HCMP 1072 / 2021

IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 1072 OF 2021

IN THE MATTER of Moody Technology Holdings Limited (满地科技股份有限公司) (Provisional Liquidators appointed for Restructuring Purposes) (the "Company")

AND

IN THE MATTER of Sections 670, 671, 673 and 674 of the Companies Ordinance (Cap. 622)

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29 JAN 2024

BEFORE THE HONOURABLE MR. JUSTICE HARRIS IN CHAMBERS

ORDER

UPON the application of the Solicitors for the Company by way of Summons filed herein on 10 August 2023 ("**Summons**")

AND UPON hearing the leading counsel for the Company

IT IS ORDERED that:-

1. The Scheme of Arrangement sanctioned by the Court on 28 June 2022 be amended as set out in red in the form annexed hereto; and

2. There be no order as to the costs of this application.

Dated the 25th day of January 2024.

Registrar

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the action you should take, you should consult your bank manager, solicitor, professional accountant, or other professional adviser without delay.

EXPLANATORY STATEMENT

AND

SCHEME OF ARRANGEMENT

Pursuant to Sections 670, 671, 673 and 674 of the Companies Ordinance (Cap. 622) of Hong Kong, as amended from time to time

FOR THE SCHEME CREDITORS OF
MOODY TECHNOLOGY HOLDINGS LIMITED
(PROVISIONAL LIQUIDATORS APPOINTED FOR RESTRUCTURING PURPOSES)

(a company incorporated in Cayman Island with limited liability and continued in Bermuda with limited liability)

HK stock code: 1400

Capitalised terms used in this Scheme Document including the cover page shall have the same meanings as ascribed to them on pages 9 to 18 in the section headed "Definitions" of this Scheme Document.

Moody Technology Holdings Limited (Provisional Liquidators appointed for restructuring purposes) proposes to enter into a scheme of arrangement with the Scheme Creditors pursuant to sections 670, 671, 673 and 674 of the Companies Ordinance (Cap. 622) of Hong Kong. The scheme of arrangement is referred to below as "the Scheme" in this Scheme Document.

The Hong Kong Court has ordered that a meeting of Scheme Creditors be held to consider and, if thought fit, approve the Scheme, with or without modification. This meeting is referred to herein as "the Scheme Meeting". The Notice for the Scheme Meeting is contained in Appendix 2 to this Scheme Document. The Scheme Meeting will be held at 1/F First Commercial Bldg, 33-35 Leighton Road, Causeway Bay, Hong Kong on 8 June 2022 at 3:00 p.m. to 6:00 p.m. (Hong Kong time).

Scheme Creditors (or their proxies) who cannot attend the Scheme Meeting in person may instead attend by an online conferencing platform to be designated by the Company in the manner described and in accordance with the procedures set out in Section 7 of the Explanatory Statement.

The action required to be taken by you is set out on page 24 of this Document. Whether or not you intend to be present at the Scheme Meeting in person or by an online conferencing platform to be designated by the Company, you are requested to complete and return the requisite form of the Notice of Claim for Voting Purposes set out at Appendix 3A of this Document, the Account Holder Letter set out at Appendix 3C of this Document and/or the Form of Proxy set out at Appendix 4 of this Document (whichever is applicable) as soon as possible in accordance with the instructions set out herein. Completion and return of the Form of Proxy shall not preclude you from attending and voting at the Scheme Meeting or at any adjourned meeting should you desire to attend in person or by an online conferencing platform to be designated by the Company.

18 May 2022

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IMPORTANT NOTICE

This section contains a number of important notices to Scheme Creditors. Scheme Creditors are strongly encouraged to carefully review the notices in this section and, if necessary, seek and obtain independent legal and/or professional financial advice.

DEFINED TERMS

Unless the context otherwise requires, all capitalised terms used in this Scheme Document shall have the meanings set out in the section headed "Definitions" of this Scheme Document.

INFORMATION

This Document is prepared for the purposes of the Scheme under Sections 670, 671, 673 and 674 of the Companies Ordinance between the Company and its Scheme Creditors.

The statements, opinions and information contained in this Scheme Document are made, held or given respectively as at the date of this Scheme Document unless another time is specified. Such statements, opinions and information are made, held or given solely by or on behalf of the Company unless expressly attributed to another party. Publication of this Scheme Document shall not give rise to any implication that the facts set out in it since the date of publication remain unchanged.

Nothing contained in this Scheme Document shall constitute any admission of any fact or liability on the part of the Company with respect to any Claim against it. No estimate of the amount of any Claim against the Company specified in any Notice of Claim or Form of Proxy returned to the Company or otherwise provided to the Company, or the admission by the Chairperson of the Scheme Meeting of such amount or any part thereof for voting purposes, shall be admissible against the Company in any proceedings or be taken as admitted for the purpose of the adjudication of the Claims by the Scheme Administrators or the Adjudicator, as the case may be. Any such estimate or admission by the Chairperson of the Scheme Meeting shall only be used for voting purposes at the Scheme Meeting convened in accordance with the direction of the Hong Kong Court for the purpose of considering, and if thought fit, approving the Scheme.

The summary of the principal provisions of the Scheme and the related matters contained herein is qualified in its entirety by reference to the Scheme itself, the full text of which is set out in the section of this Scheme Document titled "Scheme of Arrangement". Scheme Creditors entitled to vote and otherwise participate in the Scheme are advised to read in full and consider carefully the text of the Scheme itself.

The Scheme has been proposed by the Company, and no other Person has been authorized by the Company to make any representation concerning the Scheme which is inconsistent with the statements contained in this Scheme Document and, if made, such representation shall not be relied upon as having been so authorized.

IMPORTANT NOTICE

Nothing in this Scheme Document or any other document issued with or appended to it should be relied on for any purpose other than for Scheme Creditors to make a decision on the Scheme. In particular and without limitation, nothing in this Scheme Document should be relied on in connection with the purchase or acquisition of any Shares, Bonds, Notes or Scheme Claim or any other financial instruments, securities, assets or liabilities of the Company or any other subsidiaries within the Group.

Except and subject to the "Recommendation for the Scheme" stated in Section 14 of the Explanatory Statement, nothing contained in this Scheme Document constitutes a recommendation, or the giving of advice, by the Board, the Provisional Liquidators, the Company or any other member of the Group to take a particular course of action or to exercise any right in relation to the Scheme Creditors, buying, selling, subscribing for, exchanging, redeeming, holding, underwriting, disposing of, or converting the Bonds or Notes or any other financial instruments, securities, assets, claims, property interests or liabilities of the Company or any other subsidiaries within the Group.

NOTICE TO SCHEME CREDITORS

This Scheme Document is to be distributed to Scheme Creditors. Information on the actions that Scheme Creditors are required to take under the Scheme is set out in Section 7 of this Explanatory Statement and Appendices 2, 3A, 3B, 3C and 4 to this Explanatory Statement.

Unless any representations and warranties are given by the Company in the course of its restructuring, nothing contained in this Scheme Document shall constitute a representation, warranty, undertaking or guarantee of any kind, express or implied, or any admission of any fact or liability on the part of the Provisional Liquidators, the Company or any other subsidiaries within the Group with respect to any asset to which it may be entitled or any claim against it. Without prejudice to the generality of the foregoing, nothing in this Scheme Document or the distribution thereof evidences to any person, or constitutes any admission by the Provisional Liquidators, the Company or any other subsidiaries within the Group, that a liability is owed to any person in respect of any claim (including without limitation any Scheme Claim) or that any person is or may be a Scheme Creditor. The failure to distribute this Scheme Document to any Scheme Creditor shall not constitute an admission or determination by the Provisional Liquidators, the Company or any other subsidiaries within the Group that such person is not a Scheme Creditor.

No person has been authorised by the Provisional Liquidators or the Company to give any information or make any representations concerning the Scheme Document which are inconsistent with the Explanatory Statement herein and, if made, such representations shall not be relied upon as having been so authorised.

IMPORTANT NOTICE

The information contained in this Scheme Document has been prepared based solely upon information available from the Company prior to the date of this Scheme Document. The delivery of this Scheme Document does not imply that the information herein is correct or complete as at any time subsequent to the date hereof. To the best of the Provisional Liquidators' and the Company's knowledge, information and belief, and unless otherwise expressly stated herein, the information contained in this Scheme Document is in accordance with the facts as recorded in the Company's books and records and has not omitted anything likely to affect the import of such information in a material respect. The Provisional Liquidators and the Company have taken all reasonable steps to ensure that this Scheme Document contains the information reasonably necessary and material to enable Scheme Creditors to make an informed decision about how the Scheme would affect them.

None of the Provisional Liquidators' and/or the Company's advisors have verified that the information contained in this Scheme Document is materially in accordance with facts or has not omitted anything likely to affect the import of such information in any material way, and each of these persons expressly disclaims responsibility for such information.

The Provisional Liquidators have not performed any verification, or audit examination on any financial information (whether historical or prospective) set out or referred to in, or appended to, this Scheme Document.

This Scheme Document has not been reviewed, verified or approved by any rating agency or any regulatory authority. The Provisional Liquidators, the Company and any other subsidiaries within the Group, or their advisers will have no tortuous, contractual or any other liability to any person in connection with the use of this Scheme Document and the Provisional Liquidators, the Company and any other subsidiaries within the Group, or their advisers will not accept any liability whatsoever to any person, regardless of the form of action, for any lost profits or lost opportunity, or for any indirect, special, consequential, incidental or punitive damages arising from any use of this Scheme Document, its contents or preparation or otherwise in connection with it, even if the Provisional Liquidators, the Company or any other subsidiaries within the Group have been advised of the possibility of such damages.

CONFLICTS

In the event of a conflict between the information and terms described in this Explanatory Statement and any other parts of the Scheme Document, the terms of Part II: Scheme of Arrangement shall prevail.

The Company and/or the Provisional Liquidators shall be at liberty and at any time to modify the Scheme, or to propose a different scheme or schemes of arrangement, at any time prior to sanction of the Scheme and delivery of the relevant Court Order to the Registrar of Companies in Hong Kong. The Company and/or the Provisional Liquidators shall enjoy such liberty notwithstanding any actions being taken in reliance on the Scheme or this Explanatory Statement by any Scheme Creditor or any other person.

FORWARD-LOOKING STATEMENTS

Nothing in this Scheme Document shall be deemed to be a forecast, projection or estimate of the future financial performance of the Company and/or any subsidiary of the Group except where otherwise specifically stated.

This Scheme Document contains statements, estimates, opinions and projections with respect to the Company and the Group and certain plans and objectives of the Company and the Group (e.g. Business Forecast in Appendix 9). These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as "*anticipate*", "*target*", "*expect*", "*estimate*", "*intend*", "*plan*", "*goal*", "*believe*", "*will*", "*may*", "*should*", "*would*", "*could*" or other words of similar import. These statements are based on numerous assumptions and assessments made by the Company as appropriate (and reviewed by the Independent Financial Adviser and MacMillan Woods (Hong Kong) CPA Limited) in light of their experience and perception of historical trends, current conditions, expected future developments and other factors which they believe appropriate, irrespective of whether such assumptions and assessments are expressly set out herein or otherwise. No assurance has been or can be given that such expectations will prove to be correct. **Forward-looking statements inherently involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved, as such results may be subject to wild fluctuations due to circumstantial changes.** Such forward-looking statements only speak as at the date of this Scheme Document. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including but not limited to the factors and uncertainties set out in this Scheme Document. Each Scheme Creditor is urged to make its own assessment of the validity of such forward-looking statements and their underlying assumptions and no liability is accepted by the Provisional Liquidators and/or the Company and/or the Independent Financial Adviser and/or McMillan Woods (Hong Kong) CPA Limited in respect of the achievement or failure thereof of such forward-looking statements and assumptions. Without limiting the above, none of the boards of directors of the companies within the Group or the Provisional Liquidators or the Independent Financial Adviser or MacMillan Woods (Hong Kong) CPA Limited assume any obligation to update or correct any forward-looking statements contained in this Scheme Document to reflect any change of expectations with respect thereto or any change in event, situation, or circumstances on which any such forward-looking statement was based.

RISK FACTORS

Scheme Creditors' attention is drawn to certain known risks and uncertainties associated with the Scheme that are set out in section 5 (Risk Factors) of the Explanatory Statement.

These important risk factors could cause the Company's and the Group's actual results and future prospects to differ materially from those expressed in this Scheme Document (including any forward-looking statements).

Each Scheme Creditor should carefully read and analyse such risk factors and uncertainties, and fully understand their impact, which may be material and adverse, on financial condition and prospects of the Company and/or the Group. The statement of risk factors is not and is not intended to be an exhaustive statement of such risk factors or of all possible risk factors which might influence the decision of Scheme Creditors as regards the Scheme or any related investment decision.

FINANCIAL INFORMATION OF THE COMPANY

(a) In the preparation of this Scheme Document, reference has been made to both audited financial information of the Group for the years ended 31 December 2018, 2019 and 2020, as well as unaudited financial information as of 31 December 2021. Audit reports for the years 2018, 2019 and 2020 were all qualified. Scheme Creditors should note that the Provisional Liquidators have not performed an audit examination of the unaudited financial information of the Company used in this Scheme Document.

(b) The auditing process for the unaudited annual results for the year ended 31 December 2021 has not been completed due to restrictions in force in parts of China as a result of the COVID-19 outbreak. Accordingly, the Company was only able to publish the unaudited annual results on 31 March 2022 to provide updated information on the business operations and financial conditions of the Group. Based on preliminary discussion with the Company's auditors, the Company expects that the auditing process will be completed and the audited results to be published on or before 15 May 2022, which shall be considered in conjunction with this Scheme Document and be made available on the Company website (http://moodytech-holdingltd.com). The Company will also issue further announcements as and when necessary if there are other material developments in the completion of the auditing process in accordance with the Listing Rules.

DISCLAIMERS REGARDING THE PREPARATION OF THE BUSINESS FORECAST AND ESTIMATED RECOVERY UNDER THE SCHEME BY THE COMPANY AND THE LIQUIDATION ANALYSIS BY THE PROVISIONAL LIQUIDATORS

(a) Based on its unaudited financial statements for the year ended 31 December 2021, the Company has prepared a profit and working capital forecast and a forecast of cash movements of the Group for the period from 1 January 2022 to 31 December 2026 (the "**Business Forecast**"), as set out in Appendix 9 to this Scheme Document and reviewed by the Independent Financial Adviser (see Appendix 10 to this Document) and McMillan Woods (Hong Kong) CPA Limited (see Appendix 11 to this Document), as well as an explanation of the estimated recovery under the Scheme ("**Estimated Scheme Recovery**") in Section 13 of the Explanatory Statement and Appendix 12 to this Document.

(b) In addition, the Provisional Liquidators have prepared a high-level Liquidation Analysis of the Company based on the audited financial position of the Group and audited statements of financial position of individual entities within the Group as of 31 December 2020, and adjusted to reflect material changes in the Company's balance sheet (where necessary) to illustrate the estimated recovery to Scheme Creditors in a liquidation scenario. This analysis is set out in Appendix 7 to this Scheme Document.

(c) By reviewing the Business Forecast, the Estimated Scheme Recovery and the Liquidation Analysis, the Scheme Creditors and any other party who gain access to this Scheme Document will be deemed to have read and irrevocably agreed to accept the Provisional Liquidators' disclaimers, as follows:

(i) the Liquidation Analysis has been prepared by the Provisional Liquidators solely for information of the Scheme Creditors with reference to the Excel spreadsheet asset/liability working schedules, corresponding breakdowns, supporting documents, and intercompany positions provided by the Company. None of this underlying information or explanations provided by the Company has been subject to independent verification, audit or checking. Attention is drawn to the basis on which the Liquidation Analysis has been prepared, which is set out in Appendix 7 to this Scheme Document;

(ii) except where specifically stated, the Provisional Liquidators have not sought to establish or verify the reliability of the sources of any information presented to them by reference to independent evidence. The analyses presented in the Liquidation Analysis are based on estimates and stated assumptions, with limited information available;

(iii) the Provisional Liquidators have not sought to review or otherwise comment on the Business Forecast or Estimated Scheme Recovery, nor verified any of the assumptions or analysis made or information relied upon for their preparation.

(iv) the Provisional Liquidators assume no liability whatsoever and make no representations or warranties, express or implied, in relation to the contents of the Business Forecast, Estimated Scheme Recovery or the Liquidation Analysis, including their accuracy, completeness or verification or for any other statement made or purported to be made by or on behalf of the Company or the Provisional Liquidators; and the Provisional Liquidators shall not be responsible for any reliance which Scheme Creditors may place on the accuracy or completeness of the information set out in the Business Forecast, Estimated Scheme Recovery or Liquidation Analysis. To the fullest extent permitted by law, no liability or responsibility whatsoever is accepted by the Provisional Liquidators for any loss howsoever arising from any use of or reliance on the Business Forecast, Estimate Scheme Recovery or Liquidation Analysis or any statement contained in this Scheme Document in connection therewith;

(v) each recipient of this Scheme Document should examine, analyse and evaluate, and conduct its own independent financial, legal and/or tax analysis of the information contained or referred to in this Scheme Document, including the Business Forecast, Estimated Scheme Recovery and Liquidation Analysis; and

(vi) the information set out in the Business Forecast, Estimated Scheme Recovery or Liquidation Analysis is subject to change at any time and the Provisional Liquidators do not undertake to keep such information current, or to notify any Scheme Creditor of any such change.

LEGAL, TAX AND FINANCIAL ADVICE

Without limiting any of the disclaimers or caveats herein, Scheme Creditors or anyone having access to this Scheme Document should not construe the contents of this Scheme Document or any other document in connection with the Scheme as legal, tax or financial advice.

IMPORTANT NOTICE

This Scheme Document has been prepared without taking into account the objectives, financial or tax situation or needs of any particular Scheme Creditor or recipient of it, and consequently, the information contained in this Scheme Document may not be sufficient or appropriate for the purpose for which a Scheme Creditor or recipient might use it. Each Scheme Creditor should conduct its own due diligence and consider the appropriateness of the information in this Scheme Document having regard to its own objectives, financial situations and needs. Scheme Creditors are also recommended to consult their own professional advisers as to legal, tax, financial or other aspects relevant to any action which Scheme Creditors might take in relation to the Scheme, or the implications/consequences of such action.

SOLICITATION PACKET

This Explanatory Statement is accompanied by a Solicitation Packet, as set out in Appendix 3C (Solicitation Packet) to this Document. The Solicitation Packet was prepared and is to be administered by Alliance Advisors LLC, i.e. the Information Agent, who is solely responsible for this Solicitation Packet, including its application and administration. Notes Scheme Creditors are required to complete this Solicitation Packet. The Solicitation Packet is also available on the website of the Company (http://moodytech-holdingltd.com). The Solicitation Packet contains: (i) the Account Holder Letter and (ii) instructions and guidance for the Notes Scheme Creditors as to how to complete these documents.

In this Document the following expressions shall, unless the context otherwise requires, have the meanings respectively set opposite such expressions:

"Account Holder(s)"	direct participant(s) in the Clearing Systems with their interests in the Notes being recorded in the books or other records maintained by the relevant Clearing System(s) as being a holder of a book-entry interest in the Notes
"Account Holder Letter"	the form of account holder letter set out in Appendix 3C (Solicitation Packet) to this Document
"Adjudicator"	such person with experience in the adjudication of Scheme Creditors' Claims as the Scheme Administrators, in their absolute discretion, shall appoint
"Admitted Claims"	all Scheme Claims against the Company which would be provable with reference to the relevant provisions in the Companies Ordinance or the CWUMPO on the Effective Date and which have been admitted by the Scheme Administrators or the Adjudicator (as the case may be) in accordance with Part 4 of the Scheme
"Alliance Advisors LLC"	the Information Agent appointed by Company to administer the Solicitation Packet
"Bermuda Court"	the Supreme Court of Bermuda
"Bonds"	the unsecured bonds issued by the Company between 2014 and 2019, bearing interest rates at a range of 1.5% to 40% per annum which have fallen due and are outstanding as of the Effective Date
"Board"	the board of Directors of the Company
"Book Entry Interest"	means in relation to the Notes, a beneficial interest as principal in the global notes by which each of the Notes were offered and sold held through and shown on, and transferred only through, records maintained in book entry form by the Clearing Systems.

"Business Day(s)"	any day (other than a Saturday, Sunday, public holidays, and days 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.) on which banks in Hong Kong are generally open for business throughout their normal business hours
"Claim(s)"	any debt, liability or obligation of the Company (whether known or unknown, whether actual or contingent, whether present, future or prospective, whether liquidated or unliquidated), whether arising by virtue of contract, at common law, in equity or by statute in Hong Kong, Bermuda or in any other jurisdiction or in any manner whatsoever and which includes without limitation a debt or liability to pay money or money's worth, any liability for breach of trust, any liability in contract (including any guarantee liability of the Company), tort or bailment and any liability arising out of an obligation to make restitution, together with all interest on such debt, obligation or liability
"Clearing System(s)"	each or all of the Depository, Euroclear Bank S.A./ N.V. and Clearstream Banking, société anonyme and any other system designed for similar or analogous purposes, as appropriate
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company"	Moody Technology Holdings Limited, a company incorporated in Cayman Island with limited liability and continued in Bermuda with limited liability, the issued Shares in which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 1400)
"Completion"	all the Scheme Shares having been duly issued and allotted to each Scheme Creditor with Admitted Claims
"Conditions Precedent"	the conditions precedent to the Scheme taking effect as set out in Part 3 of the Scheme

"Coral Pearl Group"	Coral Pearl International Limited, a direct wholly owned subsidiary of the Company and the indirect subsidiaries thereunder which mainly engage in trading of clothes and shoes business
"Custody Instruction"	irrevocable instruction given to the relevant Clearing System to block the Notes from trading in the relevant Clearing System
"Custody Instruction Deadline"	10:00 a.m. (Hong Kong time) on 31 May 2022
"Custody Instruction Reference Number"	the unique reference provided by the Clearing System following the Custody Instructions given by an Account Holder to the relevant Clearing System
"Cut-Off Date"	A date to be specified by the Scheme Administrators, on the date falling 3 months after ~~the Effective Date~~ the Order made by the Honourable Mr. Justice Harris on 25 January 2024 (or if such date is not a Business Day, the next Business Day)
"CWUMPO"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Depositary"	The Bank of New York Mellon, London Branch, acting through its nominee, The Bank of New York Depository (Nominees) Limited
"Director(s)"	the director(s) of the Company as at the date of this Document
"Document"	this document comprising the Explanatory Statement, the Scheme and their appendices
"Effective Date"	the date on which the Scheme becomes effective in accordance with Part 3 of the Scheme
"Enlarged Share Capital"	the total issued share capital of the Company as enlarged by the allotment and issue of the Scheme Shares

"Excluded Claim"	Claim(s) by other companies within the Group against the Company
"Existing Share(s)"	ordinary share(s) of HK$0.10 each in the issued share capital of the Company
"Explanatory Statement"	the statement contained in pages 32 to 97 of this Document explaining the effect of the Scheme to the Scheme Creditors as required by Section 671 of the Companies Ordinance
"Form of Proxy"	the form of proxy for appointing a proxy to attend at the Scheme Meeting substantially in the form set out in Appendix 4 to this Document
"Group"	the Company and its subsidiaries, whether held directly or indirectly
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Court"	the High Court of Hong Kong and any court capable of hearing appeals therefrom
"Independent Financial Adviser"	Futec Financial Limited, a corporation licenced by the SFC to conduct, among other things, the regulated activity of Advising on Corporate Finance within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Information Agent"	Alliance Advisors LLC
"Intermediaries"	A Person who holds an interest at the Record Time in any Notes on behalf of another Person or other Persons, and who does not hold that interest as an Account Holder
"January 2015 Note"	the 7% Bond issued by the Company in the form of a global certificate with an aggregate principal of HK$84,000,000 due 2018 with ISIN XS1155494997
"June 2015 Note"	the 7% Bond issued by the Company in the form of a global certificate with an aggregate principal of HK$57,900,000 due 2018 with ISIN XS1224913159

"June 2017 Note"	the 7% guaranteed Bond issued by the Company in the form of a global certificate with an aggregate principal of HK$88,110,000 due 2019 with ISIN XS1633784266
"Latest Practicable Date"	13 May 2022, being the latest practicable date prior to the printing of this Document for ascertaining certain information in this Document
"Legal Advisor"	Winston & Strawn, as legal advisors to Company in respect of the Scheme
"Notes"	collectively, January 2015 Note, June 2015 Note and June 2017 Note, which were issued in global registered form with the global Notes being held by the Depositary, and the interests in the Notes held by Account Holders through the Clearing Systems under electronic systems designed to facilitate paperless transactions in respect of dematerialised securities
"Noteholder(s)"	Person(s) with a beneficial interest as principal in the Notes held in the form of a global certificate through the Clearing Systems as at the Record Time and which has a right, upon satisfaction of certain conditions, to be issued definitive notes in accordance with the terms of the Bonds
"Notes Guarantor"	Lin Qingxiong, guarantor of the June 2017 Note
"Notes Scheme Creditor(s)"	Person(s) with Claim(s) arising directly or indirectly pursuant to under or in connection with the Notes, including (but without double counting in each case), the Depositary, each of the Noteholders, the Account Holders and Intermediaries
"Notice of Claim for Voting Purposes"	a notice substantially in the form set out in Appendix 3A to this Document
"Notice of Claim for Subscription Purposes	a notice substantially in the form set out in Appendix 3B to this Document"
"Other Payables"	the salaries and/or remuneration due and owing by the Company to former Directors and fees of professional parties

"Person"	includes an individual, partnership, company, body corporate, joint stock company, trust, unincorporated association or body of persons (including a partnership or consortium), joint venture or other entity, or a government or any political subdivision or agency thereof
"Potent Union Group"	Potent Union Holdings Limited, a direct wholly owned subsidiary of the Company, and the indirect subsidiaries thereunder which mainly engage in the businesses of manufacturing yarns and fabrics
"PRC"	the People's Republic of China which, for the purpose of this Document and for geographical reference only, excludes Hong Kong, Macau Special Administrative Region and Taiwan (unless otherwise indicated)
"Preferential Claim(s)"	any Claim(s) of Scheme Creditors against the Company which would, if the Company had commenced to be wound up on the Effective Date, have been payable out of the assets of the Company pursuant to Section 265 of the CWUMPO in priority to the Claims of the general unsecured creditors of the Company
"Prior Scheme Shares"	the 3,262,705,241 shares issued by the Company to Scheme Creditors on 4 January 2023 at the issue price of HK$0.317 per share
"Provisional Liquidators"	Mr. Kan Lap Kee (Terry) and Mr. Tang Chung Wah (Alan) of SHINEWING Specialist Advisory Services Limited and Mr. Edward Alexander Niles Whittaker of R&H Services Limited jointly and severally appointed as Joint Provisional Liquidators pursuant to order granted by the Bermuda Court on 24 October 2019
"Record Date"	1 June 2022
"Record Time"	10:00 a.m. (Hong Kong time) on 1 June 2022
"Scheme"	the proposed scheme of arrangement for the Company to be entered into between the Company and the Scheme Creditors pursuant to Sections 670 and 673 of the Companies Ordinance with, or subject to, the approval and any modification, addition or conditions approved or imposed by the Hong Kong Court as set out in Part II of this Document

"Scheme Administrators"	Mr. Kan Lap Kee (Terry) and Mr. Tang Chung Wah (Alan) of SHINEWING Specialist Advisory Services Limited or their successors to be jointly and severally appointed as Scheme Administrators pursuant to the terms of the Scheme
"Scheme Claim(s)"	a Claim which is not: (a) a Preferential Claim (and where the Claim is only in part a Preferential Claim, then the Person is a Scheme Creditor only to the extent of the non-preferential portion of the Claim); (b) a Secured Claim (and where the Claim is only in part a Secured Claim, then the Person is a Scheme Creditor only to the extent of the unsecured part of the Claim); (c) a claim for Scheme Costs, and/or (d) an Excluded Claim
"Scheme Costs"	costs, charges, expenses and disbursements necessary and properly incurred before and after the Effective Date, in connection with the costs incurred by, *inter alia*, the Provisional Liquidators and the Legal Advisor for restructuring purpose, the administration and implementation of the Scheme including the fees and remuneration of the Scheme Administrators and the Adjudicator
"Scheme Creditors"	Person(s) with Scheme Claim(s), including but not limited to the Notes Scheme Creditor(s)
"Scheme Meeting"	the meeting(s) of the Scheme Creditors to be convened and held at the direction of the Hong Kong Court for the purpose of considering and, if thought fit, approving the Scheme
"Scheme Shares"	Shares to be issued and allotted by the Company to the Scheme Creditors at the price of HK$1.95 per Share or the average closing price as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of notice of the Scheme Meeting, whichever is lower
"Scheme Shares Allocation"	the aggregate number of Scheme Shares to be issued and allotted by the Company to the Scheme Creditors pursuant to the terms of the Scheme

"Scheme Shares Entitlement"	the allocation of Scheme Shares amongst the Scheme Creditors pursuant to the Scheme in the principal amount of 100% of the respective Admitted Claims of the Scheme Creditors, rounded down to the nearest integral number of Scheme Shares
"Secured Creditor(s)"	a creditor of the Company with the benefit of a Security Interest in respect of its Claim
"Security Interest"	any mortgage, pledge, lien, charge, assignment, hire-purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement, pledge, lien, hypothecation, encumbrance or security interest of whatsoever kind or any other agreement having the effect of conferring security provided by the Company whether relating to existing or future assets and whether conditional or not
"SFC"	the Securities and Futures Commission of Hong Kong
"SGM"	the special general meeting of the Shareholders or independent Shareholders (as the case may be) for the purpose of considering, if thought fit, approving the increase of the authorised share capital of the Company and the allotment and issuance of Scheme Shares to Scheme Creditors
"Share(s)"	ordinary share(s) in the Company, whether or not issued or allotted
"Share Consolidation"	the share consolidation as approved by the Shareholders by ordinary resolution at the special general meeting of the Company held on 4 March 2022 with the effect that every ten (10) Shares be consolidated into one (1) Share
"Shareholder(s)"	holder(s) of the Share(s) from time to time
"Solicitation Packet"	The document which contains *inter alia* the Account Holder Letter and instructions and guidance for the Notes Scheme Creditors for voting at the Scheme Meeting at Appendix 3C (Solicitation Packet) to this Document
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC
"Voting Claim"	the Claim of a Scheme Creditor calculated as at the date of the Scheme Meeting and admitted for the sole purposes of voting at such meeting(s)
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, Chinese Yuan, the lawful currency of the PRC
"%"	per cent
"≤"	less than/smaller than or equal to

INTERPRETATION

(A) In the Scheme:

(i) words in the singular include the plural, and vice versa;

(ii) words importing any gender include all gender;

(iii) a reference to a "Person" shall be construed so as to include any individual, firm, business, company, body corporate or unincorporated or other juridical person, government, federation, body corporate or unincorporated or other juridical person, government federation, state or agency thereof, or any joint venture, association, partnership or trust (whether or not having separate legal personality);

(iv) references to clauses and appendices are references to clauses and appendices of the Scheme;

(v) references to agreement, deed or document shall be deemed also to refer to such agreement, deed or document as amended, supplemented, restated, verified, replace and/or novated (in whole or in part) from time to time and to any agreement, deed or document executed pursuant thereto;

(vi) the words "include" and "including" are to be construed without limitation, general words introduced by the word "other" are not to be given a restrictive meaning by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things, and general words are not be given a restrictive meaning by reason of the fact that they are followed by particular examples intended to be embraced by the general words;

(vii) a company is a "subsidiary" of another company, its "holding company", if that other company (a) holds a majority of the voting rights in it; (b) is a member of it and has the right to appoint or remove a majority of its board of directors; or (c) is a member of it and controls alone, pursuant to an agreement with other members, a majority of the voting rights in it, or, if it is a subsidiary of a company that is itself a subsidiary of that other company;

(viii) headings to sections are for ease of reference only and shall not affect the interpretation of the Explanatory Statement; and

(ix) references to time of day are references to time of day in Hong Kong unless otherwise specified.

(B) In the Scheme, a reference to a statute or statutory provision shall be construed as a reference:

(i) to that statute or provision as from time to time amended, modified or re-enacted;

(ii) to any repealed statute or statutory provision which it re-enacts (with or without modification); and

(iii) to any orders, regulations, instruments or other subordinate legislation made under the relevant statute or statutory provision.

18 May 2022

To the Scheme Creditors of the Company

Dear Sirs and Mesdames,

INTRODUCTION

The Board and the Provisional Liquidators (acting on behalf of the Company for restructuring purposes only) are writing to you on behalf of the Company in connection with the Scheme which the Company proposes to enter into with its Scheme Creditors. The Scheme itself is set out in Part II of this Document titled "Scheme of Arrangement".

The purposes of this letter, Explanatory Statement and the Scheme are to (i) set out the background information in relation to the Company and the Group and the reasons for the Scheme; (ii) set out and explain the provisions of the Scheme, and (iii) explain the advantages and disadvantages of the Scheme, in order to assist the Scheme Creditors in making an informed decision on whether or not to vote in favour of the Scheme at the forthcoming Scheme Meeting.

You are advised to consult your independent adviser(s), legal or otherwise, on whether to vote in favour of or against the Scheme or abstain from voting at the forthcoming Scheme Meeting.

Please note that the Explanatory Statement should not be relied upon as a substitute for reading the provisions themselves of the Scheme or for consulting your professional adviser(s) as to the effect of the Scheme.

Background

The Company was incorporated in the Cayman Islands on 29 April 2013 and was registered as a non-Hong Kong Company in Hong Kong on 9 September 2013. The Company's shares were listed on the Main Board of Hong Kong Stock Exchange (stock code: 1400.HK) on 25 April 2014. The Company was de-registered in the Cayman Islands, changed its domicile and was duly continued in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) on 23 May 2019.

The Company is an investment holding company whose subsidiaries are principally engaged in the design, manufacturing and sales of fabrics, and the trading of shoes and clothes in the PRC. As at the Latest Practicable Date, the Group comprises the Company and its subsidiaries as set out in Appendix 6.

According to the Company's Annual Report for the financial year ended 31 December 2020, the Company recorded net current liabilities of approximately RMB 533.42 million and net liabilities of approximately RMB 796.24 million, with total assets of approximately RMB 7.137 million and total liabilities of approximately RMB 803.38 million. In the circumstances, the Company is balance sheet insolvent and has insufficient cashflow to cover its liabilities.

To facilitate a restructuring of the Company's indebtedness, the Company filed a winding-up petition with the Bermuda Court on 10 October 2019, together with an application for the appointment of the Provisional Liquidators over the Company on a "light touch" basis for restructuring purposes only.

On 24 October 2019, the Bermuda Court granted an Order that Mr. Tang Chung Wah (Alan) and Mr. Kan Lap Kee (Terry) both of SHINEWING Specialist Advisory Services Limited and Mr. Edward Alexander Niles Whittaker of R&H Services Limited be appointed as the Provisional Liquidators of the Company with the power to act jointly and severally.

At the request of the Provisional Liquidators, the Hong Kong Court made an order on 24 January 2020, *inter alia*, to recognise the appointment of the Provisional Liquidators. The Hong Kong Court also ordered that so long as the Company remains in provisional liquidation in Bermuda, no action or proceedings shall be proceeded with or commenced against the Company within the jurisdiction of the Hong Kong Court except with the leave of the Hong Kong Court.

The Scheme

Since their appointment, the Provisional Liquidators together with the Company have entered into discussions with creditors identified by the Company to determine how to maximise the returns to the creditors of the Company and the feasibility of restructuring the indebtedness of the Company.

After discussions with a number of these creditors, the Board and the Company (acting by its Provisional Liquidators) propose to put forward the Scheme to restructure the debts of the Company. Under the Scheme, the Scheme Claims will be discharged. In return, each Scheme Creditor will be entitled to receive 1 Scheme Share per HK$1.95 of his Admitted Claims (being the theoretical average closing price as quoted on the Stock Exchange for the last five consecutive trading days immediate prior to the date of the Company's announcement dated 11 November 2020 in relation to the restructuring transaction following the Share Consolidation, see the Company's announcement dated 11 April 2022) **or** such amount of his Admitted Claims equivalent to the average closing prices as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of notice of the Scheme Meeting, whichever is lower.

Excluded Claims (i.e. debts due and owing by the Company to other subsidiaries within the Group), as well as Preferential Claims (if any), Secured Claims (if any) and Scheme Costs shall be settled outside the Scheme from cashflow generated from operations and other fundraising activities, including but not limited to placing under general mandate, rights issue and allotment of shares. As of the date hereof, the Company does not have any creditors holding Preferential Claims or Secured Claims against it.

Having considered the rights of Scheme Creditors and the effects of the Scheme on those rights, the Company and the Provisional Liquidators consider that it is in the best interest of the Scheme Creditors for the Scheme to be implemented to maximise their entitlements. Whilst the Company is domiciled in Bermuda, the Company is listed in Hong Kong and the Company's management is based in Hong Kong. Further, the majority of the outstanding indebtedness of the Company is governed by the laws of Hong Kong. In the circumstances, the Company acting by the Provisional Liquidators applied on 28 July 2021 to the Hong Kong Court for leave to convene a meeting of Scheme Creditors for the purposes of considering and, if thought fit, approving (with or without modification) the Scheme.

On 20 April 2022, the Hong Kong Court ordered that a Scheme Meeting be convened for the purposes of considering the proposed Scheme. A copy of the Order is attached as Appendix 1 to this Document and the formal notice of the Scheme Meeting is attached as Appendix 2 to this Document.

What is a scheme of arrangement?

A creditors' scheme of arrangement is a court-approved agreement entered into between a company and its creditors, or any class of its creditors, under sections 670, 673 and 674 of the Companies Ordinance to compromise the indebtedness of the company held by those of its creditors who are parties to the scheme. The Scheme is a compromise between the Company and the Scheme Creditors.

In accordance with the laws of Hong Kong, the Scheme will become legally binding on the Company and its Scheme Creditors, including those Scheme Creditors who vote against the Scheme and those who do not vote, if (and only if) all of the following conditions are satisfied:

(i) over 50% in number of creditors, representing not less than 75% in value of creditors, present and voting in person or by proxy at the Scheme Meeting, vote in favour of the Scheme;

(ii) The Hong Kong Court subsequently makes an order sanctioning the terms of the Scheme;

(iii) an office copy of the order of the Hong Kong Court sanctioning the Scheme is delivered to and registered by the Registrar of Companies in Hong Kong; and

(iv) all Condition Precedents have been fulfilled or waived including but not limited to the necessary resolutions by the Shareholders or independent Shareholders (as the case may be) for the issue and allotment of Scheme Shares be passed at the SGM.

The alternative to the Scheme Creditors to the Scheme is a formal winding-up of the Company. The Provisional Liquidators and the Company believe that this alternative has significant disadvantages for the Scheme Creditors. The advantages and disadvantages of the Scheme are discussed in section 12 (The Advantages and Disadvantages of the Scheme) of the Explanatory Statement.

Are you a Scheme Creditor?

A copy of this Document has been sent to those parties in respect of whom the records of the Company indicate that they have or may have a Claim against the Company. However, receipt of this Document does not necessarily mean that the recipient is a Scheme Creditor or potential Scheme Creditor of the Company. Nothing in this Document shall constitute any admission of any fact or liability on the part of the Company with respect to any Claim against it. You are advised to seek legal advice if you are unsure whether you have a Claim against the Company or what you should do with respect to this Document.

The Scheme is proposed to compromise the debts owed by the Company to the Scheme Creditors, which is defined as persons with Scheme Claim(s) against the Company.

In particular, the definition of Scheme Creditors also includes Notes Scheme Creditors, who have claims against the Company in respect of the Notes issued in the form of global certificates in January 2015, June 2015 and June 2017, which are all governed by the laws of Hong Kong. In this connection, you are a Noteholder if you have an economic or beneficial interest as principal in the Notes which are held through the Clearing Systems as at the Record Time. If you are a Noteholder, you should contact your Account Holder immediately (through any Intermediaries, if applicable) to ensure that your Account Holder takes the appropriate actions.

Why has the Scheme been proposed?

The Scheme is necessary in order to effect a compromise of the Company's existing indebtedness as part of the proposed restructuring in order to substantially reduce the Group and the Company's indebtedness.

The Company and the Provisional Liquidators believe that the Scheme would maximise recovery to Scheme Creditors in a more expeditious manner than through a formal liquidation of the Company. If the Scheme is successfully implemented, the Scheme Creditors would be repaid in full at least notionally by the Scheme Shares in full and final settlement of all their Admitted Claims against the Company.

Adopting the figures in the Company's Annual Report for the financial year ended 31 December 2020, the Scheme will reduce the Company's and the Group's liabilities by approximately 98% and 63% respectively. It is hoped that this would allow the Company to sustain its operations as a going concern and may potentially allow the Group to return to a position of solvency, even though the Group and some of its subsidiaries will remain balance sheet insolvent immediately after the implementation of the Scheme, with net liabilities of approximately RMB 172 million (being the total outstanding liabilities of approximately RMB 452 million net of total assets with a book value of approximately RMB 280 million).

With reference to the Company's announcement made on 31 March 2022 regarding the unaudited annual results of the Group for the financial year ended 31 December 2021, the Scheme will reduce the Company's and the Group's liabilities by approximately 99% and 64% respectively. With increased net liabilities of approximately RMB 236.5 million (being the total outstanding liabilities of approximately RMB 464.2 million net of total assets of approximately RMB 227.7 million), the Group and some of its subsidiaries will remain balance sheet insolvent immediately after the implementation of the Scheme.

After the implementation of the Scheme, it is anticipated that the Group's substantially improved financial condition will make available new fundraising opportunities to allow the Group to develop its business and continue as a going concern. It is on this basis that the Company has entered into: **(i)** an agreement for acquisition of shareholding in Leader Elastic Limited, a company holding elastic webbing business which will create synergy with the Group's existing business; and **(ii)** four (supplemental) Memoranda of Understanding with one prospective investor and three prospective placing agents ("**MOUs**") for further capital injection of no less than HK$700 million within 5 years.

