509
Contract liabilities	10,913	14,497
Payables for purchases of property, plant and equipment	35,608	35,737
Salary payables	23,943	23,176
Interest payables	86,429	72,615
Other payables and accruals	51,794	42,990
	<u>291,359</u>	<u>275,524</u>

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

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Within 3 months	478	1,566
Over 3 months but less than 12 months	590	5,931
Over 12 months	81,604	79,012
	<u>82,672</u>	<u>86,509</u>

## 13. BORROWINGS

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Current:		
Secured bank borrowings	110,344	112,128
Unsecured bank borrowings	52,968	57,095
Unsecured bonds	638,180	538,520
	<u>801,492</u>	<u>707,743</u>
Non-current:		
Unsecured bonds	169,452	243,177
	<u>970,944</u>	<u>950,920</u>

## 14. SHARE CAPITAL

	Number of ordinary shares '000 At HK\$0.01 per share	HK\$'000
<b>Authorised:</b>		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	100,000,000	1,000,000
<b>Issued and fully paid:</b>		
At 1 January 2020 (Audited)	186,000	1,860
Placing of new shares under general mandate ( <i>note (a)</i> ) (Audited)	37,200	372
Issue of shares upon rights issue ( <i>note (b)</i> ) (Audited)	79,321	793
Placing of new shares under general mandate ( <i>note (c)</i> ) (Audited)	60,504	605
At 31 December 2020 and 1 January 2021 (Audited)	363,025	3,630
<b>Subscription of new shares under general mandate</b> ( <i>note (d)</i> ) (Unaudited)	<b>72,604</b>	<b>726</b>
<b>Subscription of new shares under general mandate</b> ( <i>note (e)</i> ) (Unaudited)	<b>87,126</b>	<b>871</b>
<b>At 31 December 2021 (Unaudited)</b>	<b>522,755</b>	<b>5,227</b>
<b>Equivalent to RMB'000:</b>		
At 31 December 2020 (Audited)		<b>3,100</b>
<b>At 31 December 2021 (Unaudited)</b>		<b>4,431</b>

*Note:*

- (a) On 24 December 2019, the Company and JMC Capital HK Limited (the “Placing Agent”), entered into a placing agreement in respect of the placing of 37,200,000 ordinary shares (the “Placing Shares”) of HK\$0.10 each at a price of HK\$0.086 per Placing Share under general mandate (the “First Placing”). The Placing was completed on 4 February 2020. The net proceeds from the First Placing (after deducting the placing commission payable to the Placing Agent and other expenses incurred in the First Placing) was approximately HK\$3.09 million. Details of the First Placing were disclosed in announcements of the Company dated 24 December 2019, 17 January 2020, 23 January 2020 and 4 February 2020.
- (b) On 29 April 2020, the Company allotted and issued 79,321,083 new shares on the basis of one rights share for every two shares held by qualifying shareholders at the subscription price of HK\$0.139 per rights share (“Rights Issue”). The gross proceeds from the Rights Issue was approximately HK\$11 million and costs incurred for the Rights Issue amounted to approximately HK\$856,000. Details of the Rights Issue were disclosed in the Rights Issue Announcements dated 6 March 2020, 23 March 2020, 25 March 2020, 3 April 2020 and 28 April 2020 and the Prospectus dated 3 April 2020.

- (c) On 2 September 2020, the Company and the Placing Agent, entered into a placing agreement in respect of the placing of 60,504,216 ordinary shares (the “Placing Shares”) at a price of HK\$0.143 per Placing Share under general mandate (the “Second Placing”). The Second Placing was completed on 30 September 2020. The net proceeds from the Second Placing (after deducting the placing commission payable to the Placing Agent and other expenses incurred in the Second Placing) was approximately HK\$8.50 million. Details of the Second Placing were disclosed in announcements of the Company dated 2 September 2020, 27 September 2020 and 30 September 2020.
- (d) On 29 March 2021, the Company entered into subscription agreements with the subscribers pursuant to which the subscribers have conditionally agreed to subscribe, and the Company has conditionally agreed to allot and issue, an aggregate of 72,604,167 subscription shares at the subscription price of HK\$0.096 per subscription share. The subscription was completed on 26 April 2021. The net proceeds from the subscription are approximately HK\$6.77 million. Details of the subscription were disclosed in announcements of the Company dated 29 March 2021 and 26 April 2021.
- (e) On 16 July 2021, the Company entered into the subscription agreements with the subscribers pursuant to which the subscribers have conditionally agreed to subscribe, and the Company has conditionally agreed to allot and issue, an aggregate of 87,125,893 subscription shares at the subscription price of HK\$0.091 per subscription share. The subscription was completed on 6 August 2021. The net proceeds from the subscription are approximately HK\$7.80 million. Details of the subscription were disclosed in announcements of the Company dated 18 July 2021, 21 July 2021 and 6 August 2021.

