THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Moody Technology Holdings Limited** ("**the Company**"), you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser(s) or transferee(s).

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)

(1) VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF APPROXIMATELY 80.95% OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY; AND (2) NOTICE OF SPECIAL GENERAL MEETING

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A notice convening a special general meeting of the Company to be held at 12/F, Infinitus Plaza, 199 Des Voeux Road Central, Sheung Wan, Hong Kong on Monday, 24 April 2023 at 2:00 p.m. is set out on pages SGM-1 to SGM-3 of this circular. Whether or not you intend to attend the meeting, you are advised to complete the form of proxy enclosed in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable but in any event no less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting (as the case may be) should you so wish.

3 April 2023

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	the acquisition of the Sale Shares by the Company from the Vendors pursuant to the terms and conditions under 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 of the Company
"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.
"Business Valuation Report"	the valuation report on the Target Group prepared by the Independent Valuer, the text of which is set out in Appendix V to this circular
"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 pursuant to 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, 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
"Enlarged Group"	the Group upon Completion, together with the Target Group
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Court"	the High Court of Hong Kong
"Independent Third Party(ies)"	independent third parties who are not connected person(s) of the Company and are independent of and not connected with the Company or Directors, chief executive, or substantial Shareholders of the Company or any of its subsidiaries or their respective associates
"Independent Valuer"	Peak Vision Appraisals Limited, an independent valuer appointed by the Company to value the market value on the Target Group
"Latest Practicable Date"	30 March 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"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
"Party(ies)"	parties to the Agreement
"PRC"	the People's Republic of China excluding Hong Kong, Macau Special Administration Region and Taiwan for the purpose of this circular

"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
"RMB"	Renminbi, the lawful currency of the PRC
"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
"SFO"	Securities and Future Ordinance, Cap. 571 of the laws of Hong Kong
"SGM"	the special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, among others, the Agreement and the transactions contemplated thereunder
"Share(s)"	ordinary share(s) of HK$0.10 each in the issued 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)"	shareholders of the Company
"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
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers

"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
"Zhuhai Sundust"	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)
"%"	per cent

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)

Executive Directors:
Mr. Li Wanyuan *(Acting Chairman)*
Ms. Lin Yuxi

Independent Non-Executive Directors:
Mr. Lin Yugang
Mr. Chow Yun Cheung
Mr. Liu Junting

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business in Hong Kong:
20/F, Infinitus Plaza
199 Des Voeux Road Central
Sheung Wan
Hong Kong

3 April 2023

To the Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF APPROXIMATELY 80.95% OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY; AND (2) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the Company's announcement dated 14 October 2022 in relation to the Acquisition.

The purpose of this circular is to provide the Shareholders with, among other things, (i) further information of the Agreement and the transactions contemplated thereunder; (ii) financial information of the Group and the Target Group; (iii) unaudited pro forma financial information of the Enlarged Group (''**Unaudited Pro Forma Financial Information**''); (iv) other information as required under the Listing Rules; and (v) a notice of the SGM.

References are also made to the announcements of the Company dated 26 July 2021, 31 August 2021, 30 September 2021, 29 October 2021, 17 December 2021, 31 December 2021 and 7 July 2022 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 Extended Long Stop Date had expired, and 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

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. The Sale Shares comprise (i) Sale Shares A, being 26,775,000 ordinary shares of the Target Company and representing 51.0% of the entire issued share capital of the Target Company, from Vendor A, and (ii) Sale Shares B, being 15,725,000 ordinary shares of the Target Company representing approximately 29.95% of the entire issued share capital of the Target Company, of which approximately 15.67% and 14.28% of the entire issued share capital of the Target Company are respectively from Vendor A and Vendor B.

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 Latest Practicable Date, the Company has no intention to acquire the remaining approximately 19.05% equity interests from the remaining owners nor to change the board composition of the Target Company upon completion of the Acquisition.

Details of the Target Group are set out in the section headed "Information of the Target Group" below.

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, of which approximately HK$1,647,190 shall be paid to Vendor A or its nominee and approximately HK$352,810 shall be paid to Vendor B or its 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**"), of which approximately HK$7,412,353 shall be paid to Vendor A or its nominee and approximately HK$1,587,647 shall be paid to Vendor B or its nominee; 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**"), of which approximately HK$8,235,948 shall be paid to Vendor A or its nominee and approximately HK$1,764,052 shall be paid to Vendor B or its nominee.

The Consideration will be allocated between the Vendors in proportion to their respective amount of Sale Shares as to approximately HK$17,295,491 to Vendor A and approximately HK$3,704,509 to Vendor B, respectively.

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 the/an Independent Valuer. The valuation has considered the assignment of Shareholder's Loan by Vendor A to the Purchaser for the principal and interest of approximately HK$38.8 million and calculated as at 31 August 2022.

Competence and independence of the Independent Valuer

As part of our due diligence, we have reviewed the qualification and experience of the Independent Valuer and the person in charge of the valuation. We note that the Independent Valuer is a qualified professional valuation firm with extensive experience in providing advisory in the area of valuation. We understand that Mr. Nick Kung, who is the signatory of the Business Valuation Report, has extensive experiences in valuing tangible assets, including property, plant and machinery, and intangible assets and is highly proficient in preparing feasibility studies and business plans.

In addition, we have also reviewed the terms of the Independent Valuer's engagement and are satisfied the terms of engagement and the scope of work of the Independent Valuer is appropriate to the opinion the Independent Valuer is required to give. Furthermore, we have enquired with the Independent Valuer as to its independence from the Group, and understood that the Independent Valuer is an independent third party from the Group, the connected persons of the Group and the Vendors.

Valuation methodologies

We have reviewed the Business Valuation Report and discussed with the Independent Valuer for the methodologies adopted by the Independent Valuer, we understood that the Independent Valuer has employed market approach to conduct the valuation of the Target Company. We have enquired into and the Independent Valuer explained that under the market approach, "The Guideline Public Company Method" is applied as there are a certain number of public traded companies engaged in the same or similar line of business as the Target Company that can be identified.

We consider that the market approach, which is a commonly adopted valuation methodology, provides a more objective indication of the market value of the Target Company. As such, we concur that the market approach is suitable for the valuation of the Target Company and we are of the view that the valuation methodology adopted are fair and reasonable.

Valuation Multiples

We have discussed with the Independent Valuer and are given to understand that the Business Valuation Report employed the price to book ("**P/B**") ratio and enterprise value to sales ("**EV/S**") ratio for the valuation of the Target Company.

We have taken into consideration other valuation multiples and understand that the P/B and EV/S ratios are both commonly adopted ratios in the market approach. We have further enquired into and the Independent Valuer explained that the price to earnings ("**P/E**") ratio is inappropriate and not being adopted for the valuation of Target Company because the Target Company is currently loss-making. Based on the above, we are of the view that the multiples adopted by the Independent Valuer are fair and reasonable.

Valuation Comparable companies

During our discussions with the Independent Valuer, the comparable companies adopted by the Independent Valuer are principally engaged in the manufacture of textile and related products, which are the components used in the production of apparel products.

Given that the Target Company is principally engaged in the manufacture of elastic webbing, which is also eventually used in the production of apparel products, we consider the Target Company and the comparable companies adopted by the Independent Valuer are all subject to similar change in industry and economic environment, risk and rewards. Having considered the above, we consider that the comparables selected by the Independent Valuer are fair and representative samples for the valuation of the Target Company, and the Consideration determined with reference to the adjusted valuation is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Valuation Parameters

As advised by the Independent Valuer, we understand that major parameters adopted in the valuation include the EV/S ratio, P/B ratio, control premium and lack of marketability discount. We have discussed with the Independent Valuer and noted that these parameters are commonly adopted in an valuation. As such, we are of the view that the parameters adopted are fair and reasonable.

Valuation Assumptions

In addition, we have discussed with the Independent Valuer in respect of the valuation assumptions applied in the Business Valuation Report. We note that the valuation assumptions adopted by the Independent Valuer are common assumptions adopted in a valuation and we are not aware of any major factor which caused us to doubt the fairness and reasonableness of the assumptions adopted for the Business Valuation Report.

As set out above, we are satisfied that (i) the Independent Valuer is independent from the Company and has sufficient experience and competency to perform the valuation; (ii) the scope of work of the Independent Valuer is appropriate for the relevant engagement; and (iii) the valuation methodologies, assumptions, multiples and parameters adopted and the comparables selected by the Valuer are fair and reasonable in relation to the valuation. Based on the above, we are of the view that the valuation performed by the Independent Valuer is fair and reasonable. Taking into account the factors discussed above, we consider that the valuation is an appropriate reference to assess the fairness and reasonableness of the Target Company.

As at the Latest Practicable Date, the First Installment and the Second Installment have already been paid to the Vendors. 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. Reference is made to the announcements of the Company dated 23 November 2022, 24 November 2022 and 15 December 2022 in relation to the placing of 15,055,354 new shares of the Company at the placing price of HK$0.52 each under the general mandate. The net proceeds from such placing (after deducting the placing commission payable to the placing agent and other expenses incurred in the placing) is approximately HK$7.6 million, amongst which, approximately HK$5 million has been utilised to satisfy part of the Consideration of the Acquisition. In the event if no further 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. As at the Latest Practicable Date, the Company is in discussion with a placing agent and potential investors regarding a potential placing exercise by way of issuance of new Shares, but the major terms have not been concluded and no legally binding agreement has been entered into by the Company with any party for the potential fund raising, the expected proceeds raised from which will be used for general working capital. Save for the above, the Company has not entered into any negotiation, agreement, arrangement (concluded or otherwise) in respect of debt and/or equity fund raising activities. 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. However, as at the Latest Practicable Date, the Company intends to pursue the fulfillment of and does not intend to waive any of these conditions. 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.

As at the Latest Practicable Date, only condition precedent (v) has been fulfilled. The Purchaser is not aware of any necessary consents, licences and approvals from any regulators in relation to the Acquisition required as at the Latest Practicable Date.

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 assignment.

As at the Latest Practicable Date, 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, Vendor A will no longer remain as shareholder of the Target Company as Vendor A has sold all its interests in the Target Company to the Company. In addition, 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 (the shareholdings of each of the remaining eight Independent Third Parties are less than 10%)) and the Target Company's financial results will be consolidated into the Group's financial statements.

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 ON 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 trading 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 belief, 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. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, there is, and in the past twelve months, there has been, no material loan arrangement between (a) the Vendors, any of its directors and legal representatives and/or any Ultimate Beneficial Owner(s) of the counterparty of the transaction who can exert influence on the transaction contemplated under the Acquisition; and (b) the Company, any connected person at the Company's level and/or any connected person at the subsidiary level (to the extent that such subsidiary/subsidiaries is/are involved in the transaction contemplated under the Acquisition).

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, 2021 and ten months ended 31 October 2022:

	The year ended 31 December		Ten months ended 31 October
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	
Revenue	60,334	61,139	41,056
Loss before taxation	(3,899)	(3,210)	(442)
Loss after taxation	(3,889)	(3,210)	(442)

As at 31 December 2021, the audited net asset value of the Target Group was approximately RMB11.7 million. As at 31 October 2022, the audited net asset value of the Target Group was approximately RMB3.9 million.

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, in order to diversify the 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, which is valid for the period from 22 April 2019 until 21 April 2024 and is subject to renewal within three months before the expiry date, with allowed emission of 900 m^3 per day, while the

Target Group is averagely using approximately 200 m^3 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 an 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, 18 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.

Going concern basis

In relation to the going concern issue of the Target Group as at 31 October 2022 as highlighted in Note 3 to the Historical Financial Information of the Target Group as set out in Appendix II to this circular, the Group has conducted discussions with the directors of the Target Company on their opinion and basis that the Target Company will be able to meet its liabilities as and when they fall due for the twelve months from the end of the reporting period as projected by the cash flow forecast prepared by the directors of the Target Company as part of the financial due diligence on the Target Group. The Group has also reviewed and discussed with the directors of the Target Company on the initiatives of the Target Company to ensure sufficient cash flow for the twelve months following 31 October 2022 as Vendor A and Vendor B agreed to provide continued financial support to the Target Group, which include the Shareholder's Loan of approximately HK$38,800,000 provided by Vendor A, at a level sufficient to finance the working capital requirement of the Target Group prior to the Completion of the Acquisition. The Board has reviewed the Target Company's cash flow forecast and its underlying assumptions, and are of the view that they are fair and reasonable.

Upon Completion, the Vendors will no longer provide continued financial support to the Target Group, and the Shareholder's Loan owed by the Target Company to Vendor A will be assigned to the Company, such that the Shareholder's Loan will be payable by the Target Company to the Company instead of Vendor A after assignment. It is expected the Target Group will return to net current asset position after the assignment of the Shareholder's Loan and there shall be no more going concern issue of the Target Group.

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.

IMPLICATIONS UNDER THE LISTING RULES

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.

FINANCIAL EFFECT OF THE ENTERING INTO OF THE AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREUNDER

Upon Completion, the Target Company will become a subsidiary of the Company and the financial results, assets and liabilities of the Target Company will be consolidated into the consolidated financial statements of the Company.

It is expected that as a result of the increase in production capacity, the Target Group will contribute sales income of fabric products to the Group and will enhance the revenue stream and earnings of the Group following Completion.

Based on the Unaudited Pro Forma Financial Information and the bases and assumptions taken into account in preparing such Unaudited Pro Forma Financial Information, assuming the Acquisition had been completed as at 30 June 2022, the Group's total assets would increase by approximately RMB100.9 million and the Group's total liabilities would increase by approximately RMB78.8 million. As a result, the Group's net liabilities would decrease by approximately RMB22.1 million to approximately RMB1,073.9 million.

Based on the Unaudited Pro Forma Financial Information, assuming the Acquisition had been completed as at 30 June 2022, the Group would recognise gain on bargain purchase of approximately RMB4.8 million.

As set out in the financial information of the Target Group in Appendix II to this circular, the net loss after tax of the Target Group for the ten months ended 31 October 2022 amounted to approximately RMB0.4 million. After the Completion, net loss after tax of the Target Group will be consolidated into the Group's financial statements.

The details of the financial effect of the transactions contemplated under the Agreement on the financial position of the Group together with the bases and assumptions taken into account in preparing the Unaudited Pro Forma Financial Information are set out in Appendix III to this circular for illustrative purpose.

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. The notice convening the SGM to be held at 12/F, Infinitus Plaza, 199 Des Voeux Road Central, Sheung Wan, Hong Kong on Monday, 24 April 2023 at 2:00 p.m. is set out on pages SGM-1 to SGM-3 of this circular. The votes on the resolution proposed to be approved at the SGM will be taken by poll and an announcement will be made by the Company after the SGM on the results of the SGM.

Whether or not you intend to attend the SGM, you are requested to complete the form of proxy enclosed in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable but in any event no less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting (as the case may be) should you so wish.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the transactions contemplated under the Agreement. As such, no Shareholder is required to abstain from voting under the Listing Rules on the resolution to be proposed at the SGM.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby he/she has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his/her Shares to a third party, either generally or on a case-by-case basis. Accordingly, to the best knowledge, information and belief of the Directors, there exists no discrepancy between any Shareholder's beneficial shareholding interest in the Company and the number of Shares in respect of which such Shareholder will control or will be entitled to exercise control over the voting right at the SGM.

RECOMMENDATION

On the basis of the information set out in this circular, the Directors consider that the transaction contemplated under the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Agreement and the transaction contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfillment or waiver (as the case may be) of the relevant conditions; therefore the Agreement may or may not proceed. Accordingly, the Acquisition may or may not materialise. Shareholders and potential investors of the Company are urged to exercise caution when dealing in the securities of the Company.

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

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group:

(i) for the year ended 31 December 2019 has been disclosed on pages 53 to 157 of the Company's 2019 annual report published on 13 July 2020;

(ii) for the year ended 31 December 2020 has been disclosed on pages 51 to 141 of the Company's 2020 annual report published on 30 April 2021;

(iii) for the year ended 31 December 2021 has been disclosed on pages 51 to 141 of the Company's 2021 annual report published on 31 May 2022; and

(iv) for the six months ended 30 June 2022 has been disclosed on pages 20 to 40 of the Company's interim report published on 16 September 2022.

The aforesaid annual reports of the Company have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and of the Company (http://moodytech-holdingltd.com).

Please see below the hyperlinks to the relevant annual reports of the Company:

- Interim report of the Company for the six months ended 30 June 2022:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0916/2022091600419.pdf

- Annual report of the Company for the year ended 31 December 2021:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0531/2022053101483.pdf

- Annual report of the Company for the year ended 31 December 2020:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0430/2021043000432.pdf

- Annual report of the Company for the year ended 31 December 2019:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0713/2020071300746.pdf

2. INDEBTEDNESS STATEMENT OF THE ENLARGED GROUP

As at the close of business on 28 February 2023, being the latest practicable date for the purpose of preparing the indebtedness statement prior to the printing of this circular, the Enlarged Group had the following indebtedness:

	RMB'000
Secured and guaranteed bank borrowings	57,969
Secured and unguaranteed bank borrowings	110,266
Unsecured and unguaranteed bank borrowings	52,709
Lease liabilities, unsecured and unguaranteed	878
Other payables, unsecured and unguaranteed	108,429
Amount due to ultimate holding company of target group, unsecured and unguaranteed	35,669
	365,920

Securities

As at 28 February 2023, the Enlarged Group's land use rights and buildings, machinery and equipment with an aggregate net book value of approximately RMB164.7 million were pledged to secure banking facilities for purposes of working capital and purchases of fixed assets for the Enlarged Group.

Borrowings

As at 28 February 2023, bank borrowings amounted to approximately RMB102,974,000 were overdue since 2017 by the Enlarged Group due to temporary shortage of funds. As a result, the Enlarged Group is subject to a penalty interest expense of approximately RMB19,382,000 during the overdue period.

The Enlarged Group's bank borrowings of approximately RMB168,235,000 were secured by its property, plant and equipment and leasehold land and land use right.

Contingent Liabilities

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

Disclaimer

Apart from intra-group liabilities and normal trade payables in the ordinary course of the business, the Enlarged Group did not have any other outstanding borrowings, mortgages, charges, debentures, loan capital and overdraft, debt securities or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities at the close of business on 28 February 2023.

3. MATERIAL ADVERSE CHANGE

As disclosed in the announcement of the Company dated 28 February 2023, based on the information currently available to the Board, the Group is expected to record a loss of not less than RMB135 million for the year ended 31 December 2022 as compared to the loss of approximately RMB100.5 million recorded for the year ended 31 December 2021. The Board considers that such loss was mainly attributable to (i) the decrease in overseas demand from the customers of the Group for its shoes and clothing products as a result of the continuous pandemics of the 2019 coronavirus disease, which resulted in the decrease in sales volume of the products of the Group and (ii) net exchange loss arise from the depreciation of renminbi against Hong Kong dollar in 2022, as compare to net exchange gain arise in 2021.

Save as aforementioned, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, the date to which the latest published audited consolidated financial statements of the Group were made up.

4. WORKING CAPITAL SUFFICIENCY

The Directors are in their opinion that the working capital available to the Enlarged Group may not be sufficient for the Enlarged Group's requirements for at least 12 months from the date of this circular.

The Company has also considered the feasibility of the rights issue and is in the course of negotiation with a number of the prospective underwriters for the proposed rights issue which may or may not be materialised. In the event the proposed rights issue materialised, the Company will make further announcements in this regard in due course in compliance with the Listing Rules.

Further, the Company has entered into discussions with certain prospective investors and placing agents, who intend to invest or procure investment by way of fresh capital into the Company subject to *inter alia* the implementation of the restructuring scheme of the Company. In the event the proposed investment is materialised, the Company will make further announcements in this regard in due course in compliance with the Listing Rules.

The Directors confirmed that they would exercise due and careful consideration when choosing the optimal financing method available to the Group to the best of their knowledge and belief.

The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group is engaged in sales of shoes, clothes and others in Asia and the design, manufacturing and sales of fabrics in the People's Republic of China. The principal activity of the Company is investment holding.

The Group's revenue dropped by 24.7% from approximately RMB206.7 million for the year ended 31 December 2020 to approximately RMB155.5 million for the year ended 31 December 2021. Loss attributable to owners of the Company decreased by 54.1% to approximately RMB100.5 million for the year ended 31 December 2021. Basic and diluted loss per share decreased from loss per share of RMB7.59 for the year ended 31 December 2020 to loss per share of RMB2.24 for the year ended 31 December 2021.

For the year ended 31 December 2021, the Group's fabrics business was mainly manufacturing and sales of dyed garment fabrics, which had slightly recovered from the adverse impact of the COVID-19. The number of customers increased (2021: 60; 2020: 16) from last year. The Group mainly focus on selling high-end fabrics products and the average selling price of fabrics products increased from approximately RMB1.8 per meter in 2020 to RMB5.4 per meter in 2021, representing an increase of approximately 200% in 2021. The average cost of fabrics increased from approximately RMB3.9 per meter in 2020 to approximately RMB5.3 per meter in 2021. These resulted in an increase in the sales of fabrics products from approximately RMB15.2 million in 2020 to approximately RMB29.9 million in 2021, representing an increase of approximately 96.4% for the year ended 31 December 2021.

In addition, the sales volume of the Group's shoes and clothes was affected by the weak domestic consumption of the Asian countries, mainly Korea and Japan, which is still under the recovery from the COVID-19 in 2021. The Group has put much effort to maintain good relationship with its suppliers in the PRC. Though the number of overseas customers increased from 193 in 2020 to 198 in 2021, the average sales volume per customer decreased resulting the overall decrease in sales turnover from approximately RMB191.4 million for the year ended 31 December 2020 to approximately RMB125.6 million for the year ended 31 December 2021.

The Group experienced a gross profits of approximately RMB3.6 million in 2021, representing a gross profits margin of approximately 2.3%, as compared to a gross loss of approximately RMB12.3 million in 2020, representing a gross loss margin of approximately 6.0%. The reason for such improvement was mainly due to the recovery of fabrics business of the Group as mentioned above.

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

The Directors consider that the Acquisition will enable the Group to gradually integrate its production process of fabric products in order to improve its product qualities, diversities and competitiveness and broaden its customer base. Going forward, the Group will continue to explore business and investment opportunities to diversify trading risks of the loss-making business and to improve the financial position and cash flow of the Group.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the Group for the each of the three years ended 31 December 2019, 2020 and 2021 and six months ended 30 June 2022 respectively. The information reproduced below is extracted from the relevant sections in the annual reports and interim report. These extracted materials below were prepared prior to the date of this circular and speak as of the date they were originally published, representing the opinion and beliefs made by the then Directors at such time when the related annual report was issued.

For the year ended 31 December 2019

Business review

In 2019, the domestic cotton price witnessed significant decrease with abundant supply and reduced demand affected by uncertainties from the overseas markets under the Sino-U.S. economic and trade frictions, the sales volume and selling price of China's textile products both decreased accordingly and further narrowing down the gross profit margin of textile products of the Group. As the textile industry has been worsening in past few years, the Group has changed the nature of textile products from cotton textile to chemical fiber textile. Revenue of the Group mainly comprises sales of clothes and shoes, as well as sales of grey and dyed garment fabrics.

The Group's production capacities of fabrics were similar to the last year's level whereas the utilisation rate decreased given the decreasing of sales volume. The average selling price of fabrics decreased by approximately 3.5% to RMB5.7 per meter (2018: RMB5.9 per meter) when compared with the last year. The average unit cost of fabrics slightly increase from RMB5.9 per meter for the year ended 31 December 2018 to RMB6.0 per meter representing an increase of 1.7% for the year ended 31 December 2019. The overall gross profit for the year ended 31 December 2019 was approximately 2.1%, compare with gross loss margin 0.02% in 2018 because the sales of shoes and clothes representing 76.9% of the Group's total revenue contributed profit margin of approximately 4.4%, despite the gross loss generated from the sales of fabrics of approximately 5.5% during the year.

Financial review

The Group's revenue increased by 106.5% from approximately RMB250.7 million for the year ended 31 December 2018 to approximately RMB517.7 million for the year ended 31 December 2019. Such increase in the revenue was mainly due to increase in sales volume of shoes and clothes during the year. Decrease in the revenue of our fabric products was primarily due to decline in the sales volume and the average selling price from around RMB5.9 per meter in 2018 to RMB5.7 per meter in 2019.

The Group's cost of sales increased by 102.1% from approximately RMB250.7 million for the year ended 31 December 2018 to approximately RMB506.6 million for the year ended 31 December 2019. Such increase in cost of sales was in line with the increased turnover during the year.

The change from gross loss of approximately RMB61,000, representing gross loss margin of 0.02% to gross profit of RMB11.0 million, representing gross profit margin of 2.1% for the year ended 31 December 2019, was mainly because the shoes and clothes contributed approximately 76.8% of the Group's revenue during the year. The gross profits of the shoes and clothes decreased from 14.3% in 2018 to 4.4% in 2019 mainly because the

Group outsourced certain logistics works in order to boost the sales turnover for the year. The gross loss margin of fabrics products increased from 1.5% in 2018 to 5.5% in 2019 was mainly because of decrease in average selling price from around RMB5.9 per meter in 2018 to RMB5.7 per meter in 2019, while the average cost slightly increased from RMB5.9 per meter in 2018 to RMB6.0 per meter in 2019.

Liquidities and financial resources

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

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

Net current assets and working capital

The following table sets forth the Group's current ratio, quick ratio, gearing ratio and debt to equity as at 31 December 2019 and 2018:

	As at 31 December	
	2019	**2018**
	RMB'000	*RMB'000*
Current assets	120,765	146,798
Current liabilities	816,853	722,576
Net current liabilities	(696,088)	(575,778)
Current ratio	14.8%	20.32%
Quick ratio	9.4%	16.07%
Gearing ratio	N/A	N/A
Debt to equity ratio	N/A	N/A

Borrowings

Particulars of borrowings of the Company and the Group as at 31 December 2019 are set out in note 24 to the consolidated financial statements.

Pledge of assets

As at 31 December 2019, the Group's rights-of-use assets and buildings, machinery and equipment with an aggregate net book value of approximately RMB277.6 million were pledged to secure banking facilities for purposes of working capital and purchases of fixed assets for the Group (as at 31 December 2018: approximately RMB301.1 million).

Foreign exchange risk

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

Contingent liabilities

Save as those disclosed in note 32 to the consolidated financial statements, the Group did not have any material contingent liabilities as at 31 December 2019.

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

The Group did not have any material investment, acquisitions and disposal of subsidiaries and associated companies during the year 2019.

Use of proceeds

Reference is made to the announcements of the Company dated 24 December 2019, 17 January 2020, 23 January 2020 and 4 February 2020 in relation to, among other things, the placing of new ordinary shares under general mandate. All the net proceeds have been utilised for general working capital and costs for debt restructuring as intended.