Based on the unaudited annual results of the Group for the year ended 31 December 2021, the Company's management have prepared a business forecast ("**Business Forecast**", as set out in Appendix 9 hereto, which has been reviewed by the Independent Financial Adviser and McMillan Woods (Hong Kong) CPA Limited), according to which it is anticipated that, should the proposed Scheme be approved and implemented:

(1) If the Group divests itself of its fabrics business, there is a reasonable prospect that the Group will return to balance sheet and cashflow solvency and generate total revenue of RMB 207 million by the end of 2024;

(2) If the Group continues to run its fabrics business, there is a reasonable prospect that the Group will return to balance sheet and cashflow solvency and generate total revenue of RMB 260.0 million by the end of 2025, and RMB 274.2 million by the end of 2026.

The improvement of the Group's financial position is expected to result from the positive cashflow to be generated by operations as well as the fresh capital to be injected by new investors starting from 2022. The business forecast was prepared on the premises, *inter alia*, that: (1) the Scheme would be successfully implemented, (2) the acquisition of shareholding in Leader Elastic Limited would create product synergies, (3) the new investors would complete their investments into the Company as envisaged by the MOUs signed with the Company, (4) business sentiments would improve and the expected business growth rates could be sustained or achieved, and (5) the debts owed by the Company's subsidiaries would be settled or their repayments would be extended over the next 5 years.

It is believed that the restructuring initiatives as a whole, if successfully implemented, would substantially improve the Group's general revenue and cashflow, and give the Group an opportunity to operate its business as a going concern by 2026 the latest, thus ultimately maximising returns to the Scheme Creditors.

Further information in relation to the proposed Scheme is set out in the Explanatory Statement and the terms of the Scheme are set out on pages 99 to 116 under Part II of this Document titled "Scheme of Arrangement". It is impossible, however, to address each Scheme Creditor's individual circumstances, so the Explanatory Statement should not be regarded as an exhaustive summary of the information to be considered. Each Scheme Creditor must make its own assessment of how the Scheme will affect its own interests and is strongly encouraged to consult his own professional advisers.

Immediate action required to be taken to vote at the Scheme Meeting

All Scheme Creditors are requested to complete and return:

(i) in the case of a Notes Scheme Creditor, the Account Holder Letter in the enclosed **Solicitation Packet** (see Appendix 3C to this Document); or

(ii) in all other cases, the enclosed **Notice of Claim for Voting Purposes** (see Appendix 3A to this Document),

to the Company c/o Alliance Advisors LLC, the Information Agent, at 24/F., Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong (Attention: Carey Lo and Race Chan) by personal delivery, email (1400.HK@allianceadvisors.com), facsimile (+852 3006 2486) or post **no later than 10:00 a.m. (Hong Kong time) on 1 June 2022, i.e. the Record Time**. Scheme Creditors who do not return an Account Holder Letter or Notice of Claim for Voting Purposes to Alliance Advisors LLC before this deadline will only be allowed to vote at the Scheme Meeting at the sole discretion of the Chairperson of the Scheme Meeting.

Action required to be taken to receive Scheme Shares

If you are a Scheme Creditor who did not return the required documents to vote at the Scheme Meeting, you may still receive Scheme Shares by completing and returning:

(i) in the case of a Notes Scheme Creditor, **Part 1 and Part 3** of the **Account Holder Letter** in the enclosed **Solicitation Packet** (see Appendix 3C to this Scheme Document); or

(ii) in all other cases, the enclosed **Notice of Claim for Subscription Purposes** (see Appendix 3B to this Scheme Document),

to the Company c/o Alliance Advisors LLC, the Information Agent, at 24/F., Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong (Attention: Carey Lo and Race Chan) by personal delivery, email (1400.HK@allianceadvisors.com), facsimile (+852 3006 2486) or post **no later than the Cut-Off Date**. Scheme Creditors who do not return an Account Holder Letter or Notice of Claim for Subscription Purposes before this deadline will only be allowed to receive Scheme Shares at the sole discretion of the Scheme Administrators.

If you have submitted an Account Holder Letter or a Notice of Claim for Voting Purposes for the purpose of voting at the Scheme Meeting, you do **not** have to submit another Account Holder Letter or Notice of Claim for Subscription Purposes for the purpose of receiving Scheme Shares. Any Account Holder Letter or Notice of Claim for Subscription Purposes submitted before the Cut-Off Date will be deemed to supersede any Account Holder Letter or Notice of Claim for Voting Purposes previously submitted.

Recommendation of the Provisional Liquidators and the Company

Based on the information currently available which is summarised in this letter and the Explanatory Statement, and subject to various assumptions, disclaimers and caveats set out in this Document, the Company and the Provisional Liquidators are of the view that the Scheme is the most practical and realistic option available to the Company and is in the interests of the Company and its Scheme Creditors under the circumstances. If the Scheme is not approved and implemented, neither the acquisition of Leader Elastic Limited nor the fresh capital injections from new investors according to the MOUs would take place. It follows that the Company will have to be placed into an insolvent liquidation and will result in very low (if any) returns to the Scheme Creditors, which is currently estimated to be approximately 0.89% of their actual Claims (as set out in the Liquidation Analysis in Appendix 7, which was prepared on the basis of the 2020 audited financials of the Company as the 2021 audited accounts are yet to be available) No Scheme Shares will become available for the benefit of the Scheme Creditors in that scenario and the Scheme would fall through.

By contrast, the Scheme envisages a straightforward debt-for-equity swap. If the Scheme is successfully implemented, the Scheme Claims will be discharged in full at face value by the allotment of Scheme Shares. There would be a notional recovery rate of 100% for the Scheme Creditors with Admitted Claims. The Scheme Creditors with Admitted Claims will hold 98% of the shareholding in the Company immediately after the completion of the Scheme. However, as discussed below, it is expected that the shareholding of the Scheme Creditors will be subject to further and substantial dilution in the immediate future.

On the basis of information made available by the Company, and subject to various assumptions, disclaimers and caveats set out in this Document, the Provisional Liquidators believe that the restructuring initiatives as a whole, if successfully implemented, would substantially improve the Group's general revenue and cashflow positions, and there is a reasonable prospect that the Group as a whole will be able to operate its business as a going concern and ultimately maximise returns to the Scheme Creditors. Thus, whilst **it may be difficult to assess the value of the Scheme Shares**, the Provisional Liquidators are of the view that it is in the interests of the Scheme Creditors to approve the Scheme, and recommend the Scheme Creditors to attend the Scheme Meeting in person or by an online conferencing platform to be designated by the Company or by proxy and vote in favour of the Scheme.

Risk Factors

Notwithstanding the advantages of the Scheme as outlined above, Scheme Creditors should note with caution that **there is a real risk that the Company or the Group may not survive even if the Scheme is implemented and the Scheme Claims are discharged**. Returning to solvency of the Group as a whole hinges on the successful implementation of the post-Scheme business reorganisation and fresh capital injections into the Group. Scheme Creditors should note that the Provisional Liquidators/Scheme Administrators shall be discharged after distribution of the Scheme Shares.

The Scheme as detailed in this Document is subject to, among other things, the approval of the requisite majority of Scheme Creditors and Shareholders, and thereafter the Hong Kong Court's sanction. The Company is obliged to satisfy the Hong Kong Court that proper meeting and voting procedures are followed, and the terms of the Scheme are reasonable and do not unfairly prejudice the interests of Scheme Creditors. Should there be any aggrieved creditors of the Company who object to the Scheme, such objection may delay the Scheme process or possibly prevent the Scheme from being implemented.

The Scheme Shares issued in settlement of the Admitted Scheme Claims of Scheme Creditors would extinguish about 98% of the Company's indebtedness and 63% of the Group's indebtedness (by reference to the 2020 audited results). Immediately after the implementation of the Scheme, net liabilities of the Group amounting to about RMB 172 million will remain (see section 13 of the Explanatory Statement for more details).

There are many factors which would impact on the restructuring of the Group beyond the control of the Company, such as (1) completion of the acquisition of shareholding of Leader Elastic Limited by 30 June 2022, (2) new funding injections pursuant to the MOUs, (3) actual market sentiments and profit margins on products, (4) the unforeseen adverse impacts on productions (including those caused by the COVID-19 pandemic), and (5) debt recovery actions by the creditors of the Company's subsidiaries. Whilst the management will endeavour to turn around the Group's business to maximise the interests of all Scheme Creditors and existing Shareholders of the Company, **there is no guarantee that the Group will return to solvency.**

In particular, with regard to prospective new funding injections pursuant to the MOUs, the Company anticipates that it will, but has yet to enter into any legally binding agreements with any of the four investor or placing agents. Besides, the Company is still in the process of verifying the proof of funds or agreeing on the timing or quantum of the tranches of prospective capital injections.

Scheme Creditors should also note that the issuance of the Scheme Shares, coupled with further placement and/or allotment of further shares for acquisition of Leader Elastic Limited and other fundraising exercises **will result in further substantial dilutions of the shareholding of the Scheme Creditors, the full effect of which including that on the projected valuation of Scheme Shares has been set out in the Estimated Scheme Recovery analysis in Appendix 9.** Furthermore, as no lock-up period is proposed for the Scheme Shares, which would represent over 98% of the Enlarged Share Capital of the Company immediately after the implementation of the Scheme, the share price of the Company may fluctuate significantly.

If the future business plans of the Company and the Group fall through after the implementation of the Scheme, the Company and the Group would likely fall into insolvent liquidation, in which case the value of the Scheme Shares will be reduced to zero. **In this scenario, however, the Scheme Creditors would have already extinguished their rights of Claims against the Company as creditors in exchange for their respective Scheme Shares, and therefore would not be able to receive any distribution as a creditor of the Company.**

On the other hand, if the Scheme Creditors do not vote for this Scheme, the Company would likely be wound up immediately as a result of its insolvency, in which case the Scheme Creditors are estimated to receive only 0.89% of their Claims against the Company. Furthermore, the liquidation process of the Company would involve the liquidation of its subsidiaries with assets in the PRC, which is a time-consuming process and may be subject to different complications such as (1) the prioritised payment to the creditors of the Company's subsidiaries and (2) the obtainment of approval from PRC regulators before any recovery proceeds can be repatriated to Hong Kong. All of these factors, coupled with other potential unforeseen adverse circumstances, may further reduce the recovery to the Scheme Creditors. Hence, the estimated return of 0.89% for the purpose of the Scheme might further decrease, depending the actual circumstances when assets, if any, were to be liquidated in a force-sale situation.

Therefore, it is imperative that Scheme Creditors fully understand the risks involved and financial implications on their own interests before making their voting decisions at the Scheme Meeting. You should refer to the information contained under the heading of "Risk Factors" set out in section 5 of the Explanatory Statement for detailed discussions of the risks involved. It is advisable for you to seek independent professional or legal advice as soon as practicable before you exercise your rights in relation to the Scheme.

Effective Date

Upon the prescribed majority of Scheme Creditors voting in favour of the Scheme, the Scheme will become effective and legally binding on all Scheme Creditors, whether they voted in favour of the Scheme or not, on the day when an order of the Hong Kong Court sanctioning the Scheme is delivered to and registered with the Registrar of Companies in Hong Kong.

Yours faithfully,

Kan Lap Kee (Terry)
Joint Provisional Liquidator of
Moody Technology Holdings Limited
(In Provisional Liquidation For Restructuring Purposes)
Acting without personal liability

Yours faithfully,

Li Wanyuan
Acting Chairman and Executive Director
for and on behalf of the Board of
Moody Technology Holdings Limited
(In Provisional Liquidation For Restructuring Purposes)

EXPECTED TIMETABLE

Custody Instruction Deadline (*Note 1*)	10:00 a.m., 31 May 2022
Record Time *(Note 2)*	10:00 a.m., 1 June 2022
Delivery of: (i) Account Holder Letter for Notes Scheme Creditors (*Note 3*), and (ii) Notice of Claim for Voting Purposes for Scheme Creditors who are **not** Notes Scheme Creditors *(Note 4)*,	No later than 10:00 a.m., 1 June 2022
Form of Proxy for the Scheme Meeting to be lodged by Scheme Creditors who are **not** Notes Scheme Creditors *(Notes 5 and 6)*,	No later than 10:00 a.m., 6 June 2022
Scheme Meeting	3:00 p.m. – 6:00 p.m., 8 June 2022
Hong Kong Court hearing for sanctioning the Scheme *(Note 6)*	10:00 a.m., 28 June 2022
Effective Date of the Scheme *(Note 7)*	To be determined
Cut-Off Date (*Note 8*)	A date to be specified by the Scheme Administrators, on the date falling 3 months after the Effective Date (or if such date is not a Business Day, the next Business Day)

Notes:

1. The Custody Instruction Deadline is the latest date and time for Notes Scheme Creditors to deliver Custody Instructions to the relevant Clearing System for blocking the Notes from trading on the relevant Clearing System in order for a Noteholder to be eligible to vote at the Scheme Meeting.

2. The Company is under no obligation to recognize any assignment or transfer of any Scheme Claim after the Record Time for the purposes of determining entitlements under the Schemes, save that where the Company has received from the relevant parties written notice of an assignment or transfer of the Scheme Claim, the Company may, in its absolute discretion and subject to such evidence as it may reasonably require and any other terms and conditions which the Company may consider necessary or desirable, agree to recognize such assignment or transfer for the purposes of determining entitlements under the Scheme. It shall be a term of such recognition that the assignee or transferee of a Scheme Claim so recognized by the Company shall be bound by the terms of the Scheme and for the purposes of the Scheme shall be a Scheme Creditor.

3. The Record Time is the latest date and time for delivery of a duly completed Account Holder Letter to vote at the Scheme Meeting. Notes Scheme Creditors who are not Account Holders who do not return an Account Holder Letter by the specified time will only be allowed to vote the Scheme Meeting at the sole discretion of the Chairperson of the Scheme Meeting.

4. Scheme Creditors of the Company who do not return a Notice of Claim for Voting Purposes by the required time will only be allowed to vote at the Scheme Meeting at the sole discretion of the Chairperson of the Scheme Meeting.

5. All Scheme Creditors who are **not** Notes Scheme Creditors are requested to return the enclosed Form of Proxy to Alliance Advisors LLC, the Information Agent, at 24/F., Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong (Attention: Carey Lo and Race Chan) by personal delivery, email (1400.HK@allianceadvisors.com), facsimile (+852 3006 2486) or post as soon as possible and no later than the time and date mentioned above. A proxy need not be a Scheme Creditor. Completion and return of the Form of Proxy will not preclude a Scheme Creditor from attending and voting in person or by an online conferencing platform to be designated by the Company at the Scheme Meeting. A Form of Proxy will be deemed to have been revoked if a Scheme Creditor attends and votes in person at the Scheme Meeting.

6. The actual date of the Hong Kong Court hearing for sanctioning the Scheme and the Effective Date of the Scheme will depend on the availability of the Hong Kong Court and the actual length and scope of the relevant hearing and whether the court hearing is adjourned or delayed or if any Person appeals the orders made.

7. The Scheme will become effective when an office copy of the order of the Hong Kong Court sanctioning the Scheme is delivered to and registered with the Registrar of Companies in Hong Kong.

8. The expected timetable set out above is tentative and for indicative purposes only. Should there be any changes, the Company will issue further announcement(s) on the timetable as and when appropriate.

9. The Cut-Off Date is the latest date for the delivery of the duly completed documentation necessary to receive the Scheme Shares except in the limited circumstances as provided in the Scheme.

10. Unless otherwise indicated, all references to time are references to Hong Kong time.

This Explanatory Statement constitutes the statement required under Section 671 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong). Unless otherwise stated or the context otherwise requires, defined terms used herein have the same meanings as in the Scheme Document. In the event of a conflict between the information and terms described in this Explanatory Statement and the Scheme, the terms of the Scheme shall prevail.

EXPLANATORY STATEMENT

Section 1. Introduction and Objective of the Scheme

As Scheme Creditors, you are requested to consider the proposal for the Scheme under section 670 of the Companies Ordinance proposed to be made between the Company and the Scheme Creditors.

This Explanatory Statement sets out the background to and the likely effect of the transactions proposed in the Scheme. In particular, the Explanatory Statement seeks to provide background information in relation to the Company and the Group and the reasons for the Scheme, set out and explain the provisions of the Scheme, and explain the advantages and disadvantages of the Scheme, in order to provide the Scheme Creditors with all the information reasonably necessary to enable them to reach an informed decision on whether to vote in favour of the Scheme at the forthcoming Scheme Meeting at 1/F, First Commercial Bldg, 33-35 Leighton Road, Causeway Bay, Hong Kong, on 8 June 2022 at 3:00 p.m. to 6:00 p.m.. **Should it become impossible or impractical for the Company to convene a physical meeting because of any further deterioration in the Covid-19 situation in Hong Kong, the Company will give notice of this together with any further instructions to enable the Scheme Creditors to attend the Scheme Meeting virtually at the Company's website (http://moodytech-holdingltd.com)**

Under the Scheme, the Scheme Claims would be compromised and the Admitted Claims would be paid in full by the allotment of Scheme Shares at the lower of **(i)** HK$1.95 per share, being the theoretical average closing price as quoted on the Stock Exchange for the last five consecutive trading days immediate prior to the date of the Company's announcement dated 11 November 2020 in relation to the restructuring transaction following the Share Consolidation (see the Company's announcement dated 11 April 2022); or **(ii)** the average closing price as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of notice of the Scheme Meeting, whichever is lower.

Scheme Claims include all Claims against the Company (including any Claims arising directly or indirectly pursuant to, under or in connection with the Notes) save for the following: **(i)** Preferential Claims to the extent of their Preferential Claim Amount (if any); **(ii)** Secured Claims to the extent of their Secured Claim Amount (if any); **(iii)** Excluded Claims which comprise claims by companies within the Group against the Company; and **(iv)** Scheme Costs. A person with a Scheme Claim is deemed to be a Scheme Creditor. Specifically:

(1) Scheme Claims include contingent Claims against the Company. As such, claims of Notes Scheme Creditors will be admitted. This is subject to the Company verifying such principal amount against the information provided by the Clearing System through which that Noteholder holds its interest in the Notes at the Record Time.

(2) The non-preferential and unsecured part of the Claims of Preferential Creditors and/or Secured Creditors will be treated in the same way as the Scheme Claims of any other Scheme Creditor. As at the Latest Practicable Date, it is the understanding of the Company and the Provisional Liquidator that there are no Preferential Claims or Secured Claims against the Company.

(3) Excluded Claims are carved out of the Scheme as it is impractical for the Company's subsidiaries to hold Scheme Shares. Further, RMB 15.9 million out of the total RMB 16.31 million of Excluded Claims are apparently debts owed by the Company to one subsidiary arising out of a previous audit adjustment. It is assumed that such debt would not be recovered against the Company because the subsidiary remains under the control of the Company and the management is not aware of any agreement or documentary evidence to substantiate the said debt. The remaining Excluded Claims will be settled by the cashflow generated from the operations of the Company.

(4) Scheme Costs will be settled by the cashflow generated from the operations of the Company, including funds raised by placing of new shares, rights issue, and allotment of shares. For details of the Scheme Costs, please refer to Appendix 8.

This Explanatory Statement seeks to highlight the main features of the Scheme. However, it does not cover all aspects of the Scheme and should not be relied upon as a substitute for reading the terms of the Scheme in its entirety. For a detailed understanding of the Scheme and their implications, you should read this Explanatory Statement as well as the full text of the Scheme. The terms of the proposed Scheme are set out in Part II of this Document titled "Scheme of Arrangement".

Section 2. Background to and reasons for the Scheme

2.1. The Company and the Group

The Company was incorporated in the Cayman Islands on 29 April 2013 as Hongtai Holdings Limited and subsequently changed its name to Great Huge Holdings Limited on 1 August 2013. It further changed its name to Wang Tai Holdings Limited on 19 March 2014. The Company's Shares became listed on the Main Board of Hong Kong Stock Exchange with stock code 1400 on 25 April 2014. The Company was registered as a non-Hong Kong Company in Hong Kong on 9 September 2013.

The Company further changed its name to Moody Technology Holdings Limited on 13 August 2018. The Company was de-registered in the Cayman Islands, changed its domicile and was duly continued in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) on 23 May 2019.

The Company is an investment holding company whose subsidiaries are principally engaged in the design, manufacturing and sales of fabrics, and trading of shoes and clothes in the PRC since the year of 2018. As at the Latest Practicable Date, the Group comprises the Company and its 15 direct or indirect subsidiaries as set out in Appendix 6 hereto.

2.2 The Historical Operations of the Group

The Company is an investment holding entity and does not have any business or operation other than holding interests in its subsidiaries. The Group is principally engaged in (i) the production and sales of fabrics in the PRC ("**Fabrics Business**"), (ii) the trading of clothes and shoes in the PRC ("**Clothes and Shoes Trading Business**"), and (iii) the production and sales of yarns in the PRC ("**Yarn Business**").

(i) Fabrics Business

The Group was principally engaged in the production and sales of yarns and fabrics in the PRC after the Company's listing in 2014. The manufacturing and production were conducted in PRC factories under the Potent Union Group. These subsidiaries sold their products to local customers in the PRC, which included trading companies, branded apparel manufacturers, and fabrics weaving manufacturers. Most of the customers were located in the Fujian Province of the Mainland China.

The revenue generated by the Fabrics Business was then the major income source of the Group. The Group recorded a total segment revenue and gross segment profit of RMB 723.19 million and RMB 140.72 million respectively in respect of the Fabrics Business for the year ended 31 December 2014.

However, the financial performance of the Fabrics Business started to deteriorate thereafter. For the year ended 31 December 2015, the Group recorded a total segment revenue of RMB 434.94 million and a gross segment loss of RMB 2.46 million. For the year ended 31 December 2016, the Group recorded a total segment revenue of RMB 219.91 million and a gross segment loss of RMB 53.80 million. For the year ended 31 December 2017, the Group recorded a total segment revenue of RMB 271.86 million and a gross segment loss of RMB 16.60 million.

For the year ended 31 December 2018, the total annual revenue generated by the Fabrics Business was reduced further to RMB 227.16 million and a gross segment loss of RMB 3.43 million was recorded. The Fabrics Business represented 90.6% of the Group's total revenue for that year.

In order to expand on other profitable revenue sources, the Group introduced and shifted its business focus to the Clothes and Shoes Trading Business in the fourth quarter of 2018 (see further information under the heading "Clothes and Shoes Trading Business" below). For the year ended 31 December 2019, the total annual revenue generated by the Fabrics Business was RMB 119.86 million and a gross segment loss of RMB 6.54 million was recorded. The Fabrics Business accounted for only 23.2% of the Group's total revenue for that year.

The outbreak of the COVID-19 pandemic in late 2019, leading to various lockdown measures in PRC cities, has caused additional challenges and adverse impacts on the operations of production facilities of the Group. In April 2020, the leasehold lands and factory buildings of a PRC subsidiary, namely Hongtai (China) Co. Limited, were foreclosed due to a default in repayment of bank loans. These fixed assets were sold at a public auction by the Shishi People's Court of Fujian Province for RMB 69.22 million.

Prior to the foreclosure, the factory buildings, which were situated in Shishi City of Fujian Province, were one of the Group's production lines of fabrics which contributed to approximately 10% of the Group's unaudited revenue for the year ended 31 December 2019. Notwithstanding the foreclosure, the Directors considered that there has been no major impact on the business and operations of the Group, as the sales orders have since been diverted to the production lines of other subsidiaries in Hubei Province, which has a higher production capacity.

For the year ended 31 December 2020, the revenue generated by the Fabrics Business dropped to RMB 15.22 million, which only accounted for 7.4% of the total revenue of the Group, while the gross loss of Fabrics Business increased to RMB 18.99 million. The profitability of the Fabrics Business fell short of the Company's expectations due to: (i) the general decrease in textile demand due to the weak recovery of the global economy and (ii) the disruption to production caused by the COVID-19 pandemic.

(ii) Clothes and Shoes Trading Business

As stated above, the Group introduced and shifted its business focus to the Clothes and Shoes Trading Business in the fourth quarter of 2018. The Clothes and Shoes Trading Business is mainly conducted in Asia by subsidiaries under the Coral Pearl Group. For the year ended 31 December 2018, the revenue generated by the Clothes and Shoes Trading Business was RMB 23.5 million and a gross segment profit of RMB 3.37 million was recorded. The revenue generated by the Clothes and Shoes Trading Business accounted for 9.4% of the total revenue of the Group for the year ended 31 December 2018.

Following the introduction of the Clothes and Shoes Trading Business, the overall performance of the trading activities of the Group improved significantly. For the year ended 31 December 2019, the revenue generated by the Clothes and Shoes Trading Business was RMB 397.8 million and a gross segment profit of RMB 17.55 million was recorded. Further, for the year ended 31 December 2020, despite the COVID-19 pandemic, the Clothes and Shoes Trading Business generated a revenue of RMB 191.4 million and a gross segment profit of RMB 6.67 million. The Clothes and Shoes Trading Business represented 92.6% of the total revenue of the Group for the year ended 31 December 2020.

(iii) Other Businesses

Yarn Business

As stated above, the Group engaged in the production and sales of cotton yarns in the PRC after the Company's listing in 2014. The revenue generated by the Yarn Business was a minor income source of the Group throughout the years from 2014 to 2017.

The Group recorded a total segment revenue and gross segment profit of RMB 87.60 million and RMB 10.74 million respectively in respect of the Yarn Business for the year ended 31 December 2014. For the year ended 31 December 2015, the Group recorded a total segment revenue of RMB 72.73 million and a gross segment profit of RMB 1.53 million. For the year ended 31 December 2016, this segment did not generate any revenue from external customers, and recorded a gross segment loss of RMB 15.53 million. For the year ended 31 December 2017, this segment did not generate any revenue or profit.

The profitability of the Yarn Business fell short of the Company's expectations due to the continuous decline in the price of PRC cotton. The Group suspended its business of the sales of cotton yarn in 2017 due to stagnant market demand and unsatisfactory operating results.

Trading of polyetherimide ("PEI")

During the year ended 31 December 2016, the Group started to trade in PEI products, which are a relatively new class of specialty plastic materials that are characterized by its high tensile strength over different temperature and good flame resistance. However, the Group stopped trading in PEI products in the year ended 31 December 2017.

The PEI trading business started in January 2016 and involved the purchase of PEI products from trading companies in Hong Kong and the resale of the same to four overseas buyers introduced by Mr Qiu Zhiqiang ("**Mr Qiu**"), a former Executive Director ("**ED**") of the Company.

The first batch of the PEI products resale trading business took place in March 2016 and had a value of approximately RMB 100 million. Before receiving any payment for the first batch, the former EDs decided in May 2016 to commit to selling the second batch of PEI products which had a value of about RMB 200 million involving the three buyers in the first sale plus a fourth one. The second batch was delivered in July 2016.

On 15 and 20 July 2016, the former EDs considered and decided to extend the payment term from 270 days to up to 360 days as requested by the four buyers due to their tight cashflows. In late 2016, all the four buyers complained about the PEI products. After discussion between the former EDs, the Company offered the buyers a 5% discount on the invoiced sums, which was not accepted.

On 17 March 2017, Mr Qiu reported the issue of recoverability of the receivables in the PEI business to the Board, and was asked to follow up with the PEI buyers for the payments due.

On 2 April 2017, Mr Qiu informed the Board that a further discount to the buyers and another extension of the credit period should be given to the buyers, and it was thought that there was a high chance of recovery because the buyers indicated their intention to make payment at a discounted rate to be agreed. The Board agreed but reminded Mr Qiu to monitor the progress of the collection of PEI receivables. Accordingly, there was no write-off for the financial year of 2016, and it was published in the Company's annual results for the year ended 31 December 2016 that the revenue generated from trading of PEI products was RMB 332.59 million, which contributed to 42.6% of the total revenue from external customers of the Group, while the gross profit of such segment was RMB 20.02 million.

Unfortunately, by the end of 2017, the Company was only able to recover less 10% of the total invoiced amount in the PEI business. As there was no expectation of recovering the outstanding balance, the Company wrote off the remaining revenue of RMB 309.61 million and thereafter suspended the PEI business segment.

As will be explained at section 2.5(iii) below, the Listing Committee of the Stock Exchange censured, *inter alia*, the former EDs of the Company for failing to safeguard the Company's assets in respect of the PEI receivables and for failing to discharge their duties to exercise reasonable skill, care and diligence.

Separately, the SFC and the Commercial Bureau of the Police conducted a joint operation on 27 August 2021 in respect of a series of suspected corporate fraud related offences involving a total of HK$450 million. The Police arrested two persons, aged 53 and 61, who were alleged to have conspired with other persons to conduct fictitious transactions and/or misappropriate funds. It was reported in Sing Pao Daily News on 29 August 2021 that the said operation involved the Company.

On 30 August 2021, the Company announced that trading in the Company's Shares on the Stock Exchange would be suspended with effect from 9:00 a.m. on 30 August 2021 pending the release of an announcement of an inside information of the Company. Thereafter, on 10 September 2021, the Company announced that one of the two persons arrested during the joint operation was the former chief financial officer of the Group, namely Mr Siu Kai Chun ("**Mr Siu**"). Trading in the Company's Shares on the Stock Exchange resumed at 9:00 a.m. on 13 September 2021.

To the best of the knowledge, information and belief of the Board having made all reasonable enquiries, the Board confirms that (i) Mr Siu has not had any relationship with any of the current directors, senior management, substantial shareholders or controlling shareholders of the Company; (ii) Mr Siu does not have any interest in the Shares within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as at the date of this Document; (iii) following Mr Siu's resignation as the chief financial officer of the Group on 7 June 2019, he has not had any relationship with the Group; and (iv) none of the existing directors, senior management or substantial shareholders of the Company and the Group has been arrested as a result of the said operation.

The Company believes that the said operation concerned the Company's previous PEI business, which commenced in January 2016 and ceased by the end of 2016. As at the date hereof, all members of the management team of the PEI business have left the Company. All receivables related to the PEI business have been fully impaired, and none of the assets recorded in the latest financial statement of the Group is related to the PEI business. As at the date of this Document and to the best of the Board's knowledge, the investigations are still ongoing, and no formal charge has been made by any Government authorities against the Company or any of the Director(s).

The Provisional Liquidators made further inquiries and understand that two former EDs of the Company, namely Mr Qiu and Mr Lin Qingxiong ("**Mr Lin**") were mainly responsible for the Company's PEI business. However, (i) Mr Qiu does not appear to reside in Hong Kong and has not been contactable; and (ii) Mr Lin was declared bankrupt on 3 June 2020. Having weighed the costs and benefits of pursuing legal actions against Mr Lin and Mr Qiu, the Company has decided to hold off such legal actions without prejudice to its rights to commence the same in the future.

Face mask production business

During the year ended 31 December 2020, the Group started a new face mask production business in light of the increased demand for face masks in the PRC due to the COVID-19 pandemic. On 11 May 2020, a subsidiary of the Group obtained the necessary approval from the local government and commenced its production of face masks in Shenzhen, with an estimated production output of approximately 80,000 units per day.

As of 31 December 2020, the Group operated the face mask production business for three months and generated a gross revenue of approximately RMB 0.34 million. However, due to low profit margin, high and competitive purchase costs for raw materials and low operational efficiency, the Group has ceased the operation of this business segment in order to retain financial resources to explore new sources of revenue.

2.3 Causes of financial difficulties of the Group

(i) Deterioration of the Group's textile business since 2015

After the Company's listing in 2014, it recorded losses in 2015 due to an unexpected market downturn. In 2015, competition in the PRC's textile industry was fierce, the economy was weak and there was a dramatic drop in domestic cotton consumption. The implementation of the cotton policy reform by the PRC government led to cotton prices being increasingly market-oriented and narrowed the gap between domestic and overseas prices. These adverse circumstances led to the decrease in the prices of the Group's textile products and the sales volume of fabrics and yarns, and ultimately a year-on-year decrease in the revenue and a drastic reduction in the gross profit margin of the Group's textile products:

	2014	2015	2016	2017	2018	2019	2020
Revenue (RMB million)	810.8	670.3	447.7	271.9	227.2	119.9	15.2
Gross profit/(loss) (RMB million)	149.3	8.3	(40.9)	(16.6)	(3.4)	(6.5)	(19.0)

(ii) Impairment for investment in an associate

On 29 December 2015, the Group entered into a framework agreement with an independent third party for the acquisition of 50% shareholding of Baixin (China) Co., Ltd. ("**Baixin**"), a company principally engaged in the manufacturing and sales of yarn and cotton fabric products in Hubei Province. The Group completed the acquisition of 50% shareholding in Baixin at a total consideration of RMB 150 million, and Baixin became an associated company of the Group on 18 July 2016.

Despite the initial belief that Baixin would bring synergy to the operations of the Group's production plant in Hubei Province, the management was surprised that the demand for cotton fabrics in the region fell in the second half year of 2016 and Baixin incurred losses for 2016. In view of these impairment indicators, as at 31 December 2016, the management of the Group carried out an impairment assessment of its investment in Baixin.

In assessing the recoverable amount of the investment in Baixin, the management identified Baixin as one cash generating unit ("**CGU**") and its recoverable amount was determined as the higher of the (i) fair value less cost of disposal, and (ii) value in use of the CGU, being the present value of the future cashflows expected to be derived from the CGU determined by using a discounted cashflow model. The recoverable amount of the investment in Baixin was calculated with reference to the CGU's value in use of RMB 175.3 million. As a result, the Group recognised a provision of impairment amounting to RMB 60.0 million, and wrote down the carrying amount of investment in Baixin to RMB 86.9 million for the year ended 31 December 2016.

The Group further incurred a share of loss of investment in Baixin of approximately RMB 15.4 million due to poor market demand for Baixin's products for the year ended 31 December 2017. Eventually, during the year ended 31 December 2018, Baixin had suspended its production, causing the Group to incur a share of losses of Baixin of approximately RMB 70.6 million and an impairment loss of goodwill of investment in Baixin of approximately RMB 0.9 million. By the year ended 31 December 2019, this investment was completely written off.

(iii) Failure in the PEI business introduced in 2016

As explained in Section 2.2(iii) above, between 2016 and 2017, the Company also briefly engaged in the trading of PEI products. The PEI trading business started in January 2016 and involved the purchase of PEI products from trading companies in Hong Kong and the resale of the same to four overseas buyers. The Group has stopped trading in PEI products after the four buyers complained about the product quality, and the Group was only able to recover less than 10% of the total invoiced amount in respect of the PEI products sold to those buyers. This led to a write-off of the remaining revenue of RMB 309.61 million.

(iv) Impairment of trade and other receivables and prepayment

Trade receivables

In respect of sales of yarns and fabrics, the Group generally grants credit terms of less than 90 days to its customers in the PRC and 120 days to its customers in other countries. Due to the defaulted payments by its customers, the impairment made for the trade receivables amounted to approximately RMB 816.4 million as at 31 December 2020.

Prepayments

The Group had made prepayments to suppliers mainly for purchasing cotton yarns for production of fabrics. A number of suppliers experienced financial difficulty during the year ended 31 December 2016 and the prepayments in the sum of approximately RMB 54.8 million which may not be recoverable were impaired. Further impairments in the sum of approximately RMB 104.6 million were made during the year ended 31 December 2017 in respect of prepayments made to suppliers for the purchase of raw materials. The total impairments made for prepayments amounted to approximately RMB 174.6 million as at 31 December 2020.

Other receivables

On 10 January 2017, Hongtai (China) Co., Ltd, an indirect wholly-owned subsidiary of the Company (as lender) and Shishi Xinpeng Garment Manufacturing Co. Ltd (as borrower) entered into a loan agreement with ("**Shishi Loan**"), whereby the former agreed to grant a loan of not less than RMB 100 million to the latter for a term of 2 years at the interest rate of 12% per annum.

At the end of the term of the Shishi Loan on 9 January 2019, the borrower failed to repay the outstanding amount of approximately RMB 56.8 million. During the year of 2019, the borrower partially repaid approximately RMB 14 million to the Group. As at 31 December 2019, the Shishi Loan outstanding from the borrower amounted to approximately RMB 42.8 million. An impairment of approximately RMB 21.4 million was recognised on the outstanding balance of the Shishi Loan for the year ended 31 December 2019.

In the year ended 31 December 2020, the borrower repaid approximately RMB 1.9 million to the Group and the outstanding balance of the Shishi Loan amounted to approximately RMB 40.7 million as at 31 December 2020. An impairment of approximately RMB 2.3 million was recognised on the outstanding balance of the Shishi Loan for the year ended 31 December 2020.

The accounting policy and key estimates applied in respect of the impairment of financial assets of the Group was set out in notes 5(v) and 7(d) to the consolidated financial statements in the 2020 Annual Report of the Company. The amount of such impairment was referenced in a report prepared by an independent valuer engaged by the Company. The Company will continue to assess and make provision(s), if any, for the impairment of the outstanding balance of the Shishi Loan for the year ended 31 December 2021.

Based on the information made available to the Company, Mr Lin and Mr Qiu were involved in granting the Shishi Loan. However, since their resignation, there are no records or information made available to the Company in respect of the reasons of granting the Shishi Loan, and the Directors are not in a position to express their view as to whether the terms of the provision of the Shishi Loan were fair and reasonable or were in the interests of the Company and its Shareholders as a whole. Further details of the Shishi Loan can be found in the Company's announcement dated 25 May 2021.

Summary of trade receivables, prepayments to suppliers and impairments made

The following table illustrates the trade receivables, prepayments to suppliers and impairments made from 2015 to 2021 (in terms of RMB million).

	2015	2016	2017	2018	2019	2020	2021 (unaudited)
Trade receivables							
Trade receivables	256.6	660.1	731.4	787.8	820.4	825.6	2.186
Less: impairment	-	(123.0)	(575.4)	(752.0)	(807.1)	(816.4)	(0.147)
Net trade receivables	256.6	530.3	156.0	35.8	13.3	9.2	2.039
Prepayment							
Prepayment	155.6	207.3	181.7	158.6	177.5	180.1	95.5
Less: impairment	(4.5)	(54.9)	(164.0)	(153.1)	(152.7)	(174.6)	(87.0)
Net prepayment	151.1	147.9	17.7	5.6	24.8	5.5	8.5
Other receivables							
Other receivables	7.6	7.9	52.2	75.2	63.8	63.8	39.0
Less: impairment	-	-	-	(2.8)	(29.5)	(32.2)	(32.2)
Net other receivables	7.6	7.9	52.2	72.4	34.3	31.6	6.8

The Company notes that there is a dramatic drop in the trade receivables from RMB 825.6 million in 2020 to RMB 2.186 million in 2021. This is due to an impairment recognised by the Group whereby financial assets are written off 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 proceeding, 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 Group's recovery procedure, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Issue of bonds

Between 2014 and 2019, the former management of the Company issued various Bonds to raise working capital for the Group's various businesses.

Specifically, Bonds were issued to raise working capital and to support the construction of the Group's production facility in Hubei Province in 2014. Further Bonds were issued to *inter alia* facilitate the investment in Baixin and raise working capital for the Fabrics and Yarn Businesses in 2015. Other Bonds were issued in 2016 to support the Group's PEI business.

However, by 2017, the Company began to encounter liquidity issues due to the various losses and impairments arising from the various investments and businesses described above. In response, the Company, under the former management, appeared to have issued further Bonds to raise working capital and to refinance the outstanding Bonds, which led to the snowballing of the Company's Bond liabilities.

The aforesaid Bonds were issued by the Company either (i) directly to individual investors, or (ii) in the form of the Notes held in the Depositary on trust for Account Holders. These Account Holders either hold the beneficial interest in the Notes on their own accounts, or for their clients who are either the ultimate beneficial owners or intermediaries holding such beneficial interests for ultimate beneficial owners.

In the latter scenario, the Company issued three Notes (or series of Bonds) in total, namely, the January 2015 Note, June 2015 Note and June 2017 Note. The January 2015 Note and the June 2015 Note in the aggregate principal sums of HK$84 million and HK$57.9 million respectively were placed by PC Securities Limited with the ultimate individual investors; and the June 2017 Note in the aggregate principal sum of HK$88.11 million was placed by Head & Shoulders Securities Limited with ultimate individual investors.

The Company and the Provisional Liquidators have, based on the information reasonably available to them, compiled a list of the ultimate beneficial owners of the Bonds which can be found at Appendix 5 hereto.

Having inquired into the Company's financial position during the issuance of these Bonds, the Provisional Liquidators believe that the issuance of Bonds by the former management of the Company reflected poor liquidity and risk management on their part. However, as will be explained in section 2.5(iii) below, all members of the former management have resigned between March 2018 and November 2019, and were all replaced by new board members. Following their appointments, the Provisional Liquidators have assisted the current management of the Company to devise restructuring plan of the Company in the hope that it can return to a position of solvency.

2.4 Current financial positions of the Company and the Group

Group Level

As stated in the Company's Annual Report for the financial year ended 31 December 2020, the Group recorded a total comprehensive loss of RMB 219.05 million for the year ended 31 December 2020. As at 31 December 2020, the Group reported net current liabilities and net liabilities of approximately RMB 929.76 million and RMB 959.29 million respectively, with total assets of approximately RMB 280.26 million and total liabilities of approximately RMB 1,239.54 million.

As of 31 December 2020, the Group had a total of RMB 53.51 million in current assets, comprising (i) inventories of RMB 3.59 million, (ii) trade and other receivables of RMB 46.34 million, and (iii) bank and cash balances of RMB 3.57 million. The Group also had a total of RMB 226.74 million in non-current assets, comprising (i) property, plant and equipment of RMB 209.71 million, and (ii) right-of-use assets of RMB 17.03 million.

Further, as of 31 December 2020, the Group's total current liabilities were approximately RMB 983.27 million, comprising (i) secured bank borrowings of approximately RMB 112.13 million, (ii) unsecured bank loans of approximately RMB 57.10 million; (iii) bonds of approximately RMB 538.52 million; and (iv) other payables of approximately RMB 275.52 million. The Group's total non-current liabilities were approximately RMB 256.28 million, comprising (i) borrowings of RMB 243.18 million and (ii) deferred income of RMB 13.10 million. The Group is therefore insolvent.

For illustrative purposes, a breakdown of the total liabilities owed by the Group to its creditors as of 31 December 2020 are set out in the table below.

