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 ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Reference is made to the announcements made by Moody Technology Holdings Limited (the "**Company**") and its subsidiaries (together referred to as the "**Group**") dated 24 May 2022 in relation to the annual results of the Group for the year ended 31 December 2021 (the "**2021 Annual Results Announcement**") and the annual report of the Group for the year ended 31 December 2021 (the "**2021 Annual Report**"). Unless otherwise defined, terms used herein shall bear the same meanings as defined in the 2021 Annual Results Announcement and 2021 Annual Report.

In addition to the information provided in the 2021 Annual Results Announcement and 2021 Annual Report, the Board would like to provide further information in relation to the continuing action plans of the Company to address 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 2021.

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 2021, the 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 2021, 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 detailed 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 2022;

(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 resources of financing to finance the Group's businesses and other funding needs.

Further to as set out in the 2021 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 Action Plan 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 2021, 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 Action Plan 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 2021

Reference is made to the Company's announcements dated 23 October 2020 and 9 September 2021 in relation to, among others, the action plans (the "**Action Plan**") of the Company to address and remove the audit modification for the years ended 31 December 2020 and 2021, and the announcements dated 11 November 2020, 11 April 2022, 18 May 2022 and 9 June 2022 in relation to the restructuring transaction involving the issue of the shares. Unless otherwise defined, terms used herein shall bear the same meanings as defined in the aforementioned announcements.

The Board is of the view that the Action Plan was not able to be fully implemented to address and remove the Audit Modification for the year ended 31 December 2021 due to the COVID-19 pandemic and the quarantine requirements of the government of Hong Kong and Mainland China, which caused substantial delay and postponement to progress of the Action Plan, in particular the implementation of the Scheme. As mentioned below, given that the resolution to approve the Scheme has been passed at the Scheme Meeting, the Board expects that the Action Plan can be duly implemented to address the Audit Modification.

Status and results of the Action Plan

(i) Status of the Scheme

As disclosed in the 2021 Annual Report, the Company issued a number of HK$ denominated bonds with an aggregate principal of approximately RMB636,411,000, which are unsecured, bearing interest rates at a range of 1.5% – 40% per annum, and repayable during the period from January 2022 to December 2029. The principal and interest under such bonds comprise the majority of the debts involved in the Scheme. Upon the Scheme becoming effective, the indebtedness under such bonds will be discharged in return for issue and allotment of shares in the Company to the relevant creditors.

As disclosed in the announcement of the Company dated 9 June 2022, the resolution to approve the Scheme was duly passed at the Scheme Meeting held on 8 June 2022. The Sanction Hearing is currently scheduled at 10:00 a.m. on 28 June 2022.

Upon the sanction of the Scheme at the Sanction Hearing, the Company will in due course despatch to its shareholders the circular and the notice convening the special general meeting to consider, and if thought fit, approve, among other matters, the allotment and issuance of the shares to be issued and allotted by the Company to the Scheme Creditors pursuant to the Scheme.

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 2021 Annual Report, the secured bank borrowings and unsecured bank borrowings were amounted to approximately RMB110.3 million and RMB53.0 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 Shishi City Yingfeiling Supply Chain Management Limited ("**Yingfeiling**") (formerly named as Hongtai (China) Co., Limited), the Company's subsidiary in Fujian, and Fengtai (Hubei) Textile Co. Limited ("**Fengtai Hubei**"), the Company's subsidiary in Hubei, amounted to approximately RMB63.3 million (2020: RMB69.2 million) due to temporary shortage of funds.

The Company is currently negotiating with the banks to extend the repayment of Current Bank Borrowings of approximately RMB10 million and RMB90 million, which were due in January 2022 and April 2022, to January 2023 and April 2023. Up to the date of this announcement, the Company has not completed the negotiations on the terms of extension of the Current Bank Borrowings and has not received any demand for immediate payment of the Current Bank Borrowings. 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 2021:

	RMB'000
Principal owed by Yingfeiling	45,729
Principal owed by Fengtai Hubei	17,534
Penalty interests	6,236
Total	69,499

Fengtai Hubei

Since 1 January 2022 to the date of this announcement, Fengtai Hubei had repaid the Overdue Bank Borrowing amounted to approximately RMB0.3 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 subject 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 has not been informed of any further legal actions taken by the banks in relation to the Overdue Borrowings.

Yingfeiling

Upon the forced sale of the buildings in Shishi, the operation of Yingfeiling had been suspended since April 2020. Based on the audited financial information as at 31 December 2021, Yingfeiling had net current liabilities of approximately RMB162.4 million and net liabilities of approximately RMB110.4 million. Based on the above, Yingfeiling does not have sufficient funds to repay the Overdue Bank Borrowings. Up to the date of this announcement, the Company has not been informed of 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) Fundraising 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 announcements	Fundraising activities	Net proceeds raised	Intended use of proceeds	Actual use of proceeds	Unutilised proceeds
18 July 2021, 21 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	Nil
13 April 2022 and 11 May 2022	Allotment and issue of new shares under general mandate	Approximately HK$2.42 million	General working capital of the Group and cost of debt restructuring	Use as intended	Approximately HK$1.33 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) Exploring new business opportunities

Reference is made to the announcement of the Company dated 26 July 2021, in which it was announced that 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. As further disclosed in the announcement of the Company dated 31 December 2021, the Company and the Vendor entered into a supplemental agreement which deferred the Long-Stop Date from 31 December 2021 to 30 June 2022 and removed the sanctioning of the Scheme and the withdrawal of the winding-up petition in Bermuda as conditions for the completion of the Acquisition. The Company intends to enter into a further supplemental agreement to, among other matters, revise the Issue Price of the Consideration Share under the Agreement to take into account the effect of the share consolidation of the Company which became effective on 8 March 2022.

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 currently negotiating with the Vendor to further extend the Long-Stop Date from 30 June 2022 to a later date. In the meantime, the Company is also in progress of preparing 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 in due course. 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 2022.

AUDITOR'S VIEW ON REMOVAL OF AUDIT QUALIFICATION

Based on the Company's discussion with the Auditor, the Board is given to understand that if all of the above Action Plan had been completed as at 31 December 2021, 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 2022, 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 2022. 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 2022 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 2022. 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 2022.

Therefore, assuming if (i) the Company proceeds with the Scheme during the year 2022; (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 2022.

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 of
Moody Technology Holdings Limited
(Provisional Liquidators Appointed)
(For Restructuring Purposes)
Li Wanyuan
Acting Chairman and Executive Director

Hong Kong, 30 June 2022

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