Human Resources

As at 31 December 2019, the Group had a total workforce of 350 (as at 31 December 2018: 420). The decrease in total workforce was mainly the net effect of (i) shoes and clothing business and (ii) certain employees were laid off in fabrics business due to the decrease in production scale during the year, new employees were recruited to cater for the Group's business expansion during the year. The Group offers its staff competitive remuneration schemes. In addition, discretionary bonuses and share options may also be granted to eligible staff based on individual and Group's performance. The Group is committed to nurturing a learning and sharing culture in the organization. Heavy emphasis is placed on the training and development of individual staff and team building, as the Group's success is dependent on the contribution of all functional divisions comprising skilled and motivated staff.

Dividend policy

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2019 (2018: Nil). As there is no interim dividend payable during the year, there will be no dividend distribution for the whole year of 2019.

For the year ended 31 December 2020

Business review

Following the impact from the Sino-U.S. economic and trade frictions in 2019 and then the outbreak of the COVID-19 in early 2020, the Group's production scale of the fabrics products has reduced during the Year. The Group's production line in Fujian had shut down in April 2020.

Revenue of the Group mainly comprised sales of clothes and shoes, as well as sales of grey and dyed garment fabrics. The Group's production capacities of fabrics were similar to the last year's level whereas the utilisation rate decreased given the decreasing of sales volume. The average selling price of fabrics decreased by approximately 57.9% to RMB2.4 per meter (2019: RMB5.7 per meter) when compared with the last year. The average unit cost of fabrics decreased from RMB5.9 per meter for the year ended 31 December 2019 to RMB5.5 per meter representing a decrease of 6.8% for the year ended 31 December 2020, which led to a result of gross loss margin in 24.8% in the fabrics segment. The overall gross loss margin for the year ended 31 December 2020 was approximately 6.0%, compare with gross profit margin 2.1% in 2019.

Financial review

The Group's revenue decreased by 60.1% from approximately RMB517.7 million for the year ended 31 December 2019 to approximately RMB206.7 million for the year ended 31 December 2020. Such decrease in the revenue was mainly due to decrease in sales volume of shoes, clothes and others as well as the fabric products as a result of the outbreak of COVID-19 during the Year.

The Group's cost of sales decreased by 56.8% from approximately RMB506.6 million for the year ended 31 December 2019 to approximately RMB219.0 million for the year ended 31 December 2020. Such decrease in cost of sales was in line with the decreased turnover during the Year.

The change from gross profit of approximately RMB11.0 million, representing gross profit margin of 2.1% in 2019 to gross loss of RMB12.3 million, representing gross loss margin of 6.0% in 2020, was mainly because (i) the drop of sales volume of shoes and clothes from last year decreased the overall gross profits from this segment; and (ii) the sales of fabrics recorded gross loss of approximately RMB19.0 million due to decrease in average selling price from RMB5.7 per meter in 2019 to RMB2.4 per meter in 2020 while the average cost decreased only from RMB5.9 per meter in 2019 to RMB5.5 per meter in 2020.

Liquidities and financial resources

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

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

Net current assets and working capital

The following table sets forth the Group's current ratio, quick ratio, gearing ratio and debt to equity as at 31 December 2020 and 2019:

	As at 31 December	
	2020	**2019**
	RMB'000	*RMB'000*
Current assets	53,509	120,765
Current liabilities	983,267	816,853
Net current liabilities	(929,758)	(696,088)
Current ratio	5.4%	14.8%
Quick ratio	5.1%	9.4%
Gearing ratio	N/A	N/A
Debt to equity ratio	N/A	N/A

Borrowings

Particulars of borrowings of the Company and the Group as at 31 December 2020 are set out in note 24 to the consolidated financial statements.

Pledge of assets

As at 31 December 2020, the Group's rights-of-use assets and buildings, machinery and equipment with an aggregate net book value of approximately RMB176.3 million were pledged to secure banking facilities for purposes of working capital and purchases of fixed assets for the Group (as at 31 December 2019: approximately RMB277.6 million).

Foreign exchange risk

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

Contingent liabilities

Save as those disclosed in note 31 to the consolidated financial statements, the Group did not have any material contingent liabilities as at 31 December 2020.

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

The Group did not have any material investment, acquisitions and disposal of subsidiaries and associated companies during the year 2020.

Use of Proceeds

Reference is made to the announcements of the Company dated 6 March 2020, 23 March 2020, 25 March 2020, 3 April 2020 and 28 April 2020 in relation to, among other things, the rights issue on the basis of one (1) rights share for every two (2) existing shares; and the announcements of the Company dated 2 September 2020, 27 September 2020 and 30 September 2020 in relation to, among other things, the placing of new ordinary shares under general mandate. As at the date of this report, all the net proceeds have been utilised for general working capital and costs of debt restructuring as intended.

Human Resources

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

The Group offers its staff competitive remuneration schemes. In addition, discretionary bonuses and share options may also be granted to eligible staff based on individual and Group's performance. The Group is committed to nurturing a learning and sharing culture in the organization. Heavy emphasis is placed on the training and development of individual staff and team building, as the Group's success is dependent on the contribution of all functional divisions comprising skilled and motivated staff.

Dividend Policy

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2020 (2019: Nil). There is no interim dividend payable during the year.

For the year ended 31 December 2021

Business Review

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

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

Financial review

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

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

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

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

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

Liquidities and financial resources

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

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

Net current assets and working capital

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

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

Borrowings

Particulars of borrowings of the Company and the Group as at 31 December 2021 are set out in note 24 to the consolidated financial statements.

Pledge of assets

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

Foreign exchange risk

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

Contingent liabilities

Save as those disclosed in note 32 to the consolidated financial statements, the Group did not have any material contingent liabilities as at 31 December 2021.

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

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

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

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

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

2022 or such other date as may be agreed by the Company and the Vendor in writing. The Directors are of the view that the Acquisition is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Reference is made to the announcement of the Company dated 7 July 2022, as certain conditions under the Agreement (as supplemented by an agreement dated 31 December 2021) have not been fulfilled (or waived) by 30 June 2022 (the "**Extended Long Stop Date**") and no agreement was reached by Vendor and the Company to further extend the Extended Long Stop Date, the Agreement has ceased and terminated and none of the parties thereto shall have any obligations and liabilities towards each other.

Use of Proceeds

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

Human Resources

As at 31 December 2021, the Group had a total workforce of 83 (as at 31 December 2020: 55). More temporary staff were recruited to cater for the Group's business during the Year. The Group offers its staff competitive remuneration schemes. In addition, discretionary bonuses and share options may also be granted to eligible staff based on individual and Group's performance. The Group is committed to nurturing a learning and sharing culture in the organization. Heavy emphasis is placed on the training and development of individual staff and team building, as the Group's success is dependent on the contribution of all functional divisions comprising skilled and motivated staff.

Dividend Policy

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2021 (2020: Nil). As there is no interim dividend payable during the year, there will be no dividend distribution for the whole year of 2021.

For the six months ended 30 June 2022

Business Review

During the six months ended 30 June 2022 under review, the Group's revenue decreased by 79.1% to approximately RMB30.4 million, when compared to approximately RMB145.7 million for the six months ended 30 June 2021. The overall decrease in revenue was mainly attributable to a decrease in sales demand from the customers in Korea affected by the new wave of mutated COVID-19 pandemic in the countries. Loss attributable to the owners of the Company increased from approximately RMB40.3 million for the six months ended 30 June 2021 to approximately RMB50.3 million for the six months ended 30 June 2022. Loss per share decreased from RMB1.03 for the six months ended 30 June 2021 to RMB0.91 for the six months ended 30 June 2022.

Financial Review

The Group's revenue decreased from approximately RMB145.7 million for the six months ended 30 June 2021 to approximately RMB30.4 million for the six months ended 30 June 2022. The revenue from fabrics products decreased from approximately RMB15.9 million for the six months ended 30 June 2021 to RMB13.1 million for the six months ended 30 June 2022 mainly attributable to a slight decrease in sales quantities to approximately 2.56 million meters (2021: 2.7 million meters). The decrease of sales demand of shoes and clothing from the customers in Korea due to the continuous pandemics reduced the exports volumes from last period. The revenue from sales of shoes and clothing decreased from approximately RMB129.8 million for the six months ended 30 June 2021 to approximately RMB17.4 million for the six months ended 30 June 2022.

The Group's cost of sales decreased by 79.7% from approximately RMB138.7 million for the six months ended 30 June 2021 to approximately RMB28.1 million for the six months ended 30 June 2022. Such decrease was mainly in line with the overall revenue for the period.

The Group's gross margin increased from 4.8% for the year ended 30 June 2021 to 7.6% for the year ended 30 June 2022 was mainly because the Group was able to maintain the sales orders of clothing from the Korean customers with higher profits margin for the period. There was also slightly increase in average unit selling price of fabric products from approximately RMB6.2 per meter in 2021 to approximately RMB6.3 per meter in 2022.

Liquidities and financial resources

The Group continues to be prudent in making financial arrangements to ensure it has adequate liquidity for its future development. As at 30 June 2022, the Group's bank and cash balances amounted to approximately RMB0.7 million (as at 31 December 2021: approximately RMB2.2 million). The Group funded its working capital and other capital requirements principally by cash generated from our financing activities.

Borrowings

The increase in Group's borrowings to approximately RMB1,025.5 million (as at 31 December 2021: RMB970.9 million) was mainly the net effect of an increase in bonds interest for the period and repayment of certain bank borrowings during the period. All the borrowings are denominated in RMB and HKD. Particulars of the Group's borrowings as at 30 June 2022 are set out in note 15 to the condensed consolidated financial statements.

Net current assets and working capital

The following table sets forth the Group's current ratio and gearing ratio:

	As at 30 June 2022	**As at 31 December 2021**
	RMB'000	*RMB'000*
Current assets	26,567	21,503
Current liabilities	1,128,309	1,093,130
Net current liabilities	(1,101,742)	(1,071,627)
Current ratio	2.4%	2.0%
Gearing ratio	N/A	N/A

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 2022 and 2021, the Group did not acquire any property, plant and equipment.

Pledge of assets

As at 30 June 2022 and 2021, 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

During the course of business, the Group has received claims from suppliers, customers and lenders concerned with the quality of goods and repayment of debts, including claims of insignificant or unspecified amounts. The directors are of the opinion that the Group has a meritorious defence against these claims. Accordingly, the directors do not believe that these claims will have any material adverse impact on the Group and accordingly no provisions have been made in respect thereof.

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

As at 30 June 2022, the Company did not have any concrete plan and had not entered into any negotiation, agreement, arrangement or understanding (concluded or otherwise) relating to acquisition or disposal of subsidiaries, associates or joint ventures.

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 2022, the Group had a total workforce of 91 (as at 31 December 2021: 83). 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.

Interim dividend

The Board has resolved not to declare any dividend for the six months ended 30 June 2022 (2021: Nil).

The following is the text of a report, set out on pages II-1 to II-74, received from the Company's independent reporting accountants, McMillan Woods (Hong Kong) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

McMillanWoods
Professionalism at the forefront

24/F., Siu On Centre
188 Lockhart Road
Wan Chai, Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MOODY TECHNOLOGY HOLDINGS LIMITED

INTRODUCTION

We report on the historical financial information of Leader Elastic Limited (the ''Target Company'') and its subsidiaries (hereinafter collectively referred to as the ''Target Group'') set out on pages II-5 to II-74, which comprises the consolidated statements of financial position of the Target Group and statements of financial position of the Target Company as at 31 December 2019, 2020 and 2021 and 31 October 2022 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of years ended 31 December 2019, 2020 and 2021 and the ten months ended 31 October 2022 (the ''Track Record Period'') and a summary of significant accounting policies and other explanatory information (together, the ''Historical Financial Information''). The Historical Financial Information set out on pages II-5 to II-74 forms an integral part of this report, which has been prepared for inclusion in the circular of the Moody Technology Holdings Limited (''the ''Company'') dated 3 April 2023 (the ''Circular'') in connection with the proposed acquisition of 80.95% equity interest of the Target Company by the Company.

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Target Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 ''Accountants' Reports on Historical Financial Information in Investment Circulars'' issued by the Hong Kong Institute of Certified Public Accountants (the ''HKICPA''). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial positions of the Target Group and Target Company as at 31 December 2019, 2020 and 2021 and 31 October 2022 and of the Target Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 3 to the Historical Financial Information which indicates that the Target Group incurred a loss of approximately RMB442,000 for the ten months ended 31 October 2022 and as at 31 October 2022, the Target Group had net current liabilities of approximately RMB25,492,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Target Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the unaudited interim financial information of the Target Group comprising the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the ten months ended 31 October 2021 and other explanatory information (the ''Interim Financial Information''). The directors of the Target Company are responsible for the preparation and presentation of the Interim Financial Information in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'' issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE (THE "LISTING RULES")

ADJUSTMENTS

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page II-5 have been made.

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants
Hong Kong, 3 April 2023

Hui Chi Kong
Audit Engagement Director
Practising Certificate Number – P07348

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Target Group for the Track Record Period, on which the Historical Financial Information is based, were prepared by the directors of the Target Company in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and were audited by McMillan Woods (Hong Kong) CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Ten months ended 31 October	
		2019	2020	2021	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Revenue	*9*	70,945	60,334	61,139	52,290	41,056
Cost of sales		(50,607)	(43,948)	(46,441)	(39,379)	(29,909)
Gross profit		20,338	16,386	14,698	12,911	11,147
Other income	*10*	437	1,623	682	539	736
(Impairment losses)/reversals of impairment losses of trade and other receivables		(51)	(49)	(104)	136	88
Selling and distribution expenses		(5,120)	(3,821)	(2,077)	(1,778)	(1,558)
Administrative and other expenses		(15,163)	(12,427)	(11,855)	(10,055)	(7,654)
Profit from operation		441	1,712	1,344	1,753	2,759
Finance costs	*11*	(5,691)	(5,610)	(4,554)	(3,970)	(3,201)
Loss before tax		(5,250)	(3,898)	(3,210)	(2,217)	(442)
Income tax credit	*12*	–	10	–	–	–
Loss for the year/period	*13*	(5,250)	(3,888)	(3,210)	(2,217)	(442)
Other comprehensive income						
Item that may be reclassified to profit or loss:						
Exchange differences on translating foreign operations		(1,141)	3,351	1,325	3,240	(7,360)
Total comprehensive income for the year/period		(6,391)	(537)	(1,885)	1,023	(7,802)

		Year ended 31 December			Ten months ended 31 October	
		2019	**2020**	**2021**	**2021**	**2022**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Loss for the year/period attributable to:						
Owners of the Target Company		(5,331)	(3,940)	(3,286)	(2,284)	(697)
Non-controlling interests		81	52	76	67	255
		(5,250)	(3,888)	(3,210)	(2,217)	(442)
Total comprehensive income for the year/period attributable to:						
Owner of the Target Company		(6,426)	(496)	(1,915)	956	(8,226)
Non-controlling interests		35	(41)	30	67	424
		(6,391)	(537)	(1,885)	1,023	(7,802)
Loss per share (RMB)						
Basic	*16(a)*	(0.10)	(0.08)	(0.06)	(0.04)	(0.01)
Diluted	*16(b)*	N/A	N/A	N/A	N/A	N/A

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 31 October
		2019	2020	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	*18*	25,430	23,693	21,932	20,781
Right-of-use assets	*19*	9,131	8,841	9,263	8,904
Other non-current assets		623	–	–	–
		35,184	32,534	31,195	29,685
Current assets					
Inventories	*20*	38,687	41,817	43,246	47,588
Trade and other receivables	*21*	16,962	12,971	14,228	10,755
Bank and cash balances	*22*	22,029	28,532	27,149	25,820
		77,678	83,320	84,623	84,163
Current liabilities					
Trade and other payables	*23*	9,682	6,196	6,081	9,635
Amount due to ultimate holding company	*24*	22,394	26,848	30,348	36,739
Amount due to a director	*24*	1,344	856	876	–
Current tax liabilities		392	189	201	209
Bank borrowings	*25*	64,904	68,156	65,861	62,743
Lease liabilities	*26*	–	–	280	329
		98,716	102,245	103,647	109,655
Net current liabilities		(21,038)	(18,925)	(19,024)	(25,492)
Total assets less current liabilities		14,146	13,609	12,171	4,193
Non-current liabilities					
Lease liabilities	*26*	–	–	447	271
NET ASSETS		14,146	13,609	11,724	3,922
Capital and reserves					
Share capital	*28*	51,355	51,355	51,355	51,355
Reserves	*29*	(46,510)	(47,006)	(48,921)	(57,147)
Equity attributable to owners of the Target Company		4,845	4,349	2,434	(5,792)
Non-controlling interests		9,301	9,260	9,290	9,714
TOTAL EQUITY		14,146	13,609	11,724	3,922

STATEMENTS OF FINANCIAL POSITION OF THE TARGET COMPANY

			At 31 December		At 31 October
		2019	**2020**	**2021**	**2022**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Investments in subsidiaries	*30*	37,644	37,644	37,644	37,644
Property, plant and equipment		9	8	3	2
		37,653	37,652	37,647	37,646
Current assets					
Trade and other receivables	*21*	1,217	151	363	241
Bank and cash balances	*22*	13,191	11,627	11,228	17,500
		14,408	11,778	11,591	17,741
Current liabilities					
Trade and other payables	*23*	2,802	1,045	1,350	7,817
Amount due to ultimate holding company	*24*	22,394	26,848	30,348	36,739
Amount due to a director	*24*	1,344	856	876	–
Current tax liabilities		392	189	201	209
Bank borrowings	*25*	45,974	41,626	39,661	44,293
		72,906	70,564	72,436	89,058
Net current liabilities		(58,498)	(58,786)	(60,845)	(71,317)
NET LIABILITIES		(20,845)	(21,134)	(23,198)	(33,671)
Capital and reserves					
Share capital	*28*	51,355	51,355	51,355	51,355
Reserves	*29*	(72,200)	(72,489)	(74,553)	(85,026)
CAPITAL DEFICIENCY		(20,845)	(21,134)	(23,198)	(33,671)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Foreign currency translation reserve *(Note 29(b)(i))*	Statutory reserve *(Note 29(b)(ii))*	Revaluation reserve *(Note 29(b)(iii))*	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	51,355	(1,268)	713	15,529	(55,058)	11,271	9,266	20,537
Total comprehensive income and changes in equity for the year	–	(1,095)	12	–	(5,343)	(6,426)	35	(6,391)
At 31 December 2019 and 1 January 2020	51,355	(2,363)	725	15,529	(60,401)	4,845	9,301	14,146
Total comprehensive income and changes in equity for the year	–	3,444	106	–	(4,046)	(496)	(41)	(537)
At 31 December 2020 and 1 January 2021	51,355	1,081	831	15,529	(64,447)	4,349	9,260	13,609
Total comprehensive income and changes in equity for the year	–	1,371	99	–	(3,385)	(1,915)	30	(1,885)
At 31 December 2021 and 1 January 2022	51,355	2,452	930	15,529	(67,832)	2,434	9,290	11,724
Total comprehensive income and changes in equity for the period	–	(7,529)	149	–	(846)	(8,226)	424	(7,802)
At 31 October 2022	51,355	(5,077)	1,079	15,529	(68,678)	(5,792)	9,714	3,922
At 1 January 2021	51,355	1,081	831	15,529	(64,447)	4,349	9,260	13,609
Total comprehensive income and changes in equity for the period (unaudited)	–	3,240	–	–	(2,284)	956	67	1,023
At 31 October 2021 (unaudited)	51,355	4,321	831	15,529	(66,731)	5,305	9,327	14,632

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Ten months ended 31 October	
		2019	2020	2021	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Loss before tax		(5,250)	(3,898)	(3,210)	(2,217)	(442)
Adjustments for:						
Interest income		(256)	(129)	(47)	(42)	(90)
Depreciation of property, plant and equipment		3,009	2,933	2,674	2,290	2,217
Depreciation of right-of-use assets		290	290	461	241	500
Finance costs		5,691	5,610	4,554	3,970	3,201
Loss on disposals of property, plant and equipment		389	7	4	–	13
Impairment losses/(reversals of impairment losses) of trade and other receivables		51	49	104	(136)	(88)
Operating profit before working capital changes		3,924	4,862	4,540	4,106	5,311
Increase in inventories		(6,660)	(3,130)	(1,430)	(1,001)	(4,340)
Decrease/(increase) in trade and other receivables		4,381	3,942	(1,356)	(2,842)	3,504
Increase/(decrease) in trade and other payables		1,853	(3,484)	(23)	7	4,240
Cash generated from operations		3,498	2,190	1,731	270	8,715
Hong Kong Profits Tax paid		(50)	(201)	–	–	–
Net cash generated from operating activities		3,448	1,989	1,731	270	8,715

		Year ended 31 December			Ten months ended 31 October	
		2019	2020	2021	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
CASH FLOWS FROM INVESTING ACTIVITIES						
Payments for property, plant and equipment		(1,639)	(603)	(991)	(360)	(1,069)
Proceeds from disposal of assets		58	3	4	–	5
Interest received		256	129	47	42	90
Net cash used in investing activities		(1,325)	(471)	(940)	(318)	(974)
CASH FLOWS FROM FINANCING ACTIVITIES						
Borrowings raised		18,930	32,000	78,085	20,790	46,024
Repayment of borrowings		(31,644)	(26,070)	(78,809)	(24,338)	(55,201)
Decrease in amount due to a director		(422)	(427)	–	–	(936)
(Decrease)/increase in amount due to ultimate holding company		(650)	6,225	2,450	–	1,443
Interest paid		(5,691)	(5,610)	(2,834)	(2,292)	(2,538)
Principal element of lease payments		–	–	(156)	–	(268)
Net cash (used in)/generated from financing activities		(19,477)	6,118	(1,264)	(5,840)	(11,476)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(17,354)	7,636	(473)	(5,888)	(3,735)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		33,976	16,758	23,949	23,949	23,150
EFFECT OF CHANGE IN FOREIGN EXCHANGE RATE		136	(445)	(326)	(501)	1,253
CASH AND CASH EQUIVALENTS AT END OF YEAR		16,758	23,949	23,150	17,560	20,668
ANALYSIS OF CASH AND CASH EQUIVALENTS						
Bank and cash balances	*22*	22,029	28,532	27,149	21,521	25,820
Bank overdrafts	*25*	(5,271)	(4,583)	(3,999)	(3,961)	(5,152)
		16,758	23,949	23,150	17,560	20,668

1. GENERAL INFORMATION

The Target Company was incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance. The address of its registered office and principal place of business is located at Unit B & C, 16/F., Mai Luen Industrial Building, 23-31 Kung Yip Street, Kwai Chung, New Territories, Hong Kong.

The Target Company is engaged in trading of elastic webbings. The principal activities of its subsidiaries are set out in note 2 to the Historical Financial Information.

In the opinion of the directors of the Target Company, Sundust Company Limited, a company incorporated in Hong Kong, is the immediate and ultimate holding company of the Target Company and Mr. Ma Chun Hing, a director of the Target Company, is the ultimate controlling party of the Target Company.

2. BASIS OF PREPARATION AND PRESENTATION

The Historical Financial Information has been prepared in accordance with all IFRSs issued by the IASB. IFRSs comprise International Financial Reporting Standards (''IFRS''); International Accounting Standards (''IAS''); and Interpretations. The Historical Financial Information also complies with the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the ''Listing Rules'') and with the disclosure requirements of the Hong Kong Companies Ordinance.

As at the date of this report, the Target Company had direct and indirect interests in the following subsidiaries now comprising the Target Group:

Name of subsidiaries	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and paid-up share capital	Percentage of ownership interest/voting power/profit sharing					Principal activities/ place of operation
				At 31 December			31 October	At the date of this report	
				2019	2020	2021	2022		
Directly held:									
Zhuhai Sundust Apparel Company Limited* 珠海泓利服飾股份有限公司	15 January 2003	The PRC	HK$52,500,000	84.14%	84.14%	84.14%	84.14%	84.14%	Manufacture of elastic webbings, the PRC
Indirectly held:									
Sundust (Hong Kong) Company Limited (泓利(香港)有限公司)	25 June 2012	Hong Kong	HK$11,628,500	84.14%	84.14%	84.14%	84.14%	84.14%	Trading of elastic webbings, Hong Kong

* *English name is for identification purpose only*

Zhuhai Sundust Apparel Company Limited is registered as a foreign investment enterprise under the PRC Law.

All subsidiaries of the Target Group have adopted 31 December as their financial year end date.

The statutory audited financial statements of Zhuhai Sundust Apparel Company Limited for the years ended 31 December 2019, 2020 and 2021 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by 北京興華會計師事務所(特殊普通合夥), certified public accountants registered in the PRC.

The statutory audited financial statements of Sundust (Hong Kong) Company Limited for the years ended 31 December 2019, 2020 and 2021 have been prepared in accordance with Hong Kong Financial Reporting Standard for Private Entities issued by HKICPA and were audited by Xing Hua (Hong Kong) CPAs Limited, certified public accountants registered in Hong Kong.

3. GOING CONCERN BASIS

The Target Group incurred a loss of approximately RMB442,000 for the ten months ended 31 October 2022 and as at 31 October 2022, the Target Group had current liabilities of approximately RMB25,492,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Target Group's ability to continue as a going concern. Therefore, the Target Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

The Historical Financial Information has been prepared on a going concern basis, the validity of which depends upon the financial support of the ultimate holding company and the ultimate controlling party, at a level sufficient to finance the working capital requirement of the Target Group. The ultimate holding company and the ultimate controlling party have agreed to provide adequate funds for the Target Group to meet its liabilities as they full due. The directors are therefore of the opinion that it is appropriate to prepare the Historical Financial Information on a going concern basis. Should the Target Group be unable to continue as a going concern, adjustments would have to be made to the Historical Financial Information to adjust the value of the Target Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The effect of these adjustments had not been reflected in this Historical Financial Information.

4. ADOPTION OF NEW AND REVISED IFRSs

(a) Application of new and revised IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Target Group has adopted all the new and revised IFRSs issued by the IASB that are effective for its accounting period beginning on 1 January 2022, together with the relevant transitional provision, throughout the Track Record Period.

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

The Target Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Making Materiality Judgements – Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction[1]
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to IFRS 16	Lease Liability in a Sales and Leaseback[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IFRS 17	Initial Application of IFRS 17 and IFRS 9 – Comparative Information[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 No mandatory effective date yet determined but available for adoption

The directors of the Target Company anticipate that the application of new and revised IFRSs will not have material impact on the Target Group's financial performance and financial position.

5. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below.