Liabilities	**Value as of 31 December 2020 (RMB in million)**	**% of total indebtedness**
Trade and other payables	**275.52**	**22.23%**
Borrowings (bank borrowings and bonds)	**950.92**	**76.72%**
(i) Current secured bank borrowings	112.13	9.05%
(ii) Current unsecured bank borrowings	57.10	4.61%
(iii) Current unsecured bonds	538.52	43.45%
(iv) Non-current unsecured bonds	243.18	19.62%
Deferred income	**13.10**	**1.06%**
Lease liabilities	**–**	**–**
Total	**1,239.54**	**100.0%**

Company level

According to the Company's Annual Report for the financial year ended 31 December 2020, the Company recorded net current liabilities of approximately RMB 533.42 million and net liabilities of approximately RMB 796.24 million, with total assets of approximately RMB 7.137 million and total liabilities of approximately RMB 803.38 million. The Company is balance sheet insolvent and has insufficient cash flow to cover its current liabilities.

For illustrative purposes, a breakdown of the total liabilities owed by the Company to its creditors as of 31 December 2020 is set out in the table below.

Unsecured debts	**Value as of 31 December 2020 (RMB in million)**	**% of total indebtedness**
Bonds	653.76	81.38%
Interest payable for the Bonds	127.94	15.93%
Amount payable to intra-Group companies*	16.31	2.03%
Other payables	5.37	0.67%
Total	803.38	100.0%

* The amount payable to intra-Group companies is defined as Excluded Claims which are carved out from the Scheme.

The total liabilities of the Company are approximately RMB 803.38 million, of which 97.31% comprises the Bonds issued by the Company. Other payables, which are mostly salaries due and owing to the Company's former directors, make up 0.67% of the total liabilities of the Company. As explained in section 2.3(v) above, the Bonds were issued by the former management of the Company between 2014 and 2019 for the purposes of funding the construction of factories, developing the Group's Fabrics Business and other business activities, and meeting the Group's need for working capital in general.

As of 31 December 2020, the Company had issued a total of 230 Bonds under which the Company had remaining outstanding liabilities, and the aggregate principal of these Bonds (including those issued in the previous years) was approximately RMB 781.70 million. All of the Bonds are unsecured debts, bearing interest rates at a range of 1.5% to 40% per annum. Due to the insolvency of the Company, the maturity dates of the Bonds were accelerated such that all outstanding Bonds are presently due and payable.

2.5 Actions taken to address the financial difficulties and going concern of the Group

(i) Appointment of the Provisional Liquidators

To facilitate a restructuring of the Company's indebtedness, the Company filed a winding-up petition with the Bermuda Court on 10 October 2019, together with an application for the appointment of the Provisional Liquidators over the Company on a "light touch" basis for restructuring purposes only.

On 24 October 2019, the Bermuda Court granted an Order that Mr. Tang Chung Wah (Alan) and Mr. Kan Lap Kee (Terry) of SHINEWING Specialist Advisory Services Limited and Mr. Edward Alexander Niles Whittaker of R&H Services Limited be appointed as the Provisional Liquidators of the Company with the power to act jointly and severally.

At the request of the Provisional Liquidators, the Hong Kong Court made an order on 24 January 2020, *inter alia*, to recognise the appointment of the Provisional Liquidators. The Hong Kong Court also ordered that so long as the Company remains in provisional liquidation in Bermuda, no action or proceedings shall be proceeded with or commenced against the Company within the jurisdiction of Hong Kong except with leave of the Hong Kong Court.

Following their appointment, with a view to investigating the causes of the Company's failure and to explore ways to restructure the Company's indebtedness, the Provisional Liquidators have (i) reviewed the Group's structure to identify the main operating subsidiaries of the principal areas of businesses; (ii) kept in close contact with the Company's management and financial controller to obtain details and breakdowns of financial information of the Company and its key operating subsidiaries; (iii) reviewed available bond/loan agreements to identify major debt holders and assess the overall indebtedness and forthcoming short term obligations of the Company; and to consider timing and amount of funding needs of the Company for its operations as a going concern; and (iv) conducted a high-level liquidation analysis (on the basis of the latest available 2020 audited financial statements) by assessing the creditors' likely return on a break-up basis as opposed to a scenario where the Company restructures and continues as a going concern.

Specifically, the Provisional Liquidators attended meetings and conference calls with certain creditors as identified by Company to understand their views and concerns, in particular, the Company and the Provisional Liquidators have engaged in active discussions with the Company's major creditors since October 2019. Up to 30 June 2021, the Company (with the assistance of the Provisional Liquidators) has received written confirmations from 68 Bond creditors (representing approximately HK$410.4 million of debts or 52.7% of the total debts due and payable to Bond creditors as of 31 December 2020) expressing in principle support for the proposed Scheme.

(ii) Auditors' opinion on the Group's consolidated financial statements

The Group's consolidated financial statements since the year ended 31 December 2016 have been subject to a qualified opinion or a disclaimer of opinion by its auditors.

(1) For the year ended 31 December 2016, the Company's then auditors, PricewaterhouseCoopers qualified its opinion on the Group's consolidated financial statements due to insufficient audit evidence for determining whether there had been fair statements regarding the recoverability of receivables arising from sales of PEI products and yarns and fabrics and the nature and recoverability of prepayments to raw materials suppliers.

(2) For the year ended 31 December 2017, the Company's then auditors, Zhonghui Anda CPA Limited expressed no opinion on the Group's consolidated financial statements due to insufficient audit evidence for determining whether there had been fair statements regarding the Company's trade and other receivables, investment accounted for using equity method, deferred income tax and material uncertainty related to going concern.

(3) For the year ended 31 December 2018, the Company's then auditors, World Link CPA Limited expressed no opinion on the Group's consolidated financial statements due to insufficient audit evidence for determining whether there had been fair statements regarding opening balances and corresponding figures, trade and other receivables, impairment losses of trade receivables and reversal of impairment losses of prepayments and investment in Baixin, impairment losses of goodwill of investment in Baixin and share of losses of Baixin.

(4) For the years ended 31 December 2019 and 31 December 2020, McMillan Woods (Hong Kong) CPA Limited expressed no opinion on the Group's consolidated financial statements due to material uncertainty regarding the Group's ability to continue as a going concern, primarily due to the liability position of the Company and the risk of insolvency.

The Board considers that it is likely that the concerns noted by the Company's auditors between 2016 and 2018 have already been addressed by the various impairments of receivables and prepayments recognised over the years, as well as the implementation of the new internal control procedures (see details below in the next section) as recommended and monitored by an independent professional firm since March 2021. As to the material uncertainty regarding the Group's ability to continue as a going concern raised in the Company's Annual Reports of 2019 and 2020, the proposed Scheme is intended to address such issue by compromising 98% of the Company's liability and returning it to a position of solvency, while compromising 63% of the Group's liabilities would open new opportunities to raise further capital for the Group.

(iii) Internal Control Review

On 17 February 2021, the Stock Exchange issued a statement of disciplinary action against six former directors of the Company. The Listing Committee of the Stock Exchange censured (i) Mr Lin, former ED and Chairperson, (ii) Mr Qiu and Mr Deng Qing Hui, former EDs, (iii) Mr Chan Sui Wa, former independent non-executive director and the Chairperson of the audit committee, and (iv) Mr Ma Chong Qi and Mr Yu Yu Bin, former independent non-executive director and audit committee member, for breaching their directors' duties under Rule 3.08 of the Exchange Listing Rules. The relevant announcement was accordingly made on 17 February 2021.

Two matters of particular concern identified by the Stock Exchange were the recoverability of the PEI receivables and the prepayments made to suppliers in the years ended 31 December 2016 and 2017. The Group only recovered less than 10% of the total invoiced amount for the sales of PEI products in the year 2017 which led to a write-off of RMB 309.61 million. For the prepayments made to suppliers, the Group made impairments for RMB 54.89 million and RMB 97.54 million in the years ended 31 December 2016 and 2017 respectively, which contributed to 28.4% and 69.3% of prepayments made to three major suppliers for the years ended 31 December 2016 and 2017 respectively.

As directed by the Listing Committee of the Stock Exchange under paragraph (6) of the section headed "SANCTIONS" in its Statement of Disciplinary Action, the Company appointed Elite Partners Risk Advisory Services Limited ("**Elite**") on 3 March 2021 to act as internal control adviser to conduct a thorough review ("**Internal Control Review**") of and make recommendations to improve the Company's internal controls to ensure that significant financial issues and key business decisions were escalated to the Board for consideration and/or information in a timely manner and for managing receivables and prepayments, so as to comply with the requirements under the Listing Rules. The Internal Control Review covers the financial period from 31 March 2020 to 28 February 2021.

On 16 April 2021, the Company submitted to the Stock Exchange the written report of Elite containing its findings and recommendations for improvement. On 15 June 2021, the Company submitted Elite's follow-up report regarding the Company's full implementation of rectifications and Elite's recommendations. According to these reports, the Company adopted and implemented the improvement recommendations made by Elite and it is considered that appropriate rectifications have been completed. The corresponding announcements were duly made on 3 March 2021, 3 May 2021 and 30 June 2021.

As stated in the aforesaid reports, in relation to the management of trade and other receivable and prepayment, the Group has now adopted an updated credit policy in accordance with Hong Kong Financial Reporting Standards and an expected credit loss model in the policy and procedures of the Group, which encompass: (i) updated due diligence procedures including searches conducted by independent third parties, (ii) updated credit policy including proper documentation of the customer credit terms and regular review requirements, and (iii) updated policy and procedures in relation to prepayments to suppliers.

The Board considers that the Company has now fully complied with all directions of the Listing Committee published in the Statement of Disciplinary Action, and the management expects that these new internal control measures will prevent similar issues regarding the Company's trade and other receivables and prepayments from arising again.

For completeness, in order to address the concerns raised by the Listing Committee, the Company has completely reorganised its Board and senior management between 2018 and 2020. All former board members and members of the senior management had resigned by 7 November 2019; and the appointment of their replacements was completed by October 2020. The salient details are set out below.

Name of former Board members	Date of resignation	Name of current Board members	Date of appointment
QIU Zhi Qiang	17/4/2018	CHOW Yun Cheung	13/8/2019
DENG Qing Hui	5/3/2018	Li Wanyuan	22/10/2021
CHAN Sui Wa	5/7/2019	LIU Jun Ting	23/10/2019
MA Chong Qi	5/3/2018	LIN Yu Xi	15/10/2020
YU Yu Bin	5/3/2018	LIN Yu Gang	21/8/2018
LIN Qing Xiong	7/11/2019		

(iv) Recovery of outstanding receivables

The Provisional Liquidators understand that the management has actively pursued the recovery of the outstanding trade receivables in Moody Group (International) Holdings Limited, one of the Company's subsidiaries, including the amounts due from customers of the PEI business, which amounted to HK$736 million, through various legal recovery options as advised by PRC lawyers and advisors.

Whilst the Group issued demand letters to these customers, there has not been any successful recovery as of the Latest Practicable Date. In this regard, the Board has consulted its PRC legal advisors on the legal merits of its claims, and believes that a cost-benefit analysis has to be undertaken before the Group could commit its limited financial resources to launch recovery actions against these customers. In particular, the Group must strike a balance between the recoverability of these trade receivables; stabilisation of its businesses with improved revenue streams; and the need to focus on the efforts to compromise its imminent liabilities. As such, the Group is holding off legal actions against these customers in order to focus on its debt restructuring efforts.

(v) Placing of shares, rights issue and allotment of shares

The management also continued to explore ways for raising funds by placing new shares, rights issue and allotment of shares to finance the Group's business operations, and for provision of funds for professional costs in restructuring.

On 4 February 2020, a total of 37,200,000 shares were placed by a placing agent to various placees at HK$0.086 per placing share. The net proceeds from the placing were in a sum of HK$3.09 million. Details of these funding activities were announced by the Company dated 24 December 2019, 17 and 23 January 2020, and 4 February 2020.

On 29 April 2020, the Company allotted and issued 79,321,083 new shares at the subscription price of HK$0.139 per right shares, on the basis of one right share for every two existing shares held. The net proceeds raised from the rights issue after deduction of the relevant expenses were in a sum of HK$14.9 million. Announcements were made by the Company on 6 March 2020, 23 and 25 March 2020, and 21 April 2020.

On 30 September 2020, the Company placed 60,504,216 shares to various placees at HK$0.143 per shares. The net proceeds from the placing were in sum of HK$8.5 million. Announcements were made by the Company on 2 September 2020 and 30 September 2020.

On 29 March 2021, the Company entered into subscription agreements with five subscribers for the allotment and issuance of an aggregate of 72,604,167 new shares at a price of HK$0.096 per share. The net proceeds from the subscription were approximately HK$6.77 million.

On 16 July 2021, the Company entered into subscription agreements with six subscribers for the allotment and issuance of an aggregate of 87,125,893 new shares at a price of HK$0.091 per share. The net proceeds from the subscription were approximately HK$7.80 million.

In sum, there were in aggregate a total of HK$41.06 million raised, through the above fundraising exercises. These funds have been and will continue to be applied towards the Group's working capital requirements and to fund the Group's restructuring efforts including payment of the Scheme Costs.

(vi) Possible acquisitions/future business

The management has also actively explored opportunities to engage in different businesses by acquisition of companies in Hong Kong and the PRC in order to diversify the trading risks of the loss-making businesses and to improve the financial position and cashflow of the Group.

On 26 July 2021, the Company entered into a Share Purchase Agreement with Sundust Company Limited, whereby it will acquire 51% of Leader Elastic Ltd ("**Leader Elastic**") for a total consideration of approximately HK$12.24 million, to be paid by consideration shares issued at HK$0.12 per share (the "**Leader Elastic Acquisition**"). The completion of the Leader Elastic Acquisition is conditional upon, among other things, the Court sanctioning the Scheme, and the tentative timetable for completion was set to be the end of 2021 as per the Company's announcement made on 26 July 2021.

On 31 December 2021, the Company entered into a supplemental agreement which deferred completion from the end of 2021 to 30 June 2022, and removed the Court's sanctioning of the Scheme and withdrawal of winding-up petition in Bermuda as conditions for the completion of the Leader Elastic Acquisition. The Company intends to enter into a further supplemental agreement with Sundust Co. Ltd to revise *inter alia* the consideration share price under the Share Purchase Agreement to take into account the effect of the Share Consolidation.

The acquisition target, Leader Elastic and its subsidiaries (the "**Leader Elastic Target Group**"), owns approximately 84.14% of the entire issued share capital of Zhuhai Sundust Apparel Co. Ltd ("**Zhuhai Sundust**"), a public company incorporated in the PRC whose shares are listed on the National Equities Exchange and Quotations in the PRC (stock code: 832674). Leader Elastic's principal businesses are the sales of elastic webbing in Hong Kong and the manufacturing and sales of elastic webbing in the PRC. Upon completion of the Leader Elastic Acquisition, the Group will enjoy a two-tier listing structure in Hong Kong and the PRC. The relevant announcements were made by Zhuhai Sundust on 3 November 2020 and 25 December 2020.

For the year ended 31 December 2020, Zhuhai Sundust had generated revenue and net profit of RMB 59.54 million and RMB 0.38 million respectively; for the ten months ended 31 October 2021, the Target Group generated a revenue of about RMB 62.7 million, with a gross profit of about RMB 12.9 million and a loss after tax of approximately RMB 2.2 million. It is expected that the Leader Elastic Acquisition can expand the Group's business in the production and the sale of elastic webbing used for bras and underwear, which has a high sales margin of approximately 25%. The management of the Company anticipates that the Leader Elastic Acquisition will strengthen the products, revenue sources and cashflow position of the Group.

In particular, based on the Company's Business Forecast for the years from 2022 to 2026, the management has adopted a growth rate of 5.8% for 2022 and 6.5% per annum from 2023 to 2026, based on the Target Group's growing performance from 2019 to 2021 as well as certain assumptions about the increase of production capacity, construction of new production line, purchase of new machinery, improvement of market sentiments and product demand. For details of the Business Forecast and the basis and assumptions for its preparation, please refer to Appendix 9 to this Document.

(vii) Identification of new investors and new opportunities

Even though the Group as a whole will remain to be cashflow and balance sheet insolvent immediately after the implementation of the Scheme, the Company has been actively seeking for new investors and capital which can help the Group continue its business with a view to returning the Group to a position of solvency as soon as possible after the implementation of the Scheme. To this end, the Company has signed various Memoranda of Understanding (each a "**MOU**" and collectively the "**MOUs**") with prospective investors and prospective placing agents. Conditional upon, among other things, the successful implementation of the Scheme, it is envisaged that fresh capital investment of not less than HK$700 million can be made available to the Company over 5 years, as further elaborated below:

(1) Between 26 July 2021 and 6 August 2021, the Company signed four MOUs with two prospective investors (namely, China Shenghai Group Limited ("**China Shenghai**") and Mr Su Jiangbo ("**Mr Su**")) and two prospective placing agents (namely, China Angel Investment Management Limited ("**China Angel**") and JMC Capital (HK) Limited ("**JMC Capital**"). With an expectation that the Scheme would be sanctioned at a hearing before the Hong Kong Court on 5 October 2021, it was anticipated that each of the prospective investors/placing agents would invest or procure investments of not less than HK$100 million (i.e. not less than HK$400 million in total) by way of fresh capital into the Company to be completed in the 5 years following the implementation of the Scheme ("**Investment Period**"), conditional upon *inter alia* the completion of the Leader Elastic Acquisition.

(2) Mr Su is one of the prospective investors. Mr Su is a Chinese merchant with property investments in Cambodia who graduated with a bachelor degree in computer science in the PRC. He expressed interest to invest in the Company mainly because (i) he is optimistic about the business plan presented by the Company following the acquisition of shareholding in Leader Elastic; and (ii) Mr Su, with his knowledge and skills in computer science, is confident that the Group can further improve its business by incorporating an enterprise resource planning system to increase its overall production efficiency and resource management.

(3) Subsequently, due to a delay in the restructuring, the MOU signed with China Shenghai lapsed and the Company had to secure continued support from the potential investors and placing agents.

(4) On 24 March 2022, each of China Angel, JMC Capital and Mr Su entered into a supplemental MOU with the Company, whereby: (i) JMC Capital and China Angel each confirmed that they will continue to support the Company's restructuring, and agreed to conditionally find the investors to invest in the Company for not less than HK$200 million (i.e. equivalent to approximately RMB 163.33 million) in the Investment Period; and (ii) Mr. Su agreed to continue to support the Company's restructuring and reaffirmed his intention to invest no less than HK$100 million in the Company (i.e. equivalent to approximately RMB 81.67 million) in the Investment Period. The completion of the Leader Elastic Acquisition is removed as a condition for the investment.

(5) On the same day, the Company also entered into a new MOU with Joyful Capital HK Limited ("**Joyful Capital**"), an independent placing agent in Hong Kong, who agreed conditionally to find investors to invest no less than HK$200 million in the Company (i.e. equivalent to approximately RMB163.33 million) in the Investment Period.

(6) In view of the above, the Board anticipates that there will be new funding totalling HK$700 million to be injected into the Company over the Investment Period. At the moment, whilst there are no concrete details as to the timetable of these investment set out in each of the MOUs or supplemental MOUs, which are not legally binding, the Board projects that such fresh capital would be injected on a quarterly pro-rata basis with the first tranche of capital injection starting from September 2022. While the Provisional Liquidators understand that the Independent Financial Adviser has commenced its due diligence on the potential investor under the MOUs (including but not limited to verification of funds proof), it should be noted that the Company has yet to enter into any legally binding agreement(s) with any of these investor or placing agent to legally confirm their commitment to the capital injections into the Company as at the Latest Practicable Date.

(7) It is expected that these new funds (if and when received) will meet the operational needs of the Group as well as help cope with any unforeseen cashflow requirements and payment of outstanding payables. The Board also believes that any adverse impact of the outstanding debts due to the subsidiaries, which may arise from or be accelerated in the event of the closure of Fengtai Hubei Textile Co., Limited (a subsidiary that operates the Company's factory in Hubei Province), can be mitigated.

Therefore, in light of the potential fresh capital injection, the Board takes the view that if the Scheme is successfully implemented, there is much potential for the revival and development of the Group's business, and there is a real likelihood that the Group as a whole will ultimately be able to carry on its businesses as a going concern.

(viii) Share Consolidation and change in board lot size

Pursuant to Rule 13.64 of the Exchange Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK$0.01 or HK$9,995.00, the issuer is required either to change the trading method or to proceed with a consolidation or splitting of its securities. Further, according to the "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 30 August 2019, (i) any trading price less than HK$0.10 will be considered as approaching the extremities of HK$0.01 as referred to under Rule 13.64 of the Exchange Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected board lot value should be greater than HK$2,000.

The closing prices of the Shares ranged from HK$0.032 to HK$0.110 between July 2021 and January 2022. Considering the highest daily closing price of HK$0.110 and the board lot size of 5,000 at the time, the value per board lot during was consistently lower than HK$2,000.

On 13 January 2022, the Board proposed to implement the Share Consolidation on the basis that every 10 shares in the Company's then issued share capital be consolidated into 1 consolidated share, and to change the board lot size in which the Company's share are traded on the Stock Exchange from 5,000 shares to 10,000 consolidated shares conditional upon the Share Consolidation becoming effective.

On 4 March 2022, an ordinary resolution was duly passed by the Shareholders approving the Share Consolidation, which became effective on 8 March 2022 and dealing in the consolidated Shares commenced at 9:00 a.m. on 8 March 2022.

For further details, please refer to the Company's announcements dated 13 January 2022, 27 January 2022, 10 February 2022, 14 February 2022, 15 February 2022, 22 February 2022 and 4 March 2022.

2.6 Future business plan and forecast

Based on the Company's unaudited results for the financial year ended 31 December 2021, upon the implementation of the Scheme, the liabilities of the Company and the Group will be reduced by 99% and 64% respectively. With increased net liabilities of approximately RMB 236.5 million (being the total outstanding liabilities of approximately RMB 464.2 million net of total assets of approximately RMB 227.7 million), the Group and some of its subsidiaries will remain balance sheet insolvent immediately after the implementation of the Scheme. Therefore, the priority of the Company is to improve the profitability and the financial position of Group, so that the Group as a whole can return to solvency as soon as possible.

The Board believe that there are reasonable prospects for the Group to return to solvency between 2024 and 2025 through the implementation of the following business strategies:-

(i) Expanding the scale of sales generated by the Shoes and Clothes Business;

(ii) Expanding the production scale of the elastic webbing business after the completion of the Leader Elastic Acquisition;

(iii) Restructuring of the loss-making Fabrics Business through reinvestment or divestment; and

(iv) Appropriate use of the capital injections from investors under the MOUs for investments into the Group's business and settling the current liabilities of the Group.

The business plans as prepared by management for the period from the Latest Practicable Date up to 31 December 2026 to achieve the above business strategies are set out in Appendix 9 and the sections below. These bases and assumptions are inherently subject to uncertainties and unpredictable factors. There is no assurance that the Company's plans will materialise within the expected time frame, that the business strategies will be successful or that the objectives will be accomplished. While the actual course of events may be subject to unforeseeable changes and fluctuations, the Company shall use the best endeavours to anticipate and react proactively to new situations and maintain flexibility when implementing the plans.

If the business plans are successfully implemented and the Group's Fabrics Business is retained, it is anticipated that the Group will, by the end of 2025: (i) return to balance sheet and cashflow solvency and hold net assets of approximately RMB 24.89 million, which may be further increased to RMB 107.22 million by the end of 2026; (ii) generate net cashflow of RMB 38.79 million; and (iii) generate revenue of RMB 260.02 million, and significantly reduce its operating losses from RMB 100.53 million in 2021 (based on the latest unaudited figures) to RMB 34.66 million.

On the other hand, if the business plans are successfully implemented and the Group's Fabrics Business is disposed of at the beginning of 2024, it is anticipated that the Group will, by the end of 2024: (i) return to balance sheet and cashflow solvency and hold net assets of approximately RMB 114.24 million; (ii) generate net cashflow of RMB 6.16 million, which may be further increased to RMB 56.08 million by the end of 2025; and (iii) generate revenue of RMB 207 million, and significantly reduce its operating losses from RMB 100.53 million in 2021 (based on the latest unaudited figures) to RMB 2.24 million.

The business plan and business forecast are devised by the Company on the bases of the current macroeconomic conditions and a series of assumptions set out in the Business Forecast in Appendix 9 hereto. A summary breakdown of the projected financial details can also be found therein. The Independent Financial Adviser, having performed their review and analysis as they thought fit, is of opinion that the Business Forecast has been made after due and careful enquiry and the bases and assumptions adopted therein are fair and reasonable, as stated in the letter from the Independent Financial Adviser in Appendix 10.

Scheme Creditors should note that whether the Group could return to a position of solvency hinges on the successful implementation of the post-Scheme business reorganisation and fresh capital injections into the Group from 2022 to 2026. There is no guarantee that this would be successful. If the future business plans of the Company and the Group fall through after the implementation of the Scheme, the Company and the Group would likely fall into insolvent liquidation, in which case the value of the Scheme Shares will be reduced to zero. In this scenario, the Scheme Creditors would have already extinguished their rights of Claims as creditors against the Company in exchange for their respective Scheme Shares, and therefore would not be able to receive any distribution as a creditor of the Company.

(i) Expanding sales in the Shoes and Clothes Business

The shoes and clothes segment has since December 2018 been the major income source of the Group. Much efforts of the Group were dedicated to building up and maintaining good business relationships with its suppliers in the PRC and its overseas customers, mainly in Korea and Japan. Based on successful track records, the management of the Company is confident to further enhance the profitability of this segment in the coming years.

Based on the unaudited results for the year ended 31 December 2021, the revenue generated from this segment was approximately RMB 125.6 million, representing a decrease of 34% from the revenue of approximately RMB 191.4 million for the year ended 31 December 2020. The Company considers that such decrease in revenue was mainly due to a weakened market suffering from the adverse impacts of the COVID-19 pandemic in 2021.

Based on an extrapolation of the actual results in January and February 2022, it is anticipated that revenue will increase by approximately 1.6% to approximately RMB 129.6 million for the year ending 31 December 2022. The management of the Company prudently assumes that the annual sales growth rate will remain approximately 1.6% from 2023 to 2026 and the anticipated revenue generated from this segment will increase to RMB 135.8 million for the year ending 31 December 2026.

Based on the unaudited accounts of the Group, gross profit margin of 2.2% of the revenue is recorded for the year ended 31 December 2021 as compared with 3.5% of the revenue for the year ended 31 December 2020. The management of the Company plans to compress the purchase costs and anticipates that, based on an extrapolation of the actual results in January and February 2022, a gross profit margin of 2.4% can be reached in 2022. The management applies the same growth rate for the gross profit margin of the business between 2023 and 2026, and aims to achieve gross profit margin of approximately 3.5% for the year ending 31 December 2026.

(ii) Expanding scale of elastic webbing segment after the Leader Elastic Acquisition

The Group intends to establish a new production line in order to replenish the production capacity in Hubei Province through the Leader Elastic Acquisition, which has a production base in Zhuhai City, Guangdong Province. The products of this segment include woven tapes, jacquard webbing and knitted webbing that are used for bras and underwear. The unaudited net asset value of the Leader Elastic Target Group was approximately RMB 16.8 million as at 31 December.

The Leader Elastic Target Group owns its land and buildings, plant and machinery and other equipment with an aggregate net book value of approximately RMB 30.3 million as at 31 October 2021. The gross area of the existing buildings in Zhuhai City, a key developing city in the Greater Bay Area of Guangdong Province, is approximately 10,000 square meters sitting on a piece of land (the "**Leader Elastic Land**") of approximately 26,600 square meters. Based on the estimations of the Leader Elastic Target Group, the buildings can be further developed for approximately 70,000 square meters on the Leader Elastic Land. The Company 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 Leader Elastic Acquisition. The estimated cost of such investment is estimated to be approximately RMB 48 million, which will be financed by the Leader Elastic Target Group's own resources and the capital investment of the potential investors under the MOUs as detailed below.

The anticipated revenue for the Leader Elastic Target Group for the year ended 31 December 2021 is approximately RMB 62.7 million. Applying the same growth rate for sales quantities and average unit prices in products from 2019 to 2021, it is anticipated that the revenue will further increase to RMB 66.4 million for the year ended 31 December 2022. The management of the Leader Elastic Target Group deems the growth rate to be reasonable as the market is expected to continue to recover from the adverse effects of the COVID-19 pandemic and aims to maintain the revenue growth by increasing the production capacity upon the construction of a new production line and the purchase of new machinery after 2024.

Given that the gross profits from the elastic webbing products of approximately 25% were stable in the region in prior years, the Company's management anticipates that this segment will enhance the overall profitability of the Group in the coming years.

(iii) Possible reinvestment in or divestiture of the Fabrics Business

Based on the unaudited consolidated financial results of the Group for the year ended 31 December 2021, the revenue generated from this segment has increased from approximately RMB 15.2 million for the year ended 31 December 2020 to approximately RMB 29.9 million for the year ended 31 December 2021. Based on these results, the Company applied a growth rate of 5.1% to the average sale price and 9.1% to the sale quantities, and projected a further increase in revenue to RMB 30.4 million for the year ended 31 December 2022.

Possible reinvestment

As mentioned in section 2.3 of the Explanatory Statement, the Fabrics Business deteriorated throughout 2017 to 2021. The management of the Company believes that the lack of funds to restructure the production in Hubei Province has hindered the growth of productivity and revenue stream. As such, it is expected that the funds to be invested by the prospective investors under the MOUs, as detailed below, may facilitate a possible reinvestment in the production line in Hubei Province. Such reinvestment will include but is not limited to the purchase of new machinery for fabric productions to cope with market demand, hiring of new salespersons to explore new markets and customers with good credit history, and hiring of new merchandisers to source new suppliers who produce raw materials with better quality.

However, on the present projection, such reinvestment may delay the Group's return to solvency from the end of 2024 to the end of 2025. Accordingly, the Company's management has also set out its forecast in the alternative scenario where the Group divests itself of the Fabrics business, which is explained below.

Possible divestment

Notwithstanding the anticipated growth in revenue as explained above, due to the persistent challenges faced by the Company in its Fabrics Business, the management also takes the view that a disposal of this business segment may better improve the financial results and financial position of the Group as a whole.

Based on the profits forecast prepared by the Company, if the Fabric Business is to be reinvested, the Group would generate total revenue of approximately RMB 274.2 million, gross profits of RMB 37.3 million and reduce its net loss to approximately RMB 25.9 million for the year ending 31 December 2026.

However, if the Fabric Business is disposed of, the Group would sooner generate revenue of approximately RMB 207.0 million, gross profits of RMB 23.3 million and reduce its net loss to approximately RMB 2.2 million for the year ending 31 December 2024. The decrease of net losses of the Group is mainly due to the anticipated decrease of net losses generated from this segment after charging depreciation of the property, plant and machinery, other administrative expenses and the finance costs for the bank borrowings, etc.

Furthermore, based on the unaudited consolidated financial statement of the Group for the year ended 31 December 2021, the subsidiaries under the Fabrics Business have net liabilities of approximately RMB 341.1 million as at 31 December 2021. Although some of these liabilities are secured by assets of the respective subsidiaries, the Company's management understands that no guarantee has been given by the Company for any of these liabilities. As such, the possible divestment of the Fabrics Business would likely improve the financial position of the Group as a whole.

The decision of whether the Group will divest its Fabrics Business is affected by factors such as the economic and business conditions of the fabrics industry, approval of the Shareholders and compliance with the Listing Rules.

(iv) Capital investment from the Memoranda of Understanding

As discussed in section 2.5(vii) above, on 24 March 2022, the Company entered into three supplemental MOUs with one prospective investor (i.e. Mr Su) and two prospective placing agents (i.e. JMC Capital and China Angel), as well as one new MOU with another prospective placing agent (i.e. Joyful Capital). These new and supplemental MOUs provide that the prospective investor and placing agents conditionally agree to invest or procure investments of not less than HK$700 million within 5 years after the implementation of the Scheme. No concrete timetable for such investments has been set. For business forecast purposes, it is assumed that the funding is evenly injected into the Company on a quarterly basis starting from September 2022 over the course of five years.

The Company's management plans to utilise the funds generated from the supplemental MOUs (i) to invest in the construction of the new production line in Zhuhai City, Guangdong Province and purchase of new machinery with aggregate investment cost of approximately RMB 48 million; (ii) to possibly reinvest in the fabrics production of line in Hubei Province of approximately RMB 20 million; (iii) to settle the remaining outstanding trade and other payables of the Group amounting to approximately RMB 287.7 million as at 31 December 2021, and (iv) as general working capital of the Group.

(v) Plans to settle the current liabilities of the Group

Trade and other payable

Pursuant to the Company's unaudited consolidated financial statements as at 31 December 2021, the aggregate remaining outstanding trade and other payables of the Group amounted to approximately RMB 287.7 million. These comprised trade payables of approximately RMB 82.7 million, receipt in advance of approximately RMB 10.9 million, payable for purchase of the property, plant and equipment of approximately RMB 35.6 million, accrued salaries of approximately RMB 21.8 million, interest payable of approximately RMB 86.4 million, and other payables and accruals of approximately RMB 50.3 million.

The management of the Company will endeavour to (i) reconcile the balances of trade payable, receipt in advance, payable for purchase of property, plant and equipment and other payable with all the suppliers and creditors; (ii) recalculate the accrued salaries with staff to reverse any overprovision of the balance, if any; (iii) obtain the confirmation with banks for the interest payable balance; and (iv) obtain clearance with the relevant tax authority for the tax payable balance.

The management of the Company will also endeavour to negotiate settlement plans with all the creditors, including but not limited to (i) request for discount on the repayment; (ii) repayment by instalments and (iii) postponement of settlement in accordance with the liquidity of the Group. The management of the Company believes that the prospective capital investment under the new and supplemental MOUs can adequately serve payments of the current liabilities. It should be noted that most of these liabilities were incurred by the subsidiaries under the Fabrics Business, and the disposal of this business segment remains a possible settlement solution. In the event that the Company decides to discontinue the Fabrics Business, much of the new capital raised could be used as working capital for the remaining business operations.

Bank borrowings

Based on the unaudited consolidated financial results of the Group ended 31 December 2021, the aggregate principal amounts of the bank borrowings amounted to approximately RMB 163.3 million, of which RMB 110.3 million was secured by the land and buildings of the production line in Hubei Province.

Based on the latest information available to the Company, the Group extended the due dates for two loans with 湖北黃梅農村商業銀行有限公司, a PRC local bank amounting to RMB 90 million (extended up to 11 April 2022), and another loan for RMB 10 million (extended up to 7 January 2022). Based on its long-term relationship with this bank, the Group is currently negotiating with the bank and is confident that it can obtain further extensions for repayment for one more year.

For the overdue bank borrowings of approximately RMB 63.3 million, it remains overdue and no recovery action has been taken.

(vi) The Group's potential return to solvency

Assuming the Fabrics Business is continued

Upon the successful implementation of the Scheme and the abovementioned future business plans, and assuming that the Fabrics Business is continued, it is anticipated by the Company's management that the Group will return to solvency by 31 December 2025:

	Value as at 31 December 2021 (RMB in million)	Value as at 31 December 2022 (RMB in million)	Value as at 31 December 2023 (RMB in million)	Value as at 31 December 2024 (RMB in million)	Value as at 31 December 2025 (RMB in million)	Value as at 31 December 2026 (RMB in million)	*Notes*
Assets							
Property, plant and equipment	189.59	171.83	174.07	203.31	182.15	161.00	*1*
Right-of-use assets	16.62	16.22	15.81	15.41	15.00	14.60	*2*
Cash and bank balances	2.24	45.61	59.21	47.73	86.52	132.57	*3*
Other current assets	19.27	19.27	19.27	19.27	19.27	19.27	*4*
Total assets	**227.72**	**252.92**	**268.36**	**285.72**	**302.95**	**327.43**	
Liabilities							
Net asset value less cash and bank balances of							
Leader Elastic Target Group	–	(6.89)	(6.89)	(6.89)	(6.89)	(6.89)	*5*
Trade and other payables	(291.64)	(268.80)	(211.26)	(153.72)	(96.18)	(38.64)	*6*
Borrowings (bank borrowings and bonds)							
Current secured bank borrowings	(106.21)	(106.21)	(106.21)	(106.21)	(106.21)	(106.21)	*7*
Current unsecured bank borrowings	(57.10)	(57.10)	(57.10)	(57.10)	(57.10)	(57.10)	*7*
Current unsecured bonds	(638.18)	–	–	–	–	–	
Non-current unsecured bonds	(169.45)	–	–	–	–	–	
Lease liabilities	(0.14)	(0.14)	(0.14)	(0.14)	(0.14)	(0.14)	*8*
Deferred income	(12.79)	(12.47)	(12.16)	(11.85)	(11.54)	(11.23)	*9*
Total liabilities	**(1,275.51)**	**(451.61)**	**(393.76)**	**(335.91)**	**(278.06)**	**(220.21)**	
Solvent/(insolvent)	**(1,047.79)**	**(198.69)**	**(125.40)**	**(50.19)**	**24.89**	**107.22**	

Notes:-

1. A decrease in property, plant and equipment in the financial year ending 31 December 2022 mainly represents the annual depreciation of approximately RMB 17.76 million, assuming there will be no additions of the property, plant and equipment in 2022.

   An increase of property, plant and equipment in the financial year ending 31 December 2023 mainly represents the net effect of (i) proposed reinvestment of capital expenditure for Hubei production line of approximately RMB 20 million and (ii) annual depreciation of property plant and equipment of approximately RMB 18.76 million.

   An increase in property, plant and equipment in the financial year ending 31 December 2024 mainly represents the net effect of (i) proposed expansion of the buildings in Zhuhai Sundust of approximately RMB 48 million and (ii) annual depreciation of property, plant and equipment of approximately RMB 21.16 million.

   A decrease in property, plant and equipment for the financial year ending 31 December 2025 and 2026 mainly represents the annual depreciation of approximately RMB 21.16 million, assuming there will be no further additions of the property, plant and equipment in both years.

2. The management of the Company assumes that there will be no additions of right-of-use assets and the movement of the amounts represents the annual amortization.

3. Increase in cash and bank balances for the financial year ending 2022 mainly represents (i) addition of cash upon the completion of acquisition of the Leader Elastic Target Group of approximately RMB 21.5 million; (ii) investments from prospective investors under the new and supplemental MOUs of approximately RMB 57.1 million; after deducting (i) payment of outstanding trade and other payable of approximately RMB 19.52 million.

   Increase in cash and bank balances for the financial year ending 2023 mainly represents investments from the prospective investors under the new and supplemental MOUs of approximately RMB 114.3 million after deducting (i) payment of outstanding trade and other payable of approximately RMB 57.5 million and (ii) payment of proposed capital expenditure of approximately RMB 20 million.

   Increase in cash and bank balances for the financial year ending 2024 mainly represents investments from the potential investors under the new and supplemental MOUs of approximately RMB 114.3 million after deducting (i) payment of outstanding trade and other payable of approximately RMB 57.5 million and (ii) payment of proposed capital expenditure of approximately RMB 48 million.

   Increase in cash and bank balances for the financial years ending 2025 and 2026 mainly represents investments from the potential investors under the new and supplemental MOUs of approximately RMB 114.3 million after deducting (i) payment of outstanding trade and other payable of approximately RMB 57.5 million.

4. The other current assets of the Group comprise of trade and other receivables, prepayment and inventories. The management of the Company assumes these amounts will have no movement for illustration purpose.

5. These amounts represent the net assets less cash and bank balances of the Leader Elastic Target Group that will be included in the Group's consolidated financial statement after the completion of the acquisition. The assets of Leader Elastic Target Group mainly comprise of the property, plant and equipment, right of use assets, trade and other receivables and inventories. The liabilities of the Leader Elastic Target Group mainly comprise of the trade and other payables, accruals and amounts due to holding companies and directors. The management of the Company assumes these amounts will have no movement for illustration purpose.

6. Decrease in trade and other payable is based on the abovementioned assumptions.

7. The management assumed the Group is able to renew the banking facilities or extend the repayment of the bank borrowings while there will be no additional bank borrowings.

8. The management assumed that there will be no change on lease liabilities for illustration purpose.

9. The balance represented the deferred income for government subsidies received with an annual amortised income recognised in other income in the profit or loss.

Assuming the Fabrics Business is discontinued

Upon the successful implementation of the Scheme and the abovementioned future business plan, and assuming that the Fabrics Business is disposed of at the beginning of 2024	**Value as at 31 December 2021 (RMB in million)**	**Value as at 31 December 2022 (RMB in million)**	**Value as at 31 December 2023 (RMB in million)**	**Value as at 31 December 2024 (RMB in million)**	**Value as at 31 December 2025 (RMB in million)**	**Value as at 31 December 2026 (RMB in million)**	*Notes*
Assets							
Property, plant and equipment	189.59	171.83	154.07	48.00	45.60	43.20	*10*
Right-of-use assets	16.62	16.22	15.81	–	–	–	*11*
Cash and bank balances	2.24	45.61	79.21	85.37	141.46	199.70	
Other current assets	19.27	19.27	19.27	–	–	–	*11*
Total assets	**227.72**	**252.92**	**268.36**	**133.37**	**187.06**	**242.90**	
Liabilities							
Net asset value less cash and bank balances of Leader Elastic Target Group	–	(6.89)	(6.89)	(6.89)	(6.89)	(6.89)	*5*
Trade and other payables	(291.64)	(268.80)	(211.26)	(12.10)	(12.10)	(12.10)	*11*
Borrowings (bank borrowings and bonds)							
Current secured bank borrowings	(106.21)	(106.21)	(106.21)	–	–	–	*11*
Current unsecured bank borrowings	(57.10)	(57.10)	(57.10)	–	–	–	*11*
Current unsecured bonds	(638.18)	–	–	–	–	–	
Non-current unsecured bonds	(169.45)	–	–	–	–	–	
Lease liabilities	(0.14)	(0.14)	(0.14)	(0.14)	(0.14)	(0.14)	*8*
Deferred income	(12.79)	(12.47)	(12.16)	–	–	–	*11*
Total liabilities	**(1,275.51)**	**(451.61)**	**(393.76)**	**(19.14)**	**(19.14)**	**(19.14)**	
Solvent/(insolvent)	**(1,047.79)**	**(198.69)**	**(125.40)**	**114.24**	**167.92**	**223.76**	

Notes:-

10. The property, plant and equipment of the Leader Elastic Target Group are included in the net assets value of the Leader Elastic Target Group for illustration purposes. An increase in property, plant and equipment in the financial year ending 2024 represents the proposed expansion of the buildings in Zhuhai Sundust of approximately RMB 48 million.

11. The assets and liabilities under the fabrics segment will be removed from the Group's financial statements in 2024.

The Provisional Liquidators have not reviewed or reconciled these projected balance sheet positions with the business performance projections and respective profit and loss positions of the Group for the relevant years as set out in the Business Forecast in Appendix 9 and make no comment in this regard.