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 2021 and 2020.

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.

## 15. CAPITAL COMMITMENT

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

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Property, plant and equipment	<u>3,387</u>	<u>3,387</u>

## 16. CONTINGENT LIABILITIES

During the course of business, the Group has been involved in litigations initiated by various suppliers, customers and lenders concerned with the contract disputes, quality of goods and repayment of debts, including claims of insignificant or unspecified amounts. Some of the litigations have been concluded by the court and/or settled, while some of the litigations are still pending judgement. Since the Group has already recorded these payables in the consolidated financial statements, the directors are of the view that the litigations will not have any significant financial impact to the Group.

## 17. EVENTS AFTER THE REPORTING PERIOD

### (a) Outbreak of COVID-19 epidemic

Due to the subsequent outbreak of COVID-19 epidemic, 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 consolidated 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) Share consolidation

Pursuant to a special resolution passed on 4 March 2022, every ten ordinary shares of HK\$0.01 each in the issued share capital of the Company were consolidated into one consolidated ordinary share of HK\$0.1 each. The share consolidation was effective on 8 March 2022.

Details of the above are set out in the Company's announcements and circulars dated 13 January 2022, 27 January 2022 and 4 March 2022 respectively.

## **OUTLOOK**

The Company is in the view that the Group's fabrics business in 2021 had slightly recovered from the adverse impacts of COVID-19 in previous two years, following the recovery of the domestic demands on the textile products in the PRC. The exports of the Group's clothing products to the Asian countries largely depends on the recovery of their local consumption markets from the epidemics of variant coronavirus. The economy of Korea, one of the largest overseas markets of the Group, continues to recover with their GDP growth set to reach approximately 4% in 2021. While distancing measures have weighed on the service sector over the past summer, rapid vaccination paves the way for an acceleration in private consumption in Korea. The management will closely monitor the sales markets of the business and make adjustment of sales strategies when necessary. The management will also closely monitor the Group's financial performance, financial position and cash flow in order to maintain the normal operation of the Group.

The debt restructuring progress was lately affected by the fifth wave of the COVID-19 epidemics in Hong Kong. Reference is made to the announcement of the Company dated 9 September 2021 in relation to, inter alia, the postponement of the implementation of the Scheme. In February 2022, the Team considered to require slightly more time to finalise the Scheme documents due to a COVID-19 related interruption in the JPL's office, the Company applied to re-fix the date of Application Hearing scheduled on 25 February 2022. The Judge had relisted the date of the Application Hearing on 20 April 2022 and the Sanction Hearing on 28 June 2022. Further announcements will be published as and when necessary to update the shareholders and potential investors for any progress of the Scheme.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **OVERVIEW**

During the Year, the Group's revenue dropped by 24.7% to RMB155.5 million when compared with last year. Loss attributable to owners of the Company decreased by 54.1% to approximately RMB100.5 million against last year. Basic and diluted loss per share decreased from loss per share of RMB7.59 in 2020 to loss per share of RMB2.24 in 2021.

### **INDUSTRY REVIEW**

According to statistics from the National Bureau of Statistics of the PRC, the aggregate sales achieved by sizeable textile enterprises amounted to RMB2,571.4 billion in 2021, representing a 10% increase from 2020, with profit totalling RMB120.3 billion, up by 4.1% from 2020. The raw material price of textile products increased by approximately 5.0% on a year-on-year basis from January 2021 to December 2021. According to data from the General Administration of Customs of the PRC, textile products amounted to US\$145.2 billion were exported from the PRC in 2021, representing a decrease of 5.6% from 2020.



## **BUSINESS REVIEW**

During the Year, the Group's fabrics business was mainly manufacturing and sales of dyed garment fabrics, which had slightly recovered from the adverse impact of the COVID-19. The number of customers increased (2021: 60; 2020: 16) from last year. The Group mainly focus on selling high-end fabrics products and the average selling price of fabrics products increased from approximately RMB1.8 per meter in 2020 to RMB5.4 per meter, representing an increase of approximately 200% for the Year. The average cost of fabrics increased from approximately RMB3.9 per meter in 2020 to approximately RMB5.3 per meter in 2021.