The preparation of the Historical Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying the Target Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in note 6.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

(a) Consolidation

The Historical Financial Information includes the financial statements of the entities comprising the Target Group. Subsidiaries are entities over which the Target Group has control. The Target Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Target Group has power over an entity when the Target Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Target Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date of incorporation or since the date on which control is transferred to the Target Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Target Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Target Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Target Company. Non-controlling interests are presented in the consolidated statements of financial position and consolidated statements of changes in equity within equity. Non-controlling interests are presented in the consolidated statements of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Target Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Target Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

In the Target Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the Historical Financial Information of each of the Target Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information are presented in Renminbi ("RMB"), which is the Target Company's presentation currency. The functional currency of the Company is Hong Kong Dollars ("HK$"). The directors consider that choosing RMB as the presentation currency best suits the needs of the shareholders and investors.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Target Group entities that have a functional currency different from the Target Company's presentation currency are translated into the Target Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

(c) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in the profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their costs less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	10 – 30 years
Machinery and equipment	10 years
Office equipment and furniture	5 – 20 years
Motor vehicles	5 – 10 years
Leasehold improvements	2 – 20 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(d) Leases

At inception of a contract, the Target Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Target Group as lessee

Where the contract contains lease component(s) and non-lease component(s), the Target Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Target Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Target Group enters into a lease in respect of a low-value asset, the Target Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

To determine the incremental borrowing rate, the Target Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Target Group, which does not have recent third-party financing, and

- makes adjustments specific to the lease, such as term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

Right-of-use assets in which the Target Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Target Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Target Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Target Group presents right-of-use assets and lease liabilities separately in the consolidated statement of financial position.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(f) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when the Target Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Target Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Target Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Target Group derecognises financial liabilities when, and only when, the Target Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(g) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Target Group recognises the related revenue. A contract liability would also be recognised if the Target Group has an unconditional right to receive consideration before the Target Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognised.

(h) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(i) Trade and other receivables

A receivable is recognised when the Target Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Target Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Target Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for expected credit losses ("ECL").

(k) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Target Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Target Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(m) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

(o) Revenue recognition

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Target Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from the sale of elastic webbings is recognised when control of the goods has transferred, being when the goods have been delivered to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Target Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Interest income is recognised as it accrues using the effective interest method.

(p) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Target Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Target Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Target Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Target Group can no longer withdraw the offer of those benefits and when the Target Group recognises restructuring costs and involves the payment of termination benefits.

(q) Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

(r) Government grants

A government grant is recognised when there is reasonable assurance that the Target Group will comply with the conditions attaching to it and that the grant will be received.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Target Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(s) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Target Group recognises the right-of-use assets and the related lease liabilities, the Target Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Target Group applies IAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Target Group intends to settle its current tax assets and liabilities on a net basis, or to realise the asset and settle the liability simultaneously.

(t) Related parties

A related party is a person or entity that is related to the Target Group.

(A) A person or a close member of that person's family is related to the Target Group if that person:

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company.

(B) An entity is related to the Target Group if any of the following conditions applies:

(i) The entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group. If the Target Group is itself such a plan, the sponsoring employers are also related to the Target Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group which it is a part, provides key management personnel services to the Target Company or to a parent of the Target Company.

(u) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statements of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(v) Impairment of financial assets

The Target Group recognises a loss allowance for ECL on trade receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Target Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Target Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Target Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Target Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Target Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Target Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Target Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Target Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk for a particular financial instrument;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor;

– significant increases in credit risk on other financial instruments of the same debtor;

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Target Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Target Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Target Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) The financial instrument has a low risk of default,

(ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Target Group considers a financial asset to have low credit risk when the asset has external credit rating of ''investment grade'' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of ''performing''. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Target Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Target Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

– when there is a breach of financial covenants by the counterparty; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Group, in full (without taking into account any collaterals held by the Target Group).

Irrespective of the above analysis, the Target Group considers that default has occurred when a financial asset is more than 90 days past due unless the Target Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

– significant financial difficulty of the issuer or the counterparty;

– a breach of contract, such as a default or past due event;

– the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;

– it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

– The disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Target Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Target Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; determined based on historical trend, the Target Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Target Group in accordance with the contract and all the cash flows that the Target Group expects to receive, discounted at the original effective interest rate.

If the Target Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Target Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Target Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(w) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(x) Events after the reporting period

Events after the reporting period that provide additional information about the Target Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

6. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the Historical Financial Information (apart from those involving estimations, which are dealt with below).

(a) Going concern basis

The Historical Financial Information have been prepared on a going concern basis, the validity of which depends upon the financial support of the ultimate holding company and the ultimate controlling party at a level sufficient to finance the working capital requirement of the Target Group. Details are explained in note 3 to the Historical Financial Information.

(b) Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Target Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Target Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Target Group estimates the recoverable amount of the cash-generating unit to which the assets belong. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

(b) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

(c) Impairment of trade receivables

The management of the Target Group estimates the amount of impairment loss for ECL on trade receivables based on the credit risk of trade receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Target Group in accordance with the contract and all the cash flows that the Target Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

7. FINANCIAL RISK MANAGEMENT

The Target Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, interest rate risk and liquidity risk. The Target Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Group's financial performance.

(a) Foreign currency risk

The Target Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Target Group entities. The Target Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Target Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Target Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Target Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Target Group considers to have low credit risk.

Customer credit risk is managed by each business unit subject to the Target Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 90 days from the date of billing. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Target Group does not obtain collateral from customers.

The Target Group measures loss allowances for trade receivables at an amount equal to lifetime ECL, which is calculated using a provision matrix. As the Target Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Target Group's different customer bases.

The following table provides information about the Target Group's exposure to credit risk and ECL for trade receivables:

	At 31 December 2019			
	Expected loss rate	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
	%	*RMB'000*	*RMB'000*	*RMB'000*
Current (not past due)	1.22%-1.72%	15,151	185	14,966
Less than 3 months past due	1.22%-2.52%	1,389	18	1,371
Over 3 months but less than 6 months past due	2.52%	67	2	65
Over 6 months but less than 9 months past due	4.26%	90	4	86
Over 9 months past due	4.26%-100%	382	233	149
		17,079	442	16,637

	At 31 December 2020			
	Expected loss rate	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
	%	*RMB'000*	*RMB'000*	*RMB'000*
Current (not past due)	1.52%-1.98%	12,336	188	12,148
Less than 3 months past due	1.52%-2.76%	376	6	370
Over 3 months but less than 6 months past due	N/A	–	–	–
Over 6 months but less than 9 months past due	N/A	–	–	–
Over 9 months past due	4.73%-100%	491	297	194
		13,203	491	12,712

	At 31 December 2021			
	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*
Current (not past due)	1.35%–2.21%	13,688	4	13,684
Less than 3 months past due	1.35%–2.21%	381	36	345
Over 3 months but less than 6 months past due	N/A	–	–	–
Over 6 months but less than 9 months past due	N/A	–	–	–
Over 9 months past due	100%	468	468	–
		14,537	508	14,029

	At 31 October 2022			
	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*
Current (not past due)	1.46%–2.32%	10,245	5	10,240
Less than 3 months past due	1.46%–2.32%	343	–	343
Over 3 months but less than 6 months past due	N/A	–	–	–
Over 6 months but less than 9 months past due	N/A	–	–	–
Over 9 months past due	90.60%–100%	458	415	43
		11,046	420	10,626

The above expected loss rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Target Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the year/period is as follows:

	At 31 December			At 31 October
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	404	442	491	508
Allowance for trade receivables	38	49	17	(88)
At 31 December/31 October	442	491	508	420

For other receivables, the Target Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the other receivables has not increased significantly since initial recognition, the Target Group measures the loss allowance for the other receivables at an amount equal to 12-month ECL.

The following table provides information about the Target Group's exposure to credit risk and ECL for other receivables which has significant increase in the credit risk:

	At 31 December 2019			
Internal credit rating	**Expected loss rate**	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
	%	*RMB'000*	*RMB'000*	*RMB'000*
Stage 1	0%	120	–	120
Stage 3	32.14%	112	36	76
		232	36	196

	At 31 December 2020			
Internal credit rating	**Expected loss rate**	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
	%	*RMB'000*	*RMB'000*	*RMB'000*
Stage 1	0%	120	–	120
Stage 3	55.38%	65	36	29
		185	36	149

	At 31 December 2021			
Internal credit rating	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*
Stage 1	0%	120	–	120
Default	98.4%	125	123	2
		245	123	122

	At 31 October 2022			
Internal credit rating	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*
Stage 1	0%	1	–	1
Default	100%	123	123	–
		124	123	1

Movement in the loss allowance account in respect of other receivables during the year/period is as follows:

	At 31 December			At 31 October
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	23	36	36	123
Allowance for other receivables	13	–	87	–
At 31 December/31 October	36	36	123	123

(c) Interest rate risk

The Target Group's exposure to interest-rate risk arises from its bank deposits and borrowings. These bank deposits and borrowings bear interests at floating rates that varied with the then prevailing market condition.

Except as stated above, the Target Group has no other significant interest-bearing assets and liabilities during the Track Record Period, its income and operating cash flows are substantially independent of changes in market interest rates.

No sensitivity analysis is presented since the directors of the Target Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank deposits and borrowings is limited due to their short maturities.

(d) Liquidity risk

The Target Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Target Group's non-derivative financial liabilities is as follows:

	At 31 December 2019			
	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	6,807	–	–	–
Accruals and other payables	2,690	–	–	–
Amount due to ultimate holding company	22,394	–	–	–
Amount due to a director	1,344	–	–	–
Bank borrowings	65,433	–	–	–

	At 31 December 2020			
	On demand or less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	3,675	–	–	–
Accruals and other payables	2,449	–	–	–
Amount due to ultimate holding company	26,848	–	–	–
Amount due to a director	856	–	–	–
Bank borrowings	68,794	–	–	–

	At 31 December 2021			
	On demand or less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	3,010	–	–	–
Accruals and other payables	3,066	–	–	–
Amount due to ultimate holding company	30,348	–	–	–
Amount due to a director	876	–	–	–
Bank borrowings	66,568	–	–	–
Lease liabilities	310	326	139	–

	At 31 October 2022			
	On demand or less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	2,676	–	–	–
Accruals and other payables	6,944	–	–	–
Amount due to ultimate holding company	36,739	–	–	–
Bank borrowings	63,219	–	–	–
Lease liabilities	352	223	58	–

(e) Categories of financial instruments

	At 31 December			At 31 October
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets:				
Financial assets at amortised cost	38,862	41,393	41,300	36,447
Financial liabilities:				
Financial liabilities at amortised cost	98,139	101,984	103,161	109,102

(f) Fair values

The carrying amounts of the Target Group's and the Target Company's financial assets and financial liabilities as reflected in the Target Group's consolidated statements of financial position and Target Company's statements of financial position approximate their respective fair values.

8. SEGMENT INFORMATION

As the Target Group's activities do not meet the quantitative thresholds of operating segment. Accordingly, the directors of the Target Company have determined that the Target Group has only one operating and reportable segment, being sales of elastic webbings.

Information reported to the directors of the Target Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses only on revenue analysis by nature of revenue and geographical location of customers.

Since this is the only one operating segment of the Target Group, no segment information is presented other than entity-wide disclosures.

Geographical information

The Group's revenue from external customers by location of operations are as follows:

	Year ended 31 December			Ten months ended 31 October	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Hong Kong	13,465	4,078	7,771	6,712	4,872
PRC	54,174	55,561	53,189	45,402	34,005
Others	3,306	695	179	176	2,179
	70,945	60,334	61,139	52,290	41,056

Over 90% of the Target Group's non-current assets are located in the PRC. Accordingly, no further geographical information of non-current assets was disclosed.

Revenue from major customers:

	Year ended 31 December			Ten months ended 31 October	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Customer A	12,496	N/A	7,767	6,708	4,872
Customer B	–	–	–	–	4,591

9. REVENUE

Disaggregation of revenue from contracts with customers by major products or service line during the Track Record Period is as follows:

	Year ended 31 December			Ten months ended 31 October	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue from customers within the scope of IFRS 15 at a point of time					
Sales of elastic webbings	70,945	60,334	61,139	52,290	41,056

10. OTHER INCOME

	Year ended 31 December			Ten months ended 31 October	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interest income	256	129	47	42	90
Exchange gains	–	–	85	–	–
Government grants *(note)*	115	1,424	545	445	148
Others	66	70	5	52	498
	437	1,623	682	539	736

Note: Government grants represent subsidies from government under the innovative, economic development project and employment supporting scheme. At the end of each reporting period, there was no unfulfilled conditions nor other contingencies attached to the government grants remain unsatisfied.

11. FINANCE COSTS

	Year ended 31 December			Ten months ended 31 October	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interest expense on bank loans	3,464	2,987	2,030	1,661	1,718
Interest expense on bank overdrafts	285	347	205	163	215
Interest expense on trust receipt	842	635	578	468	493
Interest expense paid to a director	97	72	43	42	–
Interest expense paid to ultimate holding company	1,003	1,569	1,677	1,636	663
Interest expense on lease liabilities	–	–	21	–	29
Interest expense paid to others	–	–	–	–	83
	5,691	5,610	4,554	3,970	3,201

12. INCOME TAX CREDIT

Income tax credit has been recognised in profit or loss as following:

	For year ended 31 December			Ten months ended 31 October	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Hong Kong Profit Tax					
Over-provision in prior years	–	(10)	–	–	–
PRC Enterprise Income Tax					
Under-provision in prior years	–	–	–	–	–
Deferred tax					
Provision for the year	–	–	–	–	–
Income tax credit	–	(10)	–	–	–

Under the two-tiered Profits Tax regime, the first HK$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5% for the Track Record Period.

For the Target Group's subsidiary established and operated in the PRC, is qualifying hi-tech enterprise, and subject to PRC Enterprise Income Tax ("EIT") at the rate of 15% for the Track Record Period.

Pursuant to relevant laws and regulations in the PRC, the Target Group's PRC subsidiary that engaged in qualifying R&D activities and incurred its expenses are eligible for additional 75% and 100% deduction of qualifying expenses before EIT on profits or loss derived from such business for the period from 1 January 2019 to 31 December 2020 and the period from 1 January 2021 to 31 October 2022 respectively.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Target Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax credit and the product of loss before tax multiplied by the applicable tax rate in the tax jurisdictions of the Target Group is as follows:

	For year ended 31 December			Ten months ended 31 October	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Loss before tax	(5,250)	(3,898)	(3,210)	(2,217)	(442)
Tax at applicable tax rate	(853)	(536)	(429)	(222)	77
Tax effect of income that is not taxable	(566)	(512)	(4)	(386)	(1,362)
Tax effect of expenses that are not deductible	1,181	954	165	716	1,032
Tax effect of temporary differences not recognised	20	20	166	10	127
Tax effect of tax losses not recognised	218	157	111	104	126
Tax effect of utilisation of tax losses not previously recognised	–	(83)	(9)	(222)	–
Over-provision in prior years	–	(10)	–	–	–
Income tax credit	–	(10)	–	–	–

13. LOSS FOR THE YEAR/PERIOD

The Target Group's loss is stated after charging/(crediting) the following:

	Year ended 31 December			Ten months ended 31 October	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Impairment losses/(reversals of impairment losses) of trade and other receivables	51	49	104	(136)	(88)
Auditors' remuneration	66	67	164	152	170
Cost of inventories sold	50,607	43,948	46,441	39,379	29,909
Depreciation of property, plant and equipment	3,009	2,933	2,674	2,290	2,217
Depreciation of right-of-use assets	290	290	461	241	500
Loss on disposals of property, plant and equipment	389	7	4	–	13
Net foreign exchange losses/(gains)	271	19	(85)	22	270
Staff costs (including directors' emoluments)					
– Salaries, bonus, allowances and other benefits in kind	22,117	19,487	19,501	16,443	13,253
– Retirement benefits scheme contributions	1,932	526	1,696	1,314	1,254
	24,049	20,013	21,197	17,757	14,507

Notes:

(a) Depreciation of property, plant and equipment of approximately RMB1,661,000, RMB1,599,000, RMB1,453,000, RMB1,213,000 and RMB1,256,000 for the years ended 31 December 2019, 2020 and 2021 and for the ten months ended 31 October 2021 (unaudited) and 2022 respectively are included in cost of sales.

(b) Staff costs of approximately RMB13,075,000, RMB11,219,000, RMB10,994,000, RMB9,130,000 and RMB8,100,000 for the years ended 31 December 2019, 2020 and 2021 and for the ten months ended 31 October 2021 (unaudited) and 2022 respectively are included in cost of sales.

(c) Depreciation of right-of-use assets of approximately Nil, Nil, RMB172,000, Nil and RMB245,000 for the years ended 31 December 2019, 2020 and 2021 and for the ten months ended 31 October 2021 (unaudited) and 2022 respectively are included in cost of sales.

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) The emoluments paid or payable to each of the director of the Target Company

The aggregate amounts of remuneration received or receivable by the directors of the Target Company during the Track Record Period is set out below.

For the year ended 31 December 2019

	Fees	Salaries and allowances	Other benefits in kind	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Ma Chun Hing	–	475	–	12	487
Mr. Lim Fung Yiu	–	433	–	–	433
Mr. Lim Hong Mong	–	261	–	12	273
Mr. Leung Wai Keung	–	295	–	15	310
	–	1,464	–	39	1,503

For the year ended 31 December 2020

	Fees	Salaries and allowances	Other benefits in kind	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Ma Chun Hing	–	507	–	14	521
Mr. Lim Fung Yiu	–	418	–	–	418
Mr. Lim Hong Mong	–	245	–	11	256
Mr. Leung Wai Keung	–	344	–	16	360
	–	1,514	–	41	1,555

For the ten months ended 31 December 2021

	Fees	Salaries and allowances	Other benefits in kind	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Ma Chun Hing	–	391	–	11	402
Mr. Lim Fung Yiu	–	353	–	6	359
Mr. Lim Hong Mong	–	188	–	–	188
Mr. Leung Wai Keung	–	294	–	15	309
	–	1,226	–	32	1,258

For the ten months ended 31 October 2021

	Fees	Salaries and allowances	Other benefits in kind	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Executive directors					
Mr. Ma Chun Hing	–	384	–	11	395
Mr. Lim Fung Yiu	–	349	–	6	355
Mr. Lim Hong Mong	–	183	–	–	183
Mr. Leung Wai Keung	–	239	–	12	251
	–	1,155	–	29	1,184

For the ten months ended 31 October 2022

	Fees	Salaries and allowances	Other benefits in kind	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Ma Chun Hing	–	22	–	–	22
Mr. Lim Fung Yiu	–	22	–	1	23
Mr. Lim Hong Mong	–	22	–	–	22
Mr. Leung Wai Keung	–	275	–	14	289
	–	341	–	15	356

There was no arrangement under which a director waived or agreed to waive any emoluments during the Track Record Period.

During the Track Record Period, no emolument has been paid to the directors as an inducement to join or upon joining the Target Group; or as compensation for loss of office.

There was no discretionary bonus paid or payable to any of the directors during the Track Record Period.

(b) Directors' material interests in transactions, arrangements or contracts

Save for disclosed in note 33 to the Historical Financial Information, no other significant transaction, arrangement and contract in relation to the Target Group's business to which the Target Company was a party and in which a director of the Target Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of each reporting period of at any time during the Track Record Period.

(c) Five highest paid individuals

The five highest paid individuals in the Target Group during the years ended 31 December 2019, 2020 and 2021 and ten months ended 31 October 2021 (unaudited) and 2022 included 3, 3, 3, 3 and 1 directors respectively whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 2, 2, 2, 2 and 4 individuals are set out below respectively:

	Year ended 31 December			**Ten months ended 31 October**	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Basic salaries and allowances	974	941	983	891	1,018
Retirement benefits scheme contributions	14	3	11	9	31
	988	944	994	900	1,049

The emoluments fell within the following band:

	Number of individuals				
	Year ended 31 December			Ten months ended 31 October	
	2019	2020	2021	2021	2022
				(Unaudited)	
Nil to HK$1,000,000	2	2	2	2	4

During the Track Record Period, no emoluments were paid by the Target Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Target Group or as compensation for loss of office.

15. DIVIDENDS

No dividend has been declared or paid by the Target Company during the Track Record Period.

16. LOSS PER SHARE

(a) Basic loss per share

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

	Year ended 31 December			Ten months ended 31 October	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Loss for the year attributable to owners of the Target Group used in the basic loss per share calculation	(5,331)	(3,940)	(3,286)	(2,284)	(697)

	Number of shares				
	At 31 December			At 31 October	
	2019	2020	2021	2021	2022
				(Unaudited)	
Weighted average number of ordinary shares in issue during the year used in basic loss per share calculation	52,500,000	52,500,000	52,500,000	52,500,000	52,500,000

(b) Diluted loss per share

No diluted loss per share is presented as the Target Company did not have any dilutive potential ordinary share during the years ended 31 December 2019, 2020 and 2021 and the ten months ended 31 October 2021 (unaudited) and 2022.

17. RETIREMENT BENEFIT SCHEMES

The Target Group operates a mandatory provident fund scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Target Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of HK$1,500 per employee and vest fully with employees when contributed into the MPF Scheme.

As stipulated under the relevant rules and regulations in the PRC, the employees of a Target Group's subsidiaries established in the PRC are members of central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

18. PROPERTY, PLANT AND EQUIPMENT

	The Target Group					
	Buildings	Machinery and equipment	Office equipment and furniture	Motor vehicles	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
At 1 January 2019	21,560	31,784	4,158	1,043	6,657	65,202
Additions	–	717	22	108	616	1,463
Disposals	–	(2,076)	(513)	(509)	–	(3,098)
Exchange realignment	–	–	9	13	–	22
At 31 December 2019 and 1 January 2020	21,560	30,425	3,676	655	7,273	63,589
Additions	–	458	623	–	145	1,226
Disposals	–	–	(65)	–	–	(65)
Exchange realignment	–	–	(27)	(34)	–	(61)
At 31 December 2020 and 1 January 2021	21,560	30,883	4,207	621	7,418	64,689
Additions	–	688	108	–	195	991
Disposals	–	(68)	(347)	–	–	(415)
Exchange realignment	–	–	(62)	(30)	–	(92)
At 31 December 2021 and 1 January 2022	21,560	31,503	3,906	591	7,613	65,173
Additions	–	936	–	–	133	1,069
Disposals	–	(156)	–	–	–	(156)
Exchange realignment	–	–	7	68	–	75
At 31 October 2022	21,560	32,283	3,913	659	7,746	66,161

	The Target Group					
	Buildings	Machinery and equipment	Office equipment and furniture	Motor vehicles	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation						
At 1 January 2019	6,240	22,351	3,125	473	5,597	37,786
Charge for the year	970	1,300	203	126	410	3,009
Disposals	–	(1,787)	(473)	(390)	–	(2,650)
Exchange realignment	–	–	9	5	–	14
At 31 December 2019 and 1 January 2020	7,210	21,864	2,864	214	6,007	38,159
Charge for the year	970	1,277	146	114	426	2,933
Disposals	–	–	(55)	–	–	(55)
Exchange realignment	–	–	(26)	(15)	–	(41)
At 31 December 2020 and 1 January 2021	8,180	23,141	2,929	313	6,433	40,996
Charge for the year	969	1,030	202	109	364	2,674
Disposals	–	(61)	(346)	–	–	(407)
Exchange realignment	–	–	(13)	(9)	–	(22)
At 31 December 2021 and 1 January 2022	9,149	24,110	2,772	413	6,797	43,241
Charge for the year	808	884	172	101	252	2,217
Disposals	–	(138)	–	–	–	(138)
Exchange realignment	–	–	6	54	–	60
At 31 October 2022	9,957	24,856	2,950	568	7,049	45,380
Carrying amount						
At 31 October 2022	11,603	7,427	963	91	697	20,781
At 31 December 2021	12,411	7,393	1,134	178	816	21,932
At 31 December 2020	13,380	7,742	1,278	308	985	23,693
At 31 December 2019	14,350	8,561	812	441	1,266	25,430

At 31 December 2019, 2020 and 2021 and at 31 October 2022 the carrying amounts of property, plant and equipment pledged as security for the Target Group's bank borrowings amounted to approximately RMB14,350,000, RMB13,380,000, RMB12,411,000 and RMB11,603,000 respectively.

19. RIGHT-OF-USE ASSETS

	Prepaid land	Leased properties	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2019	9,421	–	9,421
Depreciation charge for the year	(290)	–	(290)
At 31 December 2019 and 1 January 2020	9,131	–	9,131
Depreciation charge for the year	(290)	–	(290)
At 31 December 2020 and 1 January 2021	8,841	–	8,841
Additions	–	883	883
Depreciation charge for the year	(290)	(171)	(461)
At 31 December 2021 and 1 January 2022	8,551	712	9,263
Additions	–	141	141
Depreciation charge for the period	(241)	(259)	(500)
At 31 October 2022	8,310	594	8,904

Lease liabilities of Nil, Nil, approximately RMB727,000 and RMB600,000 are recognised with related right-of-use assets of Nil, Nil, approximately RMB712,000 and RMB594,000 as at 31 December 2019, 2020, and 2021 and for the ten months ended 31 October 2022.

	Year ended 31 December			Ten months ended 31 October	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Depreciation expenses on right-of-use assets	290	290	461	241	500
Interest expenses on lease liabilities	–	–	21	–	29

For the Track Record Period, the Group leases factory and equipment for its operations. Lease contracts are entered into for fixed term of 3 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract if enforceable.

At 31 December 2019, 2020 and 2021 and at 31 October 2022 the carrying amounts of leasehold lands pledged as security for the Target Group's bank borrowings amounted to approximately RMB9,131,000, RMB8,841,000, RMB8,551,000 and RMB8,310,000 respectively.

20. INVENTORIES

	At 31 December			At 31 October
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	2,877	3,198	3,490	3,077
Finished goods	35,810	38,619	39,756	44,511
	38,687	41,817	43,246	47,588

At the end of each reporting period, the Target Group's inventories are stated at cost less allowance for inventories.

21. TRADE AND OTHER RECEIVABLES

The Target Group

	At 31 December			At 31 October
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables (note 21(a))	17,079	13,203	14,537	11,046
Allowance for trade receivables	(442)	(491)	(508)	(420)
	16,637	12,712	14,029	10,626
Other receivables	232	185	245	124
Allowance for other receivables	(36)	(36)	(123)	(123)
	196	149	122	1
Prepayments	129	110	77	128
	16,962	12,971	14,228	10,755

The Target Company

	At 31 December			At 31 October
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables (note 21(a))	1,215	140	310	141
Allowance for trade receivables	(15)	(2)	(4)	(5)
	1,200	138	306	136
Other receivables	1	1	45	85
Prepayment	16	12	12	20
	1,217	151	363	241

(a) Trade receivables

The Target Group's trading terms with customers are mainly on credit. The credit period granted to the customers generally is 0 – 90 days. The Target Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

An ageing analysis of trade receivables of the Target Group at the end of each reporting period, based on the invoice date, and net of allowance, is as follows:

	At 31 December			At 31 October
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	11,364	9,522	9,776	10,186
Over 1 month but less than 3 months	4,553	2,993	4,253	387
Over 3 months but less than 6 months	420	3	–	10
Over 6 months but less than 9 months	65	–	–	–
Over 9 months	235	194	–	43
	16,637	12,712	14,029	10,626

The carrying amounts of the Target Group's and the Target Company's trade receivables are denominated in the following currencies:

The Target Group

	At 31 December			At 31 October
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
HK$	1,108	132	306	136
RMB	14,490	12,511	13,723	9,235
USD	1,039	69	–	1,255
	16,637	12,712	14,029	10,626

The Target Company

	At 31 December			At 31 October
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
HK$	772	132	306	136
USD	428	6	–	–
	1,200	138	306	136

22. BANK AND CASH BALANCES

The carrying amounts of the Target Group's and the Target Company's bank and cash balances are denominated in the following currencies:

The Target Group

	At 31 December			At 31 October
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
HK$	14,841	17,998	19,800	23,185
RMB	7,153	10,450	7,196	2,563
USD	35	84	153	72
	22,029	28,532	27,149	25,820

The Target Company

	At 31 December			At 31 October
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
HK$	12,024	11,585	11,181	17,447
RMB	1,133	–	–	–
USD	34	42	47	53
	13,191	11,627	11,228	17,500

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations. However, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

23. TRADE AND OTHER PAYABLES

The Target Group

	At 31 December			At 31 October
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables (note 23(a))	6,807	3,675	3,010	2,676
Contract liabilities (note 23(b))	185	72	5	15
Other payables and accruals	2,690	2,449	3,066	6,944
	9,682	6,196	6,081	9,635

The Target Company

	At 31 December			At 31 October
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due to a subsidiary (note 23(c))	2,638	1,016	913	3,089
Contract liabilities	131	–	–	–
Other payables and accruals	33	29	437	4,728
	2,802	1,045	1,350	7,817

(a) Trade payables

An ageing analysis of the Target Group's trade payables at the end of each reporting period, based on invoice date, is as follows:

	At 31 December			At 31 October
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	6,807	3,675	3,010	2,676

The carrying amounts of the Target Group's and the Target Company's trade payables are denominated in RMB.

