



**满地科技**

— MOODYTECHNOLOGY —

**Moody Technology Holdings Limited**

**满地科技股份有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1400)

**2019**

**INTERIM REPORT**

# CONTENTS

Corporate Information	2
Management Discussion and Analysis	4
Additional Information	12
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	18
Condensed Consolidated Statement of Financial Position	19
Condensed Consolidated Statement of Changes in Equity	21
Condensed Consolidated Statement of Cash Flows	22
Notes to the Condensed Consolidated Financial Information	23



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Wu Jianxiong (*Chairman*)

Mr. Lin Qingxiong

### Independent non-executive Directors

Mr. Chow Yun Cheung

Mr. Lin Yugang

## AUDIT COMMITTEE

Mr. Chow Yun Cheung (*Chairman*)

Mr. Lin Yugang

## REMUNERATION COMMITTEE

Mr. Lin Yugang (*Chairman*)

Mr. Chow Yun Cheung

## NOMINATION COMMITTEE

Mr. Lin Yugang

Mr. Chow Yun Cheung

## REGULATORY COMPLIANCE COMMITTEE

Mr. Wu Jianxiong

## COMPANY SECRETARY

Mr. Tsang Ho Yin LLB, BComm, LLM, PCLL

## AUTHORISED REPRESENTATIVES

Mr. Wu Jianxiong

## AUDITOR

World Link CPA Limited  
Certified Public Accountants  
5/F., Far East Consortium Building  
121 Des Voeux Road Central  
Hong Kong

## PRINCIPAL BANKERS

China Merchants Bank Co., Ltd,  
Quanzhou Shishi Branch  
Bank of Quanzhou Co., Ltd  
Bank of China (Hong Kong) Limited  
Standard Chartered Bank (Hong Kong) Limited  
Bank of communications  
CMB Wing Lung Bank  
Nanyang Commercial Bank, Limited  
Rural Commercial Bank of Shishi

## REGISTERED OFFICE

Clarendon House, 2 Church Street  
Hamilton, HM 11  
Bermuda

## HEADQUARTERS IN CHINA

Wubao Science and Technology Park  
Hongshan Town  
Shishi City  
Fujian  
China

## PLACE OF BUSINESS IN HONG KONG

39th Floor, Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Central  
Hong Kong

**PRINCIPAL SHARE REGISTRAR**

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

**HONG KONG BRANCH SHARE REGISTER**

Tricor Investor Services Limited  
Level 22  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

**COMPANY'S WEBSITE**

[www.texitm.com](http://www.texitm.com)

**STOCK CODE**

The Stock Exchange of Hong Kong Limited: 1400

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Board presents the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2019 to the shareholders of the Company (the “**Shareholders**”). During the six months ended 30 June 2019 under review, the Group’s revenue increased by 50.86% to approximately RMB202.3 million when compared to the six months ended 30 June 2018. The increase was mainly attributable to the sales of shoes and clothes under the new segment. Loss attributable to the owners of the Company for the six months ended 30 June 2019 decreased to approximately RMB47.5 million when compared to the corresponding period last year. Loss per share also decreased to RMB0.26 for the six months ended 30 June 2019 from loss per share of RMB0.40 (restated) for the corresponding period last year.

## INDUSTRY REVIEW

The People’s Republic of China (the “**PRC**”) textile market is highly competitive which limits the growth of the selling prices of the Company of fabric products. Decrease in the sales of fabric products in the first half year of 2019 was mainly due to the decrease in the PRC textile market as a whole.

## FINANCIAL REVIEW

### Revenue, gross profit and gross profit margin

The Group’s revenue increased from approximately RMB134.1 million for the six months ended 30 June 2018 to approximately RMB202.3 million for the six months ended 30 June 2019 was mainly due to the sales of shoes and clothes under the new segment.

Increase in cost of sales from approximately RMB131.4 million for the six months ended 30 June 2018 to approximately RMB195.9 million for the six months ended 30 June 2019 was mainly due to the cost of sales incurred in new shoes and clothes segment.

The gross profit increased from approximately RMB2.7 million for the six months ended 30 June 2018 to approximately RMB6.4 million for the six months ended 30 June 2019 which was mainly due to the profit generated from the new shoes and clothes segment.

The gross profit margin also increased from 2.0% to 3.2% which was mainly due to higher profit margin generated from the new shoes and clothes segment.

**FINANCIAL REVIEW (continued)**

**Revenue, gross profit and gross profit margin (continued)**

The Group's fabric products are classified into four series primarily according to their features. The following table sets forth a breakdown of the revenue and gross profit by product series in business segments for the periods indicated:

	For the six months ended 30 June					
	2019			2018		
	Revenue RMB'000 (Unaudited)	Gross Profit/(Loss) RMB'000 (Unaudited)	Gross Profit/(Loss) Margin %	Revenue RMB'000 (Unaudited)	Gross (Loss)/Profit RMB'000 (Unaudited)	Gross (Loss)/Profit Margin %
<b>Fabrics</b>						
Interwoven fabric with multi-fibres series	58,986	952	1.6	100,621	3,756	3.7
Blended fabric series	13,732	166	1.2	23,605	(1,429)	(6.1)
Stretch fabric series	1,190	30	2.5	3,596	155	4.3
Pure cotton series	715	(59)	(8.3)	6,276	187	3.0
<b>Total</b>	<b>74,623</b>	<b>1,089</b>	<b>1.5</b>	<b>134,098</b>	<b>2,669</b>	<b>2.0</b>

Decrease in revenue from interwoven fabric with multi-fibres series from approximately RMB100.6 million for the six months ended 30 June 2018 to approximately RMB59.0 million for the six months ended 30 June 2019 was mainly due to the decreasing demand for the products.