2.7 Winding-up petitions or potential legal proceedings against the Company

On 19 September 2019, Su Dajie presented a winding-up petition against the Company in Hong Kong in Companies and Winding Up Proceedings No. 289 of 2019. However, the said winding-up petition was dismissed by consent on 5 March 2020.

Up to 31 December 2020, the Company has received a total of 21 statutory demands and 6 writs of summons, mainly from bondholders of the Company, demanding for the repayment of approximately HK$154.9 million and HK$11.8 million respectively. Further, from January 2021 to the Latest Practicable Date, the Company received 1 writ of summon, from a creditor of the Company, demanding the repayment of approximately HK$0.7 million.

The Company does not have sufficient cashflow and/or financial resources to repay its liabilities. Therefore, unless the Company's liabilities are restructured, the Company will likely have to be put into insolvent liquidation.

Section 3. The Scheme and the Restructuring

In view of the financial position of the Company, the Board and the Provisional Liquidators are of the view that a financial restructuring of the Company's liability by way of the Scheme is in the interest of the Scheme Creditors and the Company as a whole. The Scheme Creditors are estimated to obtain a return higher than that in insolvent liquidation of the Company. A comparison of the return to the Scheme Creditors in the two scenarios can be found at Appendix 7 (Liquidation Analysis).

Under the Scheme, from the Effective Date, each of the Scheme Creditors would discharge and waive all its Claims in consideration for the right to participate in the Scheme with each of the other Creditors. The Scheme Shares will be allotted and issued to the Scheme Creditors with Admitted Claims in the principal amount equivalent to 100% of the Admitted Claim in accordance with the terms of the Scheme. As such, Scheme Creditors would not benefit from any future positive cashflows of the Group other than by way of return in the form of and by way of dividends or proceeds of disposal of their respective Scheme Shares.

In calculating the pro rata entitlement of each Scheme Creditor to the Scheme Shares based on the aggregate value of their respective Admitted Claims, the number of Scheme Shares to be allotted and issued to each Scheme Creditor shall be rounded down to the nearest integral number of Scheme Shares, and no fractions of Scheme Shares shall be allotted and issued, and in any event, no fractions of any Scheme Shares will be aggregated for allotment or issue.

Based on the available information and audited financial position of the Company, as at 31 December 2020, it is estimated that the total indebtedness owed by the Company to its Scheme Creditors amounts to approximately RMB 787.07 million (or HK$938.11 million, using exchange rate of 1 RMB to 1.1919 HKD for illustration purposes). The Company estimates that, on the assumption that the Leader Elastic Acquisition take place *before* the Scheme, the Scheme Creditors whose Scheme Claims are Admitted will receive Scheme Shares equivalent to approximately 98% in aggregate of the Enlarged Share Capital. However, the Company expects that the Scheme Shares (as a block) will be diluted, possibly very heavily, by the injection of fresh capital of HK$700 million which will take place after the implementation of the Scheme, as illustrated in the table below.

	Current shareholding (after the Effective Date of the Share Consolidation) (% to the total no. of issued shares)	Immediately after the possible subscription of shares under refreshed general mandate in April 2022	Immediately after the Leader Elastic Acquisition (% to the total no. of issued shares)	Immediately after implementation of the Scheme (% to the total no. of issued shares)
Existing shareholders	52,275,535 (100%)	52,275,535 (83%)	52,275,535 (72%)	52,275,535 (1.28%)
Possible subscription of shares under refreshed general mandate in April 2022		10,455,107 (17%)	10,455,107 (14%)	10,455,107 (0.26%)
Sundust Company Limited, the vendor of the shares in Leader Elastic receiving consideration shares from the Company	-		10,200,000 (14%)	10,200,000 (0.25%)
Scheme Creditors with Admitted Claims*	-		-	3,998,754,825 (98.21%)
Total number of issued shares	52,275,535	62,730,642	72,930,642	4,071,685,467

Notes:-

1. It is assumed that 10,200,000 shares at the issue price of HK$1.2 each will be allotted and issued to Sundust Company Limited, the vendor in the Leader Elastic Acquisition (please refer to section 2.5(vi) above for details). In order to address the possible changes in circumstances (e.g. share dilution or consolidation) or in the share price as at the date of completion of the Leader Elastic Acquisition, the Company intends to further enter into a supplemental agreement with Sundust Company Limited to take into account the present trading price of the Shares.

2. The average daily closing price of the Company's Shares for the period from 28 February 2022 to 30 March 2022 is HK$0.248 per Share (insofar as the closing prices between 28 February 2022 and 7 March 2022 are concerned, those have been adjusted and multiplied by 10 to reflect the effect of the Share Consolidation which became effective on 8 March 2022). This is the Company's current best estimate of the average daily closing price as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Notice of the Scheme Meeting. On this basis, the total number of Shares estimated to be issued and allotted to the Scheme Creditors would be approximately 3,998,754,825 Shares, being HK$993.43 million (i.e. total indebtedness owed by the Company to its Scheme Creditors) divided by the estimated price of Scheme Share at HK$0.248 per Share.

The Scheme, if sanctioned, will take effect between the Company and the Scheme Creditors. The Scheme will be administered by the Scheme Administrators. All fees and expenses of and in relation to the restructuring of the Company and the Scheme (inclusive of fees paid or to be paid to the Provisional Liquidators, Scheme Administrators, Adjudicators, Legal Advisors, and other professionals), i.e. the Scheme Costs, shall be borne by the Company outside of the Scheme and settled with cashflow generated from the Company's operations, including funds from fresh capital injected or raised by placing of new shares, rights issue and allotment of shares. A breakdown of the Scheme Costs can be found at Appendix 8.

Section 4. Entry into Force of the Scheme of Arrangement and Conditions Precedent

The Scheme will become effective and binding on the Company and its Scheme Creditors (including those Scheme Creditors who voted in favour or against and those who did not vote at all in respect of the Scheme) under Hong Kong law if the following Conditions Precedent are satisfied:-

(i) the approval of the Scheme having been obtained from the requisite majority (i.e., over 50% in number, representing not less than 75% in value of the Scheme Claims admitted for voting purpose) of the Scheme Creditors who, either in person or by proxy, is present and voting at the Scheme Meeting;

(ii) the Hong Kong Court sanctions the Scheme and an office copy of the order of the Hong Kong Court sanctioning the Scheme is delivered to and registered with the Registrar of Companies in Hong Kong;

(iii) the passing of the necessary resolutions by the Shareholders or independent Shareholders (as the case may be) at the SGM for the Scheme for the increase of the authorised share capital of the Company and the allotment and issuance of the Scheme Shares to the Scheme Creditors; and

(iv) the Company having obtained either conditional approval or approval in-principle from the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Scheme Shares.

All the Conditions Precedents to the Scheme are not capable of being waived.

If the Scheme is sanctioned by the Hong Kong Court in accordance with the Expected Timetable set out on page 30 of this Document, it is anticipated that the Scheme will become effective when an office copy of the order of the Hong Kong Court sanctioning the Scheme is delivered to and registered with the Registrar of Companies in Hong Kong or as otherwise directed by the Court.

Section 5. Risk Factors

The risk factors described below are those that the Company believes are potentially significant but should not be regarded as a comprehensive statement of all potential risks and uncertainties relating to the Scheme. Additional risks and uncertainties not presently known to the Company, or that the Company currently considers to be less material, may also have an adverse effect on the Scheme and no assurance can be given that all material risks relating to the Scheme have been set out below. Scheme Creditors should carefully consider these risk factors and the other information set out herein.

If a Scheme Creditor is in any doubt about the action it should take, such Scheme Creditor is advised to consult an appropriately qualified independent financial or legal advisor who specialises in advising on the acquisition of equity, debt and other securities.

5.1 Risks relating to the Scheme

Effectiveness of the Scheme requires the approval of the Scheme Creditors and Shareholders and independent Shareholders (as the case may be)

The Scheme will be conditional upon the obtainment of the requisite approval from the Scheme Creditors on the Scheme. Under the applicable law in Hong Kong, the Scheme will be approved if the majority in number representing more than 75% in value of the Scheme Creditors present and voting either in person or by proxy at the Scheme Meeting agree to such Scheme. Whilst the Directors of the Company are optimistic that the requisite majority of Scheme Creditors would be in favour of the Scheme, there is no assurance that, until the Scheme Meeting, the votes cast by the Scheme Creditors in favour of the Scheme will be sufficient to approve the Scheme.

The Scheme will also be conditional upon the approval from the Shareholders and independent Shareholders (as the case may be) for the allotment and issue of the Scheme Shares. There is no assurance that the Shareholders and independent Shareholders will vote in favour of the Scheme or the Scheme will be approved.

In any event that the Scheme could be not approved by the Scheme Creditors or the Shareholders/independent Shareholders, the Scheme will be withdrawn and the proposed restructuring will not be implemented.

Effectiveness of the Scheme requires the sanction of the Hong Kong Court

In order for the Scheme to become effective, it must be sanctioned by the Hong Kong Court.

The Hong Kong Court will not sanction the Scheme unless it is satisfied that the correct procedures have been followed, the proposed arrangements are reasonable and that there are no other reasons why the Scheme should not be approved. There can be no assurance that the Hong Kong Court will find that the Scheme arrangements are reasonable or that the Hong Kong Court will not conclude that there are other reasons why the Scheme should not be approved. If the Hong Kong Court does not approve the Scheme, or approves it subject to conditions or amendments which: (i) the Company deems unacceptable, or (ii) would have (directly or indirectly) a material adverse effect on the interests of any Scheme Creditor and such conditions or amendments are not approved by the Scheme Creditors, the Scheme will not become effective and the proposed restructuring will not be implemented.

Even if the Scheme Creditors approve the Scheme, the Scheme may be objected to and may not be completed

Even if the Scheme is approved at the Scheme Meeting, it is possible for a Person with an interest in the Scheme (whether a Scheme Creditor or otherwise) to lodge objections to the Scheme with the Hong Kong Court, and, if such objection is lodged, to attend or be represented at the hearing of the Hong Kong Court to sanction the Scheme in order to make representations that the Scheme should not be approved and to appeal against the granting of the order. Therefore, there can be no assurance that objections will not be made before the Hong Kong Court or that an appeal will not be made against the granting of the order by the Hong Kong Court. Such objections or appeal may delay or possibly prevent the proposed restructuring from happening.

Volatility of share price of the Company

The proposed Scheme does not include any lock-up period for the Scheme Shares issued, and there is a possibility that upon the issuance of all Scheme Shares, some Scheme Creditors might dispose of the Scheme Shares leading to a substantial decrease in the trading price of the Shares. Therefore, the price and trading volume of the Shares may be highly volatile. However, the volatility of the share price of a listed company is an inherent market risk which was expressly discussed with the Scheme Creditors whom the Provisional Liquidators had approached prior to the proposal of this Scheme.

Uncertainty in relation to the value of the Scheme Shares

For the sole purpose of the Scheme, the Directors have endeavoured to estimate the value of the Scheme Shares in the next few years (see Appendix 12, "**Estimated Scheme Recovery**") based on the unaudited financial statements for 2021 and the business forecast prepared based on a series of assumptions and projections (see Appendix 9, the "**Business Forecast**") which has been reviewed by the Independent Financial Adviser (see Appendix 10) and McMillan Woods (Hong Kong) CPA Limited (see Appendix 11). Scheme Creditors should note with caution that these valuations are forward looking estimates for reference only, and there may be fundamental uncertainty concerning the future values of the Scheme Shares. Scheme Creditors should carefully examine the information in Appendices 9 and 12. The Provisional Liquidators do not have the requisite expertise to assess the value of the Scheme Shares and therefore disclaim any and all responsibility whatsoever in connection with the Business Forecast and Estimate Scheme Recovery.

Possibility of dilution of the shareholding of the Scheme Creditors

As explained in this Explanatory Statement, the Scheme proposes to compromise about 98% of the Company's total liabilities through the issuance of Scheme Shares. However, other than and on top of the HK$700 million to be injected as fresh capital, the Company will likely place and/or allot further Shares to conduct further fundraising exercise to facilitate the Leader Elastic Acquisition, develop further businesses, and/or settle the other liabilities of the Company and the Group. In the circumstances, there is a possibility that the shareholding of the Scheme Creditors in the Company to be issued under the Scheme may be heavily diluted in the future. The net asset value per Scheme Share at the end of 2026 after various rounds of potential dilution is set out in Appendix 9 hereto.

5.2 Risks relating to the Group

Liquidation risk

Should the Scheme be successfully implemented, the Company is expected to return to solvency while the Group is expected to remain insolvent with net liabilities of approximately RMB 172 million. The Group will remain balance sheet insolvent for at least 2 more years until the Group's business plan as set out in section 2.6 above is successfully implemented. There is no guarantee that the Group's business plans can be successfully implemented.

Although the Company is not aware of any winding-up petition against its subsidiaries as at the Latest Practicable Date, there is a risk that the Company's subsidiaries may be wound up by their creditors, which may force the Company into liquidation based on the outstanding debts due and owing to certain subsidiaries. **Should the Company go into liquidation, the Scheme Creditors who have received the Scheme Shares would have forgone their rights for any recovery as creditors of the Company upon the Effective Date, and would not receive any distribution.**

Business plan risk

To strengthen the Group's business development, the management of the Company has a business plan which is set out in Appendix 9 and section 2.6 above. However, the implementation the business plan is contingent upon many factors, such as the successful completion of the Leader Elastic Acquisition, and the recovery of market demand and market sentiment. Furthermore, as will be explained below, it is essential to the execution of the business plan that the new investments of HK$700 million envisaged under the new and supplemental MOUs are actually completed and injected into the Company within the next five years. It should be noted that these MOUs and capital injections are subject to various inherent uncertainties. For example, no investor or placing agent are currently legally bound to provide the intended capital injections.

Foreign currency risk

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

Credit risk

The Group is exposed to credit risk from its operating activities of trade and other receivables and bank balances. The Group's exposure to credit risk arising from bank balances is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk. The Group has no concentration of credit risk. Customer credit risk is managed by each business unit subject to the 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.

Interest rate risk

The Group's bonds bear interests at fixed interest rates and therefore are subject to fair value interest rate risks. The Group's exposure to cash flow interest-rate risk arises from its bank borrowings. The bank borrowings bear interests at variable rates that vary with the then prevailing market condition. Except as stated above, the Group does not have other significant interest-bearing assets and liabilities at the end of reporting period, its income and operating cash flows are substantially independent of changes in market interest rates.

Liquidity risk

The 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. Based on the Annual Report of the Group in 2020, the outstanding Bond liabilities of RMB 781 million proposed to be compromised under the Scheme comprises around 79% of the total current liabilities of the Group (i.e. RMB 983.27 million).

Liquidity risk is expected to be significantly reduced by the Scheme and additional cash flow to be generated from the aforesaid acquisition of manufacturing and sales of elastic webbing business in the PRC. However, after the implementation of the Scheme, the Group will still have net liabilities of approximately RMB 172 million or gross outstanding liabilities of approximately RMB 452 million. There are also outstanding loans as set out in section 2.6 above for which the Group is negotiating or has yet to negotiate extensions for, although no recovery action has been taken against the Group to date.

The Group will endeavour to settle such outstanding liabilities via cashflow generated from its operations, and further fundraising exercises such as those envisaged under the four new and supplemental MOUs indicating prospective investments of no less than HK$700 million (as mentioned in section 2.5(vii) above). However, there is no guarantee that these efforts will be successful. In particular, the Group's business might not generate cashflow from operations in an amount sufficient to pay off its indebtedness. The Group may need to refinance all or part of its indebtedness. There is a risk that the Group might not be able to refinance any of its indebtedness on commercially reasonable terms or at all.

Uncertainty regarding potential future investment

As mentioned in section 2.5(vii) above, the Company has been actively seeking further investments into the Group, and has entered into four new and supplemental MOUs with 1 prospective investor and three prospective placing agents for a total of HK$700 million to be injected into the Company within the next 5 years. However, the MOUs are not legally binding, and there are various risk factors (such as the factors set out above) which may cause the prospective investments to fall through. This will in turn affect the Group's ability to carry on its business as a going concern.

5.3 Other risks

Scheme Creditors should note the risks, assumptions, disclaimers and caveats as stated in the Letter from the Provisional Liquidators and the Board.

Section 6. Interests of Directors

Pursuant to section 671 of the Companies Ordinance, the Company has asked each Director whether he/she has any material interest, whether as a director or a member or a Scheme Creditor of the Company or otherwise under the Scheme, and the effect thereon of the Scheme in so far as it is different from the effect on the like interests of other Persons.

As at the Latest Practicable Date, the Company was not aware of any Directors having any material interest, whether as a director, member or Scheme Creditor of the Company under the Scheme.

The Company has received responses from the Directors of the Company. The Directors have informed the Company that they do not have any material interest under the Scheme.

Section 7. Procedures and Miscellaneous Matters

7.1 Determination of Scheme Claims for voting purposes

In accordance with the directions of the Hong Kong Court, the Scheme Meeting will be convened for the purpose of considering and, if thought fit, approving the Scheme. The Notice of the Scheme Meeting is at Appendix 2 to this Document.

Scheme Creditors who are not Notes Scheme Creditors are asked to complete a form of Notice of Claim for Voting Purposes enclosed at Appendix 3A and deliver it to the Company c/o Alliance Advisors LLC, the Information Agent, at 24/F., Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong (Attention: Carey Lo and Race Chan) by personal delivery, email (1400.HK@allianceadvisors.com), facsimile (+852 3006 2486) or post as soon as practicable and in any event by 10:00 a.m. (Hong Kong time) on 1 June 2022 being 7 days prior to the date of the Scheme Meeting.

Scheme Creditors who are Notes Scheme Creditors are asked to deliver an Account Holder Letter to the Company c/o Alliance Advisors LLC, the Information Agent, at 24/F., Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong (Attention: Carey Lo and Race Chan) by personal delivery, email (1400.HK@allianceadvisors.com), facsimile (+852 3006 2486) or post as soon as practicable and in any event by 10:00 a.m. (Hong Kong time) on 1 June 2022, being 7 days prior to the date of the Scheme Meeting. Those who are Notes Scheme Creditors but are not Account Holders should contact their Account Holders (through any Intermediaries, if applicable) to ensure that their Account Holders take appropriate action(s).

In order to avoid double counting of the votes of the Notes Scheme Creditors in respect of the same Bonds:

(i) The Account Holder Letter, which contains confirmation of the details of the relevant Noteholder and Account Holder, must be **completed and submitted by the relevant Account Holder**;

(ii) Noteholders will be required to give **Custody Instructions** to the relevant Clearing System block the transfer of the Notes **by the Custody Instruction Deadline, i.e. 10:00 a.m. (Hong Kong time) on 31 May 2022**, being 1 Business Day prior to the Record Time.

Noteholders should give ample time to allow their Account Holder and/or Intermediary to process their instructions and submit the required documentation on their behalf. To ensure timely submission of Account Holder Letters, please check with the Account Holders for clarification as to the processing time required and deliver the appropriate materials well before that time. Please note that the Clearing System through which the Noteholder's interests in the Notes are held may impose earlier deadlines for the submission of Custody Instructions and/or Account Holder Letters. To ensure timely submission of your Custody Instructions and Account Holder Letter, please ask your Account Holder to check with the relevant Clearing System as to whether any earlier deadline is applicable and ensure your Custody Instructions and Account Holder Letter are submitted well before any applicable deadlines.

Any Noteholder that procures the submission of an Account Holder Letter (to vote at the Scheme Meeting and/or receive any Scheme Shares) must block its Notes by ensuring that its Account Holder, prior to it being delivered to the Information Agent, submits the relevant Custody Instruction to block its Notes held with the relevant Clearing System by the Custody Instruction Deadline and includes in the relevant Account Holder Letter the Custody Instruction Reference Number. An Account Holder Letter will not be valid for the purposes of voting at the Scheme Meeting or receiving the Scheme Shares and the Company reserves the right to reject any Account Holder Letter that does not contain a valid Custody Instruction Reference Number.

A Scheme Creditor who delivers a Notice of Claim for Voting Purposes and/or an Account Holder Letter (whichever applicable) after the Record Time will not be entitled to vote at the Scheme Meeting (and his Scheme Claim will only be considered and admitted for the purpose of voting at the sole discretion of the Chairperson of the Scheme Meeting). Such Scheme Creditor will, however, be bound by the terms of the Scheme in the event that the Scheme becomes effective.

For the purpose of voting at the Scheme Meeting, the Chairperson of the Scheme Meeting will estimate the amount of Scheme Creditors' Claims as at the Record Time which will be admitted for voting purposes based on the records of the Company in its possession and any other relevant information including details received from the Scheme Creditors enclosed with the Account Holder Letter and the form of Notices of Claim for voting purposes, if any. These estimates, after deducting any known set-off, will be the Voting Claims.

In determining Voting Claims, the Chairperson of the Scheme Meeting, in his sole discretion, may admit or reject any Scheme Creditor's Claim in whole or in part. If Voting Claims are denominated in currencies other than Hong Kong dollars, they shall, for voting purposes, be converted to Hong Kong dollars at the rate for the purchase of the relevant currency offered by The Hongkong and Shanghai Banking Corporation Limited at close of business on the Business Day 7 clear days immediately preceding the Record Time or, in the case of manifest error or non-publication, the relevant offered rate of such other licensed bank in Hong Kong as the Company shall determine.

If a Voting Claim is unascertained, contingent, or disputed, the Chairperson of the Scheme Meeting may admit the same for voting purposes at the Scheme Meeting only at a value which the Chairperson of the Scheme Meeting considers is a fair and reasonable assessment of the sums owed by the Company in respect of that Scheme Claim.

The decision of the Chairperson of the Scheme Meeting as to the value to be placed on a Claim for voting purposes is final. His remuneration, costs and expenses shall not be dependent upon the level at which Claims are agreed and/or admitted under the Scheme. None of the Company or any other person will be responsible for any loss or liability incurred by a Scheme Creditor as a result of any such decision.

The Chairperson of the Scheme Meeting will endeavour to inform each Scheme Creditor of its Voting Claim at least one Business Day prior to the Scheme Meeting by transmission to the facsimile number or email address disclosed by the Scheme Creditor in its Notice(s) of Claim. In determining Voting Claims, the Chairperson of the Scheme Meeting may at his sole discretion admit or reject any Scheme Creditor's Claim in whole or in part. The decision of the Chairperson of the Scheme Meeting as to the value to be placed on a Claim for voting purposes, in the absence of manifest error, is final and binding upon the Scheme Creditor and the Company. Further, the decision of the Chairperson of the Scheme Meeting would not be invalidated if a Scheme Creditor does not provide such a facsimile number or email address or in the event of unintentional errors in transmission.

Such estimates of Voting Claims are for voting purposes only and will not constitute any admission on the part of the Company or the Scheme Administrators of the amount comprised therein and will not be relevant for the purpose of calculating entitlement of the Scheme Creditors under the Scheme. Accordingly, the admission of a Scheme Creditor or his proxy for the purpose of voting at the Scheme Meeting is without prejudice to the right of the Chairman of the Scheme Meeting to reject his Notice of Claim in whole or in part when adjudicating on the Scheme Creditor's entitlement to allotment of Scheme Shares.

By completing the Account Holder Letter with the inclusion of the Custody Instruction Reference Number, the Scheme Creditor will be deemed to have given the undertaking that it will not, from the date of delivery of its Account Holder Letter, sell, transfer, assign or otherwise dispose of its interest in all or any part of its specified Notes.

The Company is under no obligation to recognize any assignment or transfer of any Scheme Claim after the Record Time for the purpose of determining entitlement to attend and vote at the Scheme Meeting and for the purposes of determining entitlements under the Schemes, save that where the Company has received from the relevant parties written notice of an assignment or transfer of the Scheme Claim, the Company may, in its absolute discretion and subject to such evidence as it may reasonably require and any other terms and conditions which the Company may consider necessary or desirable, agree to recognise such assignment or transfer for the purposes of determining entitlements under the Scheme. It shall be a term of such recognition that the assignee or transferee of a Scheme Claim so recognised by the Company shall be bound by the terms of the Scheme and for the purposes of the Scheme shall be a Scheme Creditor.

7.2 Voting

In accordance with the directions of the Hong Kong Court, the Scheme Meeting will be convened for the purpose of considering and, if thought fit, approving of the Scheme. The Scheme Meeting will be held at 3:00 p.m. – 6:00 p.m. (Hong Kong time) on 8 June 2022 at 1/F First Commercial Bldg, 33-35 Leighton Road, Causeway Bay, Hong Kong. The Notice of the Scheme Meeting is attached at Appendix 2 to this Document.

Scheme Creditors may vote on the Scheme by attending the Scheme Meeting in person or by proxy. Attendance at the Scheme Meeting can either be in person or by an online conferencing platform to be designated by the Company. A proxy need not be a Scheme Creditor of the Company but must attend the Scheme Meeting in person or by an online conferencing platform to be designated by the Company. In the event that a Scheme Creditor, who has lodged a Form of Proxy, attends the Scheme Meeting, his Form of Proxy will be deemed to have been revoked.

In the case of a Scheme Creditor which is a corporation, it must appoint an individual as its representative or proxy to attend the Scheme Meeting or join by an online conferencing platform to be designated by the Company. To attend and vote at the Scheme Meeting, the representative must produce at the Scheme Meeting to the satisfaction of the Chairperson of the Scheme Meeting an appropriately certified copy of the resolution of the board of directors or other governing body of the corporation evidencing that he is authorized to act as its representative for such purpose.

(i) Arrangements for Scheme Creditors (or their proxies) who cannot attend the Scheme Meeting in person and wishes to attend the Scheme Meeting by an online conferencing platform to be designated by the Company and announced on the Company's website (http://moodytech-holdingltd.com).

(1) Any Scheme Creditor (or his proxy) wishing to attend the Scheme Meeting by an online conferencing platform to be designated by the Company must indicate his intention to do so in the **Notice of Claim for Voting Purposes** (see Appendix 3A to this Document) or the **Account Holder Letter** (if applicable, see Appendix 3C to this Document), by no later than **10:00 a.m. (Hong Kong time) on 1 June 2022**. The instructions for lodging the documents are set out in the notes thereto.

(2) Attendance by an online conferencing platform to be designated by the Company is conditional upon the Scheme Creditor (i) having a webcam function attached to the device from which the Scheme Creditor will be accessing the Scheme Meeting online, and (ii) agreeing to activate the webcam function and being visible to the Chairperson of the Scheme Meeting throughout the duration of the Scheme Meeting.

(3) At least 24 hours before the Scheme Meeting, the Chairman of the Scheme Meeting will send a unique PIN by email to each Scheme Creditor who has indicated his intention to attend the Scheme Meeting by an online conferencing platform to be designated by the Company (in addition to any other necessary joining instructions), so that he or his proxy can participate. The unique PIN will be sent to the Scheme Creditor's designated email address as stated in his Notice of Claim for Voting Purposes.

(4) Each Scheme Creditor (or his proxy) who attends the Scheme Meeting by an online conferencing platform to be designated by the Company shall cast his vote by a show of hands using his webcam.

(5) **In view of the evolving situation of the COVID-19 pandemic, it may be necessary for all Scheme Creditors to attend the Scheme Meeting virtually. In this event, the Company will make additional arrangements to enable the Scheme Creditors to attend the Scheme Meeting via online conferencing platform.** Updates in this regard (if any) will be (i) announced on the Company's website (http://moodytech-holdingltd.com) and/or (ii) notified to the Scheme Creditors at their email address, phone number or fax number as provided to the Company by the Scheme Creditors.

(ii) Arrangements for Scheme Creditors who wish to appoint a proxy to attend the Scheme Meeting.

(1) Notes Scheme Creditors are asked to complete **Part 2 of the Account Holder Letter** (see Appendix 3C to this Document), which must be completed and returned to the Company c/o Alliance Advisors LLC, the Information Agent, at 24/F., Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong (Attention: Carey Lo and Race Chan) by personal delivery, email (1400.HK@allianceadvisors.com), facsimile (+852 3006 2486) or post as soon as practicable and in any event **no later than 10:00 a.m. (Hong Kong time) on 1 June 2022.**

(2) Scheme Creditors who are **not** Notes Scheme Creditors are asked to complete and return a **Form of Proxy** (see Appendix 4 to this Document) to the Company c/o Alliance Advisors LLC, the Information Agent, at 24/F., Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong (Attention: Carey Lo and Race Chan) by personal delivery, email (1400.HK@allianceadvisors.com), facsimile (+852 3006 2486) or post as soon as practicable and in any event by no later than **10:00 a.m. (Hong Kong time) on 6 June 2022**, being 2 Business Days prior to the date of the Scheme Meeting.

(3) A proxy need not be a Scheme Creditor but must attend the Scheme Meeting in person physically or by the online conference platform to be designated by the Company. In the event that a Scheme Creditor who has lodged a Form of Proxy attends the Scheme Meeting, whether physically in person or by an online conferencing platform to be designated by the Company, his Form of Proxy will be deemed to have been revoked.

(4) The Chairperson of the Scheme Meeting shall be entitled to accept the warranty on the said form of proxy as to the authority of the signatory to cast the votes without further investigation. The Chairperson of the Scheme Meeting shall be at liberty to accept a form of proxy in his absolute discretion, including the value of Scheme Claim for which any Scheme Creditor seeks to vote, notwithstanding that his Form of Proxy has not been completed in accordance with the instructions contained therein, provided that the Chairperson of the Scheme Meeting considers that the information contained therein is sufficient to establish the right of the proxy holder or the Scheme Creditor to vote.

7.3 Determination of Scheme Claims for subscription purposes

As soon as possible the Scheme Administrators will issue notices to all Scheme Creditors of whom they have knowledge, notifying them of the **Cut-Off Date**, being the date by which Scheme Creditors must deliver to the Scheme Administrators:

(i) in the case of a Notes Scheme Creditor, **Part 1 and Part 3 of the Account Holder Letter**;

(ii) In the case of a Scheme Creditor who is **not** a Notes Scheme Creditor, a **Notice of Claim for Subscription Purposes to** (see Appendix 3B to this Document).

Notices to this effect will also be published in one English language newspaper and one Chinese language newspaper in Hong Kong and the website of the Company (http://moodytech-holdingltd.com).

Failure to deliver a duly completed and executed Account Holder Letter or a Notice of Claim for Subscription Purposes by the Cut-Off Date will, save in exceptional circumstances, disqualify the Scheme Creditor from receiving any benefits under the Scheme. **All Account Holder Letters and Notices of Claim for Subscription Purposes received after 5:00 p.m. (Hong Kong time) on the Cut-Off Date will be rejected and will not be considered**.

In the event that more than one Account Holder Letter or Notice of Claim for Subscription Purposes having been submitted to the Company in respect of the same Claim, the last one received before the deadline shall be deemed to have superseded all earlier ones received from the same Scheme Creditor in respect of the same Claim.

Scheme Creditors are required to submit such documents and evidence as the Scheme Administrators may consider necessary for the purposes of substantiating any Scheme Claim that is made, the Scheme Administrators, who will take office after the Effective Date, will examine the Account Holder Letter or Notices of Claim for Subscription Purposes and the related evidence and decide as soon as practicable thereafter whether to admit or reject the Scheme Claim in whole or in part or require further evidence to support the Scheme Claim.

Any Scheme Claim which is not the subject of an Account Holder Letter or a Notice of Claim for Subscription Purposes lodged on or prior to the Cut-Off Date or which is rejected by the Scheme Administrators in accordance with the procedure set out in Part 4 of the Scheme will be treated (and if rejected in part, as to that part only) for all purposes as being wholly and irrevocably discharged and released.

7.4 Currency Conversion

In case any part of any Scheme Claims is in currencies other than Hong Kong dollars, the exact amount of such Scheme Claims shall, for all purposes, be converted to Hong Kong dollars based on the rate for the purchase of the relevant currency as offered by The Hongkong and Shanghai Banking Corporation Limited at close of business on the Effective Date or, in the case of manifest error or non-publication, the relevant offered rate of such other licensed bank in Hong Kong as the Scheme Administrators shall determine and shall, for the purpose of the Scheme, be due in Hong Kong Dollars.

7.5 Scheme Shares distribution

As soon as practicable after the Scheme Claims have been determined and admitted, the Scheme Administrators will determine the final Scheme Shares Entitlement of each Scheme Creditor in respect of the Scheme Shares Allocation. The Scheme Administrators shall then issue a final Scheme Shares Entitlement notice to each Scheme Creditor setting out therein the final Scheme Shares Entitlement of the Scheme Creditor concerned.

It shall be set out in the notice to be issued by the Scheme Administrators to each Scheme Creditor the total amount of Scheme Claim of the Scheme Creditor concerned and the number of Scheme Shares to be issued by the Company to such Scheme Creditor for repayment and discharge of its Scheme Claim provided that the number of Scheme Shares to which each Scheme Creditor is entitled shall be rounded down to the nearest whole Share.

The Company proposes to issue the Scheme Shares as follows.

The aggregate number of Scheme Shares to be issued under the Scheme will be the subject matter of the Scheme Shares Allocation. As part of the Scheme, the Company shall on the Effective Date or as soon as practicable thereafter issue such Scheme Shares Allocation setting out therein the final Scheme Shares Entitlements as having been confirmed by the Scheme Administrators to the respective Scheme Creditors.

On the Effective Date or as soon as practicable thereafter, the Scheme Administrators shall, with respect to each Scheme Creditor:

(1) Procure and cause the Company to issue such number of Scheme Shares equal to that Scheme Creditor's final Scheme Shares Entitlement; and

(2) Allocate and distribute the Scheme Shares Entitlement of each Scheme Creditor to the securities account provided by the Scheme Creditor in his or her Notice of Claim for Voting Purposes or Notice of Claim for Subscription Purposes, or such other securities account as may be agreed between the Scheme Creditor and the Scheme Administrator.

7.6 Set-offs

The Scheme provides for the set off of cross-claims between the Company and a Scheme Creditor if they arise out of mutual dealings between the Company and the Scheme Creditor before the Effective Date.

7.7 Bar to proceedings and other effects of the Scheme

With effect from the Effective Date, no Scheme Creditor will be entitled to make any demand or exercise any right of set-off against the Company in respect of any Scheme Claims, or be able to seek to enforce or recover from the Company by legal process or otherwise, or to take any step or proceedings against the Company or its properties or assets for the purpose of enforcing or recovering any Scheme Claims by way of execution or otherwise, or to commence or prosecute or join in any proceedings to wind up the Company based upon the Scheme Claims.

On the Effective Date, all of the Notes will be cancelled in the Clearing Systems in accordance with the Scheme and thereafter will not be capable of being traded in the Clearing System. Notes Scheme Creditors shall ensure that the Notes are cancelled by the Depository and shall give all such instructions and/or execute any such documents as may be necessary for and on behalf of each Notes Scheme Creditor for such purpose. Further, the respective rights and obligations of the Notes Scheme Creditor (including for the avoidance of doubt, any Person that acquires an interest in the Notes after the Record Time), the Company and the Notes Guarantor towards one another under the Notes will terminate.

The Scheme may not preclude Scheme Creditors from taking action against the Company in any other jurisdiction in the event that the Scheme Creditor is not subject to the jurisdiction of the Hong Kong Court. Therefore, even though the Scheme is intended to bind all Scheme Creditors to the extent of their Claims, they may not prevent Scheme Creditors who are not so bound from instituting legal action against the Company in jurisdictions other than Hong Kong. However, Scheme Creditors may not be able to enforce any foreign judgment in respect of any Claim(s) against the Company in Hong Kong after the Effective Date. Scheme Creditors in other jurisdictions may attempt to enforce a foreign judgment in other jurisdictions where the assets of the Company are located. Further, a Scheme Creditor who is not bound by the jurisdiction of the Hong Kong Court may apply to wind up the Company in a jurisdiction other than Hong Kong, notwithstanding that the Scheme is sanctioned by the Hong Kong Court.

7.8 Modification to the Scheme

The Company may, at any hearing to sanction the Scheme, consent on behalf of all Scheme Creditors to any modification of this Scheme or any terms or conditions which the Hong Kong Court may think fit to approve or impose and which would not directly or indirectly have a material adverse effect on the interests of any Scheme Creditor under this Scheme.

At or after the Effective Date, the Scheme Administrators may, at any time if they consider it expedient and in the interests of the Scheme Creditors to do so, apply to the Hong Kong Court for the purpose of modifying the provisions of the Scheme or obtaining directions from the Hong Kong Court on how to deal with any matters or disputes which may arise in respect of the administration of the Scheme. If the Hong Kong Court approves a modification to the Scheme or gives a direction in relation to any matter or dispute which may arise in respect of the Scheme, it shall be binding on the Company and the Scheme Creditors insofar as the law permits.

7.9 Termination of the Scheme

The Scheme will terminate on notice of termination being given to the Scheme Creditors and the Company by the Scheme Administrators upon completion of the issue and allotment to all Scheme Creditors with Admitted Claims, or upon the occurrence of the following events: (i) the Company fails to issue or allot the Scheme Shares in accordance with Part 5 of the Scheme; (ii) the Company fails to make payment in full to the Scheme Administrators in respect of Scheme Costs within a reasonable time not exceeding one month upon the demand of the Scheme Administrators; and/or (iii) the listing of the Shares has been cancelled by the Stock Exchange before Completion and the Company has failed in any appeal (if filed) to the Listing Review Committee of the Stock Exchange to reverse such decision (if applicable). For the avoidance of doubt, non receipt or failure to collect any Scheme Shares by any Scheme Creditor will not constitute a failure to issue or allot any Scheme Shares.

7.10 Documents available for inspection

Copies of the documents listed below are available for inspection by Scheme Creditors upon reasonable prior notice to the Company c/o the Provisional Liquidators at 43/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong (Attention: Mr. Kan Lap Kee (Terry)/Mr. Tang Chung Wah (Alan)) by email (sas-administration@shinewing.hk) between the hours of 10:00 a.m. and 4:00 p.m. on weekdays (excluding Saturdays, Sundays and public holidays) up to the 7 Business Days before the date scheduled for the Scheme Meeting. The aforesaid documents may also be downloaded from the website of the Company (http://moodytech-holdingltd.com).

(1) Memorandum of Association and bye-laws of the Company.

(2) This Document containing the Scheme and the Explanatory Statement of the Scheme.

(3) The audited financial statements of the Group for the year ended 31 December 2018, 2019, 2020 and 2021.

(4) The Hong Kong Court order directing the convening of the Scheme Meeting.

Section 8. Scheme Costs

Scheme Costs are estimated at HK$7.17 million, which include the costs and expenses of the restructuring, charges, expenses and disbursements necessarily and properly incurred both before and after the Effective Date in connection with the costs of preparation, the administration and implementation of the Scheme, including the fees and remuneration of the Provisional Liquidators/Scheme Administrators, legal costs, professional and regulatory fees to issue Scheme Shares and the Adjudicator, if any. These Scheme Costs will be settled outside of the Scheme, with funds generated from ongoing operations of the Company, fresh capital to be injected or raised by placing of new shares, rights issue and allotment of shares. These costs are best estimates at the time of preparing for the Scheme and they are subject to unforeseeable developments and/or change in circumstances in its implementation which would escalate these costs. Further, these estimates are not capped fixed fees and the terms of engagement as regards fees for each professional party with the Company will continue to apply. For details of the estimated Scheme Costs, please refer to Appendix 8.

Section 9. Taxation

The Scheme Creditors, whether in Hong Kong or in other jurisdictions, are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of their recoveries under the Scheme. It is emphasised that the taxation implications of the Scheme are personal matters of the Scheme Creditors themselves and none of the Company, the directors and officers of the Company, the Provisional Liquidators and their legal advisors or any of the other parties involved in the Scheme accept any responsibility for any taxation effect on the liabilities of the Scheme Creditors.

Section 10. Chairperson of the Scheme Meeting

At the direction of the Hong Kong Court, Mr Kan Lap Kee (Terry), or failing him, Mr Tang Chung Wah (Alan) will be appointed to act as Chairperson of the Scheme Meeting.

Section 11. The Provisional Liquidators, the Scheme Administrators and the Adjudicator

The involvement of the Provisional Liquidators, the Scheme Administrators and the Adjudicator in the Scheme is solely for the purpose of receiving and enforcing the obligations and undertakings made by the Company pursuant to the Scheme. None of the Scheme Administrators, the Provisional Liquidators, the Adjudicator or their firms and their advisers nor any of their representatives, partners, staff or agents will incur any personal liability under the terms of the Scheme or otherwise under any circumstance.

Section 12. The Advantages and Disadvantages of the Scheme

12.1 Advantages

The principal advantage of the Scheme is the potentially higher recovery rate available to the Scheme Creditors by way of the Scheme Shares to be issued and allotted for 100% of their Admitted Claims. Assuming that the Group returns to a position of solvency by the end of 2024 or 2025, the estimated rate of recovery as assessed at that point in time according to the Estimated Scheme Recovery analysis would be approximately 8.00% to 10.27% (see Appendices 9 and 12 and section 13 on Return Comparison below). In this scenario, it is anticipated that the Company will continue as a going concern as compared with the scenario where the Company is wound up which probably would result in a diminution in asset value of the Company and provide minimal return to the Scheme Creditors.

The liquidation process is a time-consuming and complicated process. It could take many months if not years to complete a liquidation and it can be highly uncertain as to the extent of assets which can be realized noting that it is not uncommon for assets realized in the PRC will be first subject to claims from the PRC creditors with priority and the necessary regulatory approval for repatriation of funds from the PRC to Hong Kong. As a result, the Company's liquidation process could continue for a long period. In this situation, liquidation costs are likely to be substantial and the actual recovery rate to Scheme Creditors will be subject to high uncertainty or in adverse unforeseen circumstances for it to be adjusted lower than the estimated 0.89% (see the Liquidation Analysis in Appendix 7).

12.2 Disadvantages

The possible disadvantages in implementing the Scheme are as follows:

(i) Scheme Creditors will not be entitled to make claims in relation to any of their Scheme Claims made after the Effective Date.

(ii) Scheme Creditors will, upon the Effective Date, discharge all of its Scheme Claims against the Company and lose the benefits of such Scheme Claims against the Company's assets.

(iii) Scheme Creditors will lose the right to commence proceedings and to appeal to the Hong Kong Court after their Scheme Claims have been determined by the Scheme Administrators and/or the Adjudicator.

