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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)

VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF APPROXIMATELY 80.95% OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY

THE ACQUISITION

The Board is pleased to announce that on 14 October 2022, the Company and the Vendors entered into the Agreement, pursuant to which the Company agreed to acquire, and the Vendors agreed to sell, the Sale Shares, which represents an aggregate of approximately 80.95% of the issued share capital of the Target Company, at the total consideration of HK\$21,000,000, which will be satisfied by cash.

As at the date of this announcement, the Target Company is owned as to approximately 66.67%, 16.19% and 17.14% by the Vendor A, Vendor B and eight Independent Third Parties, respectively. Upon Completion, the Target Company will become a non-wholly owned subsidiary of the Company (as to approximately 80.95% by the Company, 1.91% by Vendor B and 17.14% by eight Independent Third Parties). The Target Company's financial results will be consolidated into the Group's financial statements.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition is more than 100%, the Acquisition constitutes a very substantial acquisition of the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

SGM

The SGM will be convened and held for the Shareholders to consider and, if thought fit, pass the ordinary resolutions to approve, among other things, the Agreement and the transactions contemplated thereunder.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has a material interest in the Agreement. As such, no Shareholder is required to abstain from voting at the SGM in respect of the resolution approving the Agreement.

DESPATCH OF CIRCULAR

A circular containing, among other information, (i) details of the Acquisition, and (ii) a notice of the SGM will be despatched to the Shareholders on or before 31 December 2022, so as to allow sufficient time for the preparation of relevant information for inclusion in the circular.

Since Completion is subject to the fulfillment of the conditions as set out in the Agreement, the Acquisition may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

INTRODUCTION

References are made to the announcements of the Company dated 26 July 2021, 31 August 2021, 30 September 2021, 29 October 2021, 17 December 2021 and 31 December 2021 in relation to the acquisition of 51% of the issued share capital of the Target Company at the consideration of HK\$12,240,000, which involved the issue and allotment of 102,000,000 consideration shares under the specific mandate of the Company at the issue price of HK\$0.12 per consideration share (prior to the Share Consolidation has become effective). As certain conditions under the previous sale and purchase agreement dated 26 July 2021 (as supplemented by an agreement dated 31 December 2021, collectively, the “**Previous Agreement**”) have not been fulfilled (or waived) by 30 June 2022 (the “**Previous Extended Long Stop Date**”) and no agreement was reached by Vendor A and the Company to further extend the Previous Extended Long Stop Date, the Previous Agreement has ceased and terminated and none of the parties thereto shall have any obligations and liabilities towards each other.

After continuous negotiations with Vendor A, the Board is pleased to announce that on 14 October 2022 (after trading hours), the Company and the Vendors entered into the Agreement, pursuant to which the Company conditionally agreed to acquire, and the Vendors conditionally agreed to sell, the Sale Shares representing an aggregate of approximately 80.95% of the issued share capital in the Target Company for the consideration of HK\$21,000,000, which will be satisfied by cash.

THE AGREEMENT

The principal terms of the Agreement are set out below:

Date: 14 October 2022

Parties: (i) the Company (as purchaser);
(ii) Vendor A (as one of the vendors);
(iii) Vendor B (as one of the vendors); and
(iv) the Target Company

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, each of the Vendors and the Ultimate Beneficial Owners are third parties independent of the Company and its connected persons.

The Acquisition

Pursuant to the Agreement, the Company has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Shares in accordance with the terms and subject to the conditions of the Agreement.

Upon Completion, the Target Company will become a subsidiary of the Company and accordingly, the financial results of the Target Group will be consolidated into the financial statements of the Company. As at the date of this announcement, the Company has no intention to acquire the remaining approximately 19.05% equity interests from the remaining owners nor change the board composition of the Target Company upon completion of the Acquisition.

Consideration and payment terms

Pursuant to the Agreement, the total Consideration for the Acquisition is HK\$21,000,000, which shall be payable by the Purchaser to the Vendors, to be satisfied in cash, in the following manners:—

- (i) upon execution of the Agreement, the Purchaser shall pay HK\$2,000,000 (the “**First Installment**”) to the Vendors or their nominee;
- (ii) on the day falling on the second month from the date of the Agreement, the Purchaser shall pay the balance of HK\$9,000,000 to the Vendors or their nominee (the “**Second Installment**”); and
- (iii) on the Completion Date, the Purchaser shall pay the remaining balance of HK\$10,000,000 to the Vendors or their nominee (the “**Final Installment**”).