The gross profit margin of interwoven fabric with multi-fibres series was decreased from 3.7% for the six months ended 30 June 2018 to 1.6% for the six months ended 30 June 2019 was mainly due to the decrease in total sales of interwoven fabric with multi-fibres series and increase in the average unit cost from RMB5.9 per meter to RMB6.2 per meter.

Decrease in revenue from blended fabric series from approximately RMB23.6 million for the six months ended 30 June 2018 to approximately RMB13.7 million for the six months ended 30 June 2019 was mainly due to the decrease in demand for the product from 3,740.0 km to 2,154.8 km.

Turn around in gross loss margin of blended fabric series from (6.1)% for the six months ended 30 June 2018 to 1.2% for the six months ended 30 June 2019 was mainly due to decrease in the average unit cost from RMB6.7 per meter for the six months ended 30 June 2018 to RMB6.3 per meter for the six months ended 30 June 2019.

### **FINANCIAL REVIEW (continued)**

#### **Revenue, gross profit and gross profit margin (continued)**

Decrease in revenue from stretch fabric series from approximately RMB3.6 million for the six months ended 30 June 2018 to approximately RMB1.2 million for the six months ended 30 June 2019 was mainly due to the decrease in average unit selling price from RMB10.2 per meter to RMB5.1 per meter and decrease in demand for the products.

Decrease in gross profit margin of stretch fabric series from 4.3% for the six months ended 30 June 2018 to 2.5% for the six months ended 30 June 2019 was mainly due to the decrease in the average unit selling price from RMB10.2 per meter for the six months ended 30 June 2018 to RMB5.1 per meter for the six months ended 30 June 2019.

Decrease in revenue from pure cotton series from approximately RMB6.3 million for the six months ended 30 June 2018 to approximately RMB0.7 million for the six months ended 30 June 2019 was mainly due to the decrease in demand from the product from 952.6 km to 132.1 km.

Turn around in gross profit margin of pure cotton series from 3.0% for the six months ended 30 June 2018 to (8.3)% for the six months ended 30 June 2019 was mainly due to increase in average unit cost for the six months ended 30 June 2019.

#### **Selling and distribution costs**

No material changes in selling and distribution costs during the six months ended 30 June 2019 and 2018.

#### **General and administrative expenses**

General and administrative expenses increased by 14.4% from approximately RMB11.1 million for the six months ended 30 June 2018 to approximately RMB12.7 million for the six months ended 30 June 2019, which represented 8.3% and 6.3% of the Group's revenue during the corresponding period, respectively. Increase in general and administrative expenses was mainly due to increase in addition depreciation of new capitalised property, plant and equipment.

## FINANCIAL REVIEW (continued)

### Finance costs

The increase in finance costs from approximately RMB49.8 million for the six months ended 30 June 2018 to approximately RMB51.6 million was mainly because of increase in the average balance of borrowings during the six months ended 30 June 2019 for the general working capital purpose.

### Share of loss of an associate

By application of equity method, the Group incurred a share of loss of an associate of approximately RMB8.5 million for the six months ended 30 June 2018 as the market demand for the associate's products decreased. No share of loss of an associate was recognised for the six months ended 30 June 2019, because the investment in an associate was fully impaired in 2018.

### Income tax expense

No tax provision or credit was recognised during the six months ended 30 June 2019 (2018: Nil).

### Loss for the period attributable to the owners of the Company

As a result of the above factors, the loss attributable to the owners of the Company decreased from approximately RMB62.9 million for the six months ended 30 June 2018 to approximately RMB47.5 million for the six months ended 30 June 2019.

### Liquidity and financial resources

As at 30 June 2019, the Group's bank and cash balances amounted to approximately RMB3.3 million (as at 31 December 2018: approximately RMB1.4 million). The increase was mainly due to increase in issue of bonds of approximately RMB40.8 million for the period ended 30 June 2019.

As at 30 June 2019, the Group's inventories increased by approximately RMB9.7 million to approximately RMB40.4 million (as at 31 December 2018: approximately RMB30.7 million), and trade and other receivables increased by approximately RMB41.9 million to approximately RMB156.0 million (as at 31 December 2018: approximately RMB114.1 million).



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW (continued)

#### Liquidity and financial resources (continued)

The working capital turnover days were as follows:

	For the six months ended 30 June 2019	For the year ended 31 December 2018
Inventory turnover days <sup>1</sup>	32.9 days	60.4 days
Trade receivables turnover days <sup>2</sup>	46.8 days	139.6 days
Trade payables turnover days <sup>3</sup>	66.3 days	82.7 days

<sup>1</sup> Inventory turnover days is equal to the average of the opening and closing inventory balances divided by cost of sales for the period of 181 days for the six months ended 30 June 2019.