(iv) Scheme Creditors which opt to receive Scheme Shares by their Admitted Scheme Claims will immediately forego their rights to receive any liquidation recovery (currently estimated at 0.89% in the dollar).

(v) Further placement and/or allotment of further shares for acquisition or fund raising pursuant to the four new and supplemental MOUs should result in further dilutions of the shareholding of the Scheme Creditors. Since the detailed terms and conditions of the capital injection are yet to be determined as at the Latest Practicable Date, the effect of such dilutions could not be estimated.

(vi) The implementation of the Scheme will not automatically return the Group to a position of solvency. Such insolvency position may be gradually improved or extinguished subject to the successful execution of the post Scheme business plan with expected future cash flows to meet operational requirements and settlement of the debts owing to the Group's subsidiaries. While the Company's management endeavour to implement the business plan in the interests of the Company, there is no assurance that the future development of the Group's business and financial performance will meet this expectation.

Section 13. Return Comparison

The Board considers that implementing a restructuring by way of the Scheme provides the best chance of recovery for the Scheme Creditors. The liquidation analysis for the estimated returns to Scheme Creditors in a liquidation scenario is set out in Appendix 7 of this Scheme Document. In summary:

(i) If the Scheme is not approved and implemented, the Scheme Creditors will not be entitled to any benefits under the Scheme. It is likely that the Company will be wound-up, resulting in a substantially lower return to creditors of the Company of approximately 0.89%. In any event, distributions will be deferred for a prolonged period pending the progress of the liquidation. For further details, please refer to Appendix 7.

(ii) However, if the Scheme is successfully implemented, the Admitted Claims of the Scheme Creditors would be notionally repaid in full at face value by the Scheme Shares pursuant to the terms of the Scheme, yielding a notional recovery rate of approximately 100%.

(iii) After the implementation of the Scheme, the Company will eventually practically return to a position of solvency but the Group may remain insolvent until at least the end of 2024 as forecasted by the Company's management (see Appendices 9 and 12):

(a) On the basis that the Group divests itself of the Fabrics Business, the Group may return to solvency by the end of 2024 and hold net assets of RMB 114.24 million.

(b) On the basis that the Group carries on the Fabrics Business, the Group may only return to solvency by the end of 2025 and hold net assets of RMB 24.89 million.

The management and the Provisional Liquidators believe that, subject to caveats and assumptions as stated, there is a reasonable prospect for the Group to return to a position of solvency by reason of future business plan which the management intends to put forward. Please refer to the Business Forecast in section 2.6 above and Appendix 9 for details, including the underlying assumptions and limitations.

(iv) The implementation of the Scheme is a condition precedent to the fundraising exercises envisaged in the four new and supplemental MOUs dated 24 March 2022, after which it is expected that no less than HK$700 million would be injected into the Company by way of capital. This shall be used to reduce the Group's outstanding current liabilities and as capital investments for business segments thereby giving the Group a real opportunity to ultimately continue its operations as a going concern.

(v) The estimated value of the Scheme Shares as assessed by the Company (and reviewed by the Independent Financial Adviser and McMillan Woods (Hong Kong) CPA Limited) depends on *inter alia* the successful implementation of the future business plan of the Group, the fair asset valuation of the Company and the Group, and the number of issued shares of the Company at the relevant time. Subject to the series of assumptions and projections set out in Appendices 9 and 12, the value of the Scheme Shares is estimated as follows:

(a) On the basis that the Group divests itself of the Fabrics Business and on the assumption that about HK$350 million has been injected into the Company by the end of 2024 with new shares issued to the new investors, the total value of the Scheme Shares is estimated at RMB 109.85 million, and the estimated recovery rate for the Scheme Creditors stands at 10.27%.

(b) On the basis that the Group carries on the Fabrics Business, the Group may only return to solvency by the end of 2025. On the assumption that about HK$490 million has been injected into the Company by that time with new shares issued to the new investors, the total value of the Scheme Shares is estimated at RMB 16.46 million, and the recovery rate for the Scheme Creditors stands at 2.03%. However, at the end of 2026, by which time all HK$630 million has been injected into the Company with new shares issued to the new investors, the Group may hold net assets of RMB 107.22 million and the total value of the Scheme Shares may increase to RMB 64.89 million, such that the estimated recovery rate for the Scheme Creditors will stand at 8.00%.

(vi) In view of the future business plans and forecast prepared by the Company (which is reviewed by the Independent Financial Adviser and McMillan Woods (Hong Kong) CPA Limited), the Scheme Creditors with Admitted Claims can reasonably expect to receive a higher return under the Scheme as compared to that in a liquidation scenario as they can benefit from the Group's continued operations and potential business growth should the Company's future business plan be successfully implemented.

Company level

After the completion of the proposed restructuring of the Company, approximately around RMB 787 million of the Company's existing indebtedness as at 31 December 2020 will be compromised. As to the outstanding liabilities:

(i) The Excluded Claims of around RMB 16.3 million comprise amounts payable by the Company to other companies within the Group. According to the management accounts of the Company, 98% of these intra-Group payables amounting to RMB 15.9 million is owed to Feng Tai (Hubei) Textile Co., Ltd. ("**Feng Tai**"), which arose in 2018 due to an audit adjustment. As at the Latest Practicable Date, it is assumed that such Excluded Claims would not be recovered against the Company, because: (a) the Company's subsidiaries, including Feng Tai, remain to be under the control of the Company, unless they go into liquidations and their liquidators decide to pursue these debts; and (b) the management is not aware of any agreement or documentary evidence to substantiate the receivable of Feng Tai or payable of the Company. The rest of the Excluded Claims, if pursued, can be settled by the cashflow generated from the operations of the Company or from the funds to be injected by prospective investors or placing agents under the four new and supplemental MOUs. For further details of the Company's fundraising activities, please refer to section 2.5(v) above.

(ii) The estimated Scheme Costs of around HK$7.17 million have been and will continue to be settled by cashflow generated from the operations of the Company, including funds raised by placing of new shares, rights issue and allotment of shares. For a breakdown of the Scheme Costs, please refer to Appendix 8 to this Document.

For illustration, the Company is expected to be practically solvent after the implementation of the Scheme:

		Before implementation of the Scheme (Based on audited accounts of 2020)	**After implementation of the Scheme**
Assets		**RMB 7,137,000**	**RMB 7,137,000**
Liabilities		**RMB 807,404,183**	**RMB 4,027,183**
(i)	Scheme Claims	RMB 787,071,000	N/A
(ii)	Excluded Claims	RMB 16,306,000	RMB 16,306,000 (but assumed to be unrecoverable)
(iii)	Restructuring costs	Approx. RMB 4,027,183(i.e. HK$4,800,000) *(Note)*	Approx. RMB 4,027,183 (i.e. HK$4,800,000) (Note)
Net asset/(Net liabilities)		**(RMB 800,267,183)**	**RMB 3,109,817**

Note:

Using an exchange rate of RMB 1 = HK$1.1919 for illustration purpose herein

Group level

After the completion of the proposed restructuring of the Company, approximately RMB 787 million of the Group's existing indebtedness as at 31 December 2020 will be compromised.

For illustration, the Group is expected to remain insolvent immediately after the implementation of the Scheme:

	Before implementation of the Scheme (RMB in millions)	After implementation of the Scheme (RMB in millions)
Assets	**280**	**280**
Liabilities	**1,240**	**452**
(a) Scheme Claims	787	N/A
(b) Borrowings (including secured and unsecured bank borrowings)	169	169
(c) Trade and other payables	270	270
(d) Deferred income	13	13
Net asset/(Net liabilities)	**(959)**	**(172)**

As to the outstanding liabilities, with reference to the above table:

(i) A total of approximately RMB 452 million of liabilities will remain outstanding. Of the outstanding liabilities, approximately RMB 169.2 million (i.e. (b) Borrowings) consist of secured loans to several local bank creditors in the PRC, which are secured by the buildings of the Group in Hubei Province with carrying amounts of approximately RMB 147.9 million and machinery and equipment of the Group in Hubei Province with carrying amount of approximately RMB 11.4 million as at 31 December 2020.

(ii) The other remaining unsecured liabilities consist of the following:

	Value (RMB in million)
(c) Trade and other payables	**270**
Trade payables	86.5
Advance payment from customers	14.5
Salary payables	21.5
Payables for purchases of property, plant and equipment	35.7
Interest payable	72.6
Other payables and accruals	39.2
(d) Deferred income (i.e. Deferred income in relation to the government grants relating to right-of-use assets)	**13.1**
Total	**283.1**

(iii) The Group has endeavoured to negotiate with its respective creditors to extend the repayment periods of its debts. As of the Latest Practicable Date, a local creditor bank in the PRC agreed to extend the repayment of the bank borrowings of two loans amounting to RMB 90 million from 11 April 2021 to 11 April 2022; one loan amounting to RMB 10 million from 7 January 2021 to 7 January 2022. The Company will continue its efforts in negotiations with the creditors of the Group, and is optimistic that further arrangement and extension of repayment could be made in due course.

In this light, the Company anticipates that the repayment period of the remaining outstanding liabilities of (b) Borrowings of RMB 169 million could be extended to 2023. Given that the creditors of (c) Trade and other payables did not take any legal actions against the Group in the past few years, the Company anticipates that the remaining outstanding liabilities of (c) Trade and other payables of RMB 270 million could be repaid by instalments within 5 years starting from September 2022. Please refer to the business forecast prepared by the Board in Appendix 9 for details, including the underlying assumptions and limitations.

(iv) The Company anticipates that once the Scheme is successfully implemented and the Leader Elastic Acquisition is completed, the prospective investments of no less than HK$700 million envisaged in the four new and supplemental MOUs will also follow within 5 years after the implementation of the Scheme. The proceeds from the potential investments will be utilised in (i) settling financial obligations of the Group and (ii) capital investments in the Company's subsidiaries.

(v) The Company also anticipates that the existing business of the Group along with new business to be brought in from Leader Elastic will provide a reasonable prospect that the Group may substantially reduce the net loss to approximately RMB 25.9 million by the end of 2026. Alternatively, if the Group dispose of its Fabrics Business during the year of 2023, there is a reasonable prospect that the Group further reduce the net loss to around RMB 0.9 million by the end of 2026. Please refer to the business forecast prepared by the Board of Directors of the Company in Appendix 9 for details, including the underlying assumptions and limitations.

(vi) The Company anticipates that with synergy of new business of Leader Elastic, and the prospective investments under the four supplemental MOUs within 5 years after the implementation of the Scheme, there is a reasonable prospect that the Group may return to solvency by the end of 2024. Please refer to the business plan in section 2.6 above for details, including the underlying assumptions and limitations.

(vii) Furthermore, the Company is of the view that the willingness of the potential investors to invest into the Company underscores the business potential of the Group and is hopeful that further business and financing opportunities will open up to the Group allowing its business to be revived.

Section 14. Recommendation for the Scheme

The issue and allotment of Scheme Shares under the Scheme described in this Scheme Document is the only attractive option currently available to the Company and is favourable insofar as the interests of the Company, its shareholders and its creditors are concerned under the circumstances. If the Scheme is implemented, each Scheme Creditor will notionally be repaid in full. Conversely, if the Scheme is not approved and implemented, the likely course of action will be for the Company to be wound up, upon which it is unlikely that there will be any substantial assets available for distribution to the Scheme Creditors in respect of their Claims and the return (if any) to the Scheme Creditors will probably be substantially lower than what the Scheme Creditors would recover under the Scheme.

In the opinion of the Board, it is in the interest of the Scheme Creditors to approve the Scheme and it is recommended by the Board that the Scheme Creditors shall attend the Scheme Meeting in person or by proxy and vote in favour of the Scheme.

Having considered the information presently available, and the financial position of the Company and the Group, the Provisional Liquidators are of the view that the Scheme fairly represents the current financial position of the Company, and also consider that it is in the interest of the Scheme Creditors to approve the Scheme (for the reasons set out above). They similarly hold the view that if the Scheme is not approved and implemented, the likely course of action will be for the Company to be wound up, and the return (if any) to the Scheme Creditors will probably be substantially lower than what the Scheme Creditors would recover under the Scheme. They thus recommend the Scheme Creditors to attend the Scheme Meeting in person or by proxy and vote in favour of the Scheme.

Section 15. The Sanction Hearing

In accordance with section 670 of the Companies Ordinance, if the Scheme is approved at the Scheme Meeting, the Company must then make a further application to the Hong Kong Court to sanction the Scheme. Accordingly, if the Scheme is approved at the Scheme Meeting, the Company will file a petition with the High Court seeking the sanction of the Scheme which is tentatively scheduled to be heard on 28 June 2022 at 10:00 a.m. (Hong Kong time).

In determining whether to exercise their discretion and sanction the Scheme, the Hong Kong Court will determine, among other things, whether the votes cast at the Scheme Meeting fairly represented the decision of the Creditors. If the Hong Kong Court sanction the Scheme and if all of the other conditions to the Scheme are satisfied or (to the extent allowed by law) waived, the Company intends to register the court order sanctioning the Scheme with the Registrar of Companies in Hong Kong when an office copy of the order of the Hong Kong Court sanctioning the Scheme is sealed or as otherwise directed by the Court.

SCHEME CREDITORS SHOULD NOTE THAT THEY ARE ENTITLED TO APPEAR BY PERSON OR BY COUNSEL AT THE SANCTION HEARING WHICH IS EXPECTED TO TAKE PLACE ON 28 JUNE 2022 AT WHICH THE COMPANY WILL SEEK, AMONG OTHER THINGS, THE SANCTION OF THE SCHEME.

Dated this 18th day of May 2022.

SCHEME OF ARRANGEMENT

Pursuant to Sections 670 and 673 of the Companies Ordinance (Cap. 622) of Hong Kong, as amended from time to time)

BETWEEN

MOODY TECHNOLOGY HOLDINGS LIMITED.
(a company incorporated in Bermuda with limited liability)

and its

SCHEME CREDITORS
(as defined in the Scheme)

THE SCHEME

PART 1
DISCHARGE OF CLAIMS AND BARS TO PROCEEDINGS

1 Subject to the terms of the Scheme (in particular Part 6 hereof), with effect from the Effective Date:

(a) save for any Scheme Shares allotted and issued under the Scheme, each of the Scheme Creditors (including, for the avoidance of doubt, any Person that acquires an interest in the Notes after the Record Time) absolutely discharges and waives all of its Scheme Claim(s) against the Company in consideration of the right to participate in the Scheme.

(b) the Bonds and the Notes will be cancelled and discharged and the respective rights and obligations of the holders of the Bonds, the Noteholders, Account Holders, the Notes Guarantor and the Company towards one another under the Notes will terminate and be of no further force and effect.

(c) the Company shall ensure that the Notes are cancelled by the Depository and shall give all such instructions and/or execute any such documents as may be necessary for and on behalf of each Scheme Creditor for such purpose.

2 Save as provided in Part 6 of the Scheme, with effect from the Effective Date, no Scheme Creditor will be entitled to make any demand or exercise any right of set-off against the Company in respect of any Scheme Claims, or be able to seek to enforce or recover from the Company by legal process or otherwise, or to take any step or proceedings against the Company or its properties or assets for the purpose of enforcing or recovering any Scheme Claims by way of execution or otherwise, or to commence or prosecute or join in any proceedings to wind up the Company based upon the Scheme Claims. Further:-

(a) if there is any outstanding winding-up petition initiated by any Scheme Creditor against the Company which has not been discharged or withdrawn prior to the Effective Date, the relevant Scheme Creditor petitioning for the winding-up of the Company shall, within 30 days of the Effective Date, apply to the Hong Kong Court for the dismissal of and/or for leave to withdraw the relevant winding-up petition with costs to be paid by the Company to such petitioning Scheme Creditor, to be taxed if not agreed, provided that nothing herein will prejudice any costs orders specifically made by the Hong Kong Court before the Effective Date in connection with such winding-up petition.

(b) if there are any proceedings against the Company in relation to any Scheme Claims which have not been discontinued prior to the date on which the Scheme become effective, the relevant Scheme Creditor that commenced proceedings against the Company shall, within 30 days of the Effective Date, apply to the Hong Kong Court for the discontinuance of the proceedings with no order as to costs.

3 Further, with effect from the Effective Date, without prejudice to their rights created under the Scheme, each Scheme Creditor irrevocably, unconditionally, fully and absolutely:-

(a) waives, discharges and releases all of its rights, title and interest in and to its Scheme Claims in consideration for its entitlement to participate in this Scheme.

(b) waives, discharges and release any right or remedy it may have under the Notes and/ or otherwise against any Note Guarantor in relation to any breaches or defaults under the Notes occurring on or before the Effective Date or that may occur as a result of the implementation of the Scheme.

PART 2
INSTRUCTIONS, AUTHORISATIONS AND DIRECTIONS

4 Solely for the purposes of giving effect to the terms of the Scheme, each Scheme Creditor hereby:-

(a) authorises and instructs the Scheme Administrators, the Company and the Depository to, on or after the Effective Date, take whatever action is necessary or reasonably appropriate to cancel and discharge the Notes and to give effect to the terms of this Scheme.

(b) appoints the Company as its attorney and agent and irrevocably authorises, directs, instructions and empowers the Company (represented by any authorised representative) to, on or after the Effective Date:

(i) enter into, execute and deliver (whether as a deed or otherwise) for and on behalf of each Scheme Creditor a deed of release and any other document referred to, contemplated by or ancillary to any of the foregoing; and

(ii) take whatever action as may be necessary to cancel and discharge the Notes and ensure that the books and records of the Clearing Systems are updated to reflect the terms of this Scheme, including without limitation, to (1) instruct the Clearing Systems to debit the Book Entry Interests relating to the Notes from the custody account of each Scheme Creditor (or its Account Holder, as applicable); (2) authorise the cancellation of the Book Entry Interests in respect of the Notes; and (3) take or carry out any other steps or procedure reasonably required to effect the settlement of this Scheme.

(c) Acknowledges and agrees that any action taken by the Company in accordance with this Scheme will not constitute a breach of the Notes or any other agreement or document governing the terms of any Scheme Claim.

The directions, instructions and authorisations granted under this Clause shall be treated, for all purposes whatsoever and without limitation, as having been granted by deed and the Company shall be entitled to delegate the authority granted and conferred by this Clause to any duly authorised officer or agent of the Company as necessary.

PART 3
CONDITIONS PRECEDENT

5 The Scheme will become effective upon fulfilment of the following:

(a) over fifty per cent (50%) in number of the Scheme Creditors, representing at least seventy-five per cent (75%) in value of the Scheme Creditors, present and voting in person (or through electronic means if applicable) or by proxy at the Scheme Meeting, vote in favour of the Scheme;

(b) the Hong Kong Court sanctions the Scheme and an office copy of the order of the Hong Kong Court sanctioning the Scheme is delivered to the Registrar of Companies in Hong Kong for registration;

(c) the passing of the necessary resolutions by the Shareholders or independent Shareholders (as the case may be) at the SGM for the Scheme, the increase of the authorised share capital of the Company and the allotment and issuance of the Scheme Shares to the Scheme Creditors; and

(d) the Company having obtained either conditional approval or approval in-principle from the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Scheme Shares.

6 All the Conditions Precedents to the Scheme are not capable of being waived.

PART 4
PROOF AND DETERMINATION OF SCHEME CLAIMS

7 All Scheme Claims will be proved and determined in accordance with the provisions set out in this Part 4. The date by reference to which the Scheme Claims will be fixed and ascertained under the Scheme is the Record Time.

7A Notwithstanding any other provisions in this Scheme, the Scheme Administrators will have the sole discretion to:

(i) confirm any Prior Scheme Shares issued to the Scheme Creditors by sending a notice confirming their Scheme Shares Entitlement; and

(ii) take all steps as they consider reasonable and practicable to cancel any Prior Scheme Shares issued to the Scheme Creditors who: (a) did not deliver any Notices of Claim for Voting Purposes or Notices of Claim for Subscription Purposes (or Account Holder Letters, if applicable) to the Company before 5:00 p.m. on the Cut-Off Date, or (b) received Prior Scheme Shares which exceeded their Scheme Shares Entitlement, and/or to remove such Scheme Creditors from the Company's register of members as appropriate.

8 As soon as practicable, and in any event within 14 days after ~~the Effective Date~~ the Order made by the Honourable Mr. Justice Harris on 25 January 2024, the Scheme Administrators will give notice to all Scheme Creditors of whom they are aware by letter and by advertisement (in one English language newspaper and one Chinese language newspaper in Hong Kong and on the website of the Company, i.e. http:// moodytech-holdingltd.com) that the Scheme Creditors may submit a Notice of Claim for Subscription Purposes or Part 1 and Part 3 of the Account Holder Letter (if applicable) to the Scheme Administrators on or before the Cut-Off Date.

8A For the avoidance of doubt:

(i) Any Notice of Claim for Subscription Purposes or Account Holder Letter submitted between 5 September 2022 and the Cut-Off Date shall be considered by the Scheme Administrators in accordance with Part 4 and Part 5 of the Scheme; and

(ii) A Scheme Creditor may submit more than one Notice of Claim for Subscription Purposes or Account Holder Letter before the Cut-Off Date. The latest Notice of Claim for Subscription Purposes or Account Holder Letter submitted by 5:00 p.m. on the Cut-Off Date shall supersede any previous versions submitted.

9 At the time of the notification by post, the Scheme Administrators will also send to each Scheme Creditor a copy of the Notice of Claim for Subscription Purposes in the form set out in Appendix 3B and a Solicitation Packet in the form set out in Appendix 3C to this Document. The Notice of Claim for Voting Purposes or Account Holder Letter submitted to the Company and/or the Chairperson at or before the Effective Date for the purpose of voting at the Scheme Meeting shall be deemed to be a Notice of Claim for Subscription Purposes or the proof of a Notes Scheme Creditor's Claim(s) to the Scheme Administrators by such Scheme Creditor, provided that such Scheme Creditor may submit a Notice of Claim for Subscription Purposes or Account Holder Letter at or before the Cut-Off Date, such Notice of Claim for Subscription Purposes or Account Holder Letter shall supersede any prior Notice of Claim for Voting Purposes or Account Holder Letter.

10 A Scheme Claim for which the Company would have been liable at the Record Time will be proved by any party claiming to be entitled thereto by delivering to the Scheme Administrators at such party's own expense:

(i) before 5:00 p.m. on the Cut-Off Date, a Notice of Claim for Subscription Purposes or an Account Holder Letter (if applicable) in respect of his Scheme Claims against the Company, calculated as to interest and as to principal up to the Record Time, completed substantially in accordance with the instructions printed on such documents, no claim for interest may be made for the period on and from the Record Time;

(ii) such other documents or other evidence necessary for the purpose of substantiating the whole or any part of such Scheme Claim.

11 The Scheme Administrators may accept a Notice of Claim for Subscription Purposes or Account Holder Letter received after 5:00 p.m. on the Cut-Off Date only if they are satisfied, in their absolute discretion, that there is a reasonable and satisfactory explanation from the Scheme Creditor for the failure by the Scheme Creditor to deliver the Notice of Claim for Subscription Purposes or Account Holder Letter by 5:00 p.m. on the Cut-Off Date.

12 As soon as reasonably practicable after the Cut-Off Date, the Scheme Administrators:

(i) will examine every Notice of Claim for Subscription Purposes, Account Holder Letter and the related evidence and will as soon as practicable decide whether to admit or reject the Scheme Claims, by reference to the principal amount outstanding and owed to the Scheme Creditor as at the Record Time and all accrued and unpaid interest relating to such Scheme Claims up to but excluding the Effective Date, in whole or in part, or require further evidence in support of it; and

(ii) will send to each Scheme Creditor notice in writing of their decision relating to that Scheme Creditor's Scheme Claim. Where the decision is to reject the Scheme Claims in whole or in part, the Scheme Administrators' notice of decision is to be accompanied by written reasons for the decision.

13 For the avoidance of doubt, to avoid double counting, in respect of the Claims made in respect of the Bonds, the Scheme Administrators have the right to only admit the Scheme Claims of an ultimate beneficial bondholder or a Noteholder as determined by them based on the information which are reasonably available to them.

14 Any amount of an Admitted Claim which is in a currency other than Hong Kong dollars will for all purposes be converted to Hong Kong dollars based on the exchange rate for the purchase of the relevant currency offered by The Hongkong and Shanghai Banking Corporation Limited at the close of business on the Business Days 7 clear days immediately preceding the Record Time or, in the case of manifest error or non-publication, such other offered rate for the purchase of the relevant currency of any licensed bank in Hong Kong as the Scheme Administrators will select and will, for the purpose of the Scheme, be due in Hong Kong dollars.

15 Interest on any amount of the indebtedness owing under a Scheme Claim which is payable at a certain time or otherwise will not be admitted as part of the Admitted Claims unless arising out of a contract or judgment and only for a period ending on or before the Effective Date.

16 Where there have been mutual credits, mutual debts or other mutual dealings between the Company and any Scheme Creditor before the Effective Date, an account will be taken of what is due from each party to the other in respect of such mutual dealings and the sums due from one party will be set off against the sums due from the other party and only the balance of the account, if any, may be admitted.

17 **Adjudication of Scheme Claims**

17.1 If a Scheme Creditor is dissatisfied with the Scheme Administrators' decision in respect of his Notice of Claim for Subscription Purposes, he may within fourteen (14) days from the date of service of the notice of the decision for a review of such decision. The Scheme Creditor must pay to the Adjudicator on account of the Adjudicator's costs the sum of HK$50,000 (or such other amount as the Scheme Administrators and the Scheme Creditor may agree), failing which the Scheme Creditor's application for review will be invalid.

17.2 The Adjudicator, acting as an expert and not as an arbitrator, shall adopt such procedures as the Adjudicator may think fit, to enable him to decide whether the decision should be upheld, reversed or varied. The Scheme Administrators will use reasonable endeavours to procure that the Adjudicator delivers the notice of the adjudication decision to the relevant Scheme Creditor and the Scheme Administrators as soon as practicable after the Scheme Creditor's application for review. The Adjudicator's decision will be final, conclusive and binding on the Scheme Creditor and the Company insofar as the law permits.

17.3 If no valid application for a review of the Scheme Administrators' decision is served on the Adjudicator by the Scheme Creditor affected by that decision within fourteen (14) days of service of notice of the Scheme Administrators' decision that decision will be binding on the Scheme Creditor.

17.4 Any costs of the Adjudicator which exceeds the payment on account referred to in Clause 17.1 above shall be treated as Scheme Costs.

17.5 If the Adjudicator decides that the amount of the relevant Scheme Creditor's Claim exceeds the amount determined by the Scheme Administrators by more than the greater of HK$100,000 or 10% of the amount determined by the Scheme Administrators, the Scheme Administrators will pay to the relevant Scheme Creditor an amount equal to the amount paid by the relevant Scheme Creditor under Clause 17.1 above as the Adjudicator's cost.

17.6 If the Adjudicator decides that the amount of the relevant Scheme Creditor's Claim does not exceed the amount determined by the Scheme Administrators by more than the greater of HK$100,000 or 10% of the amount determined by the Scheme Administrators:

(i) the payment made by the relevant Scheme Creditor under Clause 17.1 above shall be applied towards payment of the Adjudicator's costs and any remaining balance thereof shall be collected by the Scheme Administrators as contribution of funds for Scheme Costs; and

(ii) any additional costs and expenses incurred by the Adjudicator shall be paid by the Scheme Creditor to the Scheme Administrators within fourteen (14) days from the date of the decision of the Adjudicator as contribution of funds for the Scheme Costs to be applied towards payment of the Adjudicator's costs.

17.7 For the avoidance of doubt, the Adjudicator will be entitled to set off the payment on account referred to in Clause 17.1 above to satisfy the Adjudicator's costs.

18 Neither the Company, the Scheme Administrators and/or the Adjudicator shall be under any obligation to recognise any sale, assignment, or transfer of any Scheme Claim after the Record Time, provided that the Company, the Scheme Administrator and the Adjudicator, if applicable may (in its sole discretion and subject to the production of such other evidence as it may reasonably require) recognise such sale, assignment or transfer for the purposes of determining entitlements to the Scheme Shares. A transferee of Scheme Claims after the Record Time will, however, be bound by the terms of this Scheme in the event that it becomes effective.

19 For the avoidance of doubt, and unless otherwise permitted by law, any Scheme Claim or part of a Scheme Claim which is not proved in accordance with this Part or which is rejected by the Scheme Administrators or the Adjudicator, as the case may be, will be treated (and, if rejected in part, as to that part only) for all purposes as having being wholly and irrevocably discharged and released and no Scheme Creditor will be entitled to payment (in whatever form) thereof or to make any claim or initiate any proceedings against the Company in relation thereto.

PART 5
ENTITLEMENT OF SCHEME CREDITORS

Determination and notification of Scheme Shares Entitlement

20 As soon as practicable after the Scheme Administrators or the Adjudicator have determined or adjudicated all Scheme Claim(s) (as the case may be) in accordance with Part 4 of the Scheme, the Scheme Administrators shall calculate the final Scheme Shares Entitlement of each Scheme Creditors proportionate to the amount of their respective Admitted Claims under the Scheme, and shall issue a final Scheme Shares Entitlement notice to each Scheme Creditor accordingly.

21 In calculating the Scheme Shares Entitlement of each Scheme Creditor the number of Scheme Shares to be allotted and issued to each Scheme Creditors shall be rounded down to the nearest integral number of Scheme Shares, and no fractions of Scheme Shares shall be allotted and issued, and in any event, no fractions of any Scheme Shares will be aggregated for allotment or issue.

22 A final Scheme Shares entitlement notice will set out (i) the total amount of Admitted Claims of the Creditors and the number of Scheme Shares to be allotted under the Scheme per dollar of Scheme Claim; and (ii) the number of Scheme Shares to which such Creditor is entitled as rounded down to the nearest whole Scheme Share

23 As soon as practicable after the Scheme Administrators or the Adjudicator have issued a final Scheme Shares Entitlement notice to each Scheme Creditor, the Company will issue and allot the Scheme Shares at the price of HK$1.95 per Share, or the average closing prices as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately preceding the date of Notice of the Scheme Meeting, whichever is lower.

24 The Scheme Administrators may take such additional steps as they consider reasonable and practicable in order to facilitate the issue and allotment of the Scheme Shares.

PART 6
TERMINATION OF THE SCHEME

25 Subject to Clause 26 below, the Scheme will terminate on notice of termination given to the Scheme Creditors and the Company by the Scheme Administrators upon completion of the issue, allotment and distribution of the Scheme Shares to all Scheme Creditors.

26 The Scheme will terminate on notice of termination given to the Scheme Creditors and the Company by the Scheme Administrator in any of the following events:

(i) the Company fails to issue or allot the Scheme Shares in accordance with Part 5 of the Scheme;

(ii) the Company fails to make provision and/or payment to the Scheme Administrators in respect of Scheme Costs within a reasonable time upon the demand of the Scheme Administrators; and/or

(iii) the listing of the Shares has been cancelled by the Stock Exchange before Completion and the Company has failed in an appeal to the Listing Review Committee of the Stock Exchange to reverse such decision (if applicable).

27 In the event the Scheme is terminated pursuant to Clause 26 above, the Scheme Claims which are discharged and extinguished against the Company under Clause 1 of the Scheme will be deemed to have revived and the Scheme Creditors will be entitled to pursue against the Company in respect of the Scheme Claims in such ways as if the Scheme had never been effective and binding upon them, provided that the Scheme Creditors must give credit to the payments received under the Scheme. The Company undertakes to the Hong Kong Court that it will not avail themselves of any limitation defence in respect of the said claims which became available by reason only of effluxion of time between the Effective Date and the date of the said termination.

28 Upon the giving of the notice of termination in accordance with Clauses 25 or 26 above, the duties and responsibilities of the Scheme Administrators under the Scheme will automatically cease. Further, the Scheme Administrators and the Adjudicator will be automatically, wholly and fully discharged and released from all liabilities in respect of any act or default in the administration of the Scheme and they will be at liberty to destroy books and records held by them in relation to the Scheme, not earlier than six (6) months after giving of such notice of termination.

PART 7
PAYMENT OF SCHEME COSTS

29 All Scheme Costs will be borne by the Company outside of the Scheme and shall include:

(i) any remuneration of the Provisional Liquidators/Scheme Administrators and any of their partners and the partners and staff of all firms, associated firms, associations and companies and their successors or any of them relating to or in connection with the work done by them together with all costs, charges, and expenses incurred by them (including fees, expenses, costs and disbursements of any third party service providers retained by the Scheme Administrators) in the exercise and performance of the powers, duties and functions of the Scheme Administrators under the Scheme. Such remuneration shall be calculated by reference to time properly spent by them at the usual rates of their firms, associations and companies;

(ii) all liabilities, expenses, costs and disbursements incurred by the Scheme Administrators in the course of the exercise or performance of their respective powers, duties and functions under the Scheme unless such liability is attributable to the gross negligence, wilful default, fraud, or dishonesty of the Scheme Administrators (or any of them), in which case, such liability is to be dealt with as provided in Clauses 32 and 33 of the Scheme;

(iii) the costs incurred in employing agents and other professional advisers (including, without limitation, lawyers) to assist the Scheme Administrators and their staff in connection with the exercise and performance of their powers, duties and functions as Scheme Administrators;

(iv) the fees of (as approved by the Scheme Administrators and the Company) and the costs, charges and expenses incurred by the Adjudicator in connection with the exercise and performance of his powers, duties and functions under the Scheme subject to Clause 32 and Part 8 of the Scheme;

(v) all costs, charges and expenses incurred in connection with the negotiation and preparation of the Scheme (including, but not limited to, all legal, accounting, financial and other consultants' fees, expenses and other costs) whether in Hong Kong or elsewhere;

(vi) any filing fees payable to the Hong Kong Court and stamp or other duty or tax and any disbursements incurred in relation to the Scheme;

(vii) the costs of holding the Scheme Meeting(s) and any other meetings of the members, Scheme Creditors or directors of the Company or the Group convened in relation to the Scheme as well as the costs of obtaining the sanctions of the Hong Kong Court and the registration and/or filing of the Scheme and the relevant orders of the Hong Kong Court with the Registrar of Companies in Hong Kong;

(viii) the costs of summoning meetings of the Scheme Creditors in accordance with the Scheme and any costs of preparing, advertising and sending out notices and reports to be given by or to the Scheme Creditors under the Scheme and, at the sole discretion of the Scheme Administrators, on a case-by-case basis, the reasonable out-of-pocket expenses of the relevant party in attending such meetings;

(ix) any legal or other advisers' costs which the Company is liable to pay pursuant to the indemnity in Clause 34 of the Scheme;

(x) all tax, duties, administrative, license, listing, audit, filing, registration, directors' and other fees, costs and expenses incurred in connection with the Scheme which are considered reasonable and appropriate by the Scheme Administrators.

30 The Company shall make provisions and/or payment to the Provisional Liquidators / Scheme Administrators in respect of the Scheme Costs within a reasonable time upon the demand of the Scheme Administrators.

PART 8
THE SCHEME ADMINISTRATORS AND THE ADJUDICATOR

31 **Scheme Administrators**

31.1 There shall be appointed Scheme Administrators having the powers, duties and functions conferred upon them by the Scheme. In exercising their powers and carrying out their duties and functions under the Scheme, the Scheme Administrators shall act in good faith and with due care and diligence in the interests of the Scheme Creditors as a whole. The Scheme Administrators shall at all times exercise their powers under the Scheme for the purpose of ensuring that it is implemented in accordance with its terms. For the avoidance of doubt, nothing in the Scheme shall render the Scheme Administrators liable for any liabilities and obligations of the Company.

31.2 ~~Mr. Tang Chung Wah (Alan) and Mr. Kan Lap Kee (Terry)~~ Mr. Lai Wing Lun and Mr. Osman Mohammed Arab are appointed as the ~~initial~~ Scheme Administrators of the Scheme with the powers to act jointly and severally. The Scheme Creditors irrevocably and unconditionally acknowledge and confirm the said appointment.

31.3 Where more than one person has been appointed as Scheme Administrators, they shall be entitled to act jointly and severally.

31.4 Each person from time to time appointed as Scheme Administrator shall be an individual qualified to act as a liquidator of a company in Bermuda and/or Hong Kong and/or experienced in restructuring or insolvency matters.

31.5 The Scheme Administrators shall be entitled to exercise such rights and powers as are necessary or desirable to give effect to the provisions of the Scheme and matters incidental thereto, and shall, without limitation, also be vested with powers equivalent to those vested in a liquidator in a winding up of a company by the Hong Kong Court.

31.6 Without prejudice to the full terms of the Scheme, in carrying out their duties and functions under the Scheme, the Scheme Administrators shall be empowered:

(i) to have full and complete access to all such information as they may from time to time required in relation to the affairs of the Company or the operation of the Scheme and to all books, records, papers, documents and other information contained or represented in any format whatsoever in the possession or under the control of the Company.

(ii) to employ any accountants, actuaries, lawyers and other professional advisers or agents in connection with the Scheme and the costs and expenses of such employment shall be part of the Scheme Costs;

(iii) to delegate in writing to any person qualified as set out in Clause 31.4 above and not ineligible by reason of any of the matters referred to in Clause 33.2 of the Scheme all or any of the powers and discretion conferred upon the Scheme Administrators under the Scheme, and from time to time to revoke any such delegation, provided that the Scheme Administrators shall both be personally responsible for any act or omission of any such delegate the same extent as if they had expressly authorised it;

(iv) to apply to the relevant Hong Kong Court for directions in relation to any particular matter arising under or in the course of the operation of the Scheme;

(v) to do all acts and to execute in the name and, insofar as permitted by law, on behalf of the Company any deed, transfer, instrument, cheque, bill of exchange, receipt or other document which may be necessary for or incidental to the full and proper implementation of the Scheme;

(vi) to make any payment which is necessary or incidental to the performance of their function;

(vii) to exercise any other powers necessary for or incidental to the full and proper implementation of the Scheme.

32 **The Adjudicator**

32.1 There shall be an Adjudicator having the powers, duties and functions, and the rights, conferred upon him by the Scheme. In exercising his powers and carrying out his duties and functions under the Scheme, the Adjudicator shall act in good faith and with due care and diligence in the interests of the Scheme Creditors as a whole, and shall exercise his powers under the Scheme for the purpose of ensuring that it is implemented in accordance with its terms.

32.2 Mr. Mat Ng of Grant Thornton Recovery & Reorganisation Limited is appointed as the initial Adjudicator of the Scheme. The Scheme Creditors irrevocably and unconditionally acknowledge and confirm the said appointment.

32.3 The Adjudicator shall be entitled to consult such other parties, including without limitation, advisers, including legal advisers and experts, as he may deem appropriate and shall be entitled to be remunerated and to be reimbursed his reasonable costs and expenses in carrying out his duties from the Scheme Costs.

32.4 The remuneration of the Adjudicator shall be subject to the prior approval of the Scheme Administrators and the Company and, subject to that, the Adjudicator shall be entitled, in respect of his remuneration and the reasonable costs and expenses he incurs, to order the parties to deposit such sum as he shall deem appropriate in respect of such remuneration, costs and expenses. In addition, the Adjudicator may direct that any or all of his remuneration, cost and expenses shall be paid by the Company as part of the Scheme Costs.

32.5 In the event that the Adjudicator shall become aware that he has or may have a conflict of interest in a matter relating to or arising out of the Scheme, he shall forthwith inform the Scheme Administrators of such conflict or anticipate conflict, and the Scheme Administrators may at their absolute discretion appoint an alternate Adjudicator for the sole purpose of adjudicating on the relevant matter. For the avoidance of doubt, the Adjudicator's appointment shall, subject to Clause 31 of the Scheme continue during the appointment of the alternate and he shall continue to adjudicate on all other matters, unless a conflict arises, or the Adjudicator considers that such a conflict may in the future arise, in respect of any of those matters. In that event, the provisions of this Clause 32.5 shall apply accordingly.

33 **Resignation of/Vacation of the Office of the Scheme Administrators and the Adjudicator**

33.1 The Scheme Administrators or any of them or the Adjudicator may resign their or his appointment at any time by giving five (5) days prior notice in writing to the Company.

33.2 The office of a Scheme Administrator or Adjudicator shall be vacated if he:

(i) dies;

(ii) becomes incapacitated and such incapacity is for a duration of not less than one month continuously or in aggregate during any period of three months;

(iii) resigns his office by notice in accordance with Clause 31.1 above;

(iv) becomes bankrupt;

(v) is convicted of an indictable offence;

(vi) is disqualified from acting as a director of a company under the Companies Ordinance; or

(vii) is disqualified from membership of a professional body of which he is a member.

33.3 If the office of all of the Scheme Administrators or the Adjudicator is vacated in accordance with Clause 33.2 above, the Company shall be entitled to appoint replacement Scheme Administrators or Adjudicator provided that:

(i) such replacements or replacement are or is qualified to act in accordance with Clause 31.4 of the Scheme in the case of Scheme Administrators, are or is not ineligible by reason of any of the matters referred to in Clause 33.2 above and consent or consents so to act; and

(ii) are or is independent of the Company and any Scheme Creditor.

33.4 In the event that one of the Scheme Administrators shall vacate from office, the other shall appoint a replacement of such Scheme Administrator. Any such replacement shall be a person duly qualified in accordance with Clause 31.4 of the Scheme, who is not ineligible by reason of any of the matters referred to in Clause 33.2 above and who consents so to act. For the avoidance of doubt, during such time as there may be a single Scheme Administrator, he shall be entitled to exercise all of the powers and carry out all of the duties and functions of the Scheme Administrators.

33.5 The succeeding Scheme Administrator(s) or Adjudicator shall as soon as practicable after the replacement gives written notice to all Scheme Creditors of such replacement.

34 **Indemnities and Validation**

34.1 The Company shall reimburse the Scheme Administrators and the Adjudicator, as part of the Scheme Costs, for all losses, actions, claims, expenses, disbursements, demands and liabilities where in contract, tort or otherwise incurred by them with respect to the performance or exercise of any of their functions and powers, on a full indemnity basis, including those of any agents or professional advisers engaged by them in connection with the Scheme.

34.2 Notwithstanding a subsequent discovery that there was some defect in the procedure for calling or voting at any meetings, or the passing of resolutions, or the appointment of the Scheme Administrators or the Adjudicator or that any of them was not eligible for appointment pursuant to the provisions of the Scheme, all acts done by the Scheme Administrators or the Adjudicator or any of them, shall be valid as if every such procedure had been correctly adhered to and every such person had been duly appointed and was so eligible, provided that, in the case of any meeting in respect of which such a defect is discovered, that meeting was quorate.