In 2021, the sales volume of the Group's shoes and clothes was affected by the weak domestic consumption of the Asian countries, mainly Korea and Japan, which is still under the recovery from the COVID-19. The Group has put much effort to maintain good relationship with its suppliers in the PRC. Though the number of overseas customers increased from 193 in 2020 to 198 in 2021, the average sales volume per customer decreased resulting the overall decrease in sales turnover.

## **FINANCIAL REVIEW**

### **Revenue**

The Group's revenue mainly generated from sales of shoes and clothes in the Asian countries and manufacturing and sales of fabrics in the PRC. The total revenue decreased from approximately RMB206.7 million for the year ended 31 December 2020 to approximately RMB155.5 million for the year ended 31 December 2021.

For the fabrics segment, the number of customers increased (2021: 60; 2020: 16) from last year. The average selling price of fabrics products increased from approximately RMB1.8 per meter in 2020 to RMB5.4 per meter, representing an increase of approximately 200% for the Year. These resulted in an increase in the sales of fabrics products from approximately RMB15.2 million in 2020 to approximately RMB29.9 million in 2021, representing an increase of approximately 96.4% for the Year.

The sales of Group's shoes and clothes decreased from approximately RMB191.4 million in 2020 to approximately RMB125.6 million in 2021, representing a decrease of approximately 34.4% for the Year. The sales volume of the products was affected by the weak domestic consumption of the Asian countries, mainly Korea and Japan, which is still under the recovery from the COVID-19. Though the number of overseas customers increased from 193 in 2020 to 198 in 2021, the average sales volume per customer decreased resulting the overall decrease in sales turnover.

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

	Year ended 31 December		
	2021	% to total	2020
	<i>RMB'000</i>	revenue	<i>RMB'000</i>
Shoes and clothes	125,645	80.8	191,443
Fabrics	29,896	19.2	15,223
Total	155,541	100.0	206,666

### Cost of sales

The Group's cost of sales decreased by 30.6% from approximately RMB219.0 million for the year ended 31 December 2020 to approximately RMB151.9 million for the year ended 31 December 2021. Such decrease in cost of sales was in line with the decreased turnover during the Year.

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

	Year ended 31 December		
	2021	% to total	2020
	<i>RMB'000</i>	cost of sales	<i>RMB'000</i>
Shoes and clothes	122,924	80.9	184,765
Fabrics	28,990	19.1	34,216
Total	151,914	100.0	218,981

### Gross profits/(loss)

The Group experienced a gross profits of approximately RMB3.6 million in 2021, representing a gross profits margin of approximately 2.3%, as compared to a gross loss of approximately RMB12.3 million in 2020, representing a gross loss of approximately 6.0%. The reason for such improvement was mainly due to the recovery of fabrics business of the Group. The increase in average selling price of fabrics products increased from approximately RMB1.8 per meter in 2020 to RMB5.4 per meter, representing an increase of approximately 200% for the Year and the average cost of fabrics increased from approximately RMB3.9 per meter in 2020 to approximately RMB5.3 per meter in 2021. These resulted the Group's fabric segment a gross profit margin of approximately 3% in 2021 as compared with the gross loss margin of approximately 125% in 2020.

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

	Year ended 31 December		
	2021	Gross profit margin	2020
	<i>RMB'000</i>		<i>RMB'000</i>
Shoes and clothes	2,721	2.2%	6,678
Fabrics	906	3.0%	(18,993)
Total	3,627	2.3%	(12,315)

### Other income

Decrease in other income by 48.4% from approximately RMB40.8 million for the year ended 31 December 2020 to approximately RMB21.1 million for the year ended 31 December 2021 was mainly because the net foreign exchange gains decreased from approximately RMB39.4 million in 2020 to approximately RMB17.1 million in 2021 due to the decreased appreciation rate of RMB against HKD in 2021.

### Selling and distribution expenses

The decrease in selling and distribution expenses by 58.9% from approximately RMB7.4 million for the year ended 31 December 2020 to approximately RMB3.0 million for the year ended 31 December 2021 as the transportation charges decreased in line with drop of sales amounts in the year.

### General and administrative expenses

The decrease in general and administrative expenses by 66.6% from approximately RMB101.3 million for the year ended 31 December 2020 to approximately RMB33.8 million for the year ended 31 December 2021 was mainly because the impairment losses of inventories made decreased from approximately RMB19.7 million in 2020 to approximately RMB1.2 million in 2021. The provision of prepayment also decreased from approximately RMB21.9 million in 2020 to approximately RMB2.1 million in 2021 based on the provision policies for prepayment of the Group, being provision for long outstanding with no subsequent settlement up to the date of this announcement.