<sup>2</sup> Trade receivables turnover days is equal to the average of the opening and closing trade receivables balances divided by revenue for the period of 181 days for the six months ended 30 June 2019.

<sup>3</sup> Trade payables turnover days is equal to the average of the opening and closing trade payable balances divided by cost of sales for the period of 181 days for the six months ended 30 June 2019.

During the six months ended 30 June 2019, decrease in inventory turnover days was mainly due to increase in cost of sales as compared with last year. Decrease in trade receivables turnover days was mainly due to increase in revenue as compared with last year. Decrease in trade payables turnover days was mainly due to increase in cost of sales as compared with last year.

The Group's borrowings increased to approximately RMB859.6 million, mainly as a result of issuance of corporate bonds for the period (as at 31 December 2018: approximately RMB809.1 million). All the borrowings are denominated in RMB and Hong Kong dollar ("HKD"). The interest rates ranged from 1.0% to 40.0% (as at 31 December 2018: 1.5% to 24.0%). The Group did not use any financial instruments for hedging purposes.

**FINANCIAL REVIEW (continued)****Liquidities and financial resources (continued)**

The Group's financial ratios were as follows:

	<b>As at 30 June 2019</b>	As at 31 December 2018
Current ratio (%) <sup>1</sup>	<b>24.35</b>	20.32
Gearing ratio (%) <sup>2</sup>	<b>N/A</b>	N/A

<sup>1</sup> Based on current assets to current liabilities

<sup>2</sup> Based on total borrowings net of cash and cash equivalents and restricted bank deposits over total equity

Increase in current ratio was mainly due to the increase in trade and other receivables during the period.

**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 functional currency of the Company and its subsidiaries is RMB.

**Capital expenditure**

For the six months ended 30 June 2019, the Group acquired property, plant and equipment of approximately RMB402,000 (2018: Nil).

**Pledge of assets**

As at 30 June 2019 and 2018, certain land use rights and buildings, machinery and equipment of the Group were pledged to secure banking facilities for purposes of working capital.

**Contingent liabilities**

As at 30 June 2019, the Group did not have any significant contingent liabilities (2018: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### SIGNIFICANT INVESTMENTS

The Group did not have significant investments during the six months ended 30 June 2019.

### MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have material acquisition or disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2019.

### FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

The Board currently does not have any future plans for material investments or capital assets. The Directors will continue to monitor the industry and review its business expansion plans regularly, so as to take necessary measures in the best interests of the Group and the Shareholders.

### HUMAN RESOURCES

As at 30 June 2019, the Group had a total workforce of 421 (as at 31 December 2018: 420). The Group successfully follows a higher ratio of the number of operating staff to the number of machines to scale down the total workforce. New employees were recruited to cater for the Group's business expansion during the six months ended 30 June 2019. 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

The Board has resolved not to declare any dividend for the six months ended 30 June 2019 (2018: Nil).

### PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **FUTURE OUTLOOK**

This is still a fierce competition in the PRC's textile industry, yet the market is immense and highly fragmented. A number of players in the textile industry are consolidated with survival of relatively strong competitive manufacturers in the industry. In 2019, the Group will remain focusing on extending its reach into domestic market, retain the existing market presence and step forward to the overseas trading market. The Group is more determined than ever to enhance its profitability to optimising the existing product portfolio and developing new invented and improved quality products that meet market demand.

With the above strategies, we hope not only to maintain the strategic position but to enhance the quality of products, boost our revenue and improve the profitability and customer loyalty.

## **SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

The Group had no significant events after 30 June 2019 up to the date of this report.

## ADDITIONAL INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2019, the interests and/or short positions of each Director and chief executive and their respective associates of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO"), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

#### Interest in the Company

Name of Director	Capacity/ Nature of interest	Number of shares held in the Company	Approximate percentage of shareholding in the Company
Mr. Lin Qingxiong	Interest of a controlled corporation	279,600,000 shares (Note) (long position)	15.03%
	Beneficial owner	10,840,000 shares (long position)	0.58%

Note:

These shares are held by Merit Lead Investments Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Mr. Lin Qingxiong.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (continued)

### Interest in associated corporation(s)

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of shares	Approximate percentage of shareholding in the associated corporation
Mr. Lin Qingxiong	Merit Lead Investments Limited	Beneficial owner	One share of US\$1.00 each	100%

Save as disclosed above, as at 30 June 2019, none of the Directors, the chief executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2019, so far as the Directors are aware, the following persons (not being a director or a chief executive of the Company) had, or were deemed to have an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the Company's issued share capital as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Capacity/ Nature of interest	Number of shares held in the Company	Approximate percentage of shareholding in the Company
Merit Lead Investments Limited (Note)	Beneficial owner	279,600,000 shares (long position)	15.03%

Note:

Merit Lead Investments Limited is a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Mr. Lin Qingxiong.

## ADDITIONAL INFORMATION

### **SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)**

Save as disclosed above, other than the Directors or the chief executive of the Company, there were no other parties who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 June 2019.

### **RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS**

There is no transaction with the related party during the period ended 30 June 2019.

### **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and to the knowledge of the Directors, as at the date of this report, the Company has maintained a sufficient public float of at least 25% of the Company's issued share capital as required under the Listing Rules.