(b) Contract liabilities

Contract liabilities are related to receipts from customers for sales of goods which was not yet delivered to customers. Revenue is recognised when goods are delivered to customers. The Target Group receives deposits upon acceptance of orders on a case-by-case basis with customers before delivery commences.

Movement in Contract liabilities:

				At
		31 December		31 October
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
1 January	114	185	72	7
Decrease in contract liabilities as a result of recognising revenue during the year/period was included in the contract liabilities at the beginning of the year/period	(114)	(185)	(72)	(7)
Increase in contract liabilities as a result of billing in advance	185	72	5	15
31 December/31 October	185	72	5	15

There were no significant changes in the contract liabilities balance during the Track Record Period.

(c) Amount due to a subsidiary

The amount due is unsecured, interest-free and repayable on demand.

24. AMOUNT DUE TO ULTIMATE HOLDING COMPANY/ A DIRECTOR

The amounts are unsecured, repayable on demand and interest-bearing.

The bears interest ranging are as follows:

	At 31 December			At 31 October
	2019	2020	2021	2022
Amount due to ultimate holding company	5.25% to 7.38%	5.25% to 7.38%	4.00% to 7.38%	4.00% to 7.38%
Amount due to a director	6.25% to 7.25%	6.25% to 7.25%	6.25% to 7.25%	N/A

25. BANK BORROWINGS

The Target Group

	At 31 December			At 31 October
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	48,087	53,424	51,974	47,400
Bank overdrafts	5,271	4,583	3,999	5,152
Trust receipt	11,546	10,149	9,888	10,191
	64,904	68,156	65,861	62,743

The Target Company

	At 31 December			At 31 October
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loan	29,157	26,894	25,774	28,950
Bank overdrafts	5,271	4,583	3,999	5,152
Trust receipt	11,546	10,149	9,888	10,191
	45,974	41,626	39,661	44,293

The bank borrowings are repayable as follows:

The Target Group

	At 31 December			At 31 October
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year or on demand	64,904	68,156	65,861	62,743

The Target Company

	At 31 December			At 31 October
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year or on demand	45,974	41,626	39,661	44,293

The carrying amounts of the Target Group's and the Target Company's bank borrowing are denominated in the following currencies:

The Target Group

	At 31 December			At 31 October
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
HK$	45,974	41,626	39,661	44,293
RMB	18,930	26,530	26,200	18,450
	64,904	68,156	65,861	62,743

The Target Company

	At 31 December			At 31 October
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
HK$	45,974	41,626	39,661	44,293

The bank borrowings of the Target Group and the Target Company are arranged at floating rates, thus exposing the Target Group and the Target Company to cash flow interest rate risk. The average interest rate of the Target Group's and the Target Company's bank borrowings during the Track Record Period are as follows:

The Target Group

	At 31 December			At 31 October
	2019	**2020**	**2021**	**2022**
Variable rate bank borrowings	4.65% – 6.75%	3.18% – 6.75%	3.07% – 6.73%	3.65% – 7.44%

The Target Company

	At 31 December			At 31 October
	2019	**2020**	**2021**	**2022**
Variable rate bank borrowings	4.65% – 6.75%	3.18% – 6.75%	3.07% – 6.75%	5.25% – 7.44%

The Target Group's banking facilities are secured by:

(a) personal guarantee provided by directors, Mr. Ma Chun Hing, Mr. Lim Fung Yiu, Mr. Cheng Guo Qing and Mr. Li Dao Yong;

(b) 22,500,000 ordinary shares of a subsidiary;

(c) property, plant and equipment and right-of-use assets of a subsidiary;

(d) corporate guarantee provided by ultimate holding company; and

(e) properties of ultimate holding company.

26. LEASE LIABILITIES

The Target Group

	Present value of minimum lease payments			
	At 31 December			At 31 October
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	–	–	280	329
In the one to second year,	–	–	310	216
In the second to fifth years, inclusive	–	–	137	55
Present value of lease obligations	–	–	727	600
Less: Amount due for settlement within 12 months (shown under current liabilities)	–	–	(280)	(329)
Amount due for settlement after 12 months	–	–	447	271

	Minimum lease payments			
	At 31 December			At 31 October
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	–	–	310	352
In the one to second year,	–	–	326	223
In the second to fifth years, inclusive	–	–	139	58
	–	–	775	633
Less: Future finance charges	–	–	(48)	(33)
Present value of lease obligations	–	–	727	600

27. DEFERRED TAX

As at 31 December 2019, 2020 and 2021 and 31 October 2022, the Target Group has unused tax losses of approximately RMB2,530,000, RMB3,264,000, RMB3,904,000 and RMB4,416,000 respectively available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. As at 31 December 2019, 2020 and 2021 and 31 October 2022, included in unrecognised tax losses are losses of approximately RMB2,257,000, RMB1,926,000, RMB1,890,000 and RMB2,373,000 respectively that will expire within 5 years. Other tax losses may be carried forward indefinitely.

As at 31 December 2019, 2020 and 2021 and 31 October 2022, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is approximately RMB17,449,000, RMB18,601,000, RMB19,920,000 and RMB21,541,000 respectively. No liability has been recognised in respect of these differences because the Target Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

28. SHARE CAPITAL

				At
	At 31 December			**31 October**
Ordinary shares of HK$1 each	**2019**	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Issues and fully paid:				
52,500,000 ordinary shares	51,355	51,355	51,355	51,355

The Target Group's objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern and to maximise the return to the shareholder through the optimisation of the debt and equity balance.

The Target Group reviews the capital structure frequently by considering the cost of capital and the risks associated with each class of capital. The Target Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts, redemption of existing debts or selling assets to reduce debts.

The Target Group is not subject to any externally imposed capital requirements.

29. RESERVES

(a) Target Group

The amounts of the Target Group's reserves and the movements therein are presented in the consolidated statements of profit or loss and other comprehensive income and the consolidated statements of changes in equity.

(b) Nature and purpose of reserves

(i) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 5(b)(iii) to the Historical Financial Information.

(ii) Statutory reserve

In accordance with the PRC Company Law and the Target Group's PRC subsidiary's articles of association, the Target Group's PRC subsidiary is required to allocate 10% of its profit after tax as determined in accordance with the relevant accounting principles and financial regulations applicable to PRC companies to the statutory reserve until such reserve reaches 50% of the registered capital. The appropriation to the reserve must be made before any distribution of dividends to equity holders. The statutory surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalised as paid-in capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the paid-in capital of the Target Group's subsidiary.

(iii) Revaluation reserve

Revaluation reserve represents the fair value adjustments on property, plant and equipment due to the first adoption of IFRSs.

30. INVESTMENT IN SUBSIDIARIES

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and paid-up share capital	Percentage of ownership interest/ voting power/profit sharing					Principal activities/ place of operation
				At 31 December			31 October	At the date of this report	
				2019	2020	2021	2022		
Directly held:									
Zhuhai Sundust Apparel Company Limited 珠海泓利服飾股份有限公司	15 January 2003	The PRC	HK$52,500,000	84.14%	84.14%	84.14%	84.14%	84.14%	Manufacture of elastic webbings, the PRC
Indirectly held:									
Sundust (Hong Kong) Company Limited (泓利(香港)有限公司)	25 June 2012	HK	HK$11,628,500	84.14%	84.14%	84.14%	84.14%	84.14%	Trading of elastic webbings, HK

* *English name is for identification purpose only*

Zhuhai Sundust Apparel Company Limited is limited liabilities company (Taiwan, Hong Kong or Macau and domestic joint venture).

Conversion of RMB of the Target Group's PRC subsidiary into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations. However, the Target Group's PRC subsidiary is permitted to exchange RMB for other currencies through bank authorised to conduct foreign exchange business.

The following table shows information on the subsidiaries that have non-controlling interests ("NCI") material to the Target Group. The summarised financial information represents amounts before inter-company eliminations.

(a) Zhuhai Sundust Apparel Company Limited（珠海泓利服飾股份有限公司）

		At 31 December		At 31 October
	2019	**2020**	**2021**	**2022**
Principal place of business/country of incorporation		PRC/PRC		
% of ownership interests/voting rights held by NCI	15.86%/ 15.86%	15.86%/ 15.86%	15.86%/ 15.86%	15.86%/ 15.86%
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December/31 October				
Non-current assets	44,041	41,508	40,282	38,853
Current assets	60,437	65,188	66,301	60,885
Current liabilities	(32,882)	(33,848)	(32,112)	(23,674)
Non-current liabilities	–	–	(447)	(271)
Net assets	71,596	72,848	74,024	75,793
Accumulated NCI	7,677	7,876	8,062	8,344
Year ended 31 December/period ended 31 October:				
Revenue	69,688	59,491	60,397	40,113
Profit and total comprehensive income	147	1,252	1,176	1,769
Profit allocated to NCI	23	199	186	282
Net cash generated from/(used in) operating activities	8,744	(1,145)	424	4,145
Net cash used in investing activities	(1,396)	(568)	(887)	(1,055)
Net cash (used in)/generated from financing activities	(6,390)	6,255	(1,726)	(8,881)
Net increase/(decrease) in cash and cash equivalents	958	4,542	(2,189)	(5,791)

(b) Sundust (Hong Kong) Company Limited (泓利(香港)有限公司) (a shareholder of the Target Company which owns as to 66.65% of the total issued share capital prior to the Completion of the Acquisition)

	At 31 December			At 31 October
	2019	**2020**	**2021**	**2022**
Principal place of business/country of incorporation		HK/HK		
% of ownership interests/voting rights held by NCI	15.86%/ 15.86%	15.86%/ 15.86%	15.86%/ 15.86%	15.86%/ 15.86%
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December/31 October				
Non-current assets	335	212	111	32
Current assets	9,916	8,529	8,479	8,834
Current liabilities	(9)	(13)	(844)	(223)
Net assets	10,242	8,728	7,746	8,643
Accumulated NCI	1,624	1,384	1,228	1,370
Year ended 31 December/period ended 31 October:				
Revenue	13,525	3,233	7,440	4,610
Loss	(149)	(916)	(750)	(170)
Total comprehensive income	76	(1,514)	(982)	897
Loss allocated to NCI	12	(240)	(156)	142
Net cash (used in)/generated from operating activities	(4,438)	3,525	1,205	(1,809)
Net (decrease)/increase in cash and cash equivalents	(4,438)	3,525	1,205	(1,809)

31. RESERVES MOVEMENT OF THE TARGET COMPANY

	Exchange reserves *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2019	(2,110)	(63,466)	(65,576)
Total comprehensive income and changes in equity for the year	(1,284)	(5,340)	(6,624)
At 31 December 2019 and 1 January 2020	(3,394)	(68,806)	(72,220)
Total comprehensive income and changes in equity for the year	3,947	(4,236)	(289)
At 31 December 2020 and 1 January 2021	553	(73,042)	(72,489)
Total comprehensive income and changes in equity for the year	1,566	(3,630)	(2,064)
At 31 December 2021 and 1 January 2022	2,119	(76,672)	(74,553)
Total comprehensive income and changes in equity for the period	(8,427)	(2,046)	(10,473)
At 31 October 2022	(6,308)	(78,718)	(85,026)
At 1 January 2021	553	(73,042)	(72,489)
Total comprehensive income and changes in equity for the period (unaudited)	3,822	(3,242)	580
At 31 October 2021 (unaudited)	4,375	(76,284)	(71,909)

32. CONTINGENT LIABILITIES

At 31 December 2019, 2020 and 2021 and 31 October 2022, the Target Group did not have any contingent liabilities.

33. RELATED PARTY TRANSACTIONS

Other than those balances or transactions of related party disclosed elsewhere in the Historical Financial Information, the Target Group had the following material transactions with its related parties during the Track Record Period.

(a) Transactions with related party

Related party relationship	Nature of transactions	Year ended 31 December 2019 RMB'000	2020 RMB'000	2021 RMB'000	Ten months ended 31 October 2021 RMB'000 (Unaudited)	2022 RMB'000
Related Companies	Sales of goods	5,610	9,067	9,120	6,834	3,886
A fellow subsidiary	Sales of goods	565	231	208	166	67
Ultimate holding Company	Sales of goods	12,496	3,732	7,767	6,708	4,872
Ultimate holding Company	Interest expense paid	1,003	1,569	1,677	1,636	663
Ultimate holding Company	Management fee paid	127	128	98	96	66
A director	Interest expense paid	97	72	43	42	–

The non-controlling shareholders are the beneficial owners of the related companies.

(b) Guarantee

As at 31 December 2019, 2020 and 2021 and 31 October 2022, Mr. Ma Chun Hing, Mr. Lim Fung Yiu, Mr. Cheng Guo Qing and Mr. Li Dao Yong had provided personal guarantees and Sundust Company Limited also provided corporate guarantee in favour of banking facilities granted to the Target Group. The properties of Sundust Company Limited pledged as security for the Target Group's bank borrowings.

Details of which are set out in note 25 to the Historical Financial Information.

(c) Key management compensation

Key management mainly represents the Target Company's directors. Their remunerations have been disclosed in note 14(a) to the Historical Financial Information.

34. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

The table below details changes in the Target Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Target Group's consolidated statements of cash flows as cash flows from financing activities.

	Bank loan and trust receipt	Amount due to ultimate holding company	Amount due to a director	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	71,580	22,552	1,735	–	95,867
Cash flows	(17,020)	(1,653)	(519)	–	(19,192)
Interest expenses	4,306	1,003	97	–	5,406
Exchange realignment	767	492	31	–	1,290
At 31 December 2019 and 1 January 2020	59,633	22,394	1,344	–	83,371
Cash flows	2,308	4,656	(499)	–	6,465
Interest expenses	3,622	1,569	72	–	5,263
Exchange realignment	(1,990)	(1,771)	(61)	–	(3,822)
At 31 December 2020 and 1 January 2021	63,573	26,848	856	–	91,277
Additions	–	–	–	883	883
Cash flows	(3,332)	2,450	–	(177)	(1,059)
Interest expenses	2,608	1,677	43	21	4,349
Exchange realignment	(987)	(627)	(23)	–	(1,637)
At 31 December 2021 and 1 January 2022	61,862	30,348	876	727	93,813
Additions	–	–	–	141	141
Cash flows	(11,388)	1,443	(936)	(297)	(11,178)
Interest expenses	2,211	663	–	29	2,903
Exchange realignment	4,906	4,285	60	–	9,251
At 31 October 2022	57,591	36,739	–	600	94,930
At 1 January 2021	63,573	26,848	856	–	91,277
Cash flows (unaudited)	(5,677)	–	–	–	(5,677)
Interest expenses (unaudited)	2,129	1,636	42	–	3,807
Exchange realignment (unaudited)	(1,979)	(1,725)	(55)	–	(3,759)
At 31 October 2021 (unaudited)	58,046	26,759	843	–	85,648

35. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company or any of its subsidiaries in respect of any period subsequent to 31 October 2022.

The following is the text of a report, set out on pages III-1 to III-15, received from the Company's independent reporting accountants, McMillan Woods (Hong Kong) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative unaudited pro forma financial information of the Enlarged Group (the ''Unaudited Pro Forma Financial Information''), which has been prepared on the basis of the notes set forth below for the purpose of illustrating the effects of the acquisition of the 80.95% issued share in Leader Elastic Limited (the ''Target Company'') (the ''Acquisition'').

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2021 has been prepared based on the audited consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Moody Technology Holdings Limited (the ''Company'') and its subsidiaries (collectively referred to as the ''Group'') for the year ended 31 December 2021 as extracted from the annual report of the Group for the year ended 31 December 2021 and the audited consolidated statement of profit and loss and other comprehensive income and consolidated statement of cash flows of Target Company and its subsidiaries (collectively referred to as the ''Target Group'') for the year ended 31 December 2021 extracted from the Accountants' Report in Appendix II to this Circular as if the Acquisition had been completed on 1 January 2021 after giving effect to the unaudited pro forma adjustments as described in the accompanying notes.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2022 has been prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022 as extracted from the interim report of the Group for the six months ended 30 June 2022 and the audited consolidated statement of financial position of the Target Group as at 31 October 2022 extracted from the Accountants' Report in Appendix II to this Circular as if the Acquisition had been completed on 30 June 2022 after giving effect to the unaudited pro forma adjustments as described in the accompanying notes.

The Unaudited Pro Forma Financial Information has been prepared using the accounting policies materially consistent with those of the Group and has been prepared by the directors of the Company for illustrative purposes only, based on their judgements, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the actual financial position, results of operation or cash flows of the Enlarged Group that would have been attained had the Acquisition actually occurred on the dates indicated herein. Furthermore, the Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to predict the Enlarged Group's future financial position, results of operation or cash flows.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group as set out in Appendix I of the Circular and the financial information of the Target Group as set out in Appendix II of the Circular and other financial information included elsewhere in the Circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE ENLARGED GROUP

	The Group for the year ended 31 December 2021	**The Target Group for the year ended 31 December 2021**	**Pro forma adjustments**		**Enlarged Group for the year ended 31 December 2021**
	RMB'000	*RMB'000*	*RMB'000*	*Notes*	*RMB'000*
	(Audited)	(Audited)	(Unaudited)		(Unaudited)
	(Note 1)	*(Note 2)*			
Revenue	155,541	61,139			216,680
Cost of sales	(151,914)	(46,441)			(198,355)
Gross profit	3,627	14,698			18,325
Other income	21,078	682			21,760
Gain on bargain purchase	–	–	4,800	*5(d)*	4,800
Impairment losses for trade and other receivables	(20,090)	(104)			(20,194)
Selling and distribution costs	(3,023)	(2,077)			(5,100)
General and administrative expenses	(33,836)	(11,855)	(1,242)	*5(e)*	(46,933)
(Loss)/profit from operations	(32,244)	1,344			(27,342)
Finance costs	(68,284)	(4,554)			(72,838)
Loss before tax	(100,528)	(3,210)			(100,180)
Income tax expense	–	–			–
Loss and total comprehensive income for the year attributable to the owners of the Company	(100,528)	(3,210)			(100,180)

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

	The Group as at 30 June 2022 *RMB'000* (Audited) *(Note 3)*	The Target Group as at 31 October 2022 *RMB'000* (Audited) *(Note 4)*	Pro forma adjustments *RMB'000* (Unaudited)	*Notes*	The Enlarged group as at 30 June 2022 *RMB'000* (Unaudited)
Non-current assets					
Property, plant and equipment	179,316	20,781	5,462	*5(b)*	205,559
Right-of-use assets	16,423	8,904	2,346	*5(b)*	27,673
Investment in an associate	–	–			–
	195,739	29,685			233,232
Current assets					
Inventories	1,590	47,588			49,178
Trade and other receivables	24,285	10,755			35,040
Bank and cash balances	692	25,820	(19,517)	*5(a)*	5,753
			(1,242)	*5(e)*	
	26,567	84,163			89,971
Current liabilities					
Trade and other payables	279,154	9,635			288,789
Amount due to ultimate holding company	–	36,739	(33,124)	*5(f)*	–
			(3,615)	*5(g)*	
Amounts due to non-controlling shareholders	–	–	3,615	*5(g)*	3,615
Tax payables	639	209			848
Borrowings	848,217	62,743			910,960
Lease liabilities	299	329			628
	1,128,309	109,655			1,204,840
Net current liabilities	(1,101,742)	(25,492)			(1,114,869)
Total assets less current liabilities	(906,003)	4,193			(881,637)
Non-current liabilities					
Borrowings	177,240	–			177,240
Lease liabilities	151	271			422
Deferred income	12,629	–			12,629
Deferred tax liabilities	–	–	1,952	*5(b)*	1,952
	190,020	271			192,243
Net (liabilities)/assets	(1,096,023)	3,922			(1,073,880)

	The Group As at 30 June 2022	The Target Group as at 31 October 2022	Pro forma adjustments		Enlarged Group as at 30 June 2022
	RMB'000	*RMB'000*	*RMB'000*	*Notes*	*RMB'000*
	(Audited)	(Audited)	(Unaudited)		(Unaudited)
	(Note 3)	*(Note 4)*			
Equity					
Share capital	5,323	51,355	(51,355)	*5(h)*	5,323
Reserves	(1,101,346)	(57,147)	57,147	*5(h)*	(1,097,788)
			4,800	*5(d)*	
			(1,242)	*5(e)*	
	(1,096,023)	(5,792)			(1,092,465)
Non-controlling interest	–	9,714	(9,714)	*5(h)*	18,585
			18,585	*5(c)*	
(Capital deficiency)/total equity	(1,096,023)	3,922			(1,073,880)

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP

	The Group for the year ended 31 December 2021	**The Target Group for the year ended 31 December 2021**	**Pro forma adjustments**		**Enlarged Group for the year ended 31 December 2021**
	RMB'000	*RMB'000*	*RMB'000*	*Notes*	*RMB'000*
	(Audited)	(Audited)	(Unaudited)		(Unaudited)
	(Note 1)	*(Note 2)*			
Cash flows from operating activities					
Loss before tax	(100,528)	(3,210)	4,800	*5(d)*	(100,180)
			(1,242)	*5(e)*	
Adjustments for:					
Amortisation of deferred income	(312)	–			(312)
Depreciation of property, plant and equipment	21,572	2,674			24,246
Depreciation of right-of-use assets	406	461			867
Finance costs	68,284	4,554			72,838
Gain on bargain purchase	–	–	(4,800)	*5(d)*	(4,800)
Reversal of impairment losses of property, plant and equipment	(2,888)	–			(2,888)
Impairment losses of right-of-use assets	568	–			568
Impairment losses of trade receivables	4,996	17			5,013
Impairment losses of other receivables	15,094	87			15,181
Impairment losses of prepayments	2,106	–			2,106
Interest income	(4)	(47)			(51)
Loss on disposals of property, plant and equipment and right-of-use assets	–	4			4
Write off of property, plant and equipment	1,443	–			1,443
Write off of inventories	1,160	–			1,160
Net foreign exchange gains	(21,549)	–			(21,549)
Operating (loss)/profit before working capital changes	(9,652)	4,540			(6,354)
Decrease/(increase) in inventories	427	(1,430)			(1,003)
Decrease/(increase) in trade and other receivables	6,887	(1,356)			5,531
Increase in trade and other payables	2,021	(23)			1,998
Net cash (used in)/generated from operating activities	(317)	1,731			172

	The Group for the year ended 31 December 2021	The Target Group for the year ended 31 December 2021	Pro forma adjustments	Notes	Enlarged Group for the year ended 31 December 2021
	RMB'000	*RMB'000*	*RMB'000*	*Notes*	*RMB'000*
	(Audited)	(Audited)	(Unaudited)		(Unaudited)
	(Note 1)	*(Note 2)*			
Cash flow from investing activities					
Purchases of items of property, plant and equipment	–	(991)			(991)
Net proceeds from disposals of property, plant and equipment and right-of-use assets	–	4			4
Interest received	4	47			51
Acquisition of subsidiaries	–	–	(19,517)	*5(a)*	(19,517)
Net cash generated from/(used in) investing activities	4	(940)			(20,453)
Cash flow from financing activities					
Borrowings raised	–	78,085			78,085
Repayment of borrowings	(12,885)	(78,809)			(91,694)
Principal element of lease payments	(144)	(156)			(300)
Interest paid	(12)	(2,834)			(2,846)
Amount due to ultimate holding Company	–	2,450			2,450
Proceeds from issue of shares	12,359	–			12,359
Share issue expenses	(341)	–			(341)
Net cash used in financing activities	(1,023)	(1,264)			(2,287)
Net decrease in cash and cash equivalents	(1,336)	(473)			(22,568)
Cash and cash equivalents at 1 January	3,571	23,949			27,520
Effect of change in foreign exchange rate	–	(326)			(326)
Cash and cash equivalents at 31 December	2,235	23,150			4,626
Analysis of cash and cash equivalents					
Cash and bank balances	2,235	27,149	(19,517)	*5(a)*	8,625
			(1,242)	*5(e)*	
Bank overdraft	–	(3,999)			(3,999)
	2,235	23,150			4,626

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group:

1. The audited consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 December 2021 are extracted from the annual report of the Group for the year ended 31 December 2021.

2. The audited consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Target Group for the year ended 31 December 2021 are extracted from the Accountants' Report in Appendix II to the Circular.

3. The unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022 is extracted from the interim report of the Group for the six months ended 30 June 2022.

4. The audited consolidated statement of financial position of the Target Group as at 31 October 2022 is extracted from the Accountants' Report in Appendix II to the Circular.

5. Pursuant to the agreement entered by the Company and the Vendors of the Target Company, the Company will acquire the 80.95% issued share capital of the Target Company at the total consideration of HK$21,000,000. Upon completion of the Acquisition, the identifiable assets and liabilities of the Target Group will be accounted for in the consolidated statement of assets and liabilities of the Enlarged Group at their fair value under the acquisition method in accordance with International Financial Reporting Standard 3 "Business Combinations" ("**IFRS 3**") issued by the International Accounting Standards Board.

   For the purpose of the Unaudited Pro Forma Financial Information, the acquisition-date fair value of the identifiable assets acquired and liabilities assumed was determined with reference to purchases price allocation valuation of the Target Group as at 31 October 2022 carried out by Peak Vision Appraisals Limited ("**Peak Vision**"), an independent company of professional valuers appointed by the Company.