The Consideration was arrived at based on normal commercial terms, and was determined after arm's length negotiation between the Company and the Vendors after considering the preliminary draft valuation of the Target Group of approximately RMB24,830,000 (equivalent to approximately HK\$28.2 million) as at 30 September 2022 based on the market approach compiled by an independent valuer. The valuation has considered the assignment of Shareholder's Loan from Vendor A to the Purchaser for the principal and interest of approximately HK\$38.8 million and calculated as at 31 August 2022.

The Directors are of the view that the Consideration is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

The Company intends to conduct debt and/or equity fund raising exercises to raise the amount necessary to satisfy the Consideration. However, if no suitable fund raising opportunities arise subject to the prevailing market conditions, Mr. Li Wanyuan (the acting chairman and executive Director of the Company) undertakes that he will grant to the Company an unsecured and interest-free shareholder's loan to the Company in order to satisfy the Consideration. The Company will make further announcement(s) in this regard in accordance with the Listing Rules as and when appropriate.

Transfer of Sale Shares A

Upon payment of the First Installment and Second Installment, Vendor A shall transfer the Sale Shares A to the Purchaser.

Conditions precedent

Completion of the Agreement is conditional upon fulfilment or waiver (as the case may be) of the following conditions:

- (i) all necessary consents, licenses and approvals from the shareholders and regulators required to be obtained on the part of the Vendors and the Target Company in respect of the Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;
- (ii) the warranties to the Agreement given by the Vendors remaining true and accurate and not misleading in all respects;
- (iii) no material breach of the terms and conditions of the Agreement by the Vendors prior to Completion;
- (iv) all necessary consents, licences and approvals from the shareholders and regulators required to be obtained on the part of the Company in respect of the Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect; and
- (v) the Company having entrusted a qualified valuer to appraise the fair value of the Target Company and being reasonably satisfied with such valuation.

The Company may at its absolute discretion, waive all or any of the conditions to the Agreement at any time by notice in writing to the Vendors. If any of the conditions numbered (i), (ii) and (iii) above has not been satisfied or waived by then, on or before the Long-Stop Date or at Completion, (a) the Vendors shall within three (3) Business Days after the Long Stop Date return the First Installment and Second Installment to the Purchaser; (b) the Purchaser shall within five (5) Business Days after the Long Stop Date transfer the Sale Shares A back to Vendor A; and (c) the Agreement shall automatically terminate and be of no further force and effect and no Party shall have any claim, liability or obligation to or against the other Parties.

Completion

Completion shall take place within five (5) Business Days after the satisfaction or waiver of the conditions to the Agreement, or such other date as may be agreed by the Purchaser, the Vendors and the Target Company in writing.

Upon Completion, the Shareholder's Loan owed by the Target Company to Vendor A will be assigned to the Purchaser, such that the Shareholder's Loan will be payable by the Target Company to the Purchaser instead of Vendor A after the assignment.

As at the date of this announcement, each of Vendor A and Vendor B holds approximately 66.67% and 16.19% of the issued share capital in the Target Company, respectively. Upon Completion, the Target Company will become a non-wholly owned subsidiary of the Company (as to approximately 80.95% by the Company, 1.91% by Vendor B and 17.14% by eight other Independent Third Parties) and the Target Company's financial results will be consolidated into the Group's financial statements.

INFORMATION OF THE TARGET GROUP

The Target Company is a company with limited liability incorporated under the laws of Hong Kong. The Target Company owns approximately 84.14% of the entire issued share capital of Zhuhai Sundust Apparel Co. Ltd, a public company incorporated in the PRC whose shares are listed on the National Equities Exchange and Quotations in the PRC (stock code: 832674) and whose principal business is the sales of elastic webbing in Hong Kong and manufacturing and sales of elastic webbing in PRC.

The table below sets out certain financial information of the Target Group for the years ended 31 December 2020 and 2021:

	The year ended 31 December	
	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(unaudited)
Revenue	60,334	64,285
Loss before taxation	(3,899)	(3,475)
Loss after taxation	(3,889)	(3,475)

As at 31 December 2021, the unaudited net asset value of the Target Group was approximately RMB11.7 million.