### **DIRECTORS' INTEREST IN COMPETING BUSINESS**

As at 30 June 2019, none of the Directors or any of their respective associates of the Company had engaged in any business that competed or may compete with the business of the Group, or had any other conflict of interests with the Group.

### **CORPORATE GOVERNANCE**

The Company was committed to maintaining high level of corporate governance and has steered its development and protected the interests of the Shareholders in an enlightened and open manner. Throughout the six months ended 30 June 2019, the Company had complied with the code provisions prescribed in the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules except the following code provisions.

## CORPORATE GOVERNANCE (continued)

### Code provision A.1.8

The code provision A.1.8 of the CG Code stipulates that the Company should arrange appropriate insurance cover in respect of legal action against its Directors. Currently, the Company does not consider necessary to have insurance cover for legal action against its Directors and will monitor any changes to the situation and make necessary action. The Board believes with the current internal control system and the close supervision of the management, the Directors' risk of being sued or getting involved in litigation in their capacity as Directors is relatively low.

Under (i) Rule 3.10(1) of the Listing Rules, the Board shall comprise at least three independent non-executive directors; (ii) Rule 3.10(2) of the Listing Rules, at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise; (iii) Rule 3.21 of the Listing Rules, the audit committee shall comprise at least three members, that at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules and that the audit committee must be chaired by an independent non-executive director.

Subsequent to the resignation of Chan Sui Wa as an Independent Non-executive Director and a chairman of the audit committee of the Company ("**Audit Committee**") and a member of each of the remuneration committee of the Company ("**Remuneration Committee**") and nomination committee of the Company ("**Nomination Committee**") for the period from 5 July 2019 to 13 August 2019, the number of Independent Non-executive Directors and the members of the Audit Committee, Remuneration Committee and Nomination Committee fell below the minimum number required under Rules 3.10(1) and 3.21 of the Listing Rules. Moreover, there was not at least one of the Independent Non-executive Directors had appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. Further, there was not at least one of the members of the Audit Committee was an Independent Non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules and that the Audit Committee was not chaired by an Independent Non-executive Director as required under Rule 3.21 of the Listing Rules.

On 23 August 2019, the resignation of Liu Shungang, an Independent Non-executive Director, a member of each of Audit Committee, Remuneration Committee and Nomination Committee with effect from 23 August 2019, the number of Independent Non-executive Directors and the members of the Audit Committee, Remuneration Committee and Nomination Committee fell below the minimum number required under Rules 3.10(1) and 3.21 of the Listing Rules.

The Company is endeavoring to identify suitable candidate to fill the vacancies with the expectation within 3 months from 23 August 2019 pursuant to Rules 3.11 and 3.23 of the Listing Rules.



## *ADDITIONAL INFORMATION*

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

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules 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 during the period under review.

### **AUDIT COMMITTEE**

The Audit Committee comprises all the two independent non-executive Directors, namely, Mr. Chow Yun Cheung and Mr. Lin Yugang. Mr. Chow Yun Cheung is the chairman of the Audit Committee. The terms of reference of the Audit Committee comply with the code provisions of the CG Code. The Audit Committee is responsible for reviewing and supervising the Group's financial reporting process and overseeing the risk management and internal control systems and providing advice and recommendations to the Board.

### **REMUNERATION COMMITTEE**

The Remuneration Committee comprises two independent non-executive Directors, namely, Mr. Lin Yugang and Mr. Chow Yun Cheung. Mr. Lin Yugang is the chairman of the Remuneration Committee. The terms of reference of the Remuneration Committee comply with the code provisions of the CG Code. The Remuneration Committee is principally responsible for formulating the Group's policy and structure for all remuneration of the Directors and senior management and providing advice and recommendations to the Board.

### **NOMINATION COMMITTEE**

The Nomination Committee comprises two independent non-executive Directors, namely, Mr. Lin Yugang and Mr. Chow Yun Cheung. The terms of reference of the Nomination Committee comply with the code provisions of the CG Code. The Nomination Committee is principally responsible for reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Board members, assessing the independence of independent non-executive Directors, and making recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors.

### **REGULATORY COMPLIANCE COMMITTEE**

The Regulatory Compliance Committee was established on 26 February 2014, which is led by Mr. Wu Jianxiong, an executive Director. The committee directly reports to the Board and is primarily responsible for ensuring that our business operations and activities are in compliance with the relevant laws and regulations.

### **REVIEW OF INTERIM RESULTS**

The Group's unaudited interim results for the six months ended 30 June 2019 have been reviewed by the Audit Committee.