   The amounts of fair values of the identified assets and liabilities of the Target Group are subject to change upon the completion of the valuation of the fair values of the identified assets and liabilities of the Target Group on the date of completion of the Acquisition. In this context, the fair value of identified assets and liabilities and gain on bargain purchase could be different with those estimated amounts used in the preparation of the Unaudited Pro Forma Financial Information.

The adjustments are calculated as follows:

	Note	*RMB'000*	*RMB'000*
Consideration	(a)		19,517
Less: Fair value of identifiable net assets acquired			
Carrying amounts of net assets of the Target Group		3,922	
Amount due to ultimate holding Company	(f)	33,124	
Fair value adjustment on property, plant and equipment	(b)	5,462	
Fair value adjustment on right-of-use assets	(b)	2,346	
Deferred tax liabilities arising from the fair value adjustments	(b)	(1,952)	
Total fair value of identifiable net assets		42,902	
Non-controlling interests ("**NCI**")	(c)	(18,585)	24,317
Gain on bargain purchase	(d)		4,800

(a) Consideration

Pursuant to the terms of the Sales and Purchase Agreement (the "**Agreement**"), the total consideration for the acquisition of 80.95% equity interest in the Target Group is approximately RMB19,517,000.

For the purpose of the Unaudited Pro Forma Financial Information, Consideration for the Acquisition is assumed to as follow:

Consideration at HKD	(i)	HK$21,000,000
Exchange rate as of 31 October 2022	(ii)	0.9294
Consideration at RMB	(iii)=(i)x(ii)	RMB19,517,000

(b) Pro forma fair value adjustments

The fair values of property, plant and equipment and right-of-use assets are approximately RMB26,243,000 and RMB11,250,000 respectively. The adjustments represent the fair value adjustments on property, plant and equipment and right-of-use assets of approximately RMB5,462,000 and RMB2,346,000 and corresponding deferred tax liabilities arising from the fair value adjustments of approximately RMB1,952,000.

The fair values of right-of-use assets and the buildings under property, plant and equipment are determined by Peak Vision by using Direct Comparison method under market approach which involves observable and unobservable inputs, including market unit price, estimated useful life and gross area under level 3 fair value measurement.

The fair value of remaining property, plant and equipment is also determined by Peak Vision by using Depreciated Replacement Cost Method under cost approach which involves observable and unobservable inputs, including replacement cost, estimated useful life and residual value, under level 3 fair value measurement.

After the completion of the Acquisition, the directors of the Company will assess whether any impairment indicators in relation to property, plant and equipment and right-of-use assets of the Group exist at the end of each subsequent reporting period and if necessary, carry out an impairment test. They will also ascertain whether the consolidated financial statements of the Group comply with all applicable disclosure requirements in respect of impairment losses, if any.

Since the fair values of the identifiable property, plant and equipment and right-of-use assets of the Target Group at the date of completion of the Acquisition may be substantially different from the value used in the Unaudited Pro Forma Financial Information, the property, plant and equipment and right-of-use assets recognised at the completion date of the Acquisition may be different from the amount presented above.

(c) NCI

NCI of approximately RMB18,585,000 is calculated at the non-controlling shareholders' proportionate share of the fair value of Target Group's identifiable assets and liabilities.

For the purpose of the Unaudited Pro Forma Financial Information, the NCI is calculated as follows:

	Carrying amount/ fair value	% shared by NCI	Shared by NCI
	RMB'000	*%*	*RMB'000*
Net liabilities of the Target Company	(71,316)	19.05	(13,586)
Net assets of the subsidiaries of the Target Company (note)	75,238	31.89	23,993
Carrying amounts of the net assets of the Target Group	3,922		10,407
Amount due to ultimate holding Company	33,124	19.05	6,310
Fair value adjustment on property, plant and equipment	5,462	31.89	1,742
Fair value adjustment on right-of-use assets	2,346	31.89	748
Deferred tax liabilities arising from the fair value adjustments	(1,952)	31.89	(622)
Total fair value of identifiable net assets	42,902		18,585

Note:

The % of equity interest the subsidiaries of the Target Company held by NCI after the Acquisition is calculated as follows:

% of equity interests of the subsidiaries of the Target Company held by the Target Company before the Acquisition (set out in note 29 of the Accountants Report of the Target Group in Appendix II to the Circular)	(i)	84.14%
% of equity interest of the Target Company to be acquired by the Group	(ii)	80.95%
% of equity interest of the subsidiaries of the Target Company held by the Group after the Acquisition	(iii)=(i)x(ii)	68.11%
% of equity interest of the subsidiaries of the Target Company held by NCI after the Acquisition	100% – (iii)	31.89%

(d) Gain on bargain purchase

The adjustment represents the recognition of gain on bargain purchase as a result of the Acquisition as if the Acquisition had taken place on 1 January 2021. Since the fair value of the identifiable assets and liabilities of the Target Group at the date of completion of the Acquisition may be substantially different from the value used in the Unaudited Pro Forma Financial Information, the gain on bargain purchase recognised at the completion date of the Acquisition may be different from the amount presented above.

(e) Transaction costs

The adjustment represents the estimated acquisition-related transaction costs of approximately RMB1,242,000, including but not limited to legal and professional fees, directly attributable to the Acquisition.

(f) Shareholder's loan

According to the sales and purchases agreement dated 14 October 2022 for the Acquisition, the amount owed by the Target Company to the shareholder in aggregate of approximately RMB33,124,000 (equivalent to approximately HK$38,800,000) will be assigned to the Group. For the purpose of preparing the pro forma consolidated statement of financial position, it is assumed the Acquisition is completed on 30 June 2022.

(g) Reclassification

The adjustment represents the reclassification of amount due to ultimate holding company by the Target Group to the amounts due to non-controlling shareholders of the Enlarged Group.

(h) Elimination

The adjustment represents the elimination of the share capital, reserves and NCI of the Target Group as if the Acquisition had taken place on 30 June 2022.

(i) The above adjustments do not have continuing effect.

6. No other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group and the Target Group entered into subsequent to 30 June 2022.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report from the reporting accountants, McMillan Woods (Hong Kong) CPA Limited, Certified Public Accountants, Hong Kong, in respect of the Enlarged Group's pro forma financial information for the purpose of inclusion in this circular.

McMillanWoods
Professionalism at the forefront

24/F., Siu On Centre
188 Lockhart Road
Wan Chai, Hong Kong

3 April 2023

To the Directors of Moody Technology Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Moody Technology Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), and Leader Elastic Limited (the "**Target Company**") and it subsidiaries (collectively the "**Target Group**") (collectively the "**Enlarged Group**") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2022, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2021 and related notes as set out in section A of Appendix III of the circular issued by the Company dated 3 April 2023 (the "**Circular**") in connection with the proposed acquisition of the 80.95% equity interest in the Target Company. The applicable criteria on the basis of which the directors have compiled the unaudited pro forma financial information are described in Section A of Appendix III of the Circular.

The unaudited pro forma financial information has been compiled by the directors to illustrate the impact of the proposed acquisition of 80.95% issued share in the Target Company on the Group's financial position as at 30 June 2022 and on the Group's financial performance and cash flows for the year ended 31 December 2021 as if the transaction had been taken place at 30 June 2022 and 1 January 2021 respectively. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's condensed consolidated financial statements as included in the interim report for the six months ended 30 June 2022, on which a review report has been published and information about the Group's financial performance and cash flows has been extracted by the directors from the Group's consolidated financial statements as included in the annual report for the year ended 31 December 2021, on which an auditor's report has been published.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management (HKSQM) 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements", which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of the unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 1 January 2021 and 30 June 2022 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants

Hong Kong, 3 April 2023

*The following is the management discussion and analysis on the Target Group for the years ended 31 December 2019, 31 December 2020 and 31 December 2021 and the ten months ended 31 October 2022 (the "**Relevant Periods**"). The following discussion and analysis should be read in conjunction with Appendix II – Financial information of Target Group in this circular.*

BUSINESS REVIEW

The Target Company was incorporated on 16 December 2002 in Hong Kong with limited liability. Zhuhai Sundust was established on 15 January 2015 in Zhuhai, PRC, which is held as to 84.14% by the Target Company. Sundust (Hong Kong) Company Limited ("**Sundust HK**") was established on 25 June 2012 in Hong Kong with limited liability, which is held as to 100% by Zhuhai Sundust. During the Relevant Periods, the Target Company was engaged in business as trading of elastic webbings, Zhuhai Sundust was engaged in business as manufacturer of elastic webbings in the PRC and Sundust HK was engaged in trading of elastic webbings.

Revenue

The Target Group's revenue mainly derives from manufacturing and sales of elastic webbings used for underwear and bras.

Revenue decreased by approximately 15.0% from approximately RMB70.9 million for the year ended 31 December 2019 to approximately RMB60.3 million for the year ended 31 December 2020, which was primarily because of the outbreak of COVID-19 pandemics that both the Target Group and its customers halted their operations under the lock down measures during the year.

Revenue increased by approximately 1.3% from approximately RMB60.3 million for the year ended 31 December 2020 to approximately RMB61.1 million for the year ended 31 December 2021, which was primarily due to a slight resumption from the outbreak of COVID-19 pandemics in early last year and the Target Group maintained a stable sales to it customers in the current year.

Revenue decreased by approximately 21.5% from approximately RMB52.3 million for the ten months ended 31 October 2021 to approximately RMB41.1 million for the ten months ended 31 October 2022, which was primarily due to the continuous COVID-19 pandemics in the PRC and the lock down measures in the PRC decreased the sales demand from the customers mainly from the PRC during the current period.

Cost of sales

The Target Group's cost of sales primarily includes the purchase of raw materials and the manufacturing costs of the elastic webbings.

Cost of sales decreased by approximately 13.2% from approximately RMB50.6 million for the year ended 31 December 2019 to approximately RMB43.9 million for the year ended 31 December 2020, which was in line with the decrease in revenue primarily because of the outbreak of COVID-19 pandemics that both the Target Group and its customers halted their operations under the lock down measures during the year.

Cost of sales increased by approximately 5.7% from approximately RMB43.9 million for the year ended 31 December 2020 to approximately RMB46.4 million for the year ended 31 December 2021, which was in line with the increase in revenue primarily due to a slight resumption from the outbreak of COVID-19 pandemics in early last year.

Cost of sales decreased by approximately 24.0% from approximately RMB39.4 million for the ten months ended 31 October 2021 to approximately RMB29.9 million for the ten months ended 31 October 2022, which was in line with the decrease in revenue primarily due to the continuous COVID-19 pandemics in the PRC and the lock down measures in the PRC decreased the sales demand from the customers mainly from the PRC during the current period.

Gross Profit and Gross Profit Margin

Gross profit decreased by approximately 19.4% from approximately RMB20.3 million for the year ended 31 December 2019 to approximately RMB16.4 million for the year ended 31 December 2020, which was in line with a decrease in revenue. The gross profit margin decreased from approximately 28.7% for the year ended 31 December 2019 to approximately 27.2% for the year ended 31 December 2020 was primarily due to an increase of market price of petroleum during the year and resulted in an increase of cost of raw materials, which are mainly extracted from petroleum.

Gross profit decreased by approximately 10.3% from approximately RMB16.4 million for the year ended 31 December 2020 to approximately RMB14.7 million for the year ended 31 December 2021. The gross profit margin decreased from approximately 27.2% for the year ended 31 December 2020 to approximately 24.0% for the year ended 31 December 2021 was primarily due to an increase in market price of petroleum during the year and resulted in an increase of cost of raw materials, which are mainly extracted from petroleum.

Gross profit decreased by approximately 13.7% from approximately RMB12.9 million for the ten months ended 31 October 2021 to approximately RMB11.1 million for the ten months ended 31 October 2022, which was in line with a decrease in revenue. The gross profit margin increased from approximately 24.7% for the ten months ended 31 October 2021 to approximately 27.2% for the ten months ended 31 October 2022 which was mainly due to a decrease in the market prices of raw materials for the period.

Other income

The Target Group's other income mainly comprised of government subsidies, bank interest income and net exchange gains.

Other income increased by approximately 271.4% from approximately RMB0.4 million for the year ended 31 December 2019 to approximately RMB1.6 million for the year ended 31 December 2020, which was mainly because the government subsidy increased from approximately RMB0.1 million for the year ended 31 December 2019 to approximately RMB1.4 million for the year ended 31 December 2020.

Other income decreased by approximately 58.0% from approximately RMB1.6 million for the year ended 31 December 2020 to approximately RMB0.7 million for the year ended 31 December 2021, which was mainly because the government subsidy decreased from approximately RMB1.4 million for the year ended 31 December 2020 to approximately RMB0.5 million for the year ended 31 December 2021.

Other income increased by approximately 36.5% from approximately RMB0.5 million for the ten months ended 31 October 2021 to approximately RMB0.7 million for the ten months ended 31 October 2022, which was mainly because of an increase in bank interest income and other income as compared with the corresponding period.

Selling and distribution expenses

The Target Group's selling and distribution expenses mainly comprised of staff salaries, packing fees and transportation fees.

Selling and distribution expenses decreased by approximately 25.4% from approximately RMB5.1 million for the year ended 31 December 2019 to approximately RMB3.8 million for the year ended 31 December 2020, which was mainly attributable to decrease in salaries due to a decrease in average number of sales staff (2019: 26; 2020: 22). In addition packing fees and transportation fees included in selling and distribution expenses in previous years were reclassified to cost of sales in response to the accounting standards of the PRC for the year ended 31 December 2020.

Selling and distribution expenses decreased by approximately 45.6% from approximately RMB3.8 million for the year ended 31 December 2020 to approximately RMB2.1 million for the year ended 31 December 2021, which was mainly attributable to decrease in salaries due to a decrease in average number of sales staff (2020: 22, 2021: 18).

Selling and distribution expenses decreased by approximately 12.4% from approximately RMB1.8 million for the ten months ended 31 October 2021 to approximately RMB1.6 million for the ten months ended 31 October 2022, which was in line with a decrease in sales during the period.

Administrative and other expenses

The Target Group's administrative and other expenses mainly comprised of staff salaries and other benefits of the administrative staff, research and development expenses, office-related expenses, depreciation of property, plant and equipment and legal and professional fees, etc.

Administrative and other expenses decreased by approximately 18.0% from approximately RMB15.2 million for the year ended 31 December 2019 to approximately RMB12.4 million for the year ended 31 December 2020, which was mainly attributable to the decrease in salaries and benefits to administrative staff and office-related expenses due to the impact of the COVID-19 epidemics.

Administrative and other expenses decreased by approximately 4.6% from approximately RMB12.4 million for the year ended 31 December 2020 to approximately RMB11.9 million for the year ended 31 December 2021, which was mainly attributable to the decrease in salaries and benefits to administrative staff and office-related expenses due to the impact of the COVID-19 epidemics.

Administrative and other expenses increased by approximately 23.9% from approximately RMB10.1 million for the ten months ended 31 October 2021 to approximately RMB7.7 million for the ten months ended 31 October 2022, which was mainly attributable to the control of the administrative expenses in line with the decrease in revenue during the period.

Finance costs

The Target Group's finance costs mainly comprised of interest expenses on bank borrowing, bank overdrafts, trust receipt, loans from a director and loans from the ultimate holding company of the Target Group.

Finance costs decreased by approximately 1.4% from approximately RMB5.7 million for the year ended 31 December 2019 to approximately RMB5.6 million for the year ended 31 December 2020, which was mainly attributable to the decrease in interest expenses on bank borrowing and trust receipts.

Finance costs decreased by approximately 18.8% from approximately RMB5.6 million for the year ended 31 December 2020 to approximately RMB4.6 million for the year ended 31 December 2021, which was mainly attributable to the decrease in interest expenses on bank borrowing and trust receipts.

Finance costs decreased by approximately 19.4% from approximately RMB4.0 million for the ten months ended 31 October 2021 to approximately RMB3.2 million for the ten months ended 31 October 2022, which was mainly attributable to the decrease in interest expenses paid to ultimate holding company.

Loss and total comprehensive expenses for the year

As a result of the above factors, the Target Group's total comprehensive expenses attributable to the owners decreased by approximately 92.3% from approximately RMB6.4 million for the year ended 31 December 2019 to approximately RMB0.5 million for the year ended 31 December 2020.

The Target Group's total comprehensive expenses attributable to the owners increased by approximately 286.1% from approximately RMB0.5 million for the year ended 31 December 2020 to approximately RMB1.9 million for the year ended 31 December 2021.

The Target Group's total comprehensive income attributable to the owners of approximately RMB1.0 million for the ten months ended 31 October 2021 changed to total comprehensive loss attributable to the owners of approximately RMB8.2 million for the ten months ended 31 October 2022.

Liquidity, Financial Resources and Capital Structure

During the Relevant Periods, the Target Group maintains operations by obtaining funds required for business development by way of funds from its own operations and bank borrowings. The bank borrowings comprise of bank loans, bank overdrafts and trust receipts. As at 31 October 2022, the bank borrowings of the Target Group of approximately RMB62.7 million are repayable within one year or on demand. The net cash generated from operating activities were approximately RMB3.4 million, RMB2.0 million, RMB1.7 million and RMB8.7 for the years ended 31 December 2019, 2020 and 2021 and the ten months ended 31 October 2022, respectively.

As at 31 December 2019, 31 December 2020, 31 December 2021 and 31 October 2022, the total assets of the Target Group were approximately RMB112.9 million, RMB115.9 million, RMB115.8 million and RMB113.8 million, respectively, which mainly comprised of property, plant and equipment, rights-of-use assets, inventories and trade receivables from the customers.

As at 31 December 2019, 31 December 2020, 31 December 2021 and 31 October 2022, the total liabilities of the Target Group were approximately RMB98.7 million, RMB102.2 million, RMB104.1 million and RMB109.9 million, respectively, which mainly comprised of trade and other payables, amount due to the ultimate holding company and bank borrowings.

Cash and bank balances

As at 31 December 2019, 31 December 2020, 31 December 2021 and 31 October 2022, the cash and bank balances of the Target Group were approximately RMB22.0 million, RMB28.5 million, RMB27.1 million and RMB25.8 million, respectively. The cash and bank balances are denominated in RMB, HKD and USD.

Borrowings

As at 31 December 2019, 31 December 2020, 31 December 2021 and 31 October 2022, the bank borrowings of the Target Group were approximately RMB64.9 million, RMB68.2 million, RMB65.9 million and RMB62.7 million, respectively and were at floating rates from 3.07% to 7.44%, and secured by personal guarantee of the directors of Zhuhai Sundust, 22,500,000 ordinary shares of Zhuhai Sundust, property, plant and equipment and right-of-use assets of Zhuhai Sundust and properties provided by ultimate holding company of the Target Group.

Gearing ratio, current ratio and quick ratio

As at 31 December 2019, 31 December 2020, 31 December 2021 and 31 October 2022, gearing ratio was 542.1%, 541.6%, 656.3% and 2,144.5%, respectively. Gearing ratio is calculated as net debts, i.e. total liabilities net of cash and bank balances, divided by total equity.

As at 31 December 2019, 31 December 2020, 31 December 2021 and 31 October 2022, current ratio was 78.7%, 81.5%, 81.6% and 76.8%, respectively. Current ratio is calculated as current assets divided by current liabilities.

As at 31 December 2019, 31 December 2020, 31 December 2021 and 31 October 2022, quick ratio was 39.5%, 40.6%, 39.9% and 33.4%, respectively. Quick ratio is calculated as current assets minus inventories divided by current liabilities.

Currency and Exchange Rate Risks

The Target Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Target Group entities. The PRC government imposes control on the convertibility of RMB into foreign currencies, especially when remitting RMB from the PRC. The shortage of foreign currency supply may restrict the ability of subsidiaries of the Target Group to remit sufficient foreign currencies to the Target Group for the payment of dividends and other purposes. Target Group's overseas sales revenue from elastic webbings accounts for a small proportion of its revenue, and hence the risk of exchange rate losses is low.

As at the Latest Practicable Date, the Target Group did not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Target Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

FUTURE PLANS

The Target Group has its buildings of approximately 10,000 square meters on its land (the "**Land**") with an area of approximately 26,600 square meters. Based on the estimation of the management of the Target Group, the buildings can be further developed for approximately 70,000 square meters on the Land. The management of the Target Group intends to build a new phase of the production line and purchase new machinery in the coming two years in order to enhance the production capacity and hence the revenue stream of the Target Group. Relevant permits and approvals from the regulatory authorities, such as Ministry of Land and Resources and Ministry of Environmental Protection of the PRC, are required to be sought for the above plan.

Future Plans for Material Investment or Capital Assets

During the Relevant Periods, the Target Group did not have any plans for material investment or capital assets.

Material Acquisition or Disposal

During the Relevant Periods, the Target Group did not complete any material acquisition or disposal of subsidiaries, joint ventures or associates.

SEGMENT INFORMATION

As the Target Group is principally engaged in sales of elastic webbing, there is only one business segment of the Target Group.

The revenue of the Target Group for the years ended 31 December 2019, 2020, 2021 and the ten months ended 31 October 2022 of approximately RMB70.9 million, RMB60.3 million, RMB61.1 million and RMB41.1 million respectively, were derived from sales of elastic webbing.

During the Relevant Periods, the major products of the Target Group comprise of woven tapes, jacquard webbing and knitted webbing, etc. which are mainly used for lingerie. There was no material change in products mix during the Relevant Periods.

Information reported to the directors of the Target Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses only on revenue analysis by nature of revenue and geographical location of customers.

During the Relevant Periods, over 90% of the Target Group's non-current assets and revenue are located and generated in the PRC.

Employment and Remuneration Policy

During the years ended 31 December 2019, 31 December 2020, 31 December 2021 and the ten months ended 31 October 2022, the Target Group had average monthly number of employees of 272, 240, 240 and 160, respectively.

The total staff costs of the Target Group for the years ended 31 December 2019, 31 December 2020 and 31 December 2021, and the ten months ended 31 October 2022 were approximately RMB24.0 million, RMB20.0 million, RMB21.2 million and RMB14.5 million, respectively. The Target Group has set up remuneration policies in line with market practices, and provides remuneration and benefits to its employees based on its needs and those of the subsidiaries, as well as the responsibilities and performance of the employees. In accordance with the PRC laws and regulations, the Target Group participates in each employee social security scheme managed by local governments for its employees, including, among others, housing provident fund, pension, medical insurance, maternity insurance, work-related injury insurance and unemployment insurance.

Charge on Assets

As at 31 December 2019, 31 December 2020, 31 December 2021 and 31 October 2022, the Target Group did not have any charge on assets.

Contingent Liabilities

As at 31 December 2019, 31 December 2020, 31 December 2021 and 31 October 2022, the Target Group did not have any material contingent liabilities.

The following is the text of a report, set out on pages V-1 to V-45, received from the Company's independent valuer, Peak Vision Appraisals Limited, for the purpose of incorporation in this circular.

3 April 2023

The Board of Directors
Moody Technology Holdings Limited
20th Floor, Infinitus Plaza
199 Des Voeux Road Central
Sheung Wan
Hong Kong

Our Ref: NK/PV221001R/A

Dear Sirs,

Re: Valuation of 100% equity interest of Leader Elastic Limited

In accordance with your instruction, we have conducted a valuation of the market value of 100% equity interest of Leader Elastic Limited (the "**Business Enterprise**"). It is our understanding that the Business Enterprise together with its subsidiaries (the "**Group**") is principally engaged in the manufacture and sale of elastic webbing in the People's Republic of China (the "**PRC**") and Hong Kong. We confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of 100% equity interest of the Business Enterprise as at 30 September 2022 (the "**Valuation Date**").

This report states the purpose of valuation and basis of value, sources of information, identifies the business valued, describes the methodology of our valuation, investigation and analysis, assumptions and limiting conditions, and presents our opinion of value.

1.0 PURPOSE OF VALUATION

This report is being prepared solely for the use of the directors and management (together, the "**Management**") of Moody Technology Holdings Limited (the "**Company**") for internal reference and incorporation into the circular of the Company. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited. As advised by the Company, the Company intends to acquire 80.95% equity interest of the Business Enterprise.

Peak Vision Appraisals Limited ("**Peak Vision Appraisals**") acknowledges that this report may be used by the Company as one of the sources of information for the proposed acquisition of the Business Enterprise and may also be made available to the auditor of the Company for auditing reference only. The proposed acquisition, if materialised, and the corresponding transaction price would be the result of negotiations between the transacting parties. The Management should be solely responsible for determining the consideration of the proposed acquisition, in which Peak Vision Appraisals is not involved in the negotiation and has no comment on the agreed consideration. Peak Vision Appraisals assumes no responsibility whatsoever to any person other than the Management in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely on their own risk.

2.0 BASIS OF VALUE

Our valuation has been prepared in accordance with the HKIS Valuation Standards 2020 (the "**HKIS Valuation Standards**") published by the Hong Kong Institute of Surveyors and the International Valuation Standards (Effective 31 January 2022) (the "**IVS**") published by the International Valuation Standards Council, where applicable, and with reference to the International Financial Reporting Standards ("**IFRS**") and International Accounting Standards ("**IAS**").

Our valuation of the Business Enterprise is based on the going concern premise and conducted on a market value basis. **Market Value** is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion".

3.0 SOURCES OF INFORMATION

In the course of our valuation, we have had discussion with the Management on the development of the Group and the prospect of the textile industry. We have also relied on the following major documents and information in the valuation analysis. Some of the information and materials have been provided by the Management. Other information is extracted from public sources such as government sources, Refinitiv, Kroll Cost of Capital Navigator, etc.

The major documents and information include the following:

- Business registration details of the Group;
- Company profile of the Group;
- Historical financial statements of the Group;
- Operational information of the Group as discussed with the Management; and
- Industry and economic data.

As agreed with the Company, we have not been required to perform a company visit of the Group due to the outbreak of Coronavirus Disease (COVID-19). However, we consider that we have obtained adequate information from the sources described above to provide a reliable opinion of market value.

4.0 LIMITATIONS AND RELIANCE ON INFORMATION

We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

This report is based upon financial, business and other information provided by the Management. We have made reference to or reviewed the above information and data and assumed such information and data are true and accurate without independent verification except as expressly described herein. We have made reasonable enquiries and exercised our judgment on the reasonable use of such information and found no reason to doubt the accuracy or reliability of the information.

Preparation of this report does not imply that Peak Vision Appraisals has audited in any way the financial information or other records of the Group. It is understood that the financial information provided is prepared in accordance with generally accepted accounting principles and has been prepared in a manner which truly and accurately reflects the financial performances and positions of the Group as at the respective financial statement dates.