INFORMATION OF THE GROUP

The Company was incorporated in the Cayman Islands and continued in Bermuda with limited liability. The principal activity of the Company is investment holding. The Group is principally engaged in sales of shoes and clothes and design, manufacturing and sales of fabrics in the PRC.

INFORMATION OF THE VENDORS

Vendor A is a limited liability company incorporated in and existing under the laws of Hong Kong. It is principally engaged in business as wholesaler and retailer of elastic webbings and nylon fastening tapes.

Vendor B is a Hong Kong resident, who is also a director of Vendor A and the Target Company, respectively.

To the best of Directors' knowledge, information and relief, having made all reasonable enquiries, each of the Vendors and the Ultimate Beneficial Owners, are third parties independent of the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The management of the Group has actively explored opportunities to engage in different businesses by acquisition of companies in the Hong Kong and PRC, and to diversify the trading risks of the loss-making business and to improve the financial position and cash flow of the Group. The Board considered the reasons for and benefits of the Acquisition can be illustrated as follows:

Synergies with the Group's existing business

- 1) The dyeing process: All of the Group's current fabric production process are carried out at the Group's own production facilities except for the dyeing process, which is outsourced to independent subcontractors. As the Target Group has its own dyeing facilities and has obtained a permit of emission of urban water waste (城鎮污水排入排水管網許可證) from the relevant government authority with allowed emission of 900 m³ per day, while the Target Group is averagely using approximately 200 m³ per day based on its existing production capacity. Therefore, the Target Group has excess capacities in terms of its dyeing process. The Acquisition will enable the Group to gradually integrate its production process of fabric products, so to improve its product qualities, diversities and competitiveness.
- 2) Elastic fabrics: The Target Group is principally engaged in the production and sales of woven tapes, jacquard webbing and knitted webbing, etc. which are mainly used for lingerie. The Target Group also has its own production facilities of elastic fabrics. The Acquisition will enable the Target Group, as a one-stop lingerie materials provider, to expand its production capacity of elastic fabrics through integration of the Group's fabric production capacities. Together with the integrated dyeing process mentioned above, the Target Group will be able to synchronise the colours of different lingerie materials and avoid discrepancies in the colour of the different parts of the final product. Such position will enable the Target Group to increase sales through product bundling by offering several products for sales to customers.

- 3) Cross-selling between customers: The majority of the customers of the Group and the Target Group are manufacturers of garments and lingerie. Therefore, cross-selling can be achieved between the customers of the Group and the Target Group by exchanging customer databases.

Potential in expansion and integration of production facilities

The Target Group owns its land and buildings, plant and machinery and other equipment for the production of woven tapes, jacquard webbing, knitted webbing and elastic fabrics, which have an aggregate net book value amounted to approximately RMB30.2 million as at 30 June 2022. The gross area of the existing buildings in Zhuhai City is approximately 10,000 sq. meters sitting on a piece of land (the “**Land**”) of approximately 26,600 sq. meters. Based on the estimations of the Target Group, the Land was capable for further development of buildings of approximately 70,000 sq. meters. Therefore, the Target Group has ample capacity to further expand its production facilities at its production base in Zhuhai after the Acquisition. The Group plans to construct a new phase of the production line and purchase new machinery in order to increase the production scale within two years after the completion of the Acquisition. The Group also intends to operate a new fabric production line in Zhuhai production base in order to replenish the Group’s current production facilities.

Strong innovative and research and development capabilities

The Target Group has strong innovative and research and development capabilities. As at 30 June 2022, the Target Group has six invention patents, eighteen utility model patents, nine design patents, and three expert copyright. The Target Group’s leading design concept and strong designing team has been striving to break through the tradition in product design. Combining the needs of Chinese consumers for environmental protection and health, the Target Group has applied new materials such as ice silk and natural antibacterial silk, providing high-quality underwear accessories to its customers.

Experienced management team and high standard of corporate governance

As the major subsidiary of the Target Group, Zhuhai Sundust is a company listed on the National Equities Exchange and Quotations and its management team consists of members who has over 20 years of experience in the textile industry. Zhuhai Sundust also maintained high standards of internal control and corporate governance and their information is transparent and properly disclosed in its annual report. The Group can save costs and resources to provide training to the staff of the Target Group for compliance with the relevant standards and rules.