By order of the Board  
**Moody Technology Holdings Limited**  
**Wu Jianxiong**  
*Chairman*

Hong Kong, 30 August 2019

*As at the date of this report, the executive Directors are Mr. Wu Jianxiong and Mr. Lin Qingxiong; and the independent non-executive Directors are Mr. Chow Yun Cheung and Mr. Lin Yugang.*

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

For the six months ended 30 June 2019 (Expressed in Renminbi (“RMB”))

	Notes	Six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
<b>Revenue</b>	5	<b>202,348</b>	134,098
Cost of sales		<b>(195,904)</b>	(131,429)
<b>Gross profit</b>		<b>6,444</b>	2,669
Other income		<b>11,168</b>	4,745
Selling and distribution costs		<b>(754)</b>	(840)
General and administrative expenses		<b>(12,707)</b>	(11,100)
<b>Profit/(loss) from operations</b>		<b>4,151</b>	(4,526)
Finance costs	6	<b>(51,605)</b>	(49,829)
Share of loss of an associate		–	(8,528)
<b>Loss before tax</b>		<b>(47,454)</b>	(62,883)
Income tax expense	7	–	–
<b>Loss and total comprehensive income for the period attributable to the owners of the Company</b>	8	<b>(47,454)</b>	(62,883)
			(Restated)
Loss per share			
– Basic (RMB)	9(a)	<b>(0.26)</b>	(0.40)
– Diluted (RMB)	9(b)	<b>(0.26)</b>	(0.40)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019 (Expressed in RMB)

	Notes	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	359,351	373,734
Leasehold land and land use right		22,387	22,665
Right-of-use assets	12	760	–
Investment in an associate		–	–
		<b>382,498</b>	396,399
<b>Current assets</b>			
Leasehold land and land use right		558	558
Inventories		40,427	30,707
Trade and other receivables	13	156,022	114,119
Bank and cash balances		3,263	1,414
		<b>200,270</b>	146,798
<b>Current liabilities</b>			
Trade and other payables	14	228,018	187,595
Lease liabilities		485	–
Borrowings	15	593,697	530,489
Amount due to an associate		–	4,492
		<b>822,200</b>	722,576
<b>Net current liabilities</b>		<b>(621,930)</b>	(575,778)
<b>Total assets less current liabilities</b>		<b>(239,432)</b>	(179,379)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019 (Expressed in RMB)

	Notes	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
<b>Non-current liabilities</b>			
Borrowings	15	265,949	278,660
Lease liabilities		296	–
Deferred income		13,566	13,722
Deferred tax liabilities		419	419
		<b>280,230</b>	292,801
<b>Net liabilities</b>		<b>(519,662)</b>	(472,180)
<b>EQUITY</b>			
Share capital	16	1,505	150,493
Reserves		(521,167)	(622,673)
<b>Total deficit</b>		<b>(519,662)</b>	(472,180)

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019 (Expressed in RMB)

	Share capital RMB'000 (Unaudited)	Share premium RMB'000 (Unaudited)	Attributable to the owners of the Company			Accumulated losses RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
			Contribution surplus RMB'000 (Unaudited)	Capital reserve RMB'000 (Unaudited)	Statutory reserve RMB'000 (Unaudited)		
At 1 January 2018 (Audited)	124,010	500,745	-	113,510	24,151	(891,448)	(129,032)
Placing of new shares under general mandate	26,148	(312)	-	-	-	-	25,836
Total comprehensive income for the period	-	-	-	-	-	(62,883)	(62,883)
At 30 June 2018	150,158	500,433	-	113,510	24,151	(954,331)	(166,079)
At 31 December 2018 (Audited)	150,493	500,395	-	113,510	24,151	(1,260,729)	(472,180)
Adjustments on initial application of IFRS 16	-	-	-	-	-	(28)	(28)
Restated balance at 1 January 2019	150,493	500,395	-	113,510	24,151	(1,260,757)	(472,208)
Capital reorganisation	(148,988)	(500,395)	649,383	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	(47,454)	(47,454)
At 30 June 2019	1,505	-	649,383	113,510	24,151	(1,308,211)	(519,662)

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019 (Expressed in RMB)

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
<b>Net cash generated from/(used in) operating activities</b>	<b>459</b>	(25,952)
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(402)	–
Receipt of government subsidy	–	187
Interest received	2	–
Net cash (used in)/generated from investing activities	(400)	187
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	40,762	196,930
Repayments of borrowings	(28,568)	(124,487)
Principal elements of lease payments	(130)	–
Interest paid	(10,274)	(45,166)
Proceeds from the placing of new shares	–	25,836
Net cash generated from financing activities	1,790	53,113
<b>Net increase in cash and cash equivalents</b>	<b>1,849</b>	27,348
Cash and cash equivalents at beginning of the period	1,414	1,254
Cash and cash equivalents at end of the period	3,263	28,602

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019 (Expressed in RMB)

## 1. GENERAL INFORMATION

Moody Technology Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 29 April 2013 and has been de-registered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda and the change of domicile became effective on 24 May 2019. With effect from the change of domicile, the registered office of the Company has been changed to Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. The principal place of business of the Company in Hong Kong is located at 39/F, Gloucester Tower, the Landmark, 15 Queen’s Road Central, 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 Company is an investment holding company and its subsidiaries are principally engaged in the design, manufacturing and sales of fabrics and sales of shoes and clothes in the People’s Republic of China (the “**PRC**”).

This condensed consolidated financial information is presented in Renminbi (“**RMB**”), unless otherwise stated. This condensed consolidated financial information was approved by the board of directors for issue on 30 August 2019.

This condensed consolidated financial information has not been audited.

## 2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statement of the Group for the year ended 31 December 2018 (the “**2018 Annual Consolidated Financial Statements**”). The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the 2018 Annual Consolidated Financial Statements except as stated in note 3 below.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019 (Expressed in RMB)

### 3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. IFRSs comprise International Financial Reporting Standards (“**IFRS**”); International Accounting Standards (“**IAS**”); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years except as stated below.