5.0 BUSINESS REGISTRATION DETAILS

5.1 Business Enterprise

Leader Elastic Limited (the Business Enterprise) is a private limited liability company incorporated in Hong Kong on 16 December 2002 with CR Number 0825923. The Business Enterprise is an investment holding. As represented by the Management, the Business Enterprise directly owns 84.14% equity interest in 珠海泓利服飾股份有限公司 (the "**Subsidiary I**") and indirectly owns 84.14% equity interest in Sundust (Hong Kong) Company Limited (the "**Subsidiary II").**

5.2 珠海泓利服飾股份有限公司 (Subsidiary I)

珠海泓利服飾股份有限公司 (the Subsidiary I), whose shares are listed on the National Equities Exchange and Quotations in the PRC (stock code: 832674), is a limited liability company established in the PRC on 15 January 2003 with a registered capital of RMB70,000,000. The following table summarizes the business registration details of the Subsidiary I according to National Enterprise Credit Information Publicity System (國家企業信用信息公示系統):

Unified social credit code	:	914404007462767403
Company name	:	珠海泓利服飾股份有限公司 (the Subsidiary I)
Incorporation type	:	(股份有限公司(台港澳與境內合資、未上市)) (Joint-stock limited company (Taiwan, Hong Kong or Macau and domestic joint venture, not listed)
Incorporation date	:	15 January 2003
Operating period	:	From 15 January 2003 to 24 November 2021
Registered capital	:	RMB70,000,000
Registered address	:	中華人民共和國珠海市斗門區珠峰大道南3001號 (No. 3001 South Zhufeng Avenue, Doumen District, Zhuhai City, Guangdong Province, the PRC)
Confined business scope	:	Production and sale of high class fabrics, other fabrics and dyeing and processing of the fabric products (excluding products with quota licenses) (Activities requiring approval by law, require approval from relevant departments before carrying out business activities)

Table 1: Business Registration Details of the Subsidiary I

Source: National Enterprise Credit Information Publicity System

5.3 Sundust (Hong Kong) Company Limited (Subsidiary II)

Sundust (Hong Kong) Company Limited (the Subsidiary II) is a private limited liability company incorporated in Hong Kong on 25 June 2012 with CR Number 1764613. The Subsidiary II is principally engaged in the trading of elastic webbings in Hong Kong.

6.0 BUSINESS OVERVIEW

6.1 Background

The Group is principally engaged in the manufacturing and sale of elastic webbing in the PRC and Hong Kong. As advised by the Management, the types of elastic webbing made by the Group include shoulder straps, side straps, edging straps, knitted straps, jacquard straps, mask ear straps, core-spun yarn, etc. which are generally used as the components of underwear products. Some of the best-selling products of the Group are as follows:

Figure 1: Some of the best-selling products of the Group

Source: Management

The Group had introduced a series of modern management and technology to improve quality of its products. The Group fully implements the Enterprise Resource Planning ("**ERP**") management system and had passed the IS09001 quality management system ("**QMS**"), IS014001 environmental management system, OHSAS18001 occupational health and safety management system and awarded Oeko-Texstandard100 certification, which is a product label that confirms the human-ecological safety of textile products and leather articles from all stages of production.

6.2 Capacity and Output

As advised by the Management, the Group owns an industrial complex (including one self-built factory, two temporary factories, other offices and dormitories) located at 中華人民共和國廣東省珠海市斗門區珠峰大道南3001號with a total site area of approximately 26,666.67 sq.m. The Group also leased an additional factory adjacent to the industrial complex to support its daily operations.

As advised by the Management, as at the Valuation Date, the Group owns 210 weaving machines, 17 dyeing machines, 25 packaging machines and some other wrapping and quality control equipment all well placed in its factories which enable the Group to manufacture approximately 665,000kg of their products during the year ended 31 December 2021. As at the Valuation Date, the Group had employed approximately 160 staff and workers.

In the course of our valuation, we have asked the Management to provide the Real Estate Title Certificates to verify that the land use rights of the industrial complex has a registered site area of approximately 26,666.67 sq.m. We have then requested the Management to provide the fixed assets lists with details including the conditions, descriptions and quantities of the fixed assets. We have also sample selected some manufacturing equipment items from the fixed asset list and asked the Management to provide their recent photos, which we observed to be generally in good condition.

6.3 Business Flow

The manufacturing process of the Group involves preparation of raw material, bonding, weaving, dyeing, quality control, packaging and delivery shown as follows:

Preparation of Raw Material

The Group first orders the raw material including nylon yarns, spandex yarns, silica gel, bleaching and dyeing auxiliaries, etc. from various suppliers in the PRC according to customers' orders and its own inventory level. The Group had set up a dedicated area to receive and store those raw material upon arrival.

Figure 2: Raw materials received and stored in the dedicated area

Source: Management

Bonding

Depending on the properties of the raw material, a single or two nylon filaments and spandex filaments are bonded together to initially form the wrapping threads.

Weaving

Weaving is the process of combining warp and weft components to make a woven structure. During the process, the wrapping threads are put on the shuttle looms to produce the embryonic belts, which are the semi-finished products.

Figure 3: Weaving process

Source: Management

Figure 4: Embryonic belts produced during the weaving process

Source: Management

Dyeing

Dyeing takes place in several steps when processing the textile. It can be done when spinning the synthetic or man-made fibers, as loose natural or regenerated fibers and in the form of yarns or fabrics. During such process, the embryonic belts are placed on the dyeing and finishing machine for drag dyeing, according to the color and fastness required by customers.

Quality Control

Sampling the finished products to analyze whether the elasticity and fastness of the products meet the quality requirements, and to detect defective products.

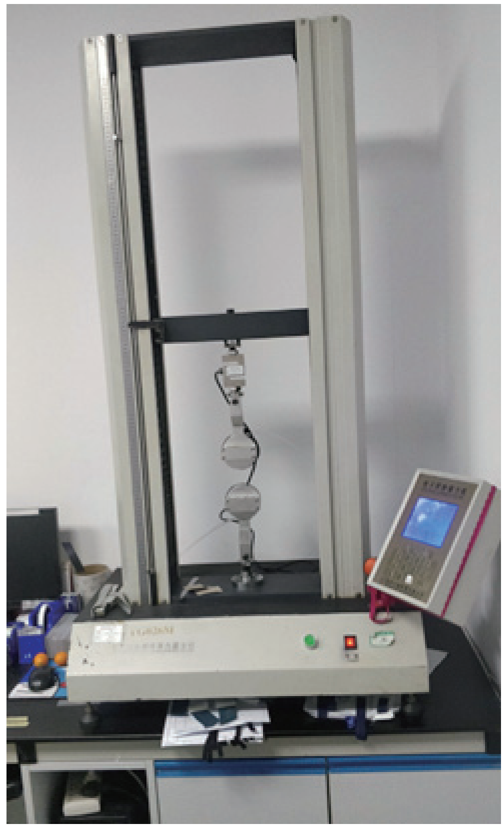

Figure 5: Quality control process

Source: Management

Packaging and Delivery

In the last step of production process, the products are folded, tagged, sized, and packaged according to customers' specifications and delivered to the customers. As advised by the Management, around 80% of the products were sold within the domestic market whereas the remaining 20% of the products were exported to other foreign countries.

6.4 Historical Financial Performance

According to the financial information provided by the Management, the historical financial performance of the Group for the year ended 31 December 2021 and six months ended 30 June 2022 were shown as follows:

(RMB)	**Year ended 31 December 2021**	**Six months ended 30 June 2022**
Revenue	61,139,000	22,784,000
Cost of sales	(46,441,000)	(17,819,000)
Gross profit	14,698,000	4,965,000
Other operating expenses	(13,354,000)	(5,303,000)
Earnings before interest and taxes	**1,344,000**	**(338,000)**

* Figures above are subject to rounding

Table 2: Historical financial performance of the Group

Source: Management

As at 30 June 2022, the Group had a net asset of approximately RMB7,283,000.

7.0 INVESTIGATION AND ANALYSIS

Our investigation included discussion with the Management in relation to the textile industry, and the development, operations and other relevant information of the Group. In addition, we have made relevant inquiries and obtained such further information including financial and business information, and statistical figures from other sources as we consider necessary for the purpose of this valuation. As part of our analysis, we have made reference to the financial information and other pertinent data concerning the Group provided to us by the Management.

The valuation of the Business Enterprise requires consideration of all pertinent factors, which affect the operations of the business and its ability to generate future investment returns. The factors considered in this valuation include the following:

- Nature and operations of the Group;
- Historical information of the Group;
- Financial performance and conditions of the Group;
- Proposed business development of the Group;
- Regulations and rules of the textile industry;
- Economic and industry data affecting the textile industry and other dependent industries;
- Market-derived investment return(s) of similar business; and
- Industry and economic data.

8.0 GENERAL VALUATION APPROACHES AND METHODS

There are three generally accepted approaches to obtain the market value of the Business Enterprise, namely the Market Approach, the Asset Approach and the Income Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the specific characteristics of the subject of the valuation.

8.1 Market Approach

The Market Approach values a business entity by comparison of the prices at which other similar business nature companies or interests changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to pay for an equally desirable alternative. By adopting this approach, we will first look for an indication of value from the prices of other similar companies or equity interest in companies that were sold recently.

The right transactions employed in analyzing for indications of value need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

The derived multiples based on the analysis of those transactions are then applied to the fundamental financial variables of the subject business entity and to arrive an indication of value.

8.2 Asset Approach

The Asset Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital (equity and debt capital). In other words, the value of the business entity is represented by the fund that has been made available to purchase the business assets needed.

This fund comes from investors who buy stocks of the business entity (equity) and investors who lend fund to the business entity (debt). After collecting the total amounts of fund from equity and debt, and converted into various types of assets of the business entity for its operation, the sum of such assets equals the value of the business entity.

From a valuation perspective, we will restate the value of all types of assets of a business entity from book value, i.e. historical cost minus depreciation to appropriate standards of value. After the restatement, we can identify the indicated value of the business entity, or, by applying the accounting principle ''assets minus liabilities'', to arrive at the value of the equity interest of the business entity.

8.3 Income Approach

The Income Approach focuses on the economic benefits generated by the income producing capability of a business entity. The underlying theory of this approach is that the value of a business entity can be measured by the present worth of the economic benefits to be received over the life of the business entity.

Based on this valuation principle, the Income Approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing those benefits. Alternatively, this can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

9.0 VALUATION ANALYSIS

9.1 Valuation Methodology

In the process of valuing the business subject, we have considered the nature of the Business Enterprise, specialty of its operations, its current condition, and the industry it is participating. Having considered the three general valuation approaches, we consider that the Market Approach would be appropriate and reasonable in the valuation of the market value of the Business Enterprise.

In this valuation, the Income Approach is not adopted as long-term forecasts are unavailable. According to the latest financial statements provided by the Management, the Business Enterprise was still recognizing operating loss. As such, preparing the financial projection of the Business Enterprise involves subjective judgement and uncertainties. In contrast, Market Approach is able to produce a less biased valuation of the Business Enterprise. The Asset Approach is not applied as the valuation of the Business Enterprise is conducted on a going concern basis, and the summation of its assets is inappropriate as such method ignores the future economic benefits of the business as a whole. We have therefore solely relied on the Market Approach in determining our opinion of value.

Under the Market Approach, we have considered two commonly used methods of valuation, the Guideline Public Company Method and the Comparable Transaction Method. The Guideline Public Company Method is applied as there are a certain number of public traded companies engaged in the same or similar line of business as the Business Enterprise that can be identified. The shares of these publicly traded companies are actively traded in free and open markets and provide valid indicators of value to permit meaningful comparison. The application of Comparable Transaction Method is limited as there are insufficient comparable transactions to form a reliable opinion of value.

For the valuation of the Business Enterprise, we have employed the price to book (“**P/B**”) ratio and enterprise value to sales (“**EV/S**”) ratio. We consider P/B ratio and EV/S ratio are more representative than other commonly adopted multiple such as price to earnings (“**P/E**”) ratio due to the following reasons:

- Operation of the Business Enterprise requires significant amount of tangible assets (i.e. capital intensive business) and future economic benefits and value of the Business Enterprise rely heavily on the assets and the liabilities of the Business Enterprise;

- Enterprise multiples are useful for comparisons across comparable companies with different capital/asset structures because they exclude the distorting effects of individual companies’ capital/asset levels, and the ratio tends to be more stable;

- Sales is only affected by revenue recognition which makes it less affected by accounting manipulation;
- Book value of the equity provides a relatively stable and intuitive metric that can be easily compared to the market price; and
- P/E ratio cannot be used because the Business Enterprise is currently loss making.

9.2 Comparable Companies

In the course of our valuation, we have identified a total of 38 guideline public companies for our analysis. Since the Business Enterprise is engaged in the manufacture and sale of textile products, there is no perfect match of comparable companies with exactly the same financial performance, business operations and risk profile as the business subject. However, the comparable companies we identified are also engaged in the manufacture and sale of textile products and therefore we consider they are subject to similar business, industry and economic risk as the Business Enterprise.

Selection criteria of comparable companies are listed as follows:

a. Companies that are actively traded and publicly listed in Hong Kong and the PRC;

b. Companies that are mainly engaged in the manufacture and sale of textile, fabrics, yarn, lingerie products according to the business description extracted from Refinitiv database;

c. Over 70% of the revenue of comparable companies are derived from the textile and/or related businesses; and

d. Revenue of the Business Enterprise is generated from sales in the PRC, Hong Kong and foreign countries. As such, revenues of our comparable companies are also generated from the PRC, Hong Kong and foreign countries. Furthermore, the Business Enterprise is principally engaged in the manufacture of elastic webbing, which is eventually used in the production of apparel products. The comparable companies adopted are also principally engaged in the manufacture of textile and related products, in which, their products are also components used in the production of apparel products. Given that products of the Business Enterprise and the comparable companies are highly affected by apparel industries, and they are all manufacturer in the PRC or Hong Kong, we consider they are subject to similar change in industry and economic environment. As such, we consider the comparable companies adopted are comparable to the Business Enterprise.

Based on our exhaustive search of the Refinitiv database using the criteria above, the 38 guideline public companies with their respective market capitalization as at the Valuation Date are set out below:

Refinitiv Ticker	**Name**	**Market Capitalization** *(HK$ '000)*
0420.HK	Fountain Set Holdings Ltd	1,029,023
0528.HK	Kingdom Holdings Ltd	824,878
1025.HK	KNT Holdings Ltd	383,307
1382.HK	Pacific Textiles Holdings Ltd	3,457,460
1400.HK	Moody Technology Holdings Ltd	29,734
1440.HK	Deyun Holding Ltd	1,096,200
1795.HK	Yadong Group Holdings Ltd	714,000
1968.HK	Hingtex Holdings Ltd	102,400
2111.HK	Best Pacific International Holdings Ltd	1,341,352
2678.HK	Texhong Textile Group Ltd	4,948,020
2698.HK	Weiqiao Textile Co Ltd	1,409,379
3778.HK	China Weaving Materials Holdings Ltd	601,128
8211.HK	Zhejiang Yongan Rongtong Holdings Co Ltd	61,683
8297.HK	My Heart Bodibra Group Ltd	111,600
8480.HK	Furniweb Holdings Ltd	138,360
8521.HK	ST International Holdings Company Ltd	53,280
8607.HK	Narnia (Hong Kong) Group Co Ltd	94,400
000420.SZ	Jilin Chemical Fibre Stock Co Ltd	10,817,108
000677.SZ	CHTC Helon Co Ltd	3,124,493
000949.SZ	Xinxiang Chemical Fiber Co Ltd	5,126,392
000982.SZ	Ningxia Zhongyin Cashmere Co Ltd	8,599,140
002083.SZ	Sunvim Group Co Ltd	4,192,919
002087.SZ	Henan Xinye Textile Co Ltd	2,701,699
002193.SZ	Shandong Ruyi Woolen Garment Group Co Ltd	1,780,400
002486.SZ	Shanghai Challenge Textile Co Ltd	3,091,407
002998.SZ	Elite Color Environmental Resources Science & Technology Co Ltd	2,260,012
003041.SZ	Zhejiang Truelove Vogue Co Ltd	2,355,072
300321.SZ	Shandong Tongda Island New Materials Co Ltd	1,406,931
300819.SZ	Jiangsu Jujie Microfiber Technology Group Co Ltd	2,479,132
300876.SZ	Guangdong Modern High-tech Fiber Co Ltd	2,701,189
300877.SZ	AnHui Jinchun Nonwoven Co Ltd	2,126,180
300918.SZ	Shandong Nanshan Fashion Sci-Tech Co Ltd	3,167,440
600493.SS	Fujian Fynex Textile Science & Technology Co Ltd	1,535,472
601113.SS	Yiwu Huading Nylon Co Ltd	4,920,945
603225.SS	Xinfengming Group Co Ltd	15,177,015
603238.SS	HangZhou Nbond Nonwovens Co Ltd	2,014,896
603365.SS	Shanghai Shuixing Home Textile Co Ltd	3,689,953
605003.SS	ZhongWang Fabric Co Ltd	2,192,775

* Profiles of each comparable company are more particularly set out in the Appendix III

Table 3: Comparable Guideline Public Companies

Source: Refinitiv

In order to form a meaningful and fair valuation, we have adjusted the differences in characteristics between the Business Enterprise and the comparable companies.

Different companies are exposed to different levels of risk, in terms of country risk, business risk, credit risk, size premium, and other relevant specific risk, etc. Therefore, the multiples of comparable companies should be adjusted so that they reflect the risk of the Business Enterprise. In the course of our valuation, we have assessed the risk relative to the comparable companies by making reference with their cost of equity or weighted average cost of capital, and accordingly adjusted the multiples upward or downward where appropriate based on the differences.

9.3 Multiple Ratios

The multiples of the comparable companies are risk adjusted to account for the risk differences with the Business Enterprise. The unadjusted and adjusted multiples are presented as follows:

		Multiple Ratio			
Refinitiv Ticker	Name	EV/S	Weighted average cost of capital	Adjustment(1)	Adjusted EV/S
0420.HK	Fountain Set Holdings Ltd	0.14	9.21%	73%	0.10
0528.HK	Kingdom Holdings Ltd	0.64	8.03%	64%	0.41
1025.HK	KNT Holdings Ltd	4.38	16.29%	130%	5.69
1382.HK	Pacific Textiles Holdings Ltd	0.58	9.52%	76%	0.44
1400.HK	Moody Technology Holdings Ltd	25.23	N/A(2)	N/A(2)	N/A
1440.HK	Deyun Holding Ltd	4.39	14.41%	115%	5.05
1795.HK	Yadong Group Holdings Ltd	0.85	11.63%	93%	0.79
1968.HK	Hingtex Holdings Ltd	0.10	10.53%	84%	0.08
2111.HK	Best Pacific International Holdings Ltd	0.66	7.79%	62%	0.41
2678.HK	Texhong Textile Group Ltd	0.39	7.51%	60%	0.24
2698.HK	Weiqiao Textile Co Ltd	N/A(2)	7.82%	N/A(2)	N/A(2)
3778.HK	China Weaving Materials Holdings Ltd	0.57	7.91%	63%	0.36
8211.HK	Zhejiang Yongan Rongtong Holdings Co Ltd	0.33	11.19%	89%	0.29
8297.HK	My Heart Bodibra Group Ltd	2.30	14.59%	116%	2.68
8480.HK	Furniweb Holdings Ltd	0.51	9.78%	78%	0.40
8521.HK	ST International Holdings Company Ltd	0.44	9.67%	77%	0.34
8607.HK	Narnia (Hong Kong) Group Co Ltd	0.49	8.77%	70%	0.34
000420.SZ	Jilin Chemical Fibre Stock Co Ltd	3.38	9.94%	79%	2.68
000677.SZ	CHTC Helon Co Ltd	2.72	11.61%	93%	2.52
000949.SZ	Xinxiang Chemical Fiber Co Ltd	0.84	8.38%	67%	0.56
000982.SZ	Ningxia Zhongyin Cashmere Co Ltd	12.58	13.47%	N/A(2)	N/A(2)
002083.SZ	Sunvim Group Co Ltd	1.11	7.48%	60%	0.66
002087.SZ	Henan Xinye Textile Co Ltd	1.39	6.35%	51%	0.70
002193.SZ	Shandong Ruyi Woolen Garment Group Co Ltd	3.60	9.23%	74%	2.65

			Multiple Ratio		
Refinitiv Ticker	Name	EV/S	Weighted average cost of capital	Adjustment[(1)]	Adjusted EV/S
002486.SZ	Shanghai Challenge Textile Co Ltd	1.87	11.16%	89%	1.66
002998.SZ	Elite Color Environmental Resources Science & Technology Co Ltd	1.06	12.35%	98%	1.04
003041.SZ	Zhejiang Truelove Vogue Co Ltd	1.89	11.13%	89%	1.68
300321.SZ	Shandong Tongda Island New Materials Co Ltd	1.96	15.73%	125%	2.45
300819.SZ	Jiangsu Jujie Microfiber Technology Group Co Ltd	3.14	10.19%	81%	2.55
300876.SZ	Guangdong Modern High-tech Fiber Co Ltd	4.95	12.73%	102%	5.02
300877.SZ	AnHui Jinchun Nonwoven Co Ltd	1.58	12.88%	103%	1.62
300918.SZ	Shandong Nanshan Fashion Sci-Tech Co Ltd	1.40	10.43%	83%	1.17
600493.SS	Fujian Fynex Textile Science & Technology Co Ltd	1.38	10.67%	85%	1.17
601113.SS	Yiwu Huading Nylon Co Ltd	0.62	9.43%	75%	0.46
603225.SS	Xinfengming Group Co Ltd	0.72	8.58%	68%	0.49
603238.SS	HangZhou Nbond Nonwovens Co Ltd	1.34	13.46%	107%	1.44
603365.SS	Shanghai Shuixing Home Textile Co Ltd	0.52	11.07%	88%	0.46
605003.SS	ZhongWang Fabric Co Ltd	2.47	14.22%	113%	2.80
	Mean	2.50		1.47	
	Median	1.34		0.79	
	Standard deviation	4.43		1.47	
	Maximum	25.23		5.69	
	Minimum	0.10		0.08	
	Mean excluding outliers[(3)]	1.56		1.11	
	Applied ratio			1.11	

* Figures above are subject to rounding

Notes:

(1) Adjustment based on estimated weighted average cost of capital of each company.

(2) N/A means extreme outliers or negative ratio which are not applicable for comparable analysis.

(3) Sample value outside one standard deviation of the mean are determined as outliers.

Refinitiv Ticker	Name	P/B	Multiple Ratio Cost of equity	Adjustment[1]	Adjusted P/B
0420.HK	Fountain Set Holdings Ltd	0.30	13.43%	86%	0.26
0528.HK	Kingdom Holdings Ltd	0.54	12.70%	81%	0.43
1025.HK	KNT Holdings Ltd	3.68	17.08%	109%	4.02
1382.HK	Pacific Textiles Holdings Ltd	1.01	11.97%	77%	0.77
1400.HK	Moody Technology Holdings Ltd	N/A[2]	11.97%	N/A[3]	N/A[2]
1440.HK	Deyun Holding Ltd	2.75	14.41%	92%	2.54
1795.HK	Yadong Group Holdings Ltd	2.55	14.41%	92%	2.35
1968.HK	Hingtex Holdings Ltd	0.28	13.76%	88%	0.25
2111.HK	Best Pacific International Holdings Ltd	0.41	15.06%	96%	0.39
2678.HK	Texhong Textile Group Ltd	0.40	14.06%	90%	0.36
2698.HK	Weiqiao Textile Co Ltd	0.07	16.00%	102%	0.07
3778.HK	China Weaving Materials Holdings Ltd	0.67	12.70%	81%	0.55
8211.HK	Zhejiang Yongan Rongtong Holdings Co Ltd	0.25	13.73%	88%	0.22
8297.HK	My Heart Bodibra Group Ltd	N/A[2]	16.14%	N/A[2]	N/A[2]
8480.HK	Furniweb Holdings Ltd	0.74	10.78%	69%	0.51
8521.HK	ST International Holdings Company Ltd	0.36	11.70%	75%	0.27
8607.HK	Narnia (Hong Kong) Group Co Ltd	0.61	13.85%	89%	0.54
000420.SZ	Jilin Chemical Fibre Stock Co Ltd	2.98	12.95%	83%	2.47
000677.SZ	CHTC Helon Co Ltd	6.74	11.92%	76%	5.14
000949.SZ	Xinxiang Chemical Fiber Co Ltd	0.72	13.55%	87%	0.62
000982.SZ	Ningxia Zhongyin Cashmere Co Ltd	6.14	13.54%	87%	5.32
002083.SZ	Sunvim Group Co Ltd	0.96	11.39%	73%	0.70
002087.SZ	Henan Xinye Textile Co Ltd	0.54	11.81%	76%	0.41
002193.SZ	Shandong Ruyi Woolen Garment Group Co Ltd	0.55	14.13%	90%	0.50
002486.SZ	Shanghai Challenge Textile Co Ltd	2.69	11.45%	73%	1.97
002998.SZ	Elite Color Environmental Resources Science & Technology Co Ltd	1.28	13.58%	87%	1.11
003041.SZ	Zhejiang Truelove Vogue Co Ltd	1.73	11.86%	76%	1.31
300321.SZ	Shandong Tongda Island New Materials Co Ltd	1.92	16.55%	106%	2.04
300819.SZ	Jiangsu Jujie Microfiber Technology Group Co Ltd	2.60	10.37%	66%	1.73
300876.SZ	Guangdong Modern High-tech Fiber Co Ltd	2.85	13.31%	85%	2.43
300877.SZ	AnHui Jinchun Nonwoven Co Ltd	1.14	14.46%	93%	1.05
300918.SZ	Shandong Nanshan Fashion Sci-Tech Co Ltd	1.60	11.86%	76%	1.22
600493.SS	Fujian Fynex Textile Science & Technology Co Ltd	1.58	15.69%	100%	1.59
601113.SS	Yiwu Huading Nylon Co Ltd	1.03	10.51%	67%	0.69
603225.SS	Xinfengming Group Co Ltd	0.79	18.77%	120%	0.95
603238.SS	HangZhou Nbond Nonwovens Co Ltd	1.36	15.06%	96%	1.31

			Multiple Ratio		
Refinitiv Ticker	**Name**	**P/B**	**Cost of equity**	**Adjustment[(1)]**	**Adjusted P/B**
603365.SS	Shanghai Shuixing Home Textile Co Ltd	1.21	11.48%	73%	0.89
605003.SS	ZhongWang Fabric Co Ltd	1.68	14.37%	92%	1.55
	Mean	1.99		1.35	
	Median	1.14		0.92	
	Standard deviation	2.93		1.29	
	Maximum	16.90		5.32	
	Minimum	0.07		0.07	
	Mean excluding outliers[(4)]	1.29		1.03	
	Applied ratio			1.03	

* Figures above are subject to rounding

Notes:

(1) Adjustment based on estimated cost of equity of each company.

(2) N/A means extreme outliers or negative ratio which are not applicable for comparable analysis.

(3) An extreme low value of weighted average cost of capital would be derived from the extreme high debt to equity ratio of 1400.HK, leading to a distorted adjusted EV/S ratio. As such, we have taken such ratio to be extreme outlier

(4) Sample value outside one standard deviation of the mean are determined as outliers.