34.3 Without prejudice to their rights to receive payment of the Scheme Costs in accordance with the Scheme, and provided that they have acted in good faith in the performance of their role under the Scheme, the Scheme Administrators shall be indemnified by the Company against all expenses and against all costs, claims, proceedings, expenses, losses, damages and/or liabilities of any description which may be incurred and/or suffered by the Scheme Administrators as a result of and/or in connection with and/or arising out of the Company, the Sureties or any Scheme Creditor, or any Person making complaint(s) or asserting claim(s) against the Scheme Administrators in respect of such acts done or omitted to be done under the Scheme.

35 **Exclusion of Personal Liability**

35.1 None of the Provisional Liquidators or their firm or any of their representatives, partners, staff, agents or advisers (including legal advisers) will have or incur any liability for actions taken or omitted to be taken in good faith under and/or as a result of and/or in connection with and/or arising out of the negotiations for and/or preparation and/or implementation of the Scheme or otherwise or incur any personal liability under the terms of the Scheme or otherwise.

35.2 None of the Scheme Administrators, the Adjudicator, or their respective advisers nor any of their representatives, partners, staff or agents shall incur any personal liability under or in connection with the Scheme or any transaction or other matter contemplated by the Scheme unless such liability is attributable to their or his own gross negligence, wilful default, fraud or dishonesty. Without prejudice to the foregoing, any liability incurred by any of the aforesaid entities or individuals as a result of their or any of their or his own gross negligence, wilful default, fraud or dishonesty shall be limited to the entitlement which the relevant Scheme Creditor is entitled to under the Scheme but for the gross negligence, wilful default, fraud or dishonesty of the aforesaid entities or individuals.

35.3 None of the Provisional Liquidators or their firm or any of their representatives, partners, staff, agents or advisers (including legal advisers) will have or incur any liability for actions taken or omitted to be taken in good faith under and/or as a result of and/or in connection with and/or arising out of the negotiations for and/or preparation and/or implementation of the Scheme or otherwise or incur any personal liability under the terms of the Scheme or otherwise.

35.4 None of the Scheme Administrators or any of their representatives, partners, staff, agents or advisers (including legal advisers) shall have or incur any liability for actions taken or omitted to be taken in good faith under and/or as a result of and/or in connection with and/or arising out of the negotiations for and/or preparation and/or implementation of, the Scheme or otherwise or incur any personal liability under the terms of the Scheme or otherwise.

35.5 None of the Scheme Creditors or the Company shall be entitled to challenge the validity of any act done or omitted to be done in good faith by the Scheme Administrators, the Adjudicator in accordance with and to implement the provisions of the Scheme or the exercise by any such person in good faith of any power conferred upon it for the purposes of the Scheme and no such person shall be liable for any loss of any kind whatsoever unless such loss is attributable to its own wilful default, fraud, dishonesty or wilful breach of duty or trust.

PART 9
GENERAL

36 Despatch of Notices and other Written Communications

36.1 Save as otherwise provided in the Scheme, any notice or demand hereby required to be given will be sufficiently given by posting the same by ordinary post (or airmail if outside Hong Kong) or transmission by fax or by leaving the same at:

(i) in the case of the Company, the principal place of business in Hong Kong is 20/F, Infinitus Plaza, 199 Des Voeux Road Central, Sheung Wan, Hong Kong;

(ii) in the case of the Provisional Liquidators/Scheme Administrators, the postal address at 43/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay (Attention: Mr. Kan Lap Kee (Terry)/Mr. Tang Chung Wah (Alan)) (Fax: +852 3583 8581);

(iii) in the case of Alliance Advisors LLC, the Information Agent, postal address at 24/F., Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong (Attention: Carey Lo and Race Chan) (Fax: +852 3006 2486)

(iv) in the case of the Adjudicator, the postal address at 11th Floor, Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong (Attn: Mr. Mat Ng) (Fax: +852 2895 6500); and

(v) in the case of any Scheme Creditors, the Scheme Creditor's address or fax number as set out in his Notice of Claim for Voting Purposes.

36.2 If such notice or demand is posted, it will be deemed to have been received by the addressee 48 hours (or 72 hours, if to be sent outside Hong Kong) after the same was posted and proof that an envelope containing such notice was properly addressed, prepaid and posted will be sufficient evidence that such notice or demand has been duly served or given. If such notice or demand is delivered by hand, it will be deemed to have been received by the addressee when the same is left at the relevant address and proof that the same was so left will be sufficient evidence that such notice or demand has been duly served or given. If such notice or demand is transmitted by fax, it will be deemed to have been received at the time of transmission, save that if such transmission is effected otherwise than between 9:00 a.m. and 2:00 p.m. on a business day in the territory in which the person to whom such transmission is effected is located, such transmission will be deemed to have been received at 9:00 a.m. on the next business day in such territory and proof that such notice or demand was successfully transmitted to the correct fax number (by way of transmission confirmation or otherwise) will be sufficient evidence that such notice or demand has been duly served or given. In this Clause, the terms "business day" shall mean a day (other than Saturday, Sunday and public holiday) on which banks are generally open for business in that territory. A sworn statement given by one of the Scheme Administrators or a member of their staff that an envelope containing a notice was sent by post shall be conclusive evidence that the notice was given.

37 **Modification of the Scheme and Application to the Hong Kong Court**

37.1 The Company may, at any hearing to sanction this Scheme, consent on behalf of all Scheme Creditors to any modification of this Scheme or any terms or conditions which the Hong Kong Court may think fit to approve or impose and which would not directly or indirectly have a material adverse effect on the interests of any Scheme Creditor under this Scheme.

37.2 At or after the Effective Date, the Scheme Administrators may, at any time if they consider it expedient and in the interests of the Scheme Creditors to do so, apply to the Hong Kong Court for the purpose of modifying the provisions of the Scheme or obtaining directions from the Hong Kong Court on how to deal with any matters or disputes which may arise in respect of the administration of the Scheme. If the Hong Kong Court approve a modification to the Scheme or give a direction in relation to any matter or dispute which may arise in respect of the Scheme, it shall be binding on the Company and the Scheme Creditors insofar as the law permits.

37.3 No person bound by the Scheme other than the Provisional Liquidators/Scheme Administrators may make any application to the Hong Kong Court in relation to any matter arising under or in connection with the Scheme unless notice in writing has been given to the Scheme Administrators at least seven (7) days before the application is made. The notice must give particulars of the intended application and attach a copy of any papers intended to be filed with the Hong Kong Court in support of that application.

38 **Governing Law**

38.1 The Scheme shall be governed by, and construed in accordance with the laws of Hong Kong and the Scheme Creditors will submit any dispute arising out of or in connection with the Scheme or this Scheme Document or the implementation of the Scheme to the non-exclusive jurisdiction of the Hong Kong Court in respect thereof.

38.2 Notwithstanding the provision of Clause 38.1 above, the Scheme Administrators retain the right to bring the proceedings in connection with the Scheme, whether in the name of the Company or otherwise, in the court of any other country having jurisdiction under its own laws to hear such proceedings.

39 **Partial invalidity**

If any provision in the Scheme is held to be illegal, invalid or unenforceable under Hong Kong law or Bermuda law then the offending provision will (insofar as it is illegal, invalid or unenforceable) be deemed to have no effect and will not affect or impair the remaining provisions of the Scheme.

HCMP 1072 / 2021

IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCCEEDINGS NO. 1072 OF 2021



27 APR 2022

IN THE MATTER of MOODY TECHNOLOGY HOLDINGS LIMITED (满地科技股份有限公司) (Provisional Liquidators Appointed for Restructuring Purposes)

and

IN THE MATTER of sections 670, 671, 673 and 674 of the Companies Ordinance (Cap. 622)

and

IN THE MATTER of Order 102 Rule 2 of the Rules of the High Court (Cap. 4A)

BEFORE THE HONOURABLE MR JUSTICE HARRIS IN CHAMBERS

ORDER

UPON THE EX PARTE APPLICATION of Moody Technology Holdings Limited (the "**Company**") by way of Ex parte Originating Summons filed on 28 July 2021.

AND UPON READING the Affidavit of Kan Lap Kee filed herein on 28 July 2021 together with the exhibits referred thereto, the Affirmation of Tse Kwok Hing Henry filed herein on 2 August 2021 together with the exhibits referred thereto, and the 2nd Affidavit of Kan Lap Kee filed herein on 13 April 2022 ("**Kan 2nd**") together with the exhibits referred thereto.

AND UPON HEARING Counsel for the Company.

IT IS ORDERED that:-

1. The Company be at liberty to convene a meeting (the "**Scheme Meeting**") of Scheme Creditors (as defined in the Scheme mentioned hereinafter) for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement proposed to be made between the Company and its Scheme Creditors (the "**Scheme**") substantially in the form of the draft exhibited to Kan 2nd, which is hereby approved.

2. At least twenty-one (21) days before the day appointed for the Scheme Meeting, a notice convening the same (the "**Notice of Scheme Meeting**") and stating, *inter alia,* that a copy of the printed composite document containing the Scheme and an explanatory statement required to be furnished under section 671 of the Companies Ordinance (Cap. 622) (the "**Explanatory Statement**"), together with the Solicitation Packet (as defined in the Scheme) (the "**Composite Document**"), can be obtained by any person entitled to attend the Scheme Meeting during usual business hours on any day (other than a Saturday, a Sunday or a public holiday) prior to the day appointed for the Scheme Meeting at 43/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong:-

   (a) BE PLACED AND INSERTED as follows:-

      (i) Once in one English language newspaper in circulation in Hong Kong, namely "The Standard"; and

      (ii) Once in one Chinese language newspaper in circulation in Hong Kong, namely "Sing Tao Daily".

   (b) BE MADE AVAILABLE for download at http://moodytech-holdingltd.com/

3. At least twenty-one (21) days before the day appointed for the Scheme Meeting, a copy of the Notice of Scheme Meeting, the Composite Document containing the Scheme and an Explanatory Statement and enclosing a Solicitation Packet be sent to each of the known Scheme Creditors as follows:-

(a) In the case of the Scheme Creditors having provided valid email addresses to the Company, by email to such email addresses last known to the Company;

(b) In the case of such Scheme Creditors having provided valid WeChat accounts to the Company, by WeChat to such WeChat accounts last known to the Company;

(c) In the case of such Scheme Creditors having their last known addresses in Hong Kong, by hand or by prepaid surface mail to such addresses; and

(d) In the case of such Scheme Creditors having their last known addresses elsewhere, by courier posted to such addresses.

(e) In the case of Scheme Creditors having a having a registered or last known address or principal places of business elsewhere, by courier to such address.

4. The accidental omission to serve any Scheme Creditors with the Notice, or their non-receipt of the same and/or of any of the documents referred to in paragraph 2 above shall not invalidate the proceedings at the Scheme Meeting or any resolutions passed thereat;

5. The Court hereby approved the proposed Notice of Scheme Meeting enclosed in the Composite Document (substantially in the form of Appendix 1 hereof), and the proposed notice of convening the Scheme Meeting to be advertised on newspapers in the aforesaid manner (substantially in the form of Appendix 2 hereof).

6. Mr. Kan Lap Kee, or failing him, Mr. Tang Chung Wah, Alan, be appointed to act as Chairman of the Scheme Meeting.

7. The Scheme Creditors (or their proxies) may attend the Scheme Meeting in person or via Zoom call (or any other form of video conferencing facilities provided for in the Scheme).

8. The Chairman of the Scheme Meeting do report the results of the Scheme Meeting to the Court.

9. There be liberty to apply.

10. The Costs of this application be paid out of the assets of the Company.

Dated this 20th day of April 2022.

Registrar

Appendix 1

IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 1072 OF 2021

In the Matter of

MOODY TECHNOLOGY HOLDINGS LIMITED
(滿地科技股份有限公司)
(PROVISIONAL LIQUIDATORS APPOINTED
FOR RESTRUCTURING PURPOSES)

and

In the Matter of

SECTIONS 670, 671, 673 AND 674 OF THE COMPANIES ORDINANCE
(CAP.622) AND ORDER 102 RULE 2 OF THE RULES OF
THE HIGH COURT (CAP. 4A)

NOTICE OF SCHEME MEETING

Terms used in this Notice have the same meanings as in the Explanatory Statement and the Scheme relating to the proposed scheme of arrangement between Moody Technology Holdings Limited (Provisional Liquidators Appointed) (For Restructuring Purposes) and the Scheme Creditors under section 670 of the Companies Ordinance.

NOTICE IS HEREBY GIVEN that, by an Order dated 20 April 2022 made by the Hong Kong Court (the "**Order**") in the above matter, the Court have directed that a meeting ("**Scheme Meeting**") be convened for the Scheme Creditors (as defined in the Scheme of Arrangement herein mentioned) of the above-mentioned company ("**Company**") for the purpose of considering and, if thought fit, approving (with or without modification) the Scheme of Arrangement proposed to be made between the Company and its Scheme Creditors.

The Scheme Meeting will be held at 1/F First Commercial Bldg, 33-35 Leighton Road, Causeway Bay, Hong Kong on 8 June 2022 at 3:00 p.m. to 6:00 p.m. (Hong Kong time) at which place and time all Scheme Creditors are requested to attend, with any adjournment as may be appropriate. A Scheme Creditor (or his proxy) who cannot attend the Scheme Meeting in person may attend by an online conferencing platform to be designated by the Company in the matter described and in accordance with the procedures set out in Section 7 of the Explanatory Statement of the Scheme Document.

By the same Order, the Hong Kong Court have appointed Mr Kan Lap Kee (Terry) of SHINEWING Specialist Advisory Services Limited, or failing him, Mr Tang Chung Wah (Alan) of SHINEWING Specialist Advisory Services Limited, to act as Chairperson of the Scheme Meeting (the "**Chairperson**") and have directed the Chairperson to report the result of the Scheme Meeting to the Court.

A copy of the Scheme of Arrangement and a copy of the Explanatory Statement are incorporated in the Scheme Document of which this Notice forms part. The Scheme Document together with the Proxy Form and a Notice of Claim for Voting Purposes (as defined in the Scheme Document) have been emailed, sent via WeChat or posted to the Scheme Creditors, at the last known email addresses, last known WeChat accounts and/or last known addresses of the Scheme Creditors insofar as known to the Company.

A copy of the Scheme of Arrangement and a copy of the Explanatory Statement are available from the Company at the address of the Provisional Liquidators at 43/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong ("**Address**"). These documents are available to be obtained free of charge between the hours of 10:00 a.m. and 4:00 p.m. (Hong Kong time) on weekdays (excluding Saturdays, Sundays and public holidays) up to 7 Business Days prior to the day appointed for the Scheme Meeting to any person entitled to attend the Scheme Meeting. The aforesaid documents may also be downloaded from the website of the Company (http://moodytech-holdingltd.com).

Scheme Creditors who intend to attend and vote at the Scheme Meeting are requested to complete and return:

(i) in the case of the Notes Scheme Creditors, Parts 1, 2 and 3 of the Account Holder Letter in the Solicitation Packet included in Appendix 3C of the Scheme Document;

(ii) in the case of the Scheme Creditors who are not Notes Scheme Creditors, the Notice of Claim for Voting Purposes included in Appendix 3A of the Scheme Document,

by personal delivery, or by email to 1400.HK@allianceadvisors.com, or by facsimile to +852 3006 2486, or by post to Alliance Advisors LLC, the Information Agent, at 24/F., Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong, for the attention of Carey Lo and Race Chan no later than 10:00 a.m. (Hong Kong time) on 1 June 2022 (i.e. seven (7) days before the date of the Scheme Meeting).

The Scheme Creditors may vote in at the Scheme Meeting in person or via an online conference platform to be designated by the Company or they may appoint another person, whether a Scheme Creditor or not, as their proxy to attend and vote in their stead in person or via an online conference platform to be designated by the Company. A corporate Creditor may also appoint a representative to attend and vote at the Scheme Meeting. The Scheme Creditors who intend to appoint a proxy to attend the Scheme Meeting are requested to complete and return:

(i) in the case of the Notes Scheme Creditors, Part 2 of the Account Holder Letter in the Solicitation Packet included in Appendix 3C of the Scheme Document as soon as practicable and in any event by 10:00 a.m. on 1 June 2022 (i.e. seven (7) days before the date of the Scheme Meeting);

(ii) in the case of the Scheme Creditors who are not Notes Scheme Creditors, the Form of Proxy included in Appendix 4 of the Scheme Document as soon as practicable and in any event no less than two (2) business days before the time appointed for the holding of the Scheme Meeting (i.e. no later than 10:00 a.m. on 6 June 2022).

The required documents, together with the power of attorney (if any) or other authority (if any) under which it is signed or a certified copy thereof, should be returned by personal delivery, or by email to 1400.HK@allianceadvisors.com, or by facsimile to +852 3006 2486, or by post to 24/F., Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong, for the attention of Carey Lo and Race Chan.

Completion and return of the forms appointing proxies will not preclude the Scheme Creditor signing the said form from attending and voting at the Scheme Meeting in person, but in such event, the form of proxy will be deemed to have been revoked. Any Scheme Creditor that wishes to attend the Scheme Meeting in person should produce at the Scheme Meeting a duplicate copy of the Notice of Claim for Voting Purposes that was duly completed on their behalf, evidence of personal identity (for example, a passport, identity card or other picture identification) and, in the case of a corporation attending by a duly authorised representative, evidence of corporate authority (for example, a valid power of attorney and/or board minutes). If the appropriate personal identification and authorisation evidence is not produced, that person may not be permitted to attend or vote.

In view of the evolving situation of the COVID-19 pandemic, additional arrangements may be made by the Company to provide for an option of participating in the Scheme Meeting remotely by electronic means: for details please see section 7 of the Explanatory Statement. Updates in this regard (if any) will be (i) announced on the Company website (http://moodytech-holdingltd.com) and/or (ii) notified to the Scheme Creditors at their email address, phone number or fax number as set out in the Notice of Claim for Voting Purposes to be provided by them.

The Scheme of Arrangement will be subject to the subsequent approval of the Hong Kong Court and to the fulfilment of the conditions set out in Part 3 of the Scheme.

The sanction hearing of the Scheme before the Hong Kong Court (the "**Sanction Hearing**") is tentatively scheduled to take place at 10:00 a.m. on 28 June 2022. Creditors may (but are not obligated to) attend the Sanction Hearing.

For further information please contact the Provisional Liquidators at +852 3909 8900 or by email to sas-administration@shinewing.hk or Alliance Advisors LLC, the Information Agent, at +852 2321 6668 or by email to 1400.HK@allianceadvisors.com.

Dated this [•]

Kan Lap Kee (Terry)
Chairperson of the Scheme Meeting

Appendix 2

IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 1072 OF 2021

In the Matter of

MOODY TECHNOLOGY HOLDINGS LIMITED
(滿地科技股份有限公司)
(PROVISIONAL LIQUIDATORS APPOINTED
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and

In the Matter of

SECTIONS 670, 671, 673 AND 674 OF THE COMPANIES ORDINANCE
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THE HIGH COURT (CAP. 4A)

NOTICE OF SCHEME MEETING

Terms used in this Notice have the same meanings as in the Explanatory Statement and the Scheme relating to the proposed scheme of arrangement between Moody Technology Holdings Limited (Provisional Liquidators Appointed) (For Restructuring Purposes) and the Scheme Creditors under section 670 of the Companies Ordinance.

NOTICE IS HEREBY GIVEN that, by an Order dated 20 April 2022 made by the Hong Kong Court (the "**Order**") in the above matter, the Court have directed that a meeting ("**Scheme Meeting**") be convened for the Scheme Creditors (as defined in the Scheme of Arrangement herein mentioned) of the above-mentioned company ("**Company**") for the purpose of considering and, if thought fit, approving (with or without modification) the Scheme of Arrangement proposed to be made between the Company and its Scheme Creditors.

The Scheme Meeting will be held at 1/F First Commercial Bldg, 33-35 Leighton Road, Causeway Bay, Hong Kong on 8 June 2022 at 3:00 p.m. to 6:00 p.m. (Hong Kong time) at which place and time all Scheme Creditors are requested to attend, with any adjournment as may be appropriate. A Scheme Creditor (or his proxy) who cannot attend the Scheme Meeting in person may attend by an online conferencing platform to be designated by the Company in the matter described and in accordance with the procedures set out in Section 7 of the Explanatory Statement of the Scheme Document.

By the same Order, the Hong Kong Court have appointed Mr Kan Lap Kee (Terry) of SHINEWING Specialist Advisory Services Limited, or failing him, Mr Tang Chung Wah (Alan) of SHINEWING Specialist Advisory Services Limited, to act as Chairperson of the Scheme Meeting (the "**Chairperson**") and have directed the Chairperson to report the result of the Scheme Meeting to the Court.

A copy of the Scheme of Arrangement and a copy of the Explanatory Statement are incorporated in the Scheme Document of which this Notice forms part. The Scheme Document together with the Proxy Form and a Notice of Claim for Voting Purposes (as defined in the Scheme Document) have been emailed, sent via WeChat or posted to the Scheme Creditors, at the last known email addresses, last known WeChat accounts and/or last known addresses of the Scheme Creditors insofar as known to the Company.

A copy of the Scheme of Arrangement and a copy of the Explanatory Statement are available from the Company at the address of the Provisional Liquidators at 43/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong ("**Address**"). These documents are available to be obtained free of charge between the hours of 10:00 a.m. and 4:00 p.m. (Hong Kong time) on weekdays (excluding Saturdays, Sundays and public holidays) up to 7 Business Days prior to the day appointed for the Scheme Meeting to any person entitled to attend the Scheme Meeting. The aforesaid documents may also be downloaded from the website of the Company (http://moodytech-holdingltd.com).

Scheme Creditors who intend to attend and vote at the Scheme Meeting are requested to complete and return:

(i) in the case of the Notes Scheme Creditors, Parts 1, 2 and 3 of the Account Holder Letter in the Solicitation Packet included in Appendix 3C of the Scheme Document;

(ii) in the case of the Scheme Creditors who are not Notes Scheme Creditors, the Notice of Claim for Voting Purposes included in Appendix 3A of the Scheme Document,

by personal delivery, or by email to 1400.HK@allianceadvisors.com, or by facsimile to +852 3006 2486, or by post to Alliance Advisors LLC, the Information Agent, at 24/F., Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong, for the attention of Carey Lo and Race Chan no later than 10:00 a.m. (Hong Kong time) on 1 June 2022 (i.e. seven (7) days before the date of the Scheme Meeting).

The Scheme Creditors may vote in at the Scheme Meeting in person or via an online conference platform to be designated by the Company or they may appoint another person, whether a Scheme Creditor or not, as their proxy to attend and vote in their stead in person or via an online conference platform to be designated by the Company. A corporate Creditor may also appoint a representative to attend and vote at the Scheme Meeting. The Scheme Creditors who intend to appoint a proxy to attend the Scheme Meeting are requested to complete and return:

(i) in the case of the Notes Scheme Creditors, Part 2 of the Account Holder Letter in the Solicitation Packet included in Appendix 3C of the Scheme Document as soon as practicable and in any event by 10:00 a.m. on 1 June 2022 (i.e. seven (7) days before the date of the Scheme Meeting);

(ii) in the case of the Scheme Creditors who are not Notes Scheme Creditors, the Form of Proxy included in Appendix 4 of the Scheme Document as soon as practicable and in any event no less than two (2) business days before the time appointed for the holding of the Scheme Meeting (i.e. no later than 10:00 a.m. on 6 June 2022).

The required documents, together with the power of attorney (if any) or other authority (if any) under which it is signed or a certified copy thereof, should be returned by personal delivery, or by email to 1400.HK@allianceadvisors.com, or by facsimile to +852 3006 2486, or by post to 24/F., Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong, for the attention of Carey Lo and Race Chan.

Completion and return of the forms appointing proxies will not preclude the Scheme Creditor signing the said form from attending and voting at the Scheme Meeting in person, but in such event, the form of proxy will be deemed to have been revoked. Any Scheme Creditor that wishes to attend the Scheme Meeting in person should produce at the Scheme Meeting a duplicate copy of the Notice of Claim for Voting Purposes that was duly completed on their behalf, evidence of personal identity (for example, a passport, identity card or other picture identification) and, in the case of a corporation attending by a duly authorised representative, evidence of corporate authority (for example, a valid power of attorney and/or board minutes). If the appropriate personal identification and authorisation evidence is not produced, that person may not be permitted to attend or vote.

In view of the evolving situation of the COVID-19 pandemic, additional arrangements may be made by the Company to provide for an option of participating in the Scheme Meeting remotely by electronic means: for details please see section 7 of the Explanatory Statement. Updates in this regard (if any) will be (i) announced on the Company website (http://moodytech-holdingltd.com) and/or (ii) notified to the Scheme Creditors at their email address, phone number or fax number as set out in the Notice of Claim for Voting Purposes to be provided by them.

The Scheme of Arrangement will be subject to the subsequent approval of the Hong Kong Court and to the fulfilment of the conditions set out in Part 3 of the Scheme.

The sanction hearing of the Scheme before the Hong Kong Court (the "**Sanction Hearing**") is tentatively scheduled to take place at 10:00 a.m. on 28 June 2022. Creditors may (but are not obligated to) attend the Sanction Hearing.

For further information please contact the Provisional Liquidators at +852 3909 8900 or by email to sas-administration@shinewing.hk or Alliance Advisors LLC, the Information Agent, at +852 2321 6668 or by email to 1400.HK@allianceadvisors.com.

Dated this [•]

Kan Lap Kee (Terry)
Chairperson of the Scheme Meeting

HCMP 1072 / 2021

IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCCEEDINGS NO. 1072 OF 2021

IN THE MATTER of MOODY TECHNOLOGY HOLDINGS LIMITED (滿地科技股份有限公司) (PROVISIONAL LIQUIDATORS APPOINTED FOR RESTRUCTURING PURPOSES)

And

IN THE MATTER of sections 670, 671, 673 and 674 of the Companies Ordinance (Cap. 622)

And

IN THE MATTER of Order 102 Rule 2 of the Rules of the High Court (Cap. 4A)

ORDER

Dated the 20th day of April 2022
Filed the 27th day of April 2022.

WINSTON & STRAWN
Solicitors for the Applicant
42/F, Bank of China Tower
1 Garden Road
Central, Hong Kong
Tel: 2292 2229 Fax: 2292 2200
Ref: CL/16739.00002

Box No. 666

AsiaActive:245220.2

IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 1072 OF 2021

In the Matter of

MOODY TECHNOLOGY HOLDINGS LIMITED
(滿地科技股份有限公司)
(PROVISIONAL LIQUIDATORS APPOINTED
FOR RESTRUCTURING PURPOSES)

and

In the Matter of

SECTIONS 670, 671, 673 AND 674 OF THE COMPANIES ORDINANCE
(CAP. 622) AND ORDER 102 RULE 2 OF THE RULES OF
THE HIGH COURT (CAP. 4A)

NOTICE OF SCHEME MEETING

Terms used in this Notice have the same meanings as in the Explanatory Statement and the Scheme relating to the proposed scheme of arrangement between Moody Technology Holdings Limited (Provisional Liquidators Appointed) (For Restructuring Purposes) and the Scheme Creditors under section 670 of the Companies Ordinance.

NOTICE IS HEREBY GIVEN that, by an Order dated 20 April 2022 made by the Hong Kong Court (the "**Order**") in the above matter, the Court have directed that a meeting ("**Scheme Meeting**") be convened for the Scheme Creditors (as defined in the Scheme of Arrangement herein mentioned) of the above-mentioned company ("**Company**") for the purpose of considering and, if thought fit, approving (with or without modification) the Scheme of Arrangement proposed to be made between the Company and its Scheme Creditors.

The Scheme Meeting will be held at 1/F First Commercial Bldg, 33-35 Leighton Road, Causeway Bay, Hong Kong on 8 June 2022 at 3:00 p.m. to 6:00 p.m. (Hong Kong time) at which place and time all Scheme Creditors are requested to attend, with any adjournment as may be appropriate. A Scheme Creditor (or his proxy) who cannot attend the Scheme Meeting in person may attend by an online conferencing platform to be designated by the Company in the matter described and in accordance with the procedures set out in Section 7 of the Explanatory Statement of the Scheme Document.

By the same Order, the Hong Kong Court have appointed Mr Kan Lap Kee (Terry) of SHINEWING Specialist Advisory Services Limited, or failing him, Mr Tang Chung Wah (Alan) of SHINEWING Specialist Advisory Services Limited, to act as Chairperson of the Scheme Meeting (the "**Chairperson**") and have directed the Chairperson to report the result of the Scheme Meeting to the Court.

A copy of the Scheme of Arrangement and a copy of the Explanatory Statement are incorporated in the Scheme Document of which this Notice forms part. The Scheme Document together with the Proxy Form and a Notice of Claim for Voting Purposes (as defined in the Scheme Document) have been emailed, sent via WeChat or posted to the Scheme Creditors, at the last known email addresses, last known WeChat accounts and/or last known addresses of the Scheme Creditors insofar as known to the Company.

A copy of the Scheme of Arrangement and a copy of the Explanatory Statement are available from the Company at the address of the Provisional Liquidators at 43/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong ("**Address**"). These documents are available to be obtained free of charge between the hours of 10:00 a.m. and 4:00 p.m. (Hong Kong time) on weekdays (excluding Saturdays, Sundays and public holidays) up to 7 Business Days prior to the day appointed for the Scheme Meeting to any person entitled to attend the Scheme Meeting. The aforesaid documents may also be downloaded from the website of the Company (http://moodytech-holdingltd.com).

Scheme Creditors who intend to attend and vote at the Scheme Meeting are requested to complete and return:

(i) in the case of the Notes Scheme Creditors, Parts 1, 2 and 3 of the Account Holder Letter in the Solicitation Packet included in Appendix 3C of the Scheme Document;

(ii) in the case of the Scheme Creditors who are not Notes Scheme Creditors, the Notice of Claim for Voting Purposes included in Appendix 3A of the Scheme Document,

by personal delivery, or by email to 1400.HK@allianceadvisors.com, or by facsimile to +852 3006 2486, or by post to Alliance Advisors LLC, the Information Agent, at 24/F., Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong, for the attention of Carey Lo and Race Chan no later than 10:00 a.m. (Hong Kong time) on 1 June 2022 (i.e. seven (7) days before the date of the Scheme Meeting).

The Scheme Creditors may vote in at the Scheme Meeting in person or via an online conference platform to be designated by the Company or they may appoint another person, whether a Scheme Creditor or not, as their proxy to attend and vote in their stead in person or via an online conference platform to be designated by the Company. A corporate Creditor may also appoint a representative to attend and vote at the Scheme Meeting. The Scheme Creditors who intend to appoint a proxy to attend the Scheme Meeting are requested to complete and return:

(i) in the case of the Notes Scheme Creditors, Part 2 of the Account Holder Letter in the Solicitation Packet included in Appendix 3C of the Scheme Document as soon as practicable and in any event by 10:00 a.m. on 1 June 2022 (i.e. seven (7) days before the date of the Scheme Meeting);

(ii) in the case of the Scheme Creditors who are not Notes Scheme Creditors, the Form of Proxy included in Appendix 4 of the Scheme Document as soon as practicable and in any event no less than two (2) business days before the time appointed for the holding of the Scheme Meeting (i.e. no later than 10:00 a.m. on 6 June 2022).

The required documents, together with the power of attorney (if any) or other authority (if any) under which it is signed or a certified copy thereof, should be returned by personal delivery, or by email to 1400.HK@allianceadvisors.com, or by facsimile to +852 3006 2486, or by post to 24/F., Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong, for the attention of Carey Lo and Race Chan.

Completion and return of the forms appointing proxies will not preclude the Scheme Creditor signing the said form from attending and voting at the Scheme Meeting in person, but in such event, the form of proxy will be deemed to have been revoked. Any Scheme Creditor that wishes to attend the Scheme Meeting in person should produce at the Scheme Meeting a duplicate copy of the Notice of Claim for Voting Purposes that was duly completed on their behalf, evidence of personal identity (for example, a passport, identity card or other picture identification) and, in the case of a corporation attending by a duly authorised representative, evidence of corporate authority (for example, a valid power of attorney and/or board minutes). If the appropriate personal identification and authorisation evidence is not produced, that person may not be permitted to attend or vote.

In view of the evolving situation of the COVID-19 pandemic, additional arrangements may be made by the Company to provide for an option of participating in the Scheme Meeting remotely by electronic means: for details please see section 7 of the Explanatory Statement. Updates in this regard (if any) will be (i) announced on the Company website (http://moodytech-holdingltd.com) and/or (ii) notified to the Scheme Creditors at their email address, phone number or fax number as set out in the Notice of Claim for Voting Purposes to be provided by them.

The Scheme of Arrangement will be subject to the subsequent approval of the Hong Kong Court and to the fulfilment of the conditions set out in Part 3 of the Scheme.

The sanction hearing of the Scheme before the Hong Kong Court (the "**Sanction Hearing**") is tentatively scheduled to take place at 10:00 a.m. on 28 June 2022. Creditors may (but are not obligated to) attend the Sanction Hearing.

For further information please contact the Provisional Liquidators at +852 3909 8900 or by email to sas-administration@shinewing.hk or Alliance Advisors LLC, the Information Agent, at +852 2321 6668 or by email to 1400.HK@allianceadvisors.com.

Dated this 18th day of May 2022

Kan Lap Kee (Terry)
Chairperson of the Scheme Meeting

IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 1072 OF 2021

In the Matter of
MOODY TECHNOLOGY HOLDINGS LIMITED
（滿地科技股份有限公司）

and

In the Matter of
SECTIONS 670 AND 673 OF THE COMPANIES ORDINANCE,
CHAPTER 622 OF THE LAWS OF HONG KONG

NOTICE OF CLAIM FOR VOTING PURPOSES *(Note 1)*

TO: Moody Technology Holdings Limited ("**Company**") c/o Alliance Advisors LLC, the information agent, at 24/F., Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong (Fax: +852 3006 2486; Email: 1400.HK@allianceadvisors.com) (Attention: Carey Lo and Race Chan)

1. Full name of Scheme Creditor (to be inserted in BLOCK CAPITALS):

_____

2. Address of registered office/residential address of Scheme Creditor (to be inserted in BLOCK CAPITALS):

_____

Tel No.: _____ Fax No: _____

E-mail: _____

Contact Person: _____

3. Total amount of Claim as at the Record Date (i.e. 1 June 2022) *(Notes (2) and (5))*:

_____

4. If the total amount above includes capitalized or outstanding uncapitalized interest, please state *(Notes (3) and (5))*:

_____

Total amount of interest claimed up to but excluding the Record Date: _____

Whether it is capitalized or uncapitalized: _____

Ground for claim of interest: _____

Basis of calculation: _____

5. Details of any document or facts by reference to which the claim (including interest, if any) can be substantiated and provide copies of relevant documents if not previously provided to the Company/the Chairperson *(Notes (4) and (5))*:

_____

_____

6. Please state how you intend to attend the Scheme Meeting *(Note (6))*:

☐ In person
☐ By online conferencing platform to be designated by the Company

7. Please state whether you are attending the Scheme Meeting as a trustee on behalf of the beneficiary of a claim against the Company (please tick as appropriate)

☐ No
☐ Yes, I am attending the Scheme Meeting as a trustee on behalf of_____, who is the beneficiary of the Claim which I assert against the Company (Please provide supporting documents. Further, if there are more than one beneficiary, please state the names and the amount of Claims held on trust for each of the beneficiaries in a separate sheet together with supporting documents).

8. Particulars of CCASS securities account:

Name of CCASS participant:

_____

Name and telephone number of authorized contact person:

_____

CCASS account number:

_____

If arrangements are made for the Scheme Shares to be allotted and issued under the Scheme of arrangement to be placed with CCASS, we hereby authorize you to deposit the Scheme Shares to which we are entitled into the above CCASS securities account. In the event that such arrangements are not practicable or are otherwise not made, we note that we will receive physical share certificates and registered with the particulars set out in this Notice of Claim for Voting Purposes and we shall be responsible ourselves to deposit the same into CCASS if we wish to deal in them. We note that the Scheme Administrators and the Company do not undertake that the relevant shares can or will be deposited into CCASS and are not responsible to us for any delay before the shares can be dealt with within CCASS.

We hereby authorize the provision of this Notice of Claim for Voting Purposes to the administrators of the Scheme of Arrangement.

Signature of Scheme Creditor or
person authorized to act on its behalf: _____

Name of signatory in BLOCK LETTERS: _____

Relationship or position of person
authorized to act on behalf of Scheme Creditor: _____

_____

Notes:

(1) *The words and expressions used in this Notice of Claim for Voting Purposes shall, except where the context otherwise requires, have the same meanings as ascribed thereto in the Explanatory Statement dated 18 May 2022.*

(2) *Please specify the original currency of the debt if not in Hong Kong Dollars. In the case of a Scheme Creditor holding any security or who has received any satisfaction from the Company, such amount should be the amount of the shortfall, if any, after applying the proceeds of the realization of the security or the amount of such satisfaction or after deducting the estimated value of the security*

(3) *Please specify the original currency if not in Hong Kong Dollars. Please also state the ground on which interest is claimed (i.e., contract or judgment) and the basis of calculation.*

(4) *The Company may call for any further document or evidence to substantiate the claim at its discretion.*

(5) *(a)* *Where the space provided for a particular purpose in this Notice of Claim for Voting Purposes is insufficient to contain all the required information in relation to a particular item, that information may be set out in an annexure;*

(b) *An annexure to this Notice of Claim for Voting Purposes shall have an identifying mark and be endorsed with the words:*

"This is the annexure of [▪] pages marked [▪] referred to in the Notice of Claim signed by me/us and dated [▪] in respect of the Scheme of Arrangement between Moody Technology Holdings Limited and its Scheme Creditors."

(c) *The pages in an annexure shall be numbered consecutively;*

(d) *Where a document, copy of a document or other evidence is annexed to this Notice of Claim for Voting Purposes, reference made herein to the annexure shall be by its identifying mark, the number of pages in it and a brief description of the nature of the document and its contents; and*

(e) *Any reference to an annexure herein includes a document, copy of a document or other matter accompanying attached to or annexed to this Notice of Claim for Voting Purposes.*

(6) *A Scheme Creditor (or his proxy) who attends the Scheme Meeting by an online conferencing platform to be designated by the Company must agree to show his face from the webcam on the device on which he is accessing the Scheme Meeting and be visible to the Chairperson of the Scheme Meeting at all times. The unique pin together with any additional instructions will be sent to the Scheme Creditor's designated email address or WeChat accounts as stated in the Notice of Claim for Voting Purposes.*

(7) *Please complete the attached Summary of Claim form.*

SUMMARY OF CLAIMS

Moody Technology Holdings Limited 滿地科技控股有限公司								
(Provisional Liquidators Appointed) (For Restructuring Purposes)								

Borrower:

Guarantor(s), if any:

Instrument no.	Debt instrument	Currency	Principal Amount	Effective Interest Rate	Interest Period (dd/mm/yy) From	To	Interest Days	Total Interest	Total Claim (Principal+Interest)	Basis for Claim *(Note A)*

Note A: Scheme Creditors please provide the relevant supporting documents (e.g. bonds instrument, notes instrument, loan agreement, facility letter, security documents, guarantee) to substantiate your claims.

Please also state the relevant clause(s) and provision(s) which support your claims and interest calculation.

IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 1072 OF 2021

In the Matter of
MOODY TECHNOLOGY HOLDINGS LIMITED
(滿地科技股份有限公司)

and

In the Matter of
SECTIONS 670 AND 673 OF THE COMPANIES ORDINANCE,
CHAPTER 622 OF THE LAWS OF HONG KONG

NOTICE OF CLAIM FOR SUBSCRIPTION PURPOSES *(Note 1)*

TO: Moody Technology Holdings Limited ("Company") c/o ~~Alliance Advisors LLC~~ Acclime Corporate Advisory (Hong Kong) Limited~~, the information agent~~, at ~~24/F., Lee Garden One, 33 Hysan Avenue~~ 29th Floor, Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong (Fax: +852 ~~3006 2486~~ 2566 8946) (Attention: ~~Carey Lo and Race Chan~~ Gloria Ho and Zhouming Kang)

1. Full name of Scheme Creditor (to be inserted in BLOCK CAPITALS):

---

2. Address of registered office / residential address of Scheme Creditor (to be inserted in BLOCK CAPITALS):

Tel No.: _____ Fax No: _____

E-mail: _____

Contact Person: _____

3. Total amount of Claim as at the date of the Record Date (i.e. [*]) *(Notes (2) and (5))*:

---

4. If the total amount above includes capitalized or outstanding uncapitalized interest, please state *(Notes (3) and (5))*:

Total amount of interest claimed up to be excluding the Effective Date: _____

Whether it is capitalized or uncapitalized:_____

Ground for claim of interest:_____

Basis of calculation:_____

5. Details of any document or facts by reference to which the claim (including interest, if any) can be substantiated and provide copies of relevant documents if not previously provided to the Company/the Chairperson/Scheme Administrators *(Notes (4) and (5))*:

_____

_____

6. Please state whether you are asserting a claim against the Company as a trustee on behalf of the beneficiary of the claim (please tick as appropriate)

☐ No

☐ Yes, I am asserting the Claim as a trustee on behalf of _____, who is the beneficiary of the Claim which is asserted against the Company. (Please provide supporting documents. Further, if there are more than one beneficiary, please state the names and the amount of Claims held on trust for each of the beneficiaries in a separate sheet together with supporting documents).

7. Particulars of CCASS securities account:

Name of CCASS participant:

_____

Name and telephone number of authorized contact person:

_____

CCASS account number:

_____

If arrangements are made for the Scheme Shares to be allotted and issued under the Scheme of arrangement to be placed with CCASS, we hereby authorize you to deposit the Scheme Shares to which we are entitled into the above CCASS securities account. In the event that such arrangements are not practicable or are otherwise not made, we note that we will receive physical share certificates and registered with the particulars set out in this Notice of Claim for Subscription Purposes and we shall be responsible ourselves to deposit the same into CCASS if we wish to deal in them. We note that the Scheme Administrators and the Company do not undertake that the relevant shares can or will be deposited into CCASS and are not responsible to us for any delay before the shares can be dealt with within CCASS.