### Finance costs

The decrease in finance costs by 46.2% from approximately RMB127.0 million for the year ended 31 December 2020 to approximately RMB68.3 million for the year ended 31 December 2021 was mainly more imputed interests of the bonds were provided in the prior year while there was no such provision in the Year.

## Income tax expense

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

## Cash flows

During the Year, the cash of the Group was mainly generated from and used in the operating activities and financing activities. For the year ended 31 December 2021, net cash used in operating activities of the Group amounted to RMB0.3 million as compared to RMB15.8 million in 2020. Net cash used in financing activities amounted to approximately RMB1.0 million in 2021 as compared to approximately RMB47.7 million in 2020 mainly due to the decrease in the amounts used in the repayment of borrowings during the Year.

## Liquidity and financial resources

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

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

## Net current assets and working capital

The following table sets forth the Group's current ratio, quick ratio, gearing ratio and debt to equity as at 31 December 2021 and 2020:

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current assets	<b>21,503</b>	53,509
Current liabilities	<b>(1,093,130)</b>	(983,267)
Net Current liabilities	<b>(1,071,627)</b>	(929,758)
Current ratio	<b>2.0%</b>	5.4%
Quick ratio	<b>1.8%</b>	5.1%
Gearing ratio	<b>N/A</b>	N/A
Debt to equity ratio	<b>N/A</b>	N/A

## **Borrowings**

Particulars of borrowings of the Company and the Group as at 31 December 2021 are set out in note 13 to this announcement.

## **Pledge of assets**

As at 31 December 2021, the Group's rights-of-use assets and buildings, machinery and equipment with an aggregate net book value of approximately RMB160.7 million were pledged to secure banking facilities for purposes of working capital and purchases of fixed assets for the Group (as at 31 December 2020: approximately RMB176.3 million).

## **Foreign exchange risk**

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

## **Contingent liabilities**

Save as those disclosed in note 16 to this announcement, the Group did not have any material contingent liabilities as at 31 December 2021.

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

### ***Major acquisition in relation to acquisition of 51% of equity interests of the Target Company involving the issue of consideration shares under specific mandate***

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.

Pursuant to the Agreement, the Acquisition is conditional upon fulfilment or waiver (as the case maybe) of the conditions (the “**Conditions**”) set out therein on or before the Long-Stop Date (i.e. 31 December 2021) or such other date as may be agreed by the Company and the Vendor in writing. As additional time is required for the fulfilment of the Conditions, on 31 December 2021, the Company and the Vendor entered into a supplemental agreement to extend the Long-Stop Date from 31 December 2021 to 30 June 2022 or such other date as may be agreed by the Company and the Vendor in writing.

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.

## **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 29 March 2021 and 26 April 2021 in relation to, among other things, the subscription of new shares under the general mandate; and the announcements of the Company dated 18 July 2021, 21 July 2021 and 6 August 2021 in relation to, among other things, subscriptions of new shares under general mandate. As at the date of this announcement, all the net proceeds have been utilised for general working capital and costs of debt restructuring as intended.

## **HUMAN RESOURCES**

As at 31 December 2021, the Group had a total workforce of 83 (as at 31 December 2020: 55). More temporary staff were recruited to cater for the Group’s business 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 2021 (2020: Nil). As there is no interim dividend payable during the year, there will be no dividend distribution for the whole year of 2021.

## **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 two executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (the "Code Provisions") set out in Appendix 14 to the Listing Rules. Throughout the year 2021, the Company had complied with the Code Provisions.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

## **REVIEW OF UNAUDITED ANNUAL RESULTS BY THE AUDIT COMMITTEE**

The Audit Committee, comprising of the independent non-executive Directors, has reviewed the Group's unaudited consolidated financial statements for the year ended 31 December 2021 and discussed with the management of the Company the accounting principles and accounting standards adopted by the Group and matters relating to risk management and internal control systems and financial reporting of the Group. The chairman of the audit committee has professional qualification and experience in financial matters in compliance with the requirement of the Listing Rules.

The auditing process for the unaudited annual results for the year ended 31 December 2021 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.



## **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 2021 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 announcement is published on the websites of the Company (<http://moodytech-holdingltd.com>) and the Stock Exchange ([www.hkexnews.hk](http://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)*  
**Li Wanyuan**  
*Acting Chairman and Executive Director*

Hong Kong

31 March 2022

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

<i>Executive Directors:</i>	Mr. Li Wanyuan
	Ms. Lin Yuxi
<i>Independent non-executive Directors:</i>	Mr. Chow Yun Cheung
	Mr. Lin Yugang
	Mr. Liu Juntong