Based on the above table, the adjusted EV/S ratios of the comparable companies ranged from the minimum of 0.08x to the maximum of 5.69x, resulting in a mean of approximately 1.47x and mean excluding outliers of approximately 1.11x. The adjusted P/B ratios of the comparable companies ranged from the minimum of 0.07x to the maximum of 5.32x, resulting in a mean of approximately 1.35x and mean excluding outliers of approximately 1.03x.

For each multiple, we have adopted the mean excluding outliers as our multiples due to the following reasons: (1) mean is commonly adopted and takes into account of all the values of the comparable companies; (2) unlike mean, median is not taking into account of the value of each observation (i.e. not all values derived from comparable companies are reflected in median), hence it is less representative when compared to mean excluding outliers; and (3) mean excluding outliers are not influenced by extreme values. We then applied the multiples to the corresponding measurement bases, which are based on the latest available financial data of the Business Enterprise.

Based on the financial information of the Business Enterprise, the turnover of the Business Enterprise for the trailing twelve months ended 30 June 2022 (based on 6 months turnover by proportioning the annual turnover for the year ended 31 December 2021 plus 6 months turnover during the period from 1 January 2022 to 30 June 2022) was approximately RMB56,586,000 and the equity attributable to shareholders (after excluding non-operating assets and liabilities) of the Business Enterprise as at 30 June 2022 was approximately RMB38,078,000. As advised by the Management, the amount due to ultimate holding company will be assigned to the Company upon completion of the acquisition. For the purpose of the valuation, the Management has instructed us to assume the amount due to ultimate holding company totaling RMB30,795,000, which is a shareholder loan owning by the Business Enterprise to Sundust Company Lmited, to be part of the share capital of the Business Enterprise as at 30 June 2022. As advised by the Management, the amount due to ultimate holding company is interest free and has no fixed term of repayment and will be assigned to the Company upon completion of the acquisition. After the assignment, such loan will be the financial support to the Business Enterprise by the Company, and repayment of such loan is not expected in the foreseeable future. As such, we consider it is reasonable to assume such amount due to ultimate holding company to be part of the share capital of the Business Enterprise. As advised by the Management, the turnover recognized by the Business Enterprise is relatively stable with minimal seasonal effect.

9.4 Control Premium

A control premium is the premium an investor is willing to pay in addition to a marketable minority equity value to obtain controlling interest in a business subject. The published market price of the identified comparable companies represents the market transaction of minority interests, therefore adjustment has been made to reflect the degree of control associated with a 100% equity interest of the Business Enterprise. Based on research published by Mergerstat Control Premium Study(1), the overall median control premium as at the Valuation Date was approximately 28.2%.

Note:

(1) Mergerstat Control Premium Study is a study examining transactions whereby 50.01% or more of a company was acquired. Mergerstat Control Premium Study is published by Factset, a multinational financial data and Software Company founded in 1978, went public in 1996 and currently dual listed on the New York Stock Exchange and the NASDAQ. Factset provides financial information and analytic software for investment professionals. According to Factset website, data of Factset was used by AP Associated Press, Barrons's, CNNMoney.com, The Wall Street Journal, MarketWatch from DowJones, etc.

9.5 Cash, Debts, Net Non-Operating Assets and Liabilities and Non-Controlling Interest

In computing the market value of the Business Enterprise, we have adjusted the assessed value for the cash, debts, net non-operating assets and liabilities and non-controlling interest of the Business Enterprise as at 30 June 2022. Based on the latest available financial information provided by the Management, the cash, debts, non-operating assets and liabilities were as follows:

	(RMB'000)
Cash	21,930
Debts	(61,601)
Net non-operating assets and liabilities	–
Non-controlling interest	(9,778)

* Figures above are subject to rounding

Table 4: Cash, Debt, Net Non-Operating Assets and Liabilities and Non-controlling Interest of the Business Enterprise

Source: Financial Information of the Business Enterprise as at 30 June 2022

9.6 Lack of Marketability Discount

We have adopted a lack of marketability discount of approximately 17% as ownership interest in closely held companies are typically not readily marketable compared to similar interest in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. The lack of marketability discount for ownership interest in private companies can range from 3% to 35% sourced from "Business Valuation Discounts and Premiums" written by Shannon P. Pratt.

In our valuation, we applied an option pricing model to estimate the lack of marketability discount. A discount for lack of marketability can be estimated by a put option since the holder can purchase an at-the-money put option of similar stock to hedge the current value of the underlying stock.

9.7 Valuation Summary

Under the adjusted EV/S ratio, we have arrived a multiple of 1.11x and trailing twelve months turnover of approximately RMB56,586,000 of the Business Enterprise, resulting in an indicated value of approximately RMB63,044,000 before adjustments for control premium, other net non-operating assets and liabilities, lack of marketability discount, cash and cash equivalents, interest bearing debts and non-controlling interest. After the adjustments, the indicated value of the Business Enterprise as at the Valuation Date under the EV/S ratio was approximately **RMB17,633,000 (RENMINBI SEVENTEEN MILLION SIX HUNDRED AND THIRTY THREE THOUSAND ONLY)**. Our calculation is tabulated as follows:

	(RMB)
Applied EV/S ratio	1.11x
Multiplication factor (trailing twelve months turnover)	56,586,000
	63,044,000
Adjustments:	
Add: Control premium	17,778,000
Add: Net non-operating assets and liabilities	–
	80,822,000
Less: Lack of marketability discount	(13,740,000)
	67,083,000
Add: Cash and cash equivalents(1)	21,930,000
Less: Interest bearing debts(1)	(61,601,000)
Less: Non-controlling interest	(9,778,000)
Indicated value under P/B	17,633,000

(1) Lack of marketability discount is not applicable to cash and cash equivalents and interest bearing debts in relation to a non-listed company.

* Figures above are subject to rounding

Under the adjusted P/B ratio, we have arrived a multiple of 1.03x and equity attributable to shareholders of approximately RMB38,078,000 of the Business Enterprise (after excluding non-operating assets and liabilities), resulting in an indicated value of approximately RMB39,288,000 before adjustments for control premium, other net non-operating assets and liabilities, lack of marketability discount and non-controlling interest. After the adjustments, the indicated value of the Business Enterprise as at the Valuation Date under the P/B ratio was approximately **RMB32,026,000 (RENMINBI THIRTY TWO MILLION AND TWENTY SIX THOUSAND ONLY)**. Our calculation is tabulated as follows:

	(RMB)
Applied P/B ratio	1.03x
Multiplication factor (equity attributable to shareholders)	38,078,000
	39,288,000
Adjustments:	
Add: Control premium	11,079,000
Add: Net non-operating assets and liabilities	–
	50,367,000
Less: Lack of marketability discount	(8,562,000)
	41,804,000
Less: Non-controlling interest	(9,778,000)
Indicated value under P/B	32,026,000

* Figures above are subject to rounding

By taking average of the indicated values above, we are of the opinion that the market value of 100% equity interest of the Business Enterprise as at the Valuation Date was in the sum of **RMB24,830,000 (RENMINBI TWENTY FOUR MILLION EIGHT HUNDRED AND THIRTY THOUSAND ONLY)**.

10.0 SPECIAL ASSUMPTION

- As advised by the Management, the amount due to ultimate holding company will be assigned to the Company upon completion of the acquisition. For the purpose of the valuation, the Management has instructed us to assume the amount due to ultimate holding company totalling RMB30,795,000 to be part of the share capital of the Business Enterprise as at 30 June 2022.

11.0 VALUATION ASSUMPTIONS

- As agreed with the Management, we have performed this valuation based on financial statements of the Business Enterprise for the year ended 31 December 2021 and 6 months ended 30 June 2022, since the financial statements as at the Valuation Date are not available. We have assumed there are no material changes to the financial performances and positions of the Group during the period between 30 June 2022 and the Valuation Date;

- For the Group to continue as a going concern, the Group will successfully carry out all necessary activities for the development of its business;

- Key management, competent personnel, professional and technical staff will all be retained to support the ongoing operations of the Group;

- The availability of finance will not be a constraint on the forecast growth of the Group's operations in accordance with the business plans;

- Market trends and conditions where the Group operates will not deviate significantly from the economic forecasts in general;

- The financial statements of the Group as supplied to us have been prepared in a manner which truly and accurately reflect the financial positions of the Group as at the respective financial statement dates;

- There will be no material changes in the business strategy of the Group and its operating structure;

- Interest rates and exchange rates in the localities for the operations of the Group will not differ materially from those presently prevailing;

- All relevant approvals, business certificates, licences or other legislative or administrative authority from any local, provincial or national government, or private entity or organization required to operate in the localities where the Group operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and

- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the Group operates or intends to operate, which would adversely affect the revenues and profits attributable to the Group.

12.0 LIMITING CONDITIONS

Our conclusion of the market value is derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. This valuation reflects facts and conditions existing as at the Valuation Date. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report is reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others, which have been used in formulating this analysis, are gathered from reliable sources, however, no guarantee is made nor liability assumed for the accuracy.

We have relied to a considerable extent on the information provided by the Management in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibility for operational and financial information that has not been provided to us is accepted.

Certain facts, information, statistics and data relating to the economic and industry overview that are presented in this report are derived from publicly available official government sources as well as industry reports prepared by external independent market researchers. We are of the view that the sources of this information are appropriate sources for such information and have exercised reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, and thus no representation is given as to its accuracy or correctness, and accordingly, it should not be unduly relied on.

We have not investigated the title to or any legal liabilities against of the Group and have assumed no responsibility for the title to or any legal liabilities against the Group. In forming our opinion, we have assumed that matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed.

To the extent that there are legal issues relating to financial instruments, assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Peak Vision Appraisals assumes no responsibility and offers no legal opinion or interpretation on any issue.

Save as and except for the purpose stated above, neither the whole nor any part of this report nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it will appear.

In accordance with our standard practices, we must state that this report is for the exclusive use of the party to whom it is addressed and for the specific purpose stated above. Furthermore, the report and conclusion of value are not intended by the author, and should not be construed by the reader, to be investment advice in any manner whatsoever. The conclusion of value represents the consideration based on information furnished by the Company/engagement parties and other sources. No responsibility is accepted to any third party for the whole or any part of its contents.

Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

Our valuation has been prepared based on economic, market and other conditions as they existed on, and information made available to us as of the Valuation Date only. It has come to our attention that since the Valuation Date, the outbreak of Coronavirus Disease (COVID-19) has caused significant disruption to economic activities around the world. It is uncertain how long the disruption will last and to what extent it will affect the economy and it may cause volatility and uncertainty that the input parameters and assumptions adopted in our valuation may change significantly and unexpectedly over short period of time. It should therefore be noted that any market volatility, policy, geopolitical and social changes or other circumstances after the Valuation Date may affect the market value of the Business Enterprise after the Valuation Date.

13.0 REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Renminbi (RMB).

The Management has reviewed and confirmed the factual content and has agreed to the assumptions and limiting conditions of this report.

We hereby confirm that we have no material connection or involvement with the Group, the Company and its subsidiaries and associated companies, or the value reported herein and that we are in a position to provide an objective and unbiased valuation.

The proportion of total fees payable by the Company during the preceding year relative to the total fee income of Peak Vision Appraisals is minimal.

14.0 OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed and key assumptions appended above, we are of the opinion that the market value of 100% equity interest of the Business Enterprise as at the Valuation Date was in the sum of **RMB24,830,000 (RENMINBI TWENTY FOUR MILLION EIGHT HUNDRED AND THIRTY THOUSAND ONLY)**.

* As advised by the Management, the amount due to ultimate holding company will be assigned to the Company upon completion of the acquisition. For the purpose of the valuation, the Management has instructed us to assume the amount due to ultimate holding company totalling RMB30,795,000 to be part of the share capital of the Business Enterprise as at 30 June 2022.

Yours faithfully,
For and on behalf of
Peak Vision Appraisals Limited
Nick C. L. Kung
MRICS, MHKIS, RPS (G.P.), RICS Registered Valuer, MCIREA
Director
Corporate Valuations

Appendix I

Industry Overview

Global Textile Market

According to Grand View Research, Inc., the global textile market size was projected at USD 1,000.3 billion in 2020 and is expected to expand at a compound annual growth rate (CAGR) of 4.4% from 2021 to 2028. Increasing demand for apparel from the fashion industry coupled with the growth of e-commerce platforms is expected to drive the market over the forecast period.

The textile industry works on three major principles, namely designing, production, and distribution of different flexible materials such as yarn and clothing. A wide array of processes such as knitting, crocheting, weaving, and others are largely used to manufacture a wide range of finished and semi-finished goods in bedding, clothing, apparel, medical, and other accessories.

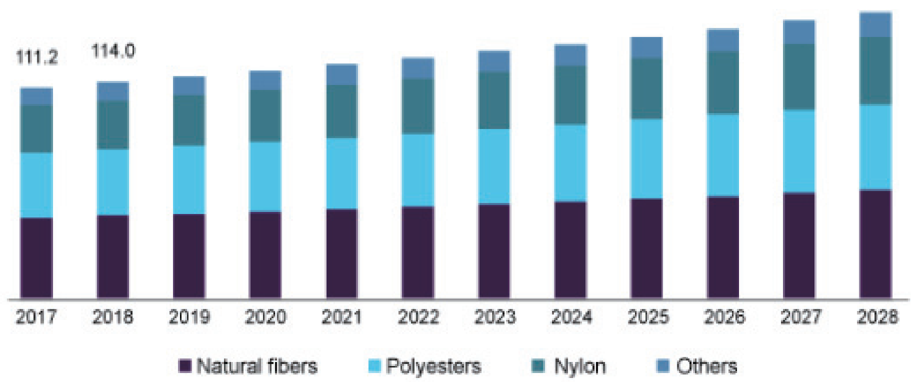

Figure 6: U.S. textile market size, by product, 2017 – 2028 (USD billion)

Source: Grand View Research, Inc.

The U.S. is anticipated to be the largest market in the North American region for textiles. It is one of the largest producers, raw-cotton exporter, and top raw-textile importer. Fashion is the largest application segment in the region owing to the fast-changing fashionable trends and ease of adoption for the same due to increasing online fast fashion companies.

There has been an increasing trend of smart textiles in the market that use optical fibers, metals, and various conductive polymers to interact with the environment. These help in detecting and reacting to various physical stimuli such as mechanical, thermal, or chemical and electric sources. This is expected to propel the growth of the technical application segment in the market for textile during the forecast period.

Increasing consumer preference towards sustainable products is forcing major textile companies to focus on restructuring their business and investing in manufacturing practices that target sustainable products. For instance, DuPont's plant-based faux fur for performance fashion apparel and Eastman's usage of discarded carpet into new material is expected to open new industry avenues over the forecast period.

The recent outbreak of coronavirus disease has acted as a restraint to the market. Global trade restrictions due to disrupted supply chain and decline in textile product consumption amid imposed lockdown have further negatively impacted the market. However, the market is expected to recover strongly during the forecast period with government support and increasing public awareness in terms of effective precautionary measures.

Raw Material Insights

Cotton led the market for textile and accounted for the largest revenue share of more than 39.0% in 2020. Cotton is the world's most important natural fiber, which is attributed to its superior properties such as high strength, absorption, and color retention. China, India, and the U.S. are the major producers of cotton and cotton-based products in the world.

Chemical-based textiles accounted for a volume share equivalent to 98,052.6 kilotons in 2020, as they play an important role in the entire textile manufacturing industry. Though chemicals are hazardous to human health and the environment, they are extensively used as mercerizing agents, neutralizers, leveling agents, binders, thickeners, and stain-removers in the textile industry.

The wool segment accounted for a revenue share of 13.3% in 2020. Wool primarily composed of hydrogen, carbon, sulfur, and nitrogen, is extensively used to manufacture insulation products such as winter wears, blankets, carpeting, upholstery, and others. In addition, the products made from the same are used to absorb odor and noise in heavy machinery, thereby contributing to segment growth.

Other raw materials used in the production of textiles are silk, minerals such as glass fibers and asbestos, and other synthetic material. Silk finds extensive use in the manufacturing of clothing, surgical suture, parachutes, silk comforter, and various others owing to high strength and elasticity, which is expected to drive the segment over the forecast period.

Product Insights

Natural fibers led the market for textile and accounted for over 44.0% share of the global revenue in 2020, on account of their use in the diverse application of the fashion and apparel industry. Increasing environmental concerns coupled with the consumer shift to use sustainable products is further expected to increase the demand for natural fibers, thereby aiding positive growth in the market.

Polyester is expected to witness a growth rate of 4.2% from 2021 to 2028, which can be attributed to its different properties such as high-strength, chemical and wrinkle resistance, and quick-drying. It is used in both, households as cushioning and insulating material in the pillows, and in industries for making carpets, air-filters, coated fabrics, and others.

Nylon is the third-largest product used in the textiles industry. It is widely used in apparel and home-furnishing applications owing to its high-resilience, elasticity, and moisture-absorbing properties. In addition, it acts as a substitute for silk-based products such as women's stockings, parachutes, flak vests, and various others.

The other product segment includes Polyethylene (PE), Polypropylene (PP), aramid, and polyamide. Properties such as high resistance against acids and alkalis at high temperatures and minimum moisture retention have increased the demand for polyethylene in the market. Moreover, the use of polypropylene in the textile industry is adding positive growth to the market.

Application Insights

The fashion segment led the textile market and accounted for more than 74.0% of the global revenue share in 2020, owing to the increasing consumer spending on clothing and apparel. In addition, high consumer requirements for crease-free suiting and shirting fabrics, as well as quality dyed and printed fabrics across the globe, is likely to drive the global market demand for textiles from 2021 to 2028.

An increase in demand for formal and casual wear and other fashionable clothing among all age groups of the global population is the major growth driving factor for the market. Moreover, increasing population and urbanization in the emerging economies such as India, Bangladesh, Vietnam, Brazil, and others are likely to increase the demand for clothing and apparel, thereby positively contributing to the market.

Demand for textiles in the technical segment is expected to grow at a significant rate of 3.7% over the projected period, owing to its high-performance properties and end-user applications. In addition, increasing applications in construction, transportation, medical and protective clothing have boosted the use of the same, which is consequently driving the market.

The use of textiles in different areas of a household is one of the prominent growth driving factors. This includes bedding, upholstery, carpets, kitchen cloths, towel, and others. In addition, high-consumption of natural fibers such as linen and cotton along with synthetic fibers used for manufacturing household textiles is further propelling the growth of the market.

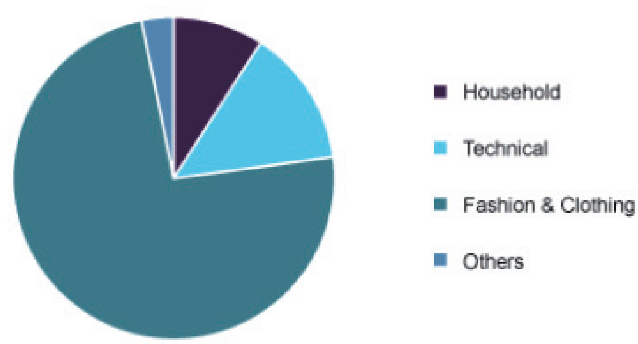

Figure 7: Global textile market share, by application, 2020 (%)

Source: Grand View Research, Inc.

Notes: Our valuation is conducted under the backdrop of the above textile industry trend. If the above textile industry trend has any material change, there will also be material change to our valuation result.

Appendix II

Economic Overview

China Economic Overview

According to the Hong Kong Trade Development Council ("**HKTDC**"), in the second quarter of 2022, China's real GDP grew by 0.4% (year-on-year). Added-value industrial output increased by 3.8% in July 2022, down from 3.9% in June 2022 (year-on-year). Fixed assets investment increased by 5.7% (year-on-year) Jan – Jul 2022, down from 6.1% in Jan-Jun 2022 (year-on-year). In July 2022, retail sales increased by 2.7% (year-on-year). Inflation increased by 2.7% in July 2022, with food prices up by 6.3% and non-food prices up by 1.9%. In July 2022, exports (in terms of US$) increased by 18%, while imports (in terms of US$) increased by 2.3%, resulting in a trade surplus of US$101.3 billion. The Manufacturing Purchasing Managers' Index down from 50.2 in June 2022 to 49 in July 2022.

According to the World Bank, China is the second-largest economy in the world, behind the United States, ahead of Japan. According to United Nations Conference on Trade and Development ("**UNCTAD**") World Investment Report, China was the second-largest recipients of foreign direct investment ("**FDI**") inflows (US$181 billion) in the world in 2020 (China ranked 2nd in 2008), behind the United States (US$367 billion). According to UNCTAD World Investment Report, China was the 4th largest source of outward FDI flows (US$145 billion) in the world in 2021 (up from the 11th in 2008). According to the World Trade Organisation ("**WTO**"), China was the world's largest exporter of merchandise trade in 2021 (up from the 11th in 1995), reaching US$3,364 billion. According to WTO, China was the world's 3rd largest exporter of commercial services in 2021 (up from the 16th in 1995), reaching US$393 billion. According to International Monetary Fund, China has the largest foreign currency reserves as of December 2021, reaching US$3,250.2 billion. According to HKSAR Marine Department, Shanghai's container throughput surpassed Singapore and ranked the first in the world since 2010. According to Hong Kong Securities and Futures Commission, as at end December 2021, the market capitalisation of Shanghai Stock Exchange is the largest in Asia and the third largest in the world.

Recent Government Initiatives

In March 2021, the National People's Congress ("**NPC**") adopted the 14th Five-Year Plan (2021-2025) (the "**Plan**"). The Plan focuses on high-quality growth, transforming and upgrading the economy through innovation (spending on research and development by more than 7% annually) and adopting new development model of dual circulation. During the period, China will build an all-round well-off society and aim to raise its urbanisation rate to 65%. In September 2021, the Central Committee of the Communist Party of China ("**CPC**") and the State Council issued the "Comprehensive Deepening of the Reform and Opening-up Plan for Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone" ("**Qianhai Plan**") and the "Overall Plan for the Construction of the Hengqin Guangdong-Macao Intensive Cooperation Zone" ("**Hengqin Plan**"). According to the Qianhai Plan, the cooperation zone will expand from 14.92 sq.km. to 120.56 sq.km., which stresses the promotion of high-level opening up in Qianhai. According to the Hengqin Plan, the cooperation zone will be 106 sq.km., with the goal of diversifying Macao's economy by 2035.

The Government Work Report 2022 stated that the government will increase the efficiency of utilising resources through a proactive fiscal policy; the government will help enterprises overcome the difficult period, stabilise employment, ensure the provision of basic needs, stimulate consumption and expand demand. The government will prioritise employment and aim at adding 11 million urban jobs.

In June 2022, the State Council issued the Hengqin Plan to promote comprehensive cooperation among Guangdong, Hong Kong and Macao by further deepening opening-up in Nansha district of South China's Guangdong province. As stated by the plan, the implementation area is 803 sq.km., while launching areas in the first phase are 23 sq.km. Nansha aims to build a mature regional innovation and industrial transformation system, a door for high-level opening-up, and deepen economic and trade cooperation with Hong Kong and Macao.

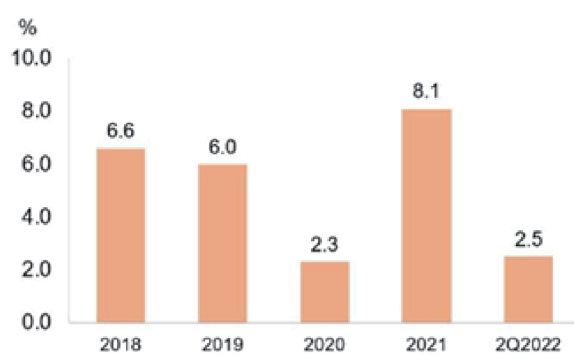

Figure 8: Real GDP growth (Year-on-year % change)

Source: HKTDC

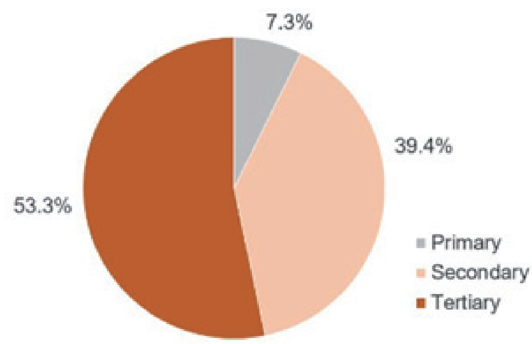

Figure 9: GDP composition (% share of GDP)

Source: HKTDC

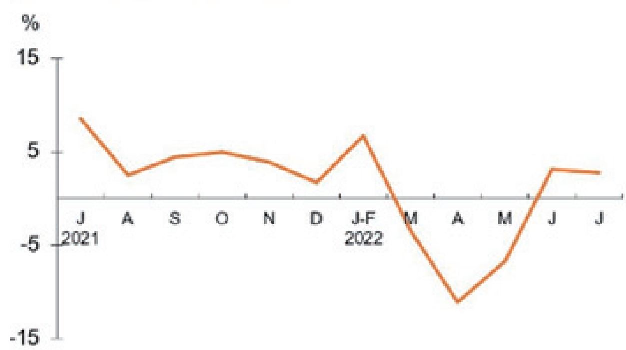

Figure 10: Retail sale growth (Year-on-year % change)

Source: HKTDC

Notes: Our valuation is conducted under the backdrop of the above economic outlook. If the above economic outlook has any material change, there will also be material change to our valuation result.

Appendix III

Profiles of Comparable Companies

Profiles of the comparable companies adopted in our valuation are set out as follows:

1. China Weaving Materials Holdings Ltd (Refinitiv Ticker: 3778.HK)

China Weaving Materials Holdings Limited is an investment holding company principally engaged in the manufacture and sale of cotton, polyester and polyester-cotton blended yarns. The company operates its business through two segments, the yarns segment and staple fibres segment. The yarns segment is engaged in the manufacture and trading of yarns whereas the staple fibres segment is engaged in the manufacture and trading of polyester staple fibers.

2. Moody Technology Holdings Ltd (Refinitiv Ticker: 1400.HK)

Moody Technology Holdings Limited is a China-based investment holding company principally involved in the manufacturing and sale of fabrics and yarns and also engaged in shoes and clothes trading in the PRC, Hong Kong and Korea.

3. Best Pacific International Holdings Ltd (Refinitiv Ticker: 2111.HK)

Best Pacific International Holdings Limited is principally engaged in the manufacture and trading of elastic fabric, elastic webbing and lace. The company operates its business through two segments. The manufacturing and trading of elastic fabric and lace segment is engaged in the manufacture and trading of elastic fabric and lace made from synthetic fibers. On the other hand, the manufacturing and trading of elastic webbing segment is engaged in the manufacture and trading of elastic webbing made from synthetic fibers.

4. My Heart Bodibra Group Ltd (Refinitiv Ticker: 8297.HK)

My Heart Bodibra Group Limited is principally engaged in the manufacture and sale of lingerie products with shaping functions, sale of other complementary and ancillary products under the brand of "Bodibra" through its retail stores. The company's products include body shaping underwear, chest support vests, breast cream, nude bras, bra straps and pads, etc.