We hereby authorize the provision of this Notice of Claim for Subscription Purposes to the administrators of the Scheme of Arrangement.

Signature of Scheme Creditor or
person authorized to act on its behalf: _____

Name of signatory in BLOCK LETTERS: _____

Relationship or position of person
authorized to act on behalf of Scheme Creditor: _____

_____

Notes:

(1) *The words and expressions used in this Notice of Claim for Subscription Purposes shall, except where the context otherwise requires, have the same meanings as ascribed thereto in the Explanatory Statement dated 18 May 2022.*

(2) *Please specify the original currency of the debt if not in Hong Kong Dollars. In the case of a Scheme Creditor holding any security or who has received any satisfaction from the Company, such amount should be the amount of the shortfall, if any, after applying the proceeds of the realization of the security or the amount of such satisfaction or after deducting the estimated value of the security*

(3) *Please specify the original currency if not in Hong Kong Dollars. Please also state the ground on which interest is claimed (i.e., contract or judgment) and the basis of calculation.*

(4) *The Company may call for any further document or evidence to substantiate the claim at its discretion.*

(5) *(a)* *Where the space provided for a particular purpose in this Notice of Claim for Subscription Purposes is insufficient to contain all the required information in relation to a particular item, that information may be set out in an annexure;*

(b) *An annexure to this Notice of Claim for Subscription Purposes shall have an identifying mark and be endorsed with the words:*

"This is the annexure of [•] pages marked [•] referred to in the Notice of Claim signed by me/us and dated [•] in respect of the Scheme of Arrangement between Moody Technology Holdings Limited and its Scheme Creditors."

(c) *The pages in an annexure shall be numbered consecutively;*

(d) *Where a document, copy of a document or other evidence is annexed to this Notice of Claim for Subscription Purposes, reference made herein to the annexure shall be by its identifying mark, the number of pages in it and a brief description of the nature of the document and its contents; and*

(e) *Any reference to an annexure herein includes a document, copy of a document or other matter accompanying attached to or annexed to this Notice of Claim for Subscription Purposes.*

(6) *Please complete the attached Summary of Claim form.*

SUMMARY OF CLAIMS

Moody Technology Holdings Limited 滿地科技控股有限公司								
(Provisional Liquidators Appointed) (For Restructuring Purposes)								

Borrower:

Guarantor(s), if any:

Instrument no.	Debt instrument	Currency	Principal Amount	Effective Interest Rate	Interest Period (dd/mm/yy) From	To	Interest Days	Total Interest	Total Claim (Principal+Interest)	Basis for Claim *(Note A)*

Note A: Scheme Creditors please provide the relevant supporting documents (e.g. bonds instrument, notes instrument, loan agreement, facility letter, security documents, guarantee) to substantiate your claims.

Please also state the relevant clause(s) and provision(s) which support your claims and interest calculation.

SOLICITATION PACKET

THIS SOLICITATION PACKET IS IMPORTANT AND REQUIRES THE IMMEDIATE ATTENTION OF NOTE SCHEME CREDITORS

Scheme Creditors and Notes Scheme Creditors

Scheme Creditors include *inter alia* Notes Scheme Creditors. Notes Scheme Creditors include (for the avoidance of doubt, but without double counting in each case):

(a) Noteholders, i.e. persons who have an economic or beneficial interest as principal in the Notes held in the form of a global certificate through the Clearing Systems as at the Record Time and which has a right, upon satisfaction of certain conditions, to be issued definitive notes in accordance with the terms of the Bonds.

(b) The Depositary, i.e. The Bank of New York Mellon acting through its nominee The Bank of New York Depository (Nominees) Limited;

(c) Account Holder, i.e. persons who are direct participants in the Clearing Systems with their interests in the Notes being recorded directly in the books or other records maintained by the Clearing Systems;

(d) Intermediaries, i.e. persons other than Account Holders who hold an interest in the Notes on behalf of other persons.

Purpose and Content of this Solicitation Packet

This Solicitation Packet performs the following important functions:

(1) first, the Company is soliciting votes from the Noteholders in respect of the proposed Scheme. This Solicitation Packet sets out instructions and guidance for voting at the Scheme Meeting; and

(2) second, in order to receive any Scheme Shares if the Scheme becomes effective in accordance with its terms, the Noteholders are required to ensure that a duly completed Account Holder Letter is submitted to the Company. This Solicitation Packet includes the forms of those documents, as well as instructions and guidance for how to complete them.

Please read the Explanatory Statement and the Scheme and follow the instructions contained herein before completing your Account Holder Letter.

Unless otherwise defined herein, defined words shall have the meaning given to them in the Explanatory Statement.

Key Dates

The key dates in respect of the Scheme are as follows:

- **Custody Instruction Deadline:** 10:00 a.m. (Hong Kong time) on 31 May 2022
- **Record Time:** 10:00 a.m. (Hong Kong time) on 1 June 2022
- **Scheme Meeting:** 3:00 p.m. to 6:00 p.m. (Hong Kong time) on 8 June 2022
- **Sanction Hearing Date:** 28 June 2022
- **Effective Date:** the date on which the Scheme becomes effective in accordance with Part 3 of the Scheme
- **Cut-Off Date:** A date to be specified by the Scheme Administrators, on the date falling 3 months after the Effective Date (or if such date is not a Business Day, the next Business Day)

Voting at the Scheme Meeting

In order to be entitled to vote at the Scheme Meeting:

- Please ensure that **Parts 1, 2 and 3 of the Account Holder Letter** are duly completed, executed and returned in accordance with the instructions set out therein so that the Account Holder Letter is received by the Company **by the Record Time**;
- The Noteholders should allow sufficient time for your Account Holder to give instructions to the Clearing Systems in accordance with the procedures established between them to ensure that a duly completed Account Holder Letter is submitted to the Company by the Record Time and the Notes are blocked in the relevant Clearing System prior to the **Custody Instruction Deadline** and the submission of the Account Holder Letter.

A Notes Scheme Creditor who fails to submit the required documents by the Record Time will not be allowed to vote except at the sole discretion of the Chairperson of the Scheme Meeting.

Entitlement to receive Scheme Shares

If you have submitted an Account Holder Letter for the purpose of voting at the Scheme Meeting, you do **not** have to submit another Account Holder Letter for the purpose of receiving Scheme Shares.

However, you may re-submit **Part 1 and Part 3** of the Account Holder Letter which is duly completed and executed in accordance with the instructions set forth therein so that it is received by the Company **by the Cut-Off Date**, which will supersede any prior Account Holder Letter submitted.

A Notes Scheme Creditor who fails to submit any Account Holder Letter by the Cut-Off Date will not receive the Scheme Shares except at the sole discretion of the Scheme Administrators.

For assistance, please contact your Account Holder (through your Intermediary if appropriate) or the Company c/o ~~Alliance Advisors LLC~~ Acclime Corporate Advisory (Hong Kong) Limited, ~~the Information Agent~~. All completed documents should be returned to the Company c/o ~~Alliance Advisors LLC~~ Acclime Corporate Advisory (Hong Kong) Limited, ~~the Information Agent~~ whose details are as follows:

~~Alliance Advisors LLC~~ Acclime Corporate Advisory (Hong Kong) Limited, ~~the Information Agent~~, ~~24/F., Lee Garden One~~ 29th Floor, Lee Garden Two,
~~33 Hysan Avenue~~ 28 Yun Ping Road,
Causeway Bay,
Hong Kong

Attention: ~~Lo Ka Yee (Carey) and Chan Yui Yin (Race)~~ Gloria Ho and Zhouming Kang

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GENERAL GUIDANCE

Are you a Scheme Creditor?

1. Scheme Creditors include a Notes Scheme Creditor. Notes Scheme Creditors include (for the avoidance of doubt, but without double counting in each case): (a) Noteholders, (b) the Depositary, (c) Account Holder and Intermediaries.

   (a) You are a Noteholder if you have an economic or beneficial interest as principal in the Notes held in the form of a global certificate through the Clearing Systems as at the Record Time and which has a right, upon satisfaction of certain conditions, to be issued definitive notes in accordance with the terms of the Bonds.

   (b) The Depositary refers to The Bank of New York Mellon acting through its nominee The Bank of New York Depository (Nominees) Limited.

   (c) Account Holders are persons who are direct participants in the Clearing Systems with their interests in the Notes being recorded directly in the books or other records maintained by the Clearing Systems.

   (d) Intermediaries are persons other than Account Holders who hold an interest in the Notes on behalf of other persons.

2. Noteholders will be entitled to attend and vote in person or by proxy at the Scheme Meeting provided that it has submitted (or it has had submitted on its behalf) a validly completed Account Holder Letter and Notice of Claim for Voting Purposes in accordance with the instructions herein and by the Record Time.

3. In the event where conflicting votes in respect of the same principal in the Notes are cast by a Noteholder, Depositary, Account Holder or Intermediary, only the vote of the Noteholder who submitted this Account Holder Letter in accordance with the instructions set out herein will be counted.

4. If you are in any doubt as to whether you are a Noteholder or an Account Holder, you should consult your bank manager, solicitor, professional accountant, or other professional adviser without delay.

5. Noteholders should refer to Expected Timetable set out at page 30 of the Scheme Document for the key timing of the Scheme.

6. If you are a Noteholder who is not an Account Holder, you should contact your Account Holder immediately (through any Intermediaries, if applicable) to ensure that your Account Holder takes the appropriate action(s).

Voting at the Scheme Meeting

7. Before the Scheme can become effective and binding on the Company and the Scheme Creditors, a simple majority in number of the Scheme Creditors attending and voting at the Scheme Meeting either in person or by proxy representing at least three fourths in value of the aggregate Scheme Claims of the Scheme Creditors attending and voting at the Scheme Meeting either in person or by proxy at the Scheme Meeting must vote to approve the respective Scheme.

8. A Noteholder will be entitled to vote at the Scheme Meeting provided it has submitted (or it has had submitted on its behalf) a validly completed Account Holder Letter in accordance with the instructions herein and by the Record Time. A Custody Instruction must also have been submitted in respect of the Noteholders' Notes by the Custody Instruction Deadline.

9. The Scheme Meeting will take place at 1/F First Commercial Bldg, 33-35 Leighton Road, Causeway Bay, Hong Kong on 8 June 2022 at 3:00 p.m. to 6:00 p.m. (Hong Kong time).

10. The dates referred to in the paragraphs above assume that the Scheme Meeting will not be adjourned or delayed.

Process and deadline for voting at the Scheme Meeting

11. Voting on the Scheme will take place at the Scheme Meeting by Noteholders appearing in person or by a duly authorized representative or by proxy as explained in more detail below.

12. For voting purposes, a Noteholder must ensure that its Account Holder Letter is submitted to the Company before the **Record Time**. Each Noteholder must submit its voting instructions to its Account Holder sufficiently in advance of the Record Time to enable its Account Holder to complete and return the Account Holder Letter to the Company by the Record Time.

13. The Company may call for any further document or evidence to substantiate the claim at its discretion.

14. The Company reserves the right to terminate or amend this solicitation packet at any time prior to the Record Time. The Company also reserves the right to change the Record Time to a later time or date. Any such extension will be followed as promptly as practicable by notice thereof. If the Company extends the Record Time, it also reserves the right to establish a later Record Time.

15. Subject to paragraph 16 below, the failure of a Noteholder to submit a validly completed Account Holder by the Record Time or block its Notes in the relevant Clearing System before the Custody Instruction Deadline will mean that the voting instructions, votes and elections contained in any Account Holder Letter subsequently received by the Company from or on behalf of that Notes Scheme Creditor will, subject to the Chairperson's discretion, be disregarded for the purposes of voting at the Scheme Meeting and the relevant Noteholder will not be entitled to vote on the Scheme at the Scheme Meeting.

16. Notwithstanding any other provisions of the Explanatory Statement, the Chairperson of the Scheme Meeting will be entitled, at the sole discretion of the Chairperson, to permit a Notes Scheme Creditor in respect of which a completed Account Holder Letter has not been delivered prior to the Record Time to vote at the Scheme Meeting if the Chairperson considers that the relevant Scheme Creditor has produced sufficient proof that it is a Noteholder.

Assessment of Scheme Claims for voting purposes

17. The principal amount of the Scheme Claims of each Notes Scheme Creditor who submits a valid Account Holder Letter and/or Notice of Claim (as applicable) will be calculated for voting purposes as at the Record Time, which shall include any documents or information provided by each Notes Scheme Creditor in support of its Scheme Claim.

18. Specifically, votes of Noteholders will be admitted at the Scheme Meeting at a value equal to the sum of: (i) outstanding principal amount of the Notes in which each Noteholder held an economic or beneficial interest as principal at the Record Time (without double counting); and (ii) all accrued and unpaid interest relating to such Notes up to but excluding the Record Date.

19. The Chairperson may, for voting purposes only, reject a Scheme Claim in whole or in part if the Chairperson considers that the relevant Noteholder has not complied with the voting procedures described in this Solicitation Packet. If a Scheme Claim is unascertained, contingent or Disputed, the Chairperson may admit the Scheme Claim for voting purposes at the Scheme Meeting only at a value which the Chairperson considers is a fair and reasonable assessment of the sums owed by the Company in respect of that Scheme Claim.

20. The admissions and valuation of any Scheme Claim for voting purposes does not (in itself) constitute an admission of the existence or value of the Scheme Claim and will not bind the Company for any purposes other than voting at the Scheme Meeting.

Transfers/assignments after Record Time

21. The Company is under no obligation to recognise any assignment or transfer of any Scheme Claim after the Record Time for the purposes of determining entitlements under the Schemes, save that where the Company has received from the relevant parties written notice of an assignment or transfer of the Scheme Claim, the Company may, in its absolute discretion and subject to such evidence as it may reasonably require and any other terms and conditions which the Company may consider necessary or desirable, agree to recognise such assignment or transfer for the purposes of determining entitlements under the Schemes. It shall be a term of such recognition that the assignee or transferee of a Scheme Claim so recognised by the Company shall be bound by the terms of the Schemes and for the purposes of the Schemes shall be a Notes Scheme Creditor.

Voting Instructions

22. Each Noteholder must procure its Account Holder to:

    (a) Validly complete and submit the relevant parts of the Account Holder Letter in accordance with these instructions contained therein;

    (b) Indicate its decision to either vote for or against the Scheme; and

    (c) Sign and return the Account Holder Letter to the Company in accordance with the instructions contained in this Solicitation Packet and the relevant Account Holder Letter.

23. Each Noteholder who is not an Account Holder shall submit its voting instructions through its Account Holder, and should give ample time to allow its Account Holder and/or Intermediary to process its instructions and submit the required documentation on its behalf before the Record Time. To ensure timely submission of the Account Holder Letter, each Noteholder should check with its Account Holder for clarification as to the processing time required and deliver the appropriate materials well before the Record Time.

24. It will be the responsibility of Account Holders, who is not a Noteholder, to obtain from the Noteholder (through any Intermediaries, if applicable) on whose behalf they are acting, in accordance with the procedures established between them, whatever information or instructions they may require to identify in an Account Holder Letter the relevant Noteholder and to provide the information, instructions and confirmations required by the Account Holder Letter. None of the Company or any other person will be responsible for any loss or liability incurred by a Noteholder as a result of any determination that an Account Holder Letter contains an error or is incomplete, even if this is subsequently shown not to have been the case.

Completion of an Account Holder Letter by a Notes Scheme Creditor

25. In summary, each Notes Scheme Creditor may decide, among other things:

(a) To attend and vote at the Scheme Meeting in person or, if a corporation, by a duly authorised representative; or

(b) To instruct the Chairperson as its proxy to cast its vote and to instruct him to cast a vote on behalf of such Notes Scheme Creditor and whether to instruct him to vote in accordance with the wishes of such Notes Scheme Creditor; or

(c) To appoint someone else as its proxy to attend and whether to instruct it to cast a vote in accordance with the wishes of such Notes Scheme Creditor,

In each case, by ensuring that such election is recorded in the Account Holder Letter submitted by 10:00 a.m. of the Record Date.

26. Each Notes Scheme Creditor is recommended to appoint a proxy (either the Chairperson or someone of its choice who would be willing to attend the Scheme Meeting) in any event, even if that Notes Scheme Creditor intends to attend and vote in person or, if a corporation, by a duly authorised representative, in case such Notes Scheme Creditor is unable to do so for some reason. A Notes Scheme Creditor who appoints a proxy will still be entitled to attend and vote at the Scheme Meeting in person or, if a corporation, by a duly authorised representative, but the proxy previously appointed will no longer be entitled to vote under that appointment.

27. Each Notes Scheme Creditor should ensure that the following is included in the Account Holder Letter submitted:

(a) Its identity and other information in Section 1 of Part 1;

(b) The Account Holder's information and details of the Notes which are the subject of the Account Holder Letter, including the ISIN code, the principal amount of the Notes held, the Clearing System account number of the Account Holder and, in respect of the relevant Custody Instruction the relevant Custody Instruction Reference Number in Sections 2 and 3 of Part 1 of Account Holder Letter;

(c) Its voting instructions with respect to the Scheme in Part 2;

(d) Its instructions for distribution of Scheme Shares in Part 3.

28. Each Notes Scheme Creditor that submits, delivers or procures the delivery of an Account Holder Letter shall be deemed to make the representations, warranties and undertakings to the Company set forth in the Account Holder Letter.

Submission of an Account Holder Letter

29. The Solicitation Packet (including the Account Holder Letter), the Explanatory Statement, the Scheme and related materials are available for inspection on the website of the Company (i.e. http://moodytech-holdingltd.com) by the Scheme Creditors.

30. The Account Holders shall also forward the Solicitation Packet, the Explanatory Statement, the Scheme and any related materials (or, if this is impracticable for technical reasons, directions to the Company's website where all such documents may be accessed) to the relevant Noteholders for voting. After the Noteholders return their voting instructions, votes and elections to the Account Holder, the Account Holder must ensure the Account Holder Letter is fully completed and then return the Account Holder Letter to the Company.

31. All Account Holder Letters should be delivered by Account Holders as soon as possible to the Company by the Record Time. Any Account Holder Letter received by the Company after the Record Time will be disregarded for voting purposes and the applicable Notes Scheme Creditor shall not be entitled to vote at the Scheme Meeting, except as may be permitted by the Chairperson in his sole discretion.

Attending the Scheme Meeting

32. The Scheme Meeting will take place at the time and place described in paragraph 9 above.

33. Any Notes Scheme Creditor or its proxy attending the Scheme Meeting in person must produce a duplicate copy of the Account Holder Letter validly completed and submitted by or on behalf of that Notes Scheme Creditor together with evidence of corporate authority (in the case of a corporation) (for example, a valid power of attorney and/or board resolutions) and evidence of personal identity (being a valid original passport or other original government-issued photographic identification) at the registration desk by no later than one hour before the scheduled time of the Scheme Meeting. If appropriate personal identification or evidence of authority is not produced, that person shall only be permitted to attend and vote at the Scheme Meeting at the discretion of the Chairperson.

34. If a Noteholder appoints the Chairperson as its proxy, there is no need for the Chairperson to take the Account Holder Letter to the Scheme Meeting.

Custody Instructions and undertaking not to transfer

35. "Custody Instructions" are irrevocable instructions which prevent transfers of the Notes until the Effective Date or unblocked in accordance with paragraph 45 below. These restrictions are necessary to prevent the same holding of Notes being voted more than once.

36. Any Noteholder who procures the submission of an Account Holder Letter (to vote at the Scheme Meeting and/or receive any Scheme Shares) must before the Custody Instruction Deadline and prior to delivering the Account Holder Letter to the Company block its Notes by ensuring that its Account Holder follows the instructions set out hereinbelow.

37. An Account Holder Letter will not be valid for the purposes of voting at the Scheme Meeting or receiving Scheme Shares and the Company reserves the right to reject any Account Holder Letter that does not contain reference to a valid Custody Instruction Reference Number in accordance with the instructions set out hereinbelow.

38. Please note that the Clearing System in which you (or your custodian) hold your Notes may impose an earlier deadline for the submission of the Custody Instruction and/or Account Holder Letter. To ensure timely submission of your Custody Instruction and Account Holder Letter, please ask your custodian to check with the Clearing System as to whether any earlier deadline is applicable and ensure that your Custody Instruction and/or Account Holder Letter are received before any applicable deadline. This is particularly important if you wish to submit an Account Holder Letter by the Record Time in order to vote at the Scheme Meeting and/or to receive Scheme Shares on the Effective Date.

39. The Notes should be blocked in accordance with the standard practices and procedures of the Clearing Systems and the deadlines required by them, their Account Holders and any Intermediary. The Clearing Systems will automatically assign a Custody Instruction Reference Number in respect of each Custody Instruction and, as noted above, the Custody Instruction Reference Number must be cross referenced in the Account Holder Letter relating to the Notes in respect of which the Custody Instruction Reference Number has been obtained. It is the responsibility of Account Holders to comply (and Noteholders to ensure that their Account Holders comply) with any particular deadlines required by such persons or the Company in order to meet the Custody Instruction Deadline and the Record Time. As such, Account Holders should ensure that the Clearing Systems have received Custody Instructions regarding the subject of each Account Holder Letter and each Noteholder procuring the submission of an Account Holder Letter by its Account Holder should instruct its Account Holder to confirm that (and the Account Holder should ensure that) the Account Holder Letter cross references the Custody Instruction Reference Number.

40. Subject to paragraph 45 below, a Noteholder that procures submission of an Account Holder Letter (to vote at the Scheme Meeting and/or receive any Scheme Shares) **must ensure that its Account Holder, prior to delivering the Account Holder Letter to the Company**:

(a) Submits relevant Custody Instructions to block its Notes in the relevant Clearing System in accordance with the standard practices and procedures required by the Clearing System prior to the Custody Instruction Deadline;

(b) Includes in the relevant Account Holder Letter reference to the Custody Instruction Reference Number.

41. The relevant Clearing System will provide the Company with confirmation that the Notes that are the subject of the relevant Account Holder Letter have been blocked with effect from or before the date of the relevant Account Holder Letter. In the event that the Clearing System has not received Custody Instruction prior to its relevant deadline the Company may reject the Account Holder Letter of the purposes of voting at the Scheme Meeting or receiving Scheme Shares.

42. Once a Custody Instruction Reference Number has been received, the Notes held by the Account Holder will be "blocked" from trading. By completion of the Account Holder Letter with inclusion of the Custody Instruction Reference Number, the Noteholder will be deemed to have given the **undertaking** that it will not, from the date of the delivery of the Account Holder Letter, sell, transfer, assign or otherwise dispose of its interest in all or any part of its specified Notes.

43. On the Effective Date, all of the Notes will be cancelled in the Clearing Systems in accordance with the Scheme and thereafter will not be capable of being traded in the Clearing Systems.

44. Any documentation and relevant Custody Instruction submitted by or on behalf of a Noteholder shall be irrevocable for all purposes in connection with the Scheme unless and until the Company has provided an irrevocable unblock instruction to the Account Holders in accordance with paragraph 45 below.

45. The Company shall provide an irrevocable instruction to the Account Holders to immediately cause the Notes to be unblocked:

(a) within 2 Business Days upon occurrence of the following events:

(i) the Company fails to issue or allot the Scheme Shares in accordance with Part 5 of the Scheme;

(ii) the Company fails to make provision and/or payment to the Provisional Liquidators/ Scheme Administrators in respect of the Scheme Costs within a reasonable time upon the demand of the Provisional Liquidators/Scheme Administrators; and/or

(iii) the listing of the Shares has been cancelled by the Stock Exchange before Completion and the Company has failed in an appeal to the Listing Review Committee of the Stock Exchange to reverse such decision (if applicable).

(b) the Company at its sole discretion consents to unblock the Notes.

IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 1072 OF 2021

In the Matter of
MOODY TECHNOLOGY HOLDINGS LIMITED
(滿地科技股份有限公司)

and

In the Matter of
SECTIONS 670 AND 673 OF THE COMPANIES ORDINANCE,
CHAPTER 622 OF THE LAWS OF HONG KONG

ACCOUNT HOLDER LETTER

for use by Account Holders in respect of

HK$84,000,000 7% bond due 2018 (ISIN: XS1155494997);

HK$57,900,000 7% bond due 2018 (ISIN: XS1224913159); and

HK$88,110,000 7% guaranteed bond due 2019 (ISIN: XS1633784266)

(together, the "**Notes**")

issued by

MOODY TECHNOLOGY HOLDINGS LIMITED
(PROVISIONAL LIQUIDATORS APPOINTED FOR RESTRUCTURING PURPOSES)

(the "**Company**")

in relation to the Company's scheme of arrangement under sections 673 and 674 of the Companies Ordinance as applicable in Hong Kong

(the "**Scheme**")

To: Moody Technology Holdings Limited (the "Company") c/o ~~Alliance Advisors LLC~~ Acclime Corporate Advisory (Hong Kong) Limited~~, the Information Agent~~, at ~~24/F., Lee Garden One, 33 Hysan Avenue~~ 29th Floor, Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong (Fax: +852 ~~3006 2486~~ 2566 8946; Email: ~~1400.HK@allianceadvisors.com~~ moodytech@acclime.com) (Attention: ~~Carey Lo and Race Chan~~ Gloria Ho and Zhouming Kang)

Capitalised terms used but not defined in this Account Holder Letter have the meaning given to them in document relating to the Scheme issued by the Company on 18 May 2022 (the "**Scheme Document**"), subject to any amendments or modifications made by the Courts.

IMPORTANT

The Scheme will, if implemented, materially affect the Noteholders of the Company. Noteholders must use this Account Holder Letter (by instructing their Account Holder if the Noteholder is not an Account Holder) to (a) register details of their interest in the Notes and (b) allow them to receive Scheme Shares. Please read this Account Holder Letter carefully if you are a Noteholder.

Key Dates

The key dates in respect of the Scheme are as follows:

- **Custody Instruction Deadline:** 10:00 a.m. (Hong Kong time) on 31 May 2022
- **Record Time:** 10:00 a.m. (Hong Kong time) on 1 June 2022
- **Scheme Meeting:** 3:00 p.m. to 6:00 p.m. (Hong Kong time) on 8 June 2022
- **Sanction Hearing Date:** 28 June 2022
- **Effective Date:** the date on which the Scheme becomes effective in accordance with Part 3 of the Scheme
- **Cut-Off Date:** A date to be specified by the Scheme Administrators, on the date falling 3 months after the Effective Date (or if such date is not a Business Day, the next Business Day)

The validly completed Account Holder Letter together with any accompanying documents must be submitted to the Company by the **Record Time** in order for a Noteholder to vote at the Scheme Meeting and be eligible to receive the Scheme Shares on the Effective Date.

Blocking Notes

Any Noteholder that procures the submission of an Account Holder Letter (to vote at the Scheme Meeting and/or to receive Scheme Shares on the Effective Date) must block its Notes by ensuring that its Account Holder, **prior to delivering the Account Holder Letter to the Company**, submits relevant Custody Instruction to block its Notes held with the Clearing Systems by the **Custody Instruction Deadline** and includes in the relevant Account Holder Letter reference to the Custody Instruction Reference Number. An Account Holder Letter will not be valid for the purposes of voting at the Scheme Meeting or receiving Scheme Shares on the Effective Date and the Company reserves the right to reject any Account Holder Letter that does not contain reference to a valid Custody Instruction Reference Number.

The Notes will be cancelled in the Clearing Systems as at the Effective Date and thereafter will not be capable of being traded in the Clearing Systems.

Summary of this Account Holder Letter

The Account Holder Letter must be validly completed and submitted to the Company as follows.

Part 1	**Noteholder, Account Holder and Holdings Details**	*In order to vote at the Scheme Meeting, this Part 1 must be completed in all cases by the Account Holder for and on behalf of the Noteholder and signed by the Account Holder* ***by the Record Time****.* *In order to receive Scheme Shares, this Part 1 may be completed in all cases by the Account Holder for and on behalf of the Noteholder and signed by the Account Holder* ***by the Cut-Off Date****.* *There is* ***no need to re-submit*** *the Account Holder Letter if a Noteholder has submitted the same before the Record Time.*
Section 1	Details of the Noteholder	
Section 2	Account Holder Details	
Section 3	Details of Holdings	
Part 2	**Voting and appointment of proxy**	*This Part 2 must be completed by the Account Holder for and on behalf of the Noteholder* ***by the Record Time*** *if the Noteholder would like to vote on the Scheme.*
Section 1	Account Holder Confirmations	
Section 2	Voting Instructions relating to the Scheme and Appointment of Proxy	
Part 3	**Distribution of Scheme Shares**	*In order to vote, this Part 3 must be completed in all cases by the Account Holder for and on behalf of the Noteholder and signed by the Account Holder* ***by the Record Time****.* *In order to receive Scheme Shares, this Part 3 may be completed in all cases by the Account Holder for and on behalf of the Noteholder and signed by the Account Holder* ***by the Cut-Off Date****.* *There is* ***no need to re-submit*** *the Account Holder Letter if a Noteholder has submitted the same before the Record Time.*

PART 1

NOTEHOLDER, ACCOUNT AND HOLDING DETAILS

Irrespective of any elections made under any other Part of this Account Holder Letter, an Account Holder Letter received by the Company that does not include all information requested in this Part 1 will not constitute a valid completed Account Holder Letter and the relevant Noteholder will not be entitled to cast a vote at the Scheme Meeting or receive any Scheme Shares if the Scheme becomes effective in accordance with its terms.

It will be the responsibility of Account Holders, who are not also Noteholders, to obtain from the Noteholder (through any intermediaries, if applicable) on whose behalf they are acting, in accordance with the procedures established between them, whatever information or instructions they may require to identify in this Account Holder Letter the relevant Noteholder and to provide the information, instructions and confirmation by this Account Holder Letter. None of the Company or any other person will be responsible for any loss or liability arising out of any error or deficiency contained in this Account Holder Letter.

Section 1 Details of the Noteholder

Full name of Noteholder: _____

Address: _____

Email address: _____

Telephone number (with country code): _____

To be completed if the Noteholder is a corporation:

Jurisdiction of incorporation of Noteholder: _____

Section 2 Details of the Account Holder

Full name of Account Holder: _____

Clearing System: _____

Clearing System account number: _____

Authorised employee of Account Holder (print name): _____

Telephone number of the authorised employee
(with country code): _____

Email address of the authorised employee: _____

Section 3 Details of Holdings

The Account Holder holds the following Notes to which this Account Holder Letter relates which have been "blocked" at the Record Time. Such Notes must have been "blocked" through delivery of Custody Instruction to the relevant Clearing System by the Custody Instruction Deadline, the reference number in relation to which is identified below.

ISIN *(Delete as appropriate)*	**Amount blocked at Clearing System[1] (HK$)**	**Clearing System**	**Clearing System account number**	**Custody Instruction Reference Number[2]**
XS1155494997 XS1224913159 XS1633784266				
XS1155494997 XS1224913159 XS1633784266				
XS1155494997 XS1224913159 XS1633784266				
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XS1155494997 XS1224913159 XS1633784266				

1 The amount entered should be the entire principal amount of the Notes in respect of which the Account Holder is giving instructions on behalf of the relevant Noteholder pursuant to this Account Holder Letter. If the Account Holder holds Notes in respect of which it is not giving instructions pursuant to this Account Holder Letter, this amount should not be stated and is not required to be notified.

2 Corresponding to the Custody Instruction in the relevant Clearing System submitted by the Account Holder on behalf of the Noteholder.

By signing this Part 1, the Account Holder is hereby instructed by the Noteholder in respect of which this Account Holder Letter is being submitted to certify that such Noteholder (i) holds the Notes detailed in Part 1, Section 3 as at the Record Time; (ii) will not trade such Notes unless otherwise agreed by the Company; and (iii) in respect of any distribution of Scheme Shares, acknowledges and agrees that the Company shall be entitled to treat such Noteholder as the party entitled to receive the Scheme Shares in respect of such holding of Notes.

Before returning this Account Holder Letter, please make certain that you have provided all the information requested.

For the purposes of a Noteholder voting or receiving any Scheme Shares under the Scheme:

- relevant Custody Instruction (as applicable) must have been delivered in respect of the Notes identified in Part 1, Section 3 as being held in the Clearing Systems;

- this Account Holder Letter will only be accepted if (as appliable) a valid Custody Instruction Reference Number is included in Part 1, Section 3 in respect of the Notes which are the subject of this Account Holder Letter; and

- information in this Account Holder Letter must be consistent with the Custody Instruction.

SIGNING

Account Holder's authorised employee/
representative name: _____

Executed by authorised employee/
representative for and on behalf of
the Account Holder: _____

Date: _____

PART 2

VOTING AND APPOINTMENT OF PROXY

This Part 2 is required to be completed only if a Noteholder intends to vote at the Scheme Meeting.

Section 1 Account Holder Voting Confirmation

The Account Holder named below for itself hereby confirms to the Company as follows (select "yes" or "no" as appropriate for each item):

1. That all authority conferred or agreed to be conferred pursuant to this Account Holder Letter and every obligation of the Account Holder under this Account Holder Letter shall, to the best of its knowledge and the extent permitted by law, be binding upon the successors and assigns of the Account Holder (in the case of a corporation or institution) or the successors, assigns, heirs, executors, administrators, trustees in bankruptcy and legal representatives of the Account Holder (in the case of a natural person) and shall not be affected by, and shall survive, the insolvency, bankruptcy, dissolution, death or incapacity (as the case may be) of the Account Holder and that all of the information in this Account Holder Letter is complete and accurate.

   ☐ Yes

   ☐ No

2. That, in relation to the Notes identified in Part 1, Section 3 (Details of Holdings) of Part 1 (Noteholder, Account Holder and Holdings Details) of this Account Holder Letter, the Account Holder has authority to give the voting instructions set out in Part 2, Section 2 (Voting Instructions relating to the Schemes) of this Part 2 (Voting and Appointment of Proxy) of this Account Holder Letter, indicate the elections set forth herein (if applicable) and, if applicable, to nominate the person named in Part 2, Section 2 (Voting Instructions relating to the Schemes) of this Part 2 (Voting and Appointment of Proxy) of this Account Holder Letter to attend and vote at the Scheme Meeting.

   ☐ Yes

   ☐ No

In order for a Noteholder to be eligible to vote (either in person or by proxy), an Account Holder must respond "yes" in respect of each of paragraphs (1) and (2) above.

By delivering this Account Holder Letter to the Company, the Account Holder confirms that the Noteholder agrees that the Noteholder shall be deemed to have made the representations, warranties and undertakings set forth below in favour of the Company as at the date on which this Account Holder Letter is delivered to the Company.

1. Each Noteholder who submits, delivers or procures the delivery of an Account Holder Letter represents, warrants and undertakes to the Company that:

   (a) it has received the Scheme and the Explanatory Statement and has had sufficient opportunity to review all documents contained therein;

   (b) to the best of its knowledge, it is lawful to seek voting instructions from that Noteholder in respect of the Scheme;

   (c) it is assuming all of the risks inherent in that Noteholder participating in the Scheme and has undertaken all the appropriate analysis of the implications of participating in the Schemes for that Noteholder;

   (d) the Notes which are the subject of the Account Holder Letter are, at the time of delivery of such Account Holder Letter, held by it (directly or indirectly) or on its behalf at the relevant Clearing System;

   (e) it has not given voting instructions or submitted an Account Holder Letter with respect to Notes other than those that are the subject of this Account Holder Letter;

   (f) it a uthorizes the Clearing Systems to provide details concerning its identity, the Notes which are the subject of the Account Holder Letter and delivered on its behalf and its applicable account details to the Company and their respective legal and financial advisers at the time the Account Holder Letter is submitted;

   (g) save as expressly provided in the Explanatory Statement, neither the Company nor any of their respective affiliates, directors, officers or employees has made any recommendation to that Noteholder as to whether, or how, to vote in relation to the Scheme, and that it has made its own decision with regard to voting based on any legal, tax or financial advice that it has deemed necessary to seek;

(h) all authority conferred or agreed to be conferred pursuant to these representations, warranties and undertakings shall, to the best of its knowledge and to the extent permitted by law, be binding on the successors and assigns of that Noteholder (in the case of a corporation or institution) or the successors, assigns, heirs, executors, trustees in bankruptcy and legal representatives of that Noteholder (in the case of a natural person) and shall not be affected by, and shall survive, the insolvency, bankruptcy, dissolution, death or incapacity (as the case may be) of that Noteholder; and

(i) it is solely liable for any taxes or similar payments imposed on it under the laws of any applicable jurisdiction as a result of voting in favour of the Schemes, and that it will not and does not have any right of recourse (whether by way of reimbursement, indemnity or otherwise) against the Company or any of their affiliates, directors, officers, advisers or employees in respect of such taxes or similar payments.

2. Any Noteholder that is unable to give any of the representations in paragraph 1 above should contact the Company directly as soon as possible.

Notes:

1. *A Noteholder who wishes to vote at the Scheme Meeting must submit this Account Holder Letter* ***by the Record Time****.*

2. *A Noteholder who wishes to receive Scheme Shares must submit this part and Part 3 of the Account Holder Letter* ***by the Cut-Off Date****. There is no need to re-submit the Account Holder Letter if it was previously submitted by the Record Time.*

Section 2 Voting Instructions relating to the Schemes and Appointment of Proxy

The Noteholder wishes to vote (or to instruct its proxy to vote) at the Scheme Meeting as follows (please check **only one box**):

☐ **FOR** the Scheme; or

☐ **AGAINST** the Scheme.

The Noteholder wishes (please check **only one box**):

☐ to appoint the Chairperson as its proxy to attend and vote on the Scheme on its behalf at the Scheme Meeting in accordance with the instructions set forth above;

☐ to appoint the proxy (other than the Chairperson) identified below to attend and vote on the Scheme on its behalf at the Scheme Meeting in accordance with the instructions set forth above;

Name: _____

Passport country and number: _____

Phone number: _____

Email address: _____

☐ to attend and vote on the Scheme at the Scheme Meeting in person or by a duly authorised representative, if a corporation, in such manner as the Noteholder thinks fit.

Name: _____

Passport country and number: _____

Phone number: _____

Email address: _____

The Noteholder and/or his proxy (other than the Chairperson) wishes (please check **only one box**):

☐ to attend and vote on the Scheme at the Scheme Meeting in person

☐ to attend and vote on the Scheme at the Scheme Meeting by an **online conferencing platform** *(Note 3)* to be designated by the Company.

Notes:

1. *Unless a Noteholder is an individual attending in person or a corporation attending by a duly authorized representative, it must appoint a proxy to vote on its behalf at the Scheme Meeting. It is recommended that the Chairperson is appointed as the proxy, as there would in such circumstances be no need for any additional documents or identification to be taken to the Scheme Meeting by or on behalf of the Noteholder.*

2. *Any Noteholder or its proxy attending the Scheme Meeting in person must produce a duplicate copy of the Account Holder Letter validly completed and submitted on behalf of that Noteholder together with evidence of corporate authority (in the case of a corporation) (for example, a valid power of attorney and/or board resolutions) and evidence of personal identity (being a valid original passport or other original government-issued photographic identification) at the registration desk by no later than one hour before the scheduled time of the Scheme Meeting.*

3. *A Noteholder (or its proxy) who attends the Scheme Meeting by an online conferencing platform to be designated by the Company must agree to show his face from the webcam on the device on which he is accessing the Scheme Meeting and be visible to the Chairperson of the Scheme Meeting at all times. The unique personal identification number (PIN) together with any additional instructions will be sent to the Noteholder's designated email address as stated in Part 2 of this Account Holder Letter.*

4. *For the avoidance of doubt, if a Noteholder wishes to vote, the Account Holder Letter should be completed and submitted to the Company* ***by the Record Time****.*

PART 3

DISTRIBUTION OF SCHEME SHARES

This Part 3 is required to be completed for the Notes Scheme Creditor to receive the Scheme Shares.

The Company intends wherever possible, to distribute the Scheme Shares to Scheme Creditors through the Central Clearing and Settlement System for listed shares in Hong Kong ("**CCASS**").

The Company shall procure that in respect of the Scheme Shares, the Share Registrar enters the name of that Scheme Creditor or the name of the relevant CCASS participant account in this Part 3 of its Account Holder Letter), in the Share Register in respect of the Scheme Shares to which the Scheme Creditor is entitled.

In the event that such arrangements are not practicable or are otherwise not made, the Notes Scheme Creditors note that they will receive physical share certificates and registered with the particulars set out in this Part 3 of the Account Holder Letter and they shall be responsible themselves to deposit the same into CCASS if they wish to deal in them. Please note that the Scheme Administrators and the Company do not undertake that the relevant shares can or will be deposited into CCASS and are not responsible to for any delay before the shares can be dealt with within CCASS.

YOU SHOULD TICK ONLY ONE BOX SET OUT BELOW:

☐ **I elect to receive my Scheme Shares in the CCASS account set out below:**

CCASS Account Bank Name: _____

CCASS Account Number: _____

SWIFT CODE: _____

Account Name at CCASS Bank: _____

Account Number at CCASS Bank: _____

Responsible Employee Name: _____

Email: _____

Phone: _____

Fax: _____

Address: _____

_____

_____

☐ **I elect to decline to receive all Scheme Shares.**

IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 1072 OF 2021

IN THE MATTER OF THE
MOODY TECHNOLOGY HOLDINGS LIMITED
（滿地科技股份有限公司）

AND

IN THE MATTER OF
SECTIONS 670 AND 673 OF THE COMPANIES ORDINANCE,
CHAPTER 622 OF THE LAWS OF HONG KONG

Form of proxy for use at the meeting (or at any adjournment thereof) (the "**Scheme Meeting**") of Scheme Creditors of the above mentioned company (the "**Company**") convened by the order of the High Court of Hong Kong under Sections 670 and 673 of the Companies Ordinance.

FORM OF PROXY

I/We *(Note 1)*, _____ of _____ being a Scheme Creditor of the Company HEREBY APPOINT *(Note 2)* _____ of _____ as my/our proxy to act for me/us at the Scheme Meeting convened by direction the High Court of Hong Kong to be held at 3:00 p.m. to 6:00 p.m. on 8 June 2022 (Hong Kong time) at 1/F First Commercial Building, 33-35 Leighton Road, Causeway Bay, Hong Kong for the purpose of considering and, if thought fit, approving, with or without modification, the proposed Scheme of Arrangement referred to in the Notice convening the Scheme Meeting and at such Scheme Meeting, or at any adjournment thereof, to vote for me/us and in my/our name(s) as hereunder indicated for the Scheme of Arrangement either with or without modification (as my/our proxy may approve) or against the Scheme of Arrangement and if no such indication is given, as my/our proxy thinks fit.