The Group has initially adopted IFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group’s consolidated financial statements.

#### IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single lessee accounting model.

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

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (“**short-term leases**”), and lease contracts for which the underlying asset is of low value (“**leases of low-value assets**”).

The transition effects arising from the adoption of IFRS 16 are presented below.

*NOTES TO THE CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION  
For the six months ended 30 June 2019 (Expressed in RMB)*

### 3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

#### IFRS 16 Leases (continued)

The following tables analyse the impact, net of tax, of transition to IFRS 16 on the statement of financial position of the Group.

	1 January 2019 RMB'000
<b>Right-of-use assets</b>	
Closing balance under IAS17 at 31 December 2018	–
– Recognition of right-of-use assets under IFRS 16	1,016
<hr/>	
Opening balance under IFRS 16 at 1 January 2019	1,016
<hr/>	
<b>Lease liabilities</b>	
Closing balance under IAS17 at 31 December 2018	–
– Recognition of lease liabilities under IFRS 16	1,044
<hr/>	
Opening balance under IFRS 16 at 1 January 2019	1,044
<hr/>	
<b>Accumulated losses</b>	
Closing balance under IAS17 at 31 December 2018	(1,260,729)
– Recognition of right-of-use assets under IFRS 16	1,016
– Recognition of lease liabilities under IFRS 16	(1,044)
<hr/>	
Opening balance under IFRS 16 at 1 January 2019	(1,260,757)
<hr/>	

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019 (Expressed in RMB)

### 3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued) IFRS 16 Leases (continued)

#### Consolidated statement of financial position

	31 December 2018 RMB'000	Adoption of IFRS 16 RMB'000	1 January 2019 RMB'000
<b>Assets</b>			
Property, plant and equipment	373,734	–	373,734
Leasehold land and land use right	23,223	–	23,223
Right-of-use assets	–	1,016	1,016
Investment in an associate	–	–	–
Inventories	30,707	–	30,707
Trade and other receivables	114,119	–	114,119
Bank and cash balances	1,414	–	1,414
	543,197	1,016	544,213
<b>Liabilities</b>			
Trade and other payables	187,595	–	187,595
Lease liabilities	–	1,044	1,044
Amount due to an associate	4,492	–	4,492
Borrowings	809,149	–	809,149
Deferred income	13,722	–	13,722
Deferred tax liabilities	419	–	419
	1,015,377	1,044	1,016,421
<b>Net liabilities</b>	(472,180)	(28)	(472,208)
<b>Equity</b>			
Share capital	150,493	–	150,493
Reserves	(622,673)	(28)	(622,701)
<b>Total deficit</b>	(472,180)	(28)	(472,208)

### 3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued) IFRS 16 Leases (continued)

#### *Nature of the effect of adoption of IFRS 16*

The Group has lease contracts for various items of land and buildings. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other assets and other liabilities, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

#### *Leases previously classified as operating leases*

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equals to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019 (Expressed in RMB)

### 3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued) IFRS 16 Leases (continued)

#### *Nature of the effect of adoption of IFRS 16 (continued)*

*Leases previously classified as operating leases (continued)*

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Applied the short-term lease recognition exemption to leases with lease term that ends within 12 months at the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use assets at the date of initial application.
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets of approximately RMB1,016,000 were recognised and presented separately in the consolidated statement of financial position.
- Additional lease liabilities of approximately RMB1,044,000 were recognised.
- The net effect of these adjustments had been adjusted to accumulated losses in the amount of approximately RMB28,000.

NOTES TO THE CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION  
For the six months ended 30 June 2019 (Expressed in RMB)

**3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)**  
**IFRS 16 Leases (continued)**

***Nature of the effect of adoption of IFRS 16 (continued)***

*Leases previously classified as operating leases (continued)*

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	933
Incremental borrowing rate as at 1 January 2019	5%
Discounted operating lease commitments as at 1 January 2019	891
Adjustments as a result of a different treatment of extension and termination options	153
<hr/>	
Lease liabilities as at 1 January 2019	1,044

***Summary of new accounting policies***

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

***Right-of-use assets***

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date which the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019 (Expressed in RMB)

### 3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued) IFRS 16 Leases (continued)

#### *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expense in the period during which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification (i.e. a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset).

#### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered as low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

*NOTES TO THE CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION  
For the six months ended 30 June 2019 (Expressed in RMB)*

**3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)**  
**IFRS 16 Leases (continued)**

*Significant judgement in determining the lease term of contracts with options*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option. That is, it considers all relevant factors that create an economic incentive for it to exercise the option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is beyond its control and affects its ability to exercise (or not to exercise) the option (e.g. a change in business strategy).