5. Furniweb Holdings Ltd (Refinitiv Ticker: 8480.HK)

Furniweb Holdings Limited is a company principally engaged in the manufacture and distribution of elastic textile and webbing. The company's products are divided into three categories, the elastic textile products include covered elastic yarn and narrow elastic fabric, the webbing products include furniture webbing and seat belt webbing, and other products include rubber tape and metal component for furniture such as recliner mechanism and bed frame.

6. ST International Holdings Company Ltd (Refinitiv Ticker: 8521.HK)

ST International Holdings Company Limited is an investment holding company mainly engaged in the manufacturing and sale of functional knitted fabrics. Its products include thermal fabrics and cooling fabrics. In addition, the company is also engaged in the sale of apparel made of its functional knitted fabrics to customers which are lingerie and apparel brand owners.

7. Deyun Holding Ltd (Refinitiv Ticker: 1440.HK)

Deyun Holding Limited is a China-based company mainly engaged in lace manufacturing and dyeing services. The company mainly operates through two segments, the lace manufacturing segment and the dyeing segment. The lace manufacturing segment is principally engaged in the manufacturing of lace for women's underwear and other products on order-by-order basis as well as the dyeing segment is principally engaged in the provision of dyeing services of lace and swim wear fabrics to customers.

8. Yadong Group Holdings Ltd (Refinitiv Ticker: 1795.HK)

Yadong Group Holdings Limited is an investment holding company principally engaged in the design, process and sale of fabrics products. The company's main products include linen, tencel, satin, dobby and other plain weave fabrics products, and corduroy fabrics products such as bi-stretch corduroy, non-stretch corduroy, velveteen-like and flocking. Both plain weave fabrics and corduroy fabrics are used in the production of casual outfits, shirts, trousers or interior decoration for automobiles.

9. KNT Holdings Ltd (Refinitiv Ticker: 1025.HK)

KNT Holdings Limited is an investment holding company mainly engaged in the manufacturing and sale of bridesmaid dresses which is mainly made of chiffon, tulle, satin, lace and pongee. In addition, the company is also involved in the production and sale of bridal gowns and special occasion dresses and sells fabrics and accessories.

10. Narnia (Hong Kong) Group Co Ltd (Refinitiv Ticker: 8607.HK)

Narnia (Hong Kong) Group Company Limited is a China-based company principally involved in the manufacturing and sale of fabric and the provision of printing and dyeing services in the domestic market and overseas markets. Its main products primarily include brushed fabric, decorative fabric, imitation silk, sateen, pongee, oxford fabric and others.

11. Hingtex Holdings Ltd (Refinitiv Ticker: 1968.HK)

Hingtex Holdings Limited is a China-based investment holding company principally engaged in the manufacturer of denim fabrics. The company's main products include non-stretchable denim fabrics, stretchable cotton denim fabrics, stretchable blended denim fabrics which are mainly used in the production of denim garment of certain United States apparel brands.

12. Pacific Textiles Holdings Ltd (Refinitiv Ticker: 1382.HK)

Pacific Textiles Holdings Limited is a Hong Kong-based investment holding company principally engaged in the manufacturing and trading of textile products in Hong Kong, Macau, the PRC, Vietnam and Sri Lanka. Its principal products and services include knitting, dyeing, printing and finishing.

13. Texhong Textile Group Ltd (Refinitiv Ticker: 2678.HK)

Texhong Textile Group Limited is an investment holding company principally engaged in the manufacture and sale of yarn, grey fabrics, garment fabrics and garments in the PRC, Vietnam and Macao.

14. Weiqiao Textile Co Ltd (Refinitiv Ticker: 2698.HK)

Weiqiao Textile Company Limited is principally engaged in the manufacture and sale of cotton yarn, grey fabric and denim. The company's subsidiaries include Weihai Weiqiao Textile Company Limited, Binzhou Weiqiao Technology Industrial Park Company Limited and Shandong Luteng Textile Company Limited. Through its subsidiaries, the company is also engaged in the production and sale of polyester yarn and related products.

15. Kingdom Holdings Ltd (Refinitiv Ticker: 0528.HK)

Kingdom Holdings Limited is a Hong Kong-based investment holding company principally engaged in linen yarns businesses and exports to Italy, India, Korea, Turkey, Portugal and Japan. The main businesses of the company include the manufacture and sale of linen yarns which include wet spun linen yarns, organic linen yarns, yarns dyed linen and linen yarns for knitting.

16. Zhejiang Yongan Rongtong Holdings Co Ltd (Refinitiv Ticker: 8211.HK)

Zhejiang Yongan Rongtong Holdings Company Limited is a China-based company principally engaged in the manufacture and sale of woven fabrics in the PRC, Europe, the Middle East and other overseas regions. The company operates through two segments. Woven fabrics segment is engaged in the manufacture and sale of woven fabrics which include cotton products, polyester products, spandex products and fashion fabrics. On the other hand, the subcontracting services segment is engaged in the provision of subcontracting services.

17. Fountain Set Holdings Ltd (Refinitiv Ticker: 0420.HK)

Foutain Set (Holdings) Limited is a Hong Kong-based investment holding company principally engaged in fabric businesses in children wear market in Hong Kong, the PRC, Taiwan, Korea, Sri Lanka, Europe and other regions. The main businesses of the company include the production and sale of dyed fabrics, sewing threads, yarns and garment.

18. Shanghai Challenge Textile Co Ltd (Refinitiv Ticker: 002486.SZ)

Shanghai Challenge Textile Company Limited is a China-based company principally engaged in the design, research, development and production of outdoor sports functional fabrics in the domestic market and overseas markets. The company's main products include functional fabrics and clothing products which are mainly used in outdoor sportswear.

19. Yiwu Huading Nylon Co Ltd (Refinitiv Ticker: 601113.SS)

Yiwu Huading Nylon Company Limited is a China-based company principally engaged in the research, development, production and sale of nylon filament. The company's main products include four kinds of civilian nylon filament products, such as pre-oriented yarn ("**POY**"), high-oriented yarn ("**HOY**"), full drawn yarn ("**FDY**") and draw textured yarn ("**DTY**"). The company's products are mainly used in sports apparel, bathing suits, down jackets, seamless underwear, lace, suits, shirts, t-shirts, high fashion fabrics and upscale socks.

20. Shandong Tongda Island New Materials Co Ltd (Refinitiv Ticker: 300321.SZ)

Shandong Tongda Island New Materials Company Limited is a China-based company principally engaged in the production and sale of ecological ultra-fiber synthetic leather in the domestic market and overseas markets. The company's main products include ultra-fiber fabrics, ultra-fiber smooth leather, ultra-fiber suede, apparel fabrics and accessories which are mainly used in footwear, furniture accessories, sporting goods and automotive interiors.

21. Jiangsu Jujie Microfiber Technology Group Co Ltd (Refinitiv Ticker: 300819.SZ)

Jiangsu Jujie Microfiber Technology Group Company Limited is a China-based company mainly engaged in composite fiber products business in the domestic market and overseas markets. The company focuses on research, development, manufacturing and sale of ultra-fine composite fiber fabrics and finished products which include microfiber finished products, microfiber imitation leather fabrics, microfiber functional fabrics and microfiber dust-free clean products.

22. Guangdong Modern High-tech Fiber Co Ltd (Refinitiv Ticker: 300876.SZ)

Guangdong Modern High-tech Fiber Company Limited is a China-based company mainly engaged in the research, development, production and sale of polypropylene fiber in the domestic market and overseas markets. The company's main products are polypropylene filaments, including conventional fibers and differential fibers which are mainly used in luggage webbing in the civil field, industrial filter cloth in the industrial field, and water pipe cloth cover and clothing in the civil field.

23. AnHui Jinchun Nonwoven Co Ltd (Refinitiv Ticker: 300877.SZ)

AnHui Jinchun Nonwoven Company Limited is a China-based company mainly engaged in the research, development, production and sale of nonwovens in the domestic market and overseas markets such as South Korea and Japan. The company's main products are spunlace, hot air and filament microfiber nonwovens which are mainly used in sanitary napkins, diapers and diapers, facial masks, home textiles, high-end wipe materials, automotive interior materials and mask filter materials.

24. Elite Color Environmental Resources Science & Technology Co Ltd (Refinitiv Ticker: 002998.SZ)

Elite Color Environmental Resources Science & Technology Company Limited is a China-based company mainly engaged in the research and development, production and sale of polyester fiber and its products in the PRC market and overseas markets. The company's main products include recycled colored polyester staple fiber, low melting point polyester staple fiber and polyester non-woven fabrics which are mainly used in engineering, carpets, automotive interiors, clothing and home textiles, furniture, automotive interiors and medical hygiene.

25. Shandong Nanshan Fashion Sci-Tech Co Ltd (Refinitiv Ticker: 300918.SZ)

Shandong Nanshan Fashion Sci-Tech Company Limited is a China-based company mainly engaged in the research and development, design, production and sale of worsted woolen cloth, formal wear and protective products in the PRC market and overseas markets such as Asia, North America and Europe. The company has a wool textile apparel industry chain, which covers a worsted woolen cloth business system integrating fabric research and development, top processing, dyeing, spinning, weaving, and finishing, as well as a clothing business system that integrates clothing research, development, design, manufacturing and brand operations.

26. Zhejiang Truelove Vogue Co Ltd (Refinitiv Ticker: 003041.SZ)

Zhejiang Truelove Vogue Company Limited is a China-based company mainly engaged in the research and development, design, production and sale of household textiles, mainly blankets. The company's main products are blankets and bedding included suites, quilts, pillow cores, etc., and it sells a small amount of towels, household clothes, carpets and other textiles and packaging materials to foreign markets.

27. ZhongWang Fabric Co Ltd (Refinitiv Ticker: 605003.SS)

ZhongWang Fabric Company Limited is a company engaged in design, production and sale of decorative fabrics and products in both domestic and international markets, including the United States, Vietnam, and Mexico. The company's primary products are decorative fabrics and sofa covers which comprised of jacquard fabrics, flat fabrics and functional fabrics.

28. Shanghai Shuixing Home Textile Co Ltd (Refinitiv Ticker: 603365.SS)

Shanghai Shuixing Home Textile Company Limited is a China-based company principally engaged in the research, development, design, production and sale of bed textiles in the domestic market. The company's main products include kits, cores and pillow cores.

29. Xinfengming Group Co Ltd (Refinitiv Ticker: 603225.SS)

Xinfengming Group Company Limited is a China-based company principally engaged in the research and development, manufacture and sale of polyester filament yarns in the domestic market and overseas markets. The company's main products include pre-oriented yarn ("**POY**"), full drawn yarn ("**FDY**") and draw textured yarn ("**DTY**"). Its products are mainly applied in the fields of clothes, home textiles and industrial textiles.

30. HangZhou Nbond Nonwovens Co Ltd (Refinitiv Ticker: 603238.SS)

Hangzhou Nbond Nonwovens Company Limited is principally engaged in research and development, manufacture and sale of spunlaced nonwovens and related products in the domestic market and overseas market. The company's main products include health cloths, synthetic leather substrates, beauty care materials, industrial cleaning cloths, medical protective materials, wet towel materials and personal health care products which are mainly applied in the fields of aesthetic nursing, industrial materials, civil cleaning and medical materials.

31. Xinxiang Chemical Fiber Co Ltd (Refinitiv Ticker: 000949.SZ)

Xinxiang Chemical Fiber Company Limited is a China-based company principally engaged in the manufacture and distribution of chemical fiber textile raw materials in the domestic market and overseas markets. The company's major products are viscose fibers, including viscose filament yarns and viscose staple fibers, as well as spandex fibers.

32. Henan Xinye Textile Co Ltd (Refinitiv Ticker: 002087.SZ)

Henan Xinye Textile Company Limited is a China-based company principally engaged in the manufacture and distribution of medium-end and high-end cotton textile products in the domestic market and overseas markets. The company's products portfolio mainly consists of grey cloth series products, yarn series products, colored weaving cloth series products, as well as cotton and others.

33. Sunvim Group Co Ltd (Refinitiv Ticker: 002083.SZ)

Sunvim Group Company Limited is a China-based company principally engaged in the production and distribution of home textile products in the domestic market and overseas markets. The company's products are categorized into towel series and decorative cloth series, including towels, bedding, decorative fabrics and yarns.

34. Fujian Fynex Textile Science & Technology Co Ltd (Refinitiv Ticker: 600493.SS)

Fujian Fynex Textile Science & Technology Company Limited is a China-based company principally engaged in the manufacture and distribution of textile products in the domestic market and overseas markets. The company operates its businesses through weaving, bleaching, yarn spinning and yarn dyeing which include pure cotton fabrics, polyester fabrics, blended fabrics, sanding fabrics, polar fleece fabrics, functional fabrics, yarns and others.

35. Shandong Ruyi Woolen Garment Group Co Ltd (Refinitiv Ticker: 002193.SZ)

Shandong Ruyi Woolen Garment Group Company Limited formerly Shandong Jining Ruyi Woolen Textile Company Limited, is principally engaged in the manufacture and distribution of worsted fabric products in the domestic market and overseas markets, under the brand name of Ruyi. The company is also engaged in the distribution of raw materials, water, electricity and gas, as well as leasing business. The company's major products include summit series, harmony series and creative energy series which are mainly used for apparel manufacturing.

36. Jilin Chemical Fibre Stock Co Ltd (Refinitiv Ticker: 000420.SZ)

Jilin Chemical Fibre Stock Company Limited is a China-based company principally engaged in the production and distribution of chemical fiber products in the domestic and overseas markets. The company's main products consists of viscose filaments, viscose staple fibers, acetic anhydride, bamboo pulp chopped fibers, bamboo pulp filaments, fiber pulps, fire resistant fibers, hemp fibers, purified cottons, yarns and others.

37. CHTC Helon Co Ltd (Refinitiv Ticker: 000677.SZ)

Chtc Helon Company Limited is a China-based company principally engaged in the production and distribution of textile products in the domestic and overseas markets. The company mainly provides canvas and tire cord fabrics, viscose staple fibers, viscose filaments, cotton pulps, among others.

38. Ningxia Zhongyin Cashmere Co Ltd (Refinitiv Ticker: 000982.SZ)

Ningxia Zhongyincashmere Company Limited is a China-based company principally engaged in the production and sale of cashmere, wool, flax and other blended textile products in the domestic market and overseas markets. The company's main products consist of washing cashmere, dehaired cashmere, cashmere tops, cashmere yarns, cashmere sweaters, cashmere coats, scarves and other non-cashmere apparels.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as flows:

Authorised:		*HK$*
10,000,000,000	Shares	1,000,000,000.0
Issued and fully paid or credited as fully paid		*HK$*
3,353,037,365	Shares	335,303,736.5

3. DISCLOSURE OF INTERESTS

(a) Directors' Interests

As at the Latest Practicable Date, none of the Directors and the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or which are required pursuant to section 352 of the SFO to be entered in the register referred to; or are otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules; or are required to be disclosed under the Takeovers Code.

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which has an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(b) Substantial shareholders' interests

As at the Latest Practicable Date, so far as the Directors are not aware of any persons (not being a Director) had or were deemed to have 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 will, directly or indirectly, be interested in 5% or more of the Company's issued share capital.

4. DIRECTORS' SERVICE AGREEMENT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which does not expire or which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which have been since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired by or disposed of or leased to any member of the Group or are proposed to be acquired by or disposed of or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors were materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

6. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates have any interest in businesses which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

7. DIRECTORSHIP AND EMPLOYMENT OF DIRECTORS AND CHIEF EXECUTIVE SHAREHOLDERS

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of part of XV of the SFO.

8. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contract (not being contracts entered into in the ordinary course of business) has been entered into by members of the Group within the two years preceding the issue of this circular and are or may be material:-

(i) the subscription agreements dated 29 March 2021 entered into between the Company and five subscribers, who are third parties independent of the Company and its connected persons, pursuant to which the subscribers have agreed to subscribe, and the Company has agreed to allot and issue, an aggregate of 72,604,167 subscription shares at the subscription price of HK$0.096 per subscription share upon the terms and subject to the condition of such subscription agreements. Such subscription has been completed on 26 April 2021;

(ii) the sale and purchase agreement dated 26 July 2021 and the supplemental agreement dated 31 December 2021 entered into among the Company (as purchaser), the Vendor A and the Target Company in relation to the acquisition of 51% equity interest in the Target Company. Such acquisition has lapsed on 7 July 2022;

(iii) the subscription agreements dated 16 July 2021 entered into between the Company and six subscribers, who are third parties independent of the Company and its connected persons, pursuant to which the subscribers have agreed to subscribe, and the Company has agreed to allot and issue, an aggregate of 87,125,893 subscription shares at the subscription price of HK$0.091 per subscription share upon the terms and subject to the condition of such subscription agreements. Such subscription has been completed on 6 August 2021;

(iv) the subscription agreements dated 13 April 2022 entered into between the Company and six subscribers, who are third parties independent of the Company and its connected persons, pursuant to which the subscribers have agreed to subscribe, and the Company has agreed to allot and issue, an aggregate of 10,455,107 subscription shares at the subscription price of HK$ 0.24 per subscription share upon the terms and subject to the condition of such subscription agreements. Such subscription has been completed on 11 May 2022;

(v) the subscription agreements dated 5 July 2022 entered into between the Company and six subscribers, who are third parties independent of the Company and its connected persons, pursuant to which the subscribers have agreed to subscribe, and the Company has agreed to allot and issue, an aggregate of 12,546,128 subscription shares at the subscription price of HK$0.375 per subscription share upon the terms and subject to the condition of such subscription agreements. Such subscription has been completed on 27 July 2022;

(vi) the Agreement; and

(vii) a placing agreement dated 23 November 2022 and a supplemental placing agreement dated 24 November 2022 entered into between the Company and JMC Capital International Limited as placing agent agreed to procure, on a best effort basis, not less than six placees to subscribe up to 15,055,354 placing shares at a price of HK$0.52 per placing share upon the terms and subject to the condition of such placing agreement and supplemental placing agreement. Such placing has been completed on 15 December 2022.

9. LITIGATION

(a) Demand for repayment of borrowings

(i) On 3 February 2018, Mr. Lin Yingjie ("**Mr. Lin**") filed a claim through Fujian Province Shishi City People's Court (福建省石獅市人民法院) against to an indirect wholly-owned subsidiary of the Group, Hongtai (China) Co., Limited (宏太(中國)有限公司)("**Hongtai (China)**") for the repayment of outstanding borrowing in aggregate of approximately RMB1,350,000. On 13 October 2020, the People's Court of Shishi City, Fujian Province (福建省石獅市人民法院) issued an enforcement judgment letter (執行裁定書), pursuant to which the court decided that the actual enforcement amount was RMB670,000 together with accrued interest thereon payable by Hongtai (China). As no enforceable assets of Hongtai (China) was found to be available, the court therefore announced that, amongst other things, the enforcement procedure was terminated.

(ii) On 18 June 2019, Mr. Liang Chi Yuan filed a claim through the District Court of The Hong Kong Special Administrative Region (the "**District Court**") in respect of the bond principal with interest of approximately HK$2,070,000 and default interest on HK$2,000,000 at rate of 15% per annum from 1 May 2019 until repayment. Reference is made to the announcement of the Company dated 4 January 2023, pursuant to which the completion of the issue of scheme shares under the specific mandate took place, amongst which, 13,409,360 scheme shares at the issue price of HK$0.317 each, totalling HK$4,250,767.12, were allotment and issued to Mr. Liang Chi Yuan, hence the claim owing by the Company to Mr. Liang Chi Yuan was discharged and released in full.

(iii) On 26 September 2019, Mr. Lui Chun Kit filed a claim through the High Court for the repayment bonds principal and interest of approximately HK$3,070,000. Reference is made to the announcement of the Company dated 4 January 2023, pursuant to which the completion of the issue of scheme shares under the specific mandate took place, amongst which, 12,249,427 scheme shares at the issue price of HK$0.317 each, totalling HK$3,883,063.36, were allotted and issued to Mr. Lui Chun Kit, hence the claim owing by the Company to Mr. Lui Chun Kit was discharged and released in full.

(b) Contract disputes

(i) Since 9 November 2016, claim of approximately RMB2,620,000 in aggregation was brought against Hongtai (China) by a supplier namely 重慶紗線產品交易中心有限公司 (the "**Plaintiff 1**") alleging that Hongtai (China) was liable for payment of defected goods supplied to Hongtai (China) by the Plaintiff 1. This case was filed in the Chongqing Nan'an District People's Court (重慶市南岸區人民法院) against Hongtai (China). Up to the Latest Practicable Date, the legal proceeding in respect of above case was still in progress and the outcome of which cannot be ascertain. On 18 March 2019, the Chongqing Nan'an District People's Court (重慶市南岸區人民法院) issued an enforcement judgment letter (執行裁定書), pursuant to which the court decided that the actual enforcement amount was RMB2,620,356.36 together with interest accrued thereon payable by Hongtai (China). As no enforceable assets of Hongtai (China) was found to be available, the court therefore announced that, amongst other things, the enforcement procedure was terminated.

(ii) On 23 January 2017, claim of approximately RMB2,244,000 in aggregation was brought against Hongtai (China) by a supplier namely 莆田市瑞鑫紡織服裝貿易有限公司 (the "**Plaintiff 2**") alleging that Hongtai (China) was liable for payment of defected goods to the Plaintiff 2. This case was filed in the Fujian Province Shishi City People's Court (福建省石獅市人民法院) against Hongtai (China). On 30 December 2017, the People's Court of Shishi City, Fujian Province (福建省石獅市人民法院) issued an enforcement judgment letter (執行裁定書), pursuant to which the court decided that the actual enforcement amount was RMB476,871.6 together with interest accrued thereon payable by Hongtai (China). As no enforceable assets of Hongtai (China) was found to be available, the court therefore announced that, amongst other things, the enforcement procedure was terminated.

(iii) On 18 December 2019, claim of approximately RMB2,668,000 in aggregation was brought against Hongtai (China) by a supplier namely 新疆嘉豐棉業有限公司 (the "**Plaintiff 3**") alleging that Hongtai (China) was liable for payment of goods supplied to Hongtai (China) by the Plaintiff 3. This case was filed in the Urumqi Shuimogou District People's Court (烏魯木齊市水磨溝區人民法院) against Hongtai (China). On 27 December 2020, the People's Court of Shuimogou District, Urumqi City, Xinjiang Uygur Autonomous Region (新疆維吾爾自治區烏魯木齊市水磨溝區人民法院) issued an enforcement judgment letter (執行裁定書), pursuant to which the court decided that the actual enforcement amount was RMB6,069.62 payable by Hongtai (China). As no enforceable assets of Hongtai (China) was found to be available, the court therefore announced that, amongst other things, the enforcement procedure was terminated.

10. EXPERTS AND CONSENTS

The following is the qualification of the experts who has given opinion or advice which is contained in this circular:

Name	Address	Qualification
McMillan Woods (Hong Kong) CPA Limited	24/F, Siu On Centre, 188 Lockhart Road, Wanchai, Hong Kong	Certified Public Accountants
Peak Vision Appraisals Limited	Unit 702, 7/F Capital Centre, No, 151 Gloucester Road, Wan Chai, Hong Kong	Independent professional valuer

As at the Latest Practicable Date, each of McMillan Woods (Hong Kong) CPA Limited Peak Vision Appraisals Limited (i) had no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (ii) had no direct or indirect interest in any assets which had been, since 31 December 2021 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group; and (iii) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report given as of the date of this Circular and the reference to its name included herein in the form and context in which it appears.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://moodytech-holdingltd.com) for a period of 14 days commencing from the date of this circular:

1. the memorandum of continuance and bye-laws of the Company;

2. the Agreement;

3. the report issued by McMillan Woods (Hong Kong) CPA Limited in relation to the financial information of the Target Group, the text of which is set out in Appendix II to this circular;

4. the report issued by McMillan Woods (Hong Kong) CPA Limited in relation to the Unaudited Pro Forma Financial Information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

5. the valuation report on the Target Group prepared by Peak Vision Appraisals Limited, the text of which is set out in Appendix V to this circular;

6. the material contracts referred to in the paragraph headed "Material Contracts" in this appendix; and

7. the letters of consent from the experts named in the section headed "Experts and consents" in this appendix.

12. MISCELLANEOUS

1. The company secretary of the Company is Mr. Tse Kwok Hing Henry. Mr. Tse Kwok Hing Henry is a member of The Hong Kong Institute of Certified Public Accountants.

2. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

3. The principal place of business in Hong Kong of the Company is situated at 20/F, Infinitus Plaza, 199 Des Voeux Road Central, Sheung Wan, Hong Kong.

4. The branch share registrar of the Company in Hong Kong is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

5. In case of any inconsistency, the English text of this circular shall prevail over its Chinese text.

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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of the Company will be held at 12/F, Infinitus Plaza, 199 Des Voeux Road Central, Sheung Wan, Hong Kong on Monday, 24 April 2023 at 2:00 p.m. for the following purpose of considering and, if thought fit, passing with or without amendment, the following ordinary resolution as an ordinary resolution of the Company. Capitalised terms defined in the circular of the Company dated 3 April 2023 shall have the same meanings when used in this notice unless otherwise specified.

ORDINARY RESOLUTIONS

1. "**THAT**

   (a) the Agreement (a copy of which has been produced to the SGM and marked "A" and initialed by the chairman of the SGM for the purpose of identification) and the transaction contemplated thereunder be and are hereby approved, confirmed and ratified;

   (b) any one Director be and is hereby authorised to execute all such documents, instruments, agreements and deeds and do all such acts, matters and things that are of administrative nature only and ancillary to the transaction contemplated under the Agreement, as he/she may in his or her absolute discretion consider necessary or desirable for the purpose of and in connection with the implementation of the Agreement and the transaction contemplated thereunder, and to agree to such variations of the term and conditions of the Agreement and the transaction contemplated thereunder that are of administrative nature only as he or she may in his or her absolute discretion consider necessary or desirable."

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

Hong Kong, 3 April 2023

Principal Place of Business in Hong Kong:
20/F, Infinitus Plaza
199 Des Voeux Road Central
Sheung Wan
Hong Kong

Notes:

1. The register of members of the Company will be closed from 19 April 2023 (Wednesday) to 24 April 2023 (Monday), both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the entitlement to attend and vote at the SGM, all transfer of documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 18 April 2023 (Tuesday).

2. Any member of the Company entitled to attend and vote at the SGM is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more shares may appoint more than one proxy to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed. A proxy need not be a member of the Company, but must attend the SGM in person to represent you.

3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.

4. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited with the Company's Hong Kong branch share registrar not less than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting thereof.

5. Completion and delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the meeting or any adjournment thereof and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

6. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

7. A form of proxy for use at the SGM or any adjournment thereof is enclosed.

8. The voting on the resolution at the SGM will be conducted by way of a poll.

As of the date of this notice, 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