Based on the reasons set out above, the Directors anticipate that the Acquisition would, together with the existing businesses of the Group, strengthen the products, revenue sources and cash flow position of the Group in future, thereby diversifying the risks of loss-making business, improving the financial position and cash flow of the Group. Despite the Target Group’s loss-making position, the Directors have balanced against the fact by taking into account of the above, and 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.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition is more than 100%, the Acquisition constitutes a very substantial acquisition of the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

SGM

The SGM will be convened and held for the Shareholders to consider and, if thought fit, pass the ordinary resolutions to approve, among other things, the Agreement and the transactions contemplated thereunder.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has a material interest in the Agreement. As such, no Shareholder is required to abstain from voting at the SGM in respect of the resolution approving the Agreement.

DESPATCH OF CIRCULAR

A circular containing, among other information, (i) details of the Acquisition, and (ii) a notice of the SGM will be despatched to the Shareholders on or before 31 December 2022, so as to allow sufficient time for the preparation of relevant information for inclusion in the circular.

Shareholders and potential investors should note that Completion is subject to the satisfaction and/or, where applicable, waiver of the conditions to the Agreement. As the Acquisition may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the Sale Shares by the Company from the Vendors pursuant to the Agreement
“Agreement”	the sale and purchase agreement dated 14 October 2022 entered into among the Company (as purchaser), the Vendors and the Target Company in relation to the Acquisition
“Board”	the board of Directors
“Business Day”	a day on which banks are generally open for business in Hong Kong, except a public holiday, Sunday and a Saturday or a day on which a tropical cyclone warning signal no.8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.

“Company” or “Purchaser”	Moody Technology Holdings Limited (滿地科技股份有限公司), a company incorporated in the Cayman Islands with limited liability and continued in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1400)
“Completion”	completion of the Acquisition under the Agreement
“Completion Date”	the date of Completion which shall be a day falling within five (5) Business Days after the satisfaction or waiver (if applicable) of all the conditions to the Agreement or such other date as may be agreed by the Company, the Vendors and the Target Company in writing
“connected person”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the consideration for the Acquisition, being HK\$21,000,000
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) who is/are independent of, and not connected with, the Company and its connected persons
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
“Long-Stop Date”	means the day falling on the sixth month from the date of the Agreement or such other date as may be agreed by the Company and the Vendors in writing
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Previous Share(s) ”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company prior to the Share Consolidation becoming effective

“Sale Shares”	collectively, the Sale Shares A and Sale Shares B
“Sale Shares A”	26,775,000 ordinary shares of the Target Company, representing 51.0% of the entire issued share capital of the Target Company
“Sale Shares B”	15,725,000 ordinary shares of the Target Company, representing approximately 29.95% of the entire issued share capital of the Target Company
“SGM”	the special general meeting of the Company to be convened for the purpose of considering, and if though fit, approving, among others, the Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Consolidation”	the consolidation on the basis that every ten (10) Previous Shares be consolidated into one (1) Share that has become effective on 8 March 2022
“Shareholder(s)”	holder(s) of Share(s)
“Shareholder’s Loan”	an unaudited shareholder’s loan amounted to approximately HK\$38,800,000 owing by the Target Company to Vendor A as at 31 August 2022, which would be assigned to the Purchaser upon completion of the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Leader Elastic Limited (利達彈性織物有限公司), a limited liability company incorporated in and existing under the laws of Hong Kong
“Target Group”	the Target Company and its subsidiaries
“Ultimate Beneficial Owners”	Mr. Ma Chun Hing (馬進興), Mr. Lim Fung Yiu (林豐耀), Mr. Lim Fung Hay (林豐起), Mr. Lim Hong Mong (林豐茂), Ms. Lee Lai Chuen (李麗春) and Ms. Lam Fung Chu Patricia (林鳳珠), owning approximately 30.61%, 25.30%, 15.56%, 23.80%, 2.73% and 2.00% respectively, of the shareholding of Vendor A

“Vendor A”	Sundust Company Limited (俊達有限公司), a limited liability company incorporated in and existing under the laws of Hong Kong
“Vendor B”	Mr. Ma Chun Hing (馬進興)
“Vendors”	collectively, Vendor A and Vendor B
“%”	per cent

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

Hong Kong, 14 October 2022

For the purpose of this announcement, the exchange rate of HK\$1.00 = RMB0.88 has been used for currency translation, where applicable. Such an exchange rate is for illustrative purposes and does not constitute representations that any amount in HK\$ or RMB has been, could have been or may be converted at such a rate.

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.