*Amounts recognised in the consolidated statement of financial position and profit or loss*

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets RMB'000	Lease liabilities RMB'000
At 1 January 2019	1,016	(1,044)
Additions	708	(708)
Write-off	(828)	854
Depreciation	(136)	–
Interest expenses	–	(13)
Payments	–	130
<b>At 30 June 2019</b>	<b>760</b>	<b>(781)</b>

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The application of these new and revised IFRSs will not have material impact on the financial statements of the Group.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019 (Expressed in RMB)

### 4. SEGMENT INFORMATION

The Group has two reportable segments as follows:

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

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

The accounting policies of the operating segments are the same as those described in note 5 to the 2018 Annual Consolidated Financial Statements. Segment profit or loss do not include other income, selling and distribution costs, general and administrative expenses, finance costs and share of loss of an associate. Segment assets do not include right-of-use assets, investment in an associate and bank and cash balances. Segment liabilities do not include lease liabilities, amount due to an associate, current and deferred tax liabilities and borrowings.

	Fabrics RMB'000 (Unaudited)	Shoes and clothes RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Segment results</b>			
Six months ended 30 June 2019:			
<b>Reportable revenue from external customers</b>	74,623	127,725	202,348
<b>Reportable segment profit</b>	1,089	5,355	6,444
Other income			11,168
Selling and distribution costs			(754)
General and administrative expenses			(12,707)
Finance costs			(51,605)
<b>Loss before tax</b>			<b>(47,454)</b>

*NOTES TO THE CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION*  
For the six months ended 30 June 2019 (Expressed in RMB)

**4. SEGMENT INFORMATION (continued)**

	Fabrics RMB'000 (Unaudited)	Shoes and clothes RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Segment assets and liabilities</b> At 30 June 2019:			
<b>Segment assets</b>	571,670	7,075	578,745
Unallocated assets			4,023
<b>Total assets</b>			<b>582,768</b>
<b>Segment liabilities</b>	241,584	–	241,584
Unallocated liabilities			860,846
<b>Total liabilities</b>			<b>1,102,430</b>

	Fabrics RMB'000 (Unaudited)	Shoes and clothes RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
--	-----------------------------------	--	---------------------------------

**Segment results**

Six months ended 30 June 2018:

<b>Reportable revenue from external customers</b>	134,098	–	134,098
<b>Reportable segment profit</b>	2,669	–	2,669
Other income			4,745
Selling and distribution costs			(840)
General and administrative expenses			(11,100)
Finance costs			(49,829)
Share of loss of an associate			(8,528)
<b>Loss before tax</b>			<b>(62,883)</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019 (Expressed in RMB)

### 4. SEGMENT INFORMATION (continued)

	Fabrics RMB'000 (Audited)	Shoes and clothes RMB'000 (Audited)	Total RMB'000 (Audited)
<b>Segment assets and liabilities</b>			
At 31 December 2018:			
<b>Segment assets</b>	539,714	2,069	541,783
Unallocated assets			1,414
<b>Total assets</b>			543,197
<b>Segment liabilities</b>	201,317	–	201,317
Unallocated liabilities			814,060
<b>Total liabilities</b>			1,015,377

#### Geographical information

Over 90% of the Group's non-current assets (excluding right-of-use assets and investment in an associate) are located in the PRC and over 90% of the revenue are generated in the PRC. Accordingly, no further geographical information of non-current assets and revenue was disclosed.

*NOTES TO THE CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION  
For the six months ended 30 June 2019 (Expressed in RMB)*

## 5. REVENUE

An analysis of the Group's revenue for the period is as follows:

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Recognised at a point in time:		
Sales of fabrics	74,623	134,098
Sales of shoes and clothes	127,725	–
	<b>202,348</b>	134,098

## 6. FINANCE COSTS

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Interest expenses of bank borrowings	3,600	7,775
Interest expenses of lease liabilities	13	–
Interest expenses of bonds	47,992	42,054
	<b>51,605</b>	49,829

## 7. INCOME TAX EXPENSE

No provision for income tax expense is required since the Group has no assessable profit for the period (2018: Nil).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019 (Expressed in RMB)

### 8. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging the following:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories	195,416	109,552
Amortisation of leasehold land and land use right	278	279
Depreciation of property, plant and equipment	14,785	14,269
Depreciation of right-of-use assets	136	–

### 9. LOSS PER SHARE

#### (a) Basic

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited) (Restated)
Loss attributable to the owners of the Company	(47,454)	(62,883)
Weighted average number of ordinary shares in issue (thousands)	186,000	155,343
Basic loss per share (RMB per share)	(0.26)	(0.40)

#### (b) Diluted

As there were no potentially dilutive shares for the six months ended 30 June 2019 and 2018, the diluted loss per share was the same as basic loss per share.

### 10. DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended 30 June 2019 (2018: Nil).

*NOTES TO THE CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION*  
For the six months ended 30 June 2019 (Expressed in RMB)

### 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired property, plant and equipment of approximately RMB402,000 (2018: Nil).

### 12. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2019, the Group entered into a new lease agreement for use of properties for 2 years. The Group makes fixed payments during the contract period. On lease commencement, the Group recognised approximately RMB708,000 of right-of-use assets and lease liabilities.

### 13. TRADE AND OTHER RECEIVABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade receivables	<b>820,712</b>	787,834
Less: Allowance for trade receivables	<b>(751,978)</b>	(751,978)
	<b>68,734</b>	35,856
Prepayments for purchase of raw materials	<b>167,561</b>	158,633
Less: Allowance for prepayments	<b>(153,069)</b>	(153,069)
	<b>14,492</b>	5,564
Other receivables	<b>74,584</b>	75,185
Less: Allowance for other receivables	<b>(2,825)</b>	(2,825)
	<b>71,759</b>	72,360
Amount due from a director	<b>1,037</b>	339
Total of trade and other receivables	<b>156,022</b>	114,119

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019 (Expressed in RMB)

### 13. TRADE AND OTHER RECEIVABLES (continued)

The ageing analysis of trade receivables, based on invoice date, was as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within 6 months	46,394	30,927
Over 6 months but less than 12 months	19,853	4,929
Over 12 months	2,487	–
	<b>68,734</b>	35,856

### 14. TRADE AND OTHER PAYABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade payables	89,273	54,300
Contract liabilities	12,512	9,279
Salary payables	24,082	23,371
Payables for purchase of property, plant and equipment	34,145	34,145
Interest payables	40,175	37,160
Other payables and accruals	27,831	29,340
	<b>228,018</b>	187,595

*NOTES TO THE CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION  
For the six months ended 30 June 2019 (Expressed in RMB)*

#### 14. TRADE AND OTHER PAYABLES (continued)

The ageing analysis of the trade payables, based on invoice date, was as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within 3 months	32,092	15,055
Over 3 months but less than 12 months	27,004	11,250
Over 12 months	30,177	27,995
	<b>89,273</b>	54,300

#### 15. BORROWINGS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
<b>Current:</b>		
Secured bank borrowings	220,173	190,173
Unsecured bank borrowings	13,519	13,519
Unsecured bonds	360,005	326,797
	<b>593,697</b>	530,489
<b>Non-current:</b>		
Secured bank borrowings	–	30,000
Unsecured bonds	265,949	248,660
	<b>265,949</b>	278,660
	<b>859,646</b>	809,149



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019 (Expressed in RMB)

### 15. BORROWINGS (continued)

#### Bank borrowings

All bank borrowings are repayable on demand or within one year.

The Group's bank borrowings of approximately RMB220,173,000 (31 December 2018: RMB190,173,000) were secured by its property, plant and equipment and leasehold land and land use right.

The effective interest rates on bank borrowings were ranging from 5.64% to 14.58% (31 December 2018: 5.64% to 14.58%) per annum for the six months ended 30 June 2019.

#### Unsecured bonds

As at 30 June 2019, the Company issued unsecured bonds with an aggregate principal value of approximately RMB692,463,000 (31 December 2018: RMB671,815,000). The bonds are unsecured, bearing interest rates at a range of 1% to 40% (31 December 2018: 1.5% to 24%) per annum, and repayable during the period from July 2019 to January 2028 (31 December 2018: January 2019 to December 2027).

**NOTES TO THE CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**  
For the six months ended 30 June 2019 (Expressed in RMB)

**16. SHARE CAPITAL**

	2019		2018	
	Number of shares (thousands)	Amount HK\$'000 (Unaudited)	Number of shares (thousands)	Amount HK\$'000 (Audited)
Authorised:				
Ordinary shares of HK\$0.01 each				
At 1 January	10,000,000	1,000,000	10,000,000	1,000,000
Share consolidation (note (b(i)))	(9,000,000)	-	-	-
Share subdivision (note (b(iii)))	99,000,000	-	-	-
At 30 June 2019/ 31 December 2018	100,000,000	1,000,000	10,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of HK\$0.01 each				
At 1 January	1,860,000	186,000	1,550,000	155,000
Issue of shares (note (a))	-	-	310,000	31,000
Share consolidation (note (b(i)))	(1,674,000)	-	-	-
Capital reduction (note (b(ii)))	-	(184,140)	-	-
At 30 June 2019/ 31 December 2018	186,000	1,860	1,860,000	186,000
Equivalent to RMB'000		1,505		150,493

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019 (Expressed in RMB)

### 16. SHARE CAPITAL (continued)

Notes:

- (a) On 17 May 2018, the Company and the placing agent entered into a placing agreement in respect of the placement of 310,000,000 ordinary shares of HK\$0.10 each at a price of HK\$0.10 per share under general mandate. The placement was completed on 29 June 2018. As the shares were issued at par value, the share issue expenses of approximately RMB350,000 was debited to the Company's share premium account.
- (b) On 19 June 2019, the Capital reorganisation (“**Capital Reorganisation**”) has become effective after the change of domicile on 24 May 2019 which comprises the following:
- (i) share consolidation on the basis of every ten issued and unissued existing shares of par value HK\$0.10 each into one consolidated share of par value HK\$1.00 each;
  - (ii) reduction of the issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK\$0.99 on each of the issued consolidated share so that the nominal value of each issued consolidated shares will be reduced from HK\$1.00 to HK\$0.01 and the credit of HK\$184,140,000 arising from the capital reduction will be credited to the contribution surplus account of the Company; and
  - (iii) the share subdivision of each authorised but unissued consolidated share of HK\$1.00 (including those arising from the capital reduction) into one hundred adjusted shares of HK\$0.01 each.

### 17. CAPITAL COMMITMENTS

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Property, plant and equipment	4,654	4,654

### 18. RELATED-PARTY TRANSACTIONS

There was no transaction with the related party during the period ended 30 June 2019 (2018: Nil).