I/We confirm that the total amount of the debt claimed by me/us against the Company as at the date of the Record Date will be *(Note 3)* HK$ _____.

I/We confirm that the amount claimed by me/us includes capitalized or outstanding uncapitalized interest of *(Note 3)* HK$ _____.

Particulars of the grounds upon which interest is claimed (i.e., contract or judgment) and the basis of calculation (e.g. rate of interest and period) are as follows:

_____

Proxy vote *(Note 4)*

FOR the Scheme of Arrangement		**AGAINST** the Scheme of Arrangement	

Signature _____ Dated _____
(Note 5)

For and on behalf of _____

Notes:

(1) *Full name and address to be inserted in BLOCK CAPITALS.*

(2) *Insert the name and address of the proxy desired in the space provided.* ***Any alteration made to this Form of Proxy must be initialled by the person who signs it.*** *The proxy needs not be a Scheme Creditor of the Company but must attend the Scheme Meeting in person or by an online conferencing platform to be designated by the Company to represent you. The Scheme Creditor may wish to appoint the Chairperson as its proxy to attend and vote on the Scheme on its behalf at the Scheme Meeting in accordance with the instructions set forth above, or to appoint a proxy to attend and vote on the Scheme on its behalf at the Scheme Meeting in accordance with the instructions set forth above or at the sole discretion of its proxy.*

(3) *Insert the total amount of the Company's indebtedness to you and the interest thereon (if any) as appropriate as at the Record Date in Hong Kong Dollars or if the original currency of the debt or interest is in a currency other than Hong Kong Dollars, that currency. In the case of a Scheme Creditor holding any security or who has received any satisfaction from the Company, such amount should be the amount of the shortfall, if any, after applying the proceeds of the realization of the security or the amount of such satisfaction or after deducting the estimated value of the security.*

IMPORTANT: The admission of an amount for which a Scheme Creditor or his proxy can vote at the Scheme Meeting does not constitute the admission by the Company or by the Scheme Administrators (as defined in the Scheme) of the amount for the purposes of the Scheme if approved.

(4) *This Form of Proxy must be signed by you or your attorney duly authorized in writing or in the case of a company must be either under its common seal or under the hand of an officer or attorney duly authorized.*

(5) *You are requested to lodge this Form of Proxy, together with the power of attorney (if any) or other authority (if any) under which it is signed or a notarially certified copy thereof, to the Company c/o Alliance Advisors LLC, the information agent, at 24/F., Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong (Fax: +852 3006 2486 or Email: 1400.HK@allianceadvisors.com) (Attention: Carey Lo and Race Chan) by no later than 10:00 a.m.(Hong Kong time) on 6 June 2022, being two business days prior to the date of the Scheme Meeting. Completion and return of this Form of Proxy will not preclude you from attending and voting in person or by an online conferencing platform to be designated by the Company at the Scheme Meeting, but in such event this Form of Proxy will be deemed to have been revoked.*

(6) *In the case of a Scheme Creditor which is a corporation, it must appoint an individual to attend the Scheme Meeting as its representative or proxy. To attend and vote at the Scheme Meeting, the representative or proxy must produce at the Scheme Meeting to the satisfaction of the Chairperson of the Scheme Meeting an appropriately certified copy of the resolution of the board of directors or other governing body of the Scheme Creditor evidencing that he/she is authorized to act as its representative or proxy for such purpose and evidence of personal identity.*

(7) ***IMPORTANT: If you wish to vote for the Scheme, mark "X" in the box to the right of the box marked "FOR the Scheme of Arrangement". If you wish to vote against the Scheme, mark "X" in the box to the right of the box marked "AGAINST the Scheme of Arrangement". Failure to mark in either box will entitle your proxy to cast your vote at his discretion or abstain. Your proxy will also be entitled to vote at his discretion or abstain on any resolution properly put to Scheme Meeting other than that referred to in the Notice convening the Scheme Meeting.***

List of Scheme Creditors (as at the Latest Practicable Date for illustrative purpose only)

1	Zhong Qiang（钟强）	49	賴遠強
2	An Qian（安谦）	50	歐木蘭
3	Shi Jiandong（施建东）	51	沈維忠
4	Huo Guoliang（霍国亮）	52	邢冬
5	Wang Wenxia（王文霞）	53	鄭倫
6	Lu Lu（卢璐）	54	廖建滨
7	Guo Jiamin（郭嘉民）	55	林智峰
8	Zhang Qian（张谦）	56	张灿辉
9	Xu Jingpin（徐净娉）	57	洪华峰
10	鄭彩蓮	58	林永记
11	鄭世景	59	林贻湛
12	姜紹軍	60	黄建来
13	劉洋	61	佘小平
14	王曉萌	62	吴冰盈
15	張煉彬	63	林虹怡
16	余富賢	64	施纯福
17	王發海	65	沈光秀
18	王雅舒	66	杨伍湧
19	呂紅芸	67	骆昭莹
20	林永彬	68	蔡第乐
21	薛炳官	69	李为兴
22	張豔紅	70	李栋梁
23	郭淑興	71	刘慧
24	堵潔	72	樊鸿
25	李小梅	73	李岩
26	劉治平	74	曾红霞
27	鄭柳州	75	孙剑锋
28	劉玉川	76	孟浩
29	張瑞海	77	孙颖
30	徐和	78	WAN Hung Ha
31	王虹	79	李祥健
32	楊曉明	80	王賀
33	盛開來	81	张锦明
34	遲騁	82	邸军
35	張曉婧	83	廖诗锟
36	袁杰	84	张泉
37	周姍姍	85	郭建军
38	馮哲	86	吴东兴
39	葉常九	87	李桂华
40	羅仁俊	88	陈东槟
41	劉艷華	89	向晖
42	王智勇	90	高山雪
43	陶園	91	徐海涛
44	李曉亮	92	杨港川
45	邵小明	93	郑震英
46	陳煜	94	周纯
47	江斌燕	95	唐正香
48	江曉華	96	杨晓琴

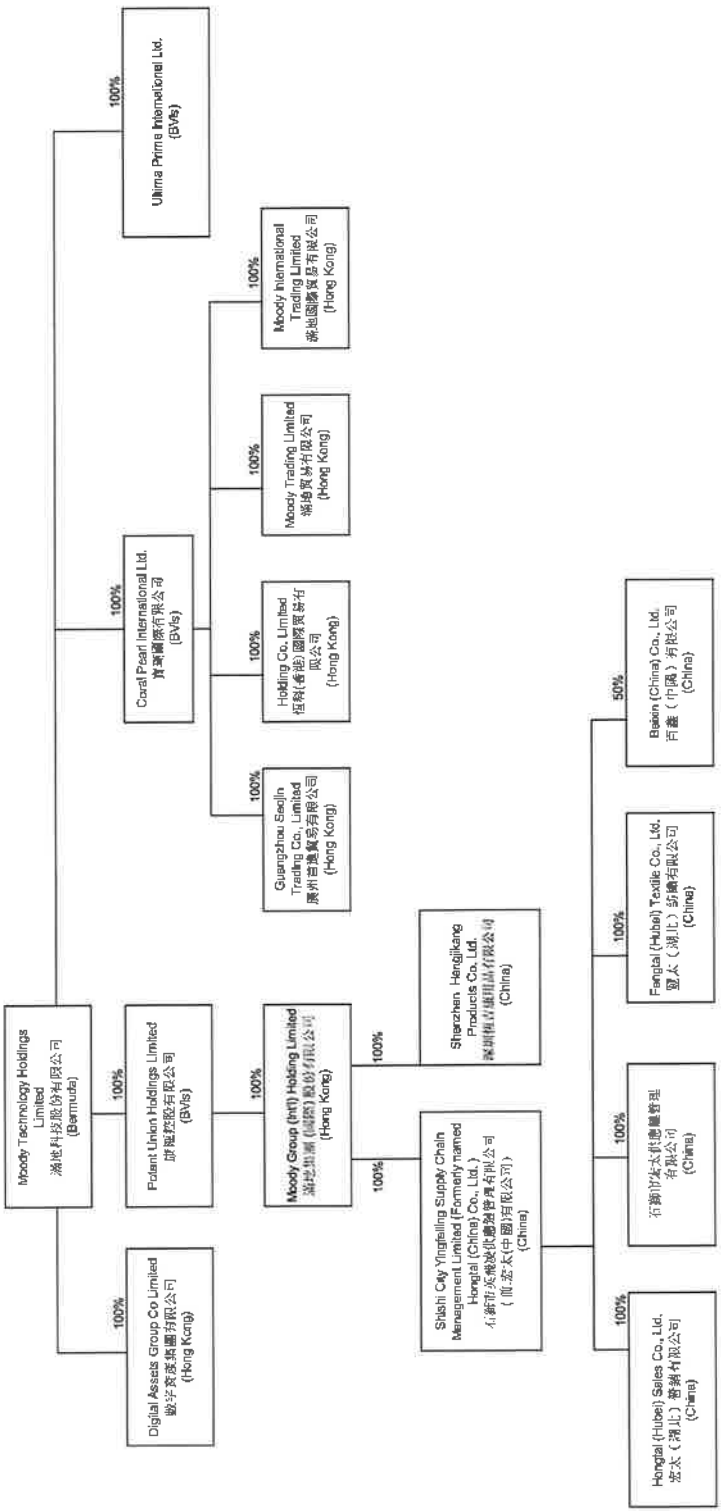
97 彭金清
98 LIANG Chi-Yuan
99 刘晓琳
100 洪美璇
101 黄达威
102 黄若雅
103 吴安安
104 梁永芳
105 许少凭
106 黄田燕
107 蔡嘉彬
108 李旭梅
109 WONG Hoi Yee
110 WONG Lai Fong Ada
111 WONG Chung Leung
112 王智勇（富泰）
113 陈春伶
114 许政洁
115 李莉
116 濮阳波
117 曾金水
118 徐媛媛
119 富泰资产顾问（国际）有限公司
120 Chow Ho Yin Cecil
121 Lee Hoi Ki Ivy
122 WAN Kwun Lun
123 YEUNG Cheuk Ling
124 NG Ho Ching Ivy
125 Pang Nga Chun
126 Tam Kin Wai
127 陈玉仪
128 LEUNG Suk Yu
129 LO Ho Nang
130 锺贺麟
131 LAU King Hang
132 郭文辉
133 吴华森 NG WAH SUM
134 LEE LAI KIT
135 伍威旻
136 容朗达
137 高翊琪
138 邓建咏
139 CHOI Winki
140 秦华(USD)
141 李坚
142 许丽容
143 庄楚山
144 陈润萍
145 周莉
146 梁子峰
147 Li Chin Fung
148 李东凡
149 乔丽娜
150 邵俊丽
151 杨文铙
152 LUI CHUN KIT
153 罗静 (Lo Ching)
154 罗蓓蓓
155 王爱华
156 周长安
157 刘心
158 彭镜光
159 忻汝英
160 梁嘉伟
161 Zhao Yuanzhou（赵远洲）
162 Hu Hailin（胡海林）
163 Chen Fen（陈芬）
164 Yang Deyu（杨德玉）
165 Yang Zhongjie（杨忠杰）
166 Deng Yingzhong（邓颖忠）
167 吴忠荣
168 CHEUNG Wai Sing
169 FAN Chun Kim
170 朱伟
171 Chan Chi Wah
172 张雪萍
173 CLC (Overseas) Consultant Ltd.
174 苏大杰
175 吴德川
176 田华
177 张雯
178 金梅 JIN MEI
179 金鑫
180 余志强
181 陈奕帆
182 黄春花
183 庄小娜
184 Lego Corporate Financial Limited
185 Castores Magi (Hong Kong) Limited
186 Castores Magi Asia Limited
187 Sidley Austin LLP
188 Toppan Merrill Limited
189 iPRO Financial Press Limited
190 Yu Yubin
191 Ma Chongqi
192 Deng Qinghui
193 Wong Ting Fong
194 Wilson Chong

LIST OF SUBSIDIARIES (as at Latest Practicable Date)

	Details
1	Potent Union Holdings Limited（康匯控股有限公司）
2	Digital Assets Group Co., Limited（數字資產集團有限公司）
3	Coral Pearl International Limited（寶瑚國際有限公司）
4	Ultima Prime International Limited
5	Moody Group (Int'l) Holding Limited（滿地集團（國際）股份有限公司）
6	Shishi City Yingfeiling Supply Chain Management Limited (formerly named Hongtai (China) Co., Limited)*（宏太（中國）有限公司）
7	Fengtai (Hubei) Textile Co., Limited*（豐太（湖北）紡織有限公司）
8	Hongtai (Hubei) Sales Co., Limited*（宏太（湖北）營銷有限公司）
9	Shishi Hongtai Supply Chain Management Co., Limited*（石獅市宏太供應鏈管理有限公司）
10	Guangzhou Seojin Trading Co., Limited（廣州首進貿易有限公司）
11	HKT International Holding Co. Limited（恆科（香港）國際貿易有限公司）
12	Moody Trading Limited（滿地貿易有限公司）
13	Moody International Trading Limited（滿地國際貿易有限公司）
14	Shenzhen Hengjikang Products Co., Ltd.*（深圳恆吉康用品有限公司）
15	Baixin (China) Co., Ltd（百鑫（中國）有限公司）

* The English translation of the company names is for reference only. The official names of these companies are in Chinese. The companies are registered as limited liability companies under the PRC law

CORPORATE CHART (as at the Latest Practicable Date for illustrative purposes only)



This Liquidation Analysis illustrates that the estimated recovery rate for the Scheme Creditors under the liquidation scenario is 0.89%.

A. Basis of preparation

In this Liquidation Scenario, the Group is assumed to undergo an orderly winding-up – the assets of each entity of the Group are realized in a forced sale scenario and applied to discharge the liabilities owed to their respective creditors with claims against such entity as appropriate, taking into account security held, guarantee claims, intercompany claims and other claims or rights that parties have.

Should there be any surplus after discharging all its liabilities for any entity, such surplus is assumed to be distributed to that entity's immediate shareholder(s).

The Company, being the ultimate holding company, may receive net realizations from disposal of its own assets, collection of third-party receivables and inter-company receivables due from subsidiaries and the distribution of any surplus payable to it in the capacity as a shareholder of each key entity in the Group.

The Liquidation Analysis adopts a conventional bottom up and asset-by-asset liquidation approach.

It is assumed that a group-wide liquidation will occur, triggering a cessation of business of the Company and its subsidiaries, and at least for a six to twelve month liquidation period.

In the Liquidation Scenario, the assets of the Company are applied in the following order:–

(i) The expenses relating to the liquidation
(ii) Preferential creditors, if any
(iii) Ordinary or unsecured creditors
(iv) Shareholders

Secured creditors are generally entitled to pay themselves out of their security. If there is a surplus after debts due to secured creditors are paid in full, it must be paid to the company concerned. Should there be a shortfall, the residual claims of these secured creditors would rank equally as unsecured creditors for the balance in the relevant company.

B. Key Assumptions, Methodologies and Limitations

The Liquidation Analysis is the result of a significant amount of analysis undertaken. It was prepared to enable the Directors to assess the possible recovery to the Scheme Creditors in the event that liquidation of the Group takes place.

On 31 March 2022, the Company made an announcement of the unaudited annual results for the year ended 31 December 2021. Due to the adverse factors which have delayed the audit process, the Company further announced on 4 April 2022 that it is anticipated that the audited annual results would be announced by 15 May 2022. For the sake of prudence, the Liquidation Analysis is based on the latest available audited financial information and statements of financial position of individual entity as of 31 December 2020.

Whilst no detailed liquidation analysis was done based on the unaudited financials of the Company for the year ended 31 December 2021, the estimated recovery rate based on the unaudited financials of the Company for the year ended 31 December 2021 would likely be less than the 0.89% (based on 2020 audited financials) due to the following changes of financial positions:–

(i) The two reportable business segments in 2021 remained substantially the same as in previous year 2020, being sale of shoes and clothes and sale of fabrics.
(ii) 3 subsidiaries of the Company were de-recognised during the financial year 2021.
(iii) Total assets in 2021 decreased from RMB280.3 million to RMB227.7 million by 19%.
(iv) Total liabilities in 2021 increased from RMB1,239.5 million to RMB1,275.5 million by 3%.
(v) Net current liabilities in 2021 increased from RMB929.8 million to RMB1,071.6 million by 15%.
(vi) Net total liabilities in 2021 increased from RMB959.3 million to RMB1,047.8 million by 9%.

The Liquidation Analysis is based on a number of projections, estimates and assumptions and is subject to the following limitations:–

(vii) The Liquidation Analysis involves extensive use of estimates and assumptions, which are subject to uncertainties and contingencies beyond the control of the Company, its management and advisors. As such, the actual recovery can be very different from the expected recovery set forth in the liquidation scenario.

(viii) It may take extra time and effort to effect the transfer of assets located in the PRC/Mainland China (which may or may not be successful) and complications may arise in transferring title of assets. All tax related matters in asset realisation have yet to be taken into account in the calculations and are assumed to have no significant impact; the State Administration of Foreign Exchange of the PRC is assumed to grand the approval for repatriation of funds out of the PRC in good time.

(ix) It is assumed that all proposed disposal of fixed assets of the Group are not subject to payment of any taxes; however, in certain cases, disposal may give rise to tax liability. If tax liability should arise, expected return to the Scheme Creditors would decrease.

(x) Contingent liability has not been taken into account. Substantial costs and expenses would be incurred during the process of liquidation, which in turn would reduce the recovery rate. The determination of the costs of, and hypothetical proceeds from, the liquidation of the assets is an uncertain process given the extensive use of estimates and assumptions which are themselves subject to significant business, economic, and competitive uncertainties and contingencies beyond the control of the Group, their management, and their advisors. Inevitably, some assumptions in the Liquidation Analysis would not materialize in liquidation, and unanticipated events and circumstances could affect the ultimate results in an actual liquidation. The actual proceeds from such liquidation could vary significantly from the amounts set forth in the recovery analysis.

(xi) After paying off the debts, some entities in the Group may have residual values and could return the same to their intermediate holding companies by way of upstream distribution of surplus assets or dividend. Such residual values (if any) would likely be applied to discharge the liabilities of those intermediate shareholding companies, leaving returns to the Company (as ultimate shareholder), if any, highly uncertain.

(xii) Estimated recovery rates of various assets are based on a high level estimation of the realisable value of assets of the Group. The Scheme Creditors may not be able to achieve such recovery rates and amounts due from debtors may even be time barred under applicable limitation periods.

(xiii) The estimates provided in this Liquidation Analysis are indicative only. There are factors beyond the control of the Company and the liquidators that can affect these estimates, which may give rise to either an improvement or deterioration of these estimates.

(xiv) The actual recoveries to the Scheme Creditors in a liquidation of the Company will be dependent on a range of factors which may be better or worse than the estimated returns in the recovery analysis. In addition, the estimated timing of asset realizations, and distributions being made on an entity by entity basis in a liquidation scenario is uncertain and likely to vary depending on the applicable insolvency procedure.

(xv) In practice, a liquidation of the Group would be lengthy, expensive and subject to a high degree of uncertainty. The Company has assumed a rate of 50% of the total realizable value of the assets as estimated costs of liquidation (including associated legal and other costs of realisation) for each entity, which has not taken into account the impact of timing.

Accordingly, the Liquidation Analysis should be considered as illustrative in nature and the actual recovery in a liquidation scenario could vary significantly from the estimates contained in the Liquidation Analysis. It should be noted that value of assets of the Group will diminish very quickly over time, especially given its consistently poor trading results over the past two years with very limited internal working capital and resources.

C. Estimated recovery under the liquidation scenario

In gist, the estimated recovery by Scheme Creditors under the liquidation scenario is 0.89%, which is summarised in the table below:

Description (Assumptions)	**Liquidation Scenario** (RMB million)	
Assets available:		
Scheme Shares	N/A	
Investment in subsidiaries	3.40	
Inter-company receivables	5.85	
Trade and other receivables	5.01	
Bank and cash balance	0.10	
Total assets available	14.36	[a]
Less:Liquidation costs under Liquidation Scenario *(Note)*	(7.18)	[b]
Net assets available	7.18	[c] = [a] – [b]
Indebtedness of the Company	803.38	[d]
Estimated recovery rate to the Scheme Creditors	**0.89%**	[e] = [c]/[d]

Note:

The Company has assumed a rate of 50% of the total realizable value of the assets as an illustrative provision to cover the costs of liquidation.

The remaining analysis will set out the estimated return from the Company and each of its subsidiaries.

C1. *Estimated return of the Company*

Based on Annual Report of 2020

	Book value as at 31 Dec 2020 RMB	Estimated Realisable %	Estimated Realisable value RMB	*Notes*
Non-current assets				
Long-term equity investment	242,101,123.39	1%	3,402,408.04	*1*
Current assets				
Other receivables	6,687,057.53	75%	5,012,476.80	*2*
Amount due from group companies:				
Moody Group (Int'l) Holding Limited	1,117,206,900.28	0.20%	2,210,188.86	*3*
珠海瀾瀚科技有限公司	7,806,179.35	46.55%	3,633,715.81	*3*
Cash and bank balances	99,413.23	100%	99,413.23	*4*
Total Assets	**1,373,900,673.78**		**14,358,202.74**	
Total Liabilities	**(803,377,545.16)**		**(803,377,545.16)**	

Notes

1. The Company directly holds the following subsidiaries: (i) Digital Assets Group Co Limited, (ii) Potent Union Holdings Limited, (iii) Coral Pearl International Ltd, (iv) Ultima Prime International Limited. No surplus will accrue to the Company from these subsidiaries after their liabilities are discharged, except for Cora Pearl International Ltd from which approximately RMB3.40 million will accrue to the Company. Please refer to following section "Estimated return of subsidiaries" for details of estimated return of each subsidiary of the Company.

2. The total sum of RMB6.68 million mainly comprise (i) RMB6,265,596 due from Moody Assets Holdings Limited, a company outside of the Group; the Provisional Liquidators applied a recovery rate of 80% because this company has a good repayment record, and (ii) RMB419,498 being cost on account of Provisional Liquidators' fee, which have been applied for fees incurred.

3. The recoverability is derived from the estimated distribution to the unsecured creditors from the liquidations of the respective subsidiary.

4. The Provisional Liquidators have applied a recovery rate of 100% on the cash and bank balances on the basis that such assets should be readily recoverable, and bank charges are minimal.

For illustrative purposes, the return to the Scheme Creditors in the two scenarios where the Scheme is implemented or where the Company is put into liquidation are set out in the table below.

C2. Estimated return of the subsidiaries

Estimated returns from the subsidiaries of the Company are detailed in the following. This is only for illustrative purposes and the actual recovery in a liquidation scenario may vary significantly from the estimates contained in the recovery analysis.

(1) Estimated return of subsidiary – Digital Assets Group Co., Limited

	Book value as at 31 Dec 2020 RMB	Estimated Realisable %	Estimated Realisable value RMB	*Notes*
Non-current assets				
Long-term equity investment	8,389.97	0%	0	*1*
Current assets				
Amount due from group companies:				
Moody Technology Holdings Limited	8,389.97	0.89%	74.97	*2*
Total Assets	**16,779.94**		**74.97**	
Less:				
Liquidator, legal and professional fee			0	*3*
Total assets available for unsecured creditors			**74.97**	
Company's liabilities (unsecured)			10,277.71	*4*
Estimated recovery rate for unsecured creditors			0.73%	
Surplus to shareholders			**0**	

Notes

The company, being a Hong Kong incorporated subsidiary, is an intermediate holding company.

1. The company directly holds Cloud Hase Mining Limited. No surplus would be expected to accrue to the company from this subsidiary after its liabilities are discharged.

2. The recoverability from the Company is derived from the estimated distribution to the unsecured creditors from the liquidations of the respective group company.

3. Depending on the nature of underlying asset(s), and anticipated complexity of the respective realisation process. Nil cost of realisation is assumed as immaterial amount of realisable asset.

4. Liabilities consist of other payables and intercompany payables due to group company, Cloud Hase Mining Limited, another Hong Kong incorporated subsidiary.

(2) Estimated return of subsidiary – Cloud Hase Mining Limited (This subsidiary was de-registered on 23 April 2021)

	Book value as at 31 Dec 2020 RMB	Estimated Realisable %	Estimated Realisable value RMB	*Notes*
Current assets				
Amount due from group companies: Digital Assets Group Co., Limited	8,389.97	0.73%	61.20	*1*
Total Assets	**8,389.97**		**61.20**	
Less:				
Liquidator, legal and professional fee			0	*2*
Total assets available for unsecured creditors			**61.20**	
Company's liabilities (unsecured)			(1,887.74)	*3*
Estimated recovery rate for unsecured creditors			3.24%	
Surplus to shareholders			**0**	

Notes

The company, being a Hong Kong incorporated subsidiary, has no business or operation.

1. The recoverability is derived from the estimated distribution to the unsecured creditors from the liquidations of the respective group company, which is Digital Assets Group Co., Limited.

2. Nil cost of realisation is assumed as immaterial amount of realisable asset.

3. Liabilities consist of other payables.

(3) Estimated return of subsidiary – Potent Union Holdings Limited

	Book value as at 31 Dec 2020 RMB	Estimated Realisable %	Estimated Realisable value RMB	*Notes*
Non-current assets				
Long-term equity investment	8,389.97	0%	0	*1*
Total Assets	**8,389.97**		**0**	
Less:				
Liquidator, legal and professional fee			0	*2*
Total assets available for unsecured creditors			**0**	
Company's liabilities (unsecured)			(1,677.99)	*3*
Estimated recovery rate for unsecured creditors			0%	
Surplus to shareholders			**0**	

Notes

The company is an intermediate holding company, which was incorporated in the British Virgin Islands ("**BVI**").

1. The company directly holds the entire shares of Moody Group (Int'l) Holding Limited with no business. No surplus is expected to be realised and accrued to the company from this subsidiary after its liabilities are discharged.

2. Nil cost of realisation is expected as there is no asset to be realised.

3. Company's liabilities are unsecured intercompany payables due to a group company, Moody Group (Int'l) Holding Limited.

(4) Estimated return of subsidiary – Moody Group (Int'l) Holding Limited

	Book value as at 31 Dec 2020 RMB	Estimated Realisable %	Estimated Realisable value RMB	*Notes*
Non-current assets				
Long-term equity investment	411,450,025.17	0.18%	733,025.82	*1*
Current assets				
Amount due from group companies:				
Potent Union Holdings Limited	1,677.99	0%	0	*2*
Hongtai (China) Co., Ltd.	2,270,116.73	62.98%	1,429,687.65	*2*
Cash and bank balances	104,447.32	100%	104,447.32	*3*
Total Assets	**414,010,724.25**		**2,267,160.78**	
Less:				
Liquidator, legal and professional fee		2%	(45,343.22)	*4*
Total assets available for unsecured creditors			**2,221,817.56**	
Company's liabilities (unsecured)			(1,123,084,982.05)	*5*
Estimated recovery rate for unsecured creditors			0.20%	
Surplus to shareholders			**0**	

Notes

The company is an intermediate holding company, which was incorporated in Hong Kong.

1. The company directly holds the following subsidiaries: (i) Hongtai (China) Co., Ltd., (ii) Shen Hengjikang Products Co., Ltd.. Only the investment shares holding in Shen Hengjikang Products Co., Ltd. is estimated to be recoverable, from which approximately RMB733,000 may be realised and accrued to the company. For details, please refer to the liquidation analysis of Shen Hengjikang Products Co., Ltd below.

2. The recoverability is derived from the estimated distribution to the unsecured creditors from the liquidations of the respective group company.

3. A recovery rate of 100% is assumed on the cash and bank balances on the basis that such assets should be readily recoverable with minimal bank charges, which are assumed not subject to any security charges.

4. Depending on the nature of underlying asset(s), and anticipated complexity of the respective realisation process. Assumed 2% on costs of realisation as assets mainly from inter-company balance.

5. Liabilities consist of other payables, intercompany payables due to group companies including Moody Technology Holdings Limited (the Company) and Moody Trading Limited, a subsidiary incorporated in Hong Kong.

(5) Estimated return of subsidiary – Shishi City Yingfeiling Supply Chain Management Limited (formerly named Hongtai (China) Co., Ltd).

	Book value as at 31 Dec 2020 RMB	Estimated Realisable %	Estimated Realisable value RMB	*Notes*
Non-current assets				
Long-term equity investment	52,000,000.00	0%	0	*1*
Current assets				
Accounts receivables	7,215,930.24	50%	3,607,965.12	*2*
Prepayments	98,862.00	30%	29,658.60	*3*
Other receivables	51,593,587.20	5%	2,500,000.00	*4*
Amount due from group companies: Feng Tai (Hubei) Textile Co., Ltd.	98,464,763.37	52.35%	51,547,351.35	*5*
Cash and bank balances	418,362.02	100%	418,362.02	*6*
Total Assets	**209,791,504.83**		**58,103,337.09**	
Less:				
Liquidator, legal and professional fee		10%	(5,810,333.71)	*7*
Total assets available for unsecured creditors			**52,293,003.38**	
Company's liabilities (unsecured)			(166,898,045.26)	*8*
Estimated recovery rate for unsecured creditors			31.33%	
Surplus to shareholders			**0**	

Notes

The company, being a PRC entity and a subsidiary principally engaged in fabric productions, has been engaged in design, manufacturing and sales of fabric business.

1. The company directly holds the following subsidiaries: (i) Hongtai (Hubei) Sales Co., Ltd., (ii) Feng Tai (Hubei) Textile Co., Ltd. And (iii) 石狮市宏太供應鏈管理公司. No surplus is expected to accrue to the company from these subsidiaries after their respective liabilities are discharged, as they are all insolvent. The company also directly holds an investment in associate company, Baixin (China) Co., Ltd ("**Baixin**"), which had suspended production during the year ended 31 December 2018; no return is expected from Baixin, the investment in Baixin was completely written off during the year ended 31 December 2019.

2. The estimated realisable of the accounts receivables is likely to be substantially lower than its book value if the company was put into liquidation as customers may raise counter claims and may refuse to pay under a liquidation scenario. A recovery rate of 50% is assumed.

3. Amount represented prepayments for purchase of raw materials. A recovery rate of 30% is assumed for prudent sake.

4. Represented an advance to an independent third party. Repayment plan was received from this third party that the outstanding balance to the Group was scheduled to be repaid by instalment by the end of Dec 2021; as per the announcement dated 25 May 2021, only RMB2.5M was repaid. Having considered the legal merits of the recovery and weighted that the risk of non-recoverability remains high.

5. The recoverability is derived from the estimated distribution to the unsecured creditors from the liquidation of the respective group company. For details, please refer to the liquidation analysis of Feng Tai (Hubei) Textile Co., Ltd below.

6. A recovery rate of 100% on the cash and bank balances is assumed on the basis that such assets should be readily recoverable, with no charges as security for bank loans and minimal bank charges.

7. Depending on the nature of underlying asset(s), and anticipated complexity of the respective realisation process. Assumed a 10% costs of realisation as assets are mainly amounts due from inter-company balances, and higher costs may be involved in recovering other receivables from the independent third party.

8. Liabilities consist of amount due to former director, accounts payables, receipts in advance, salary payables, interest payables, other payables, other tax payables, borrowings and intercompany payables due to group companies, which are Moody Group (Int'l) Holding Limited, Hongtai (Hubei) Sales Co., Ltd (PRC incorporated) and HKT International Holding Co. Limited (Hong Kong incorporated).

(6) Estimated return of subsidiary – Hongtai (Hubei) Sales Co., Ltd.

	Book value as at 31 Dec 2020 RMB	Estimated Realisable %	Estimated Realisable value RMB	*Notes*
Current assets				
Inventories	297,916.04	30%	89,374.81	*1*
Accounts receivables	2,018,492.10	50%	1,009,246.05	*2*
Other receivables	4,168,536.78	30%	1,250,561.03	*3*
Amount due from group companies:				
Hongtai (China) Co., Ltd.	20,383,414.77	31.33%	6,386,393.01	*4*
Feng Tai (Hubei) Textile Co., Ltd.	3,595,552.71	52.35%	1,882,310.10	*4*
Cash and bank balances	12,664.07	100%	12,664.07	*5*
Total Assets	**30,476,576.47**		**10,630,549.08**	
Less:				
Liquidator, legal and professional fee		8%	(850,443.93)	*6*
Total assets available for unsecured creditors			**9,780,105.15**	
Company's liabilities (unsecured)			(12,308,778.94)	*7*
Estimated recovery rate for unsecured creditors			79.46%	
Surplus to shareholders			**0**	

Notes

The company, being a PRC entity, has been engaged in sales of fabric business.

1. A recovery rate of 30% is assumed, with due consideration of the resaleability of the underlying inventories.

2. The estimated realisable of the accounts receivables is likely to be substantially lower than its book value if the company was put into liquidation as customers may raise counter claims and may refuse to repay under a liquidation scenario. Hence, a recovery rate of 50% is assumed.

3. Represented an advance to an entity. A recovery rate of 30% is assumed for prudent sake.

4. The recoverability is derived from the estimated distribution to the unsecured creditors from the liquidations of the respective group companies, which are Hongtai (China) Co., Ltd. and Feng Tai (Hubei) Textile Co., Ltd..

5. A recovery rate of 100% is assumed on the cash and bank balances on the basis that such assets should be readily recoverable with minimal bank charges.

6. Depending on the nature of underlying asset(s), and anticipated complexity of the respective realisation process. Assumed a costs of realisation at 8% as assets are mainly amount due from inter-company balances.

7. Liabilities consist of accounts payables, receipts in advance, salary payables, interest payables, other payables and borrowings.

(7) Estimated return of subsidiary – 石獅市宏太供應鏈管理公司

	Book value as at 31 Dec 2020 RMB	Estimated Realisable %	Estimated Realisable value RMB	*Notes*
Total Assets	**0**		**0**	
Less:				
Liquidator, legal and professional fee		N/A	0	*1*
Total assets available for unsecured creditors			**0**	
Company's liabilities (unsecured)			(400)	*2*
Estimated recovery rate for unsecured creditors			0%	
Surplus to shareholders			**0**	

Notes

The company, being a PRC entity, has no business.

1. Nil costs as there is no asset to realise.

2. Consist of other payables.

(8) Estimated return of subsidiary – Feng Tai (Hubei) Textile Co., Ltd.

	Book value as at 31 Dec 2020 RMB	Estimated Realisable %	Estimated Realisable value RMB	*Notes*
Non-current assets				
Property, plant and equipment ("**PPE**")	352,197,514.96	53.95%	190,002,618.74	*1*
Current assets				
Inventories	2,141,525.48	30%	642,457.64	*2*
Prepayments	1,003,599.85	30%	301,079.96	*3*
Other receivables	417,173.64	10%	41,717.36	*4*
Amount due from group companies:				
Moody Technology Holdings Limited	13,058,999.97	1.09%	142,696.44	*5*
Cash and bank balances	3,776.09	100%	3,776.09	*6*
Total Assets	**368,822,589.99**		**191,134,346.24**	
Less:				
Liquidator, legal and professional fee		10%	(19,113,434.62)	*7*
Total assets available for unsecured creditors			**172,020,911.61**	
Company's liabilities (unsecured)			(328,591,051.02)	*8*
Estimated recovery rate for unsecured creditors			52.35%	
Surplus to shareholders			**0**	

Notes

The company, being a PRC entity, has been engaged in manufacturing and sales of fabrics business.

1. Mainly consist of land, building, production equipment and vehicles. For illustration purpose, realisable amounts are based on their respective values from valuation report prepared by an independent valuer, after netting the amounts secured by creditors.

2. A recovery rate of 30% is assumed, with due consideration of the resale value in the market of the underlying inventories and for prudent sake.

3. Amount represented prepayments for the purchase of raw materials. A recovery rate of 30% is assumed for prudent sake as this sum should be reduced in proportion to the raw materials purchased and delivered to the company as work-in-progress or used to produce finished goods.

4. Mainly represented advance for utilities service providers, which is unlikely to be realisable in liquidation. The Provisional Liquidators have assumed a recovery rate of 10% for prudent sake.

5. The recoverability from the Company is derived from the estimated distribution to the unsecured creditors from the liquidations of the respective group company.

6. A recovery rate of 100% is assumed on the cash and bank balances on the basis that such assets should be readily recoverable with minimal bank charges.

7. Depending on the nature of underlying asset(s), and anticipated complexity of the respective realisation process. Assumed 10% costs of realisation as assets are mainly from inter-company balances, and higher costs may be involved in recovering other receivables from the independent third party.

8. Liabilities consist of amount due to accounts payables, receipts in advance, trade payable for the purchase of PPE, salary payables, interest payables, other payables, other tax payables, borrowings and intercompany payables due to group companies, which consist of Hongtai (China) Co., Ltd., Hongtai (Hubei) Sales Co., Ltd. and Zhuhai Lanhan Technology Co., Ltd.

(9) Estimated return of subsidiary – Shenzhen Hengjikang Products Co., Ltd.

	Book value as at 31 Dec 2020 RMB	Estimated Realisable %	Estimated Realisable value RMB	*Notes*
Non-current assets				
Property, plant and equipment ("**PPE**")	1,588,630.71	30%	476,589.21	*1*
Current assets				
Inventories	1,159,919.06	10%	115,991.91	*2*
Other receivables	1,107,798.41	20%	221,559.68	*3*
Cash and bank balances	189,116.95	100%	189,116.95	*4*
Total Assets	**4,045,465.13**		**1,003,257.75**	
Less:				
Liquidator, legal and professional fee		10%	(100,325.78)	*5*
Total assets available for unsecured creditors			**902,931.98**	
Company's liabilities (unsecured)			(169,906.16)	*6*
Estimated recovery rate for unsecured creditors			100%	
Surplus to shareholders			**733,025.82**	

Notes

The company, being PRC incorporated and a wholly-owned subsidiary of Moody Group (Int'l) Holding Limited, was engaged in mask production business.

1. Represented production equipments based on their book value, the Provisional Liquidators have considered the depreciation and normal wear and tear and assumed a recovery rate of 30% with consideration to their resaleability.

2. A prudent view was assumed for a recovery rate of 10%, with due consideration of the resale value in the market of the underlying inventories which are raw materials with no mark-up value.

3. Amount represented receivables from individuals who are business partners of this company. A recovery rate of 20% is assumed.

4. A recovery rate of 100% is assumed on the cash and bank balances on the basis that such assets should be readily recoverable with minimal bank charges, and in the absence of any security charge on the bank balance.

5. Depending on the nature of underlying asset(s), and anticipated complexity of the respective realisation process. Assumed 10% costs of realisation as assets are mainly PPE, raw materials, other receivables and cash.

6. Liabilities consist of other payables.

(10) Estimated return of subsidiary – Coral Pearl International Limited

	Book value as at 31 Dec 2020 RMB	Estimated Realisable %	Estimated Realisable value RMB	*Notes*
Non-current assets				
Long-term equity investment	192,969.21	N/A	3,609,522.73	*1*
Total Assets	**192,969.21**		**3,609,522.73**	
Less:				
Liquidator, legal and professional fee			0	*2*
Total assets available for unsecured creditors			**3,609,522.73**	
Company's liabilities (unsecured)			(207,114.69)	*3*
Estimated recovery rate for unsecured creditors			100%	
Surplus to shareholders			**3,402,408.04**	

Notes

The company, being a BVI incorporated subsidiary, is an intermediate holding company.

1. The company directly holds 4 Hong Kong incorporated subsidiaries, which are (i) Guangzhou Seojin Trading Co., Limited, (ii) HKT International Holding Co. Limited, (iii) Moody Trading Limited and (iv) Moody International Trading Limited. No surplus will accrue to the company from (iii) and (iv). As for (i) and (ii), after their liabilities are discharged, approximately a surplus assets of RMB1.69 million would accrue to the company from (i), and approximately RMB1.92 million would accrue to the company from (ii).

2. Depending on the nature of underlying asset(s), and anticipated complexity of the respective realisation process. Assumed cost of realisation is nil as this company is only an intermediate holding company, and there is no realisable asset other than investment in subsidiaries.

3. Liabilities consist of other payables.

(11) Estimated return of subsidiary – Guangzhou Seojin Trading Co., Limited

	Book value as at 31 Dec 2020 RMB	Estimated Realisable %	Estimated Realisable value RMB	*Notes*
Current assets				
Prepayments	4,084,865.10	30%	1,225,459.53	*1*
Amount due from group companies:				
HKT International Holding Co. Limited	962,193.15	100%	962,193.15	*2*
Cash and bank balances	2,501,701.95	100%	2,501,701.95	*3*
Total Assets	**7,548,760.20**		**4,689,354.64**	
Less:				
Liquidator, legal and professional fee		8%	(375,148.37)	*4*
Total assets available for unsecured creditors			**4,314,206.27**	
Company's liabilities (unsecured)			(2,622,099.77)	*5*
Estimated recovery rate for unsecured creditors			100%	
Surplus to shareholders			**1,692,106.49**	

Notes

The company, being a Hong Kong incorporated subsidiary, has been engaged in the trading of shoes and clothes business.

1. Amount represented prepayments for the purchase of goods from suppliers which are unlikely to be realisable in full as it is expected that this prepayment would be utilised. A recovery rate of 30% is assumed.

2. The recoverability is derived from the estimated distribution to the unsecured creditors from the liquidations of the respective group company, which is HKT International Holding Co. Limited.

3. A recovery rate of 100% is assumed on the cash and bank balances on the basis that such assets should be readily recoverable with minimal bank charges, in the absence of any security charges on the bank balance.

4. Depending on the nature of underlying asset(s), and anticipated complexity of the respective realisation process. Assumed 8% costs of realisation as assets mainly from prepayments, inter-company balance and cash.

5. Liabilities consist of intercompany payables due to group companies, which consist of Moody Trading Limited and Moody International Trading Limited.

(12) Estimated return of subsidiary – HKT International Holding Co. Limited

	Book value as at 31 Dec 2020 RMB	Estimated Realisable %	Estimated Realisable value RMB	*Notes*
Current assets				
Prepayments	350,362.24	30%	105,108.67	*1*
Other receivables	265,208.42	80%	212,166.74	*2*
Amount due from group companies:				
Moody Trading Limited	947,613.73	97.23%	921,391.75	*3*
Moody International Trading Limited	2,733,066.82	60.35%	1,649,379.39	*3*
Cash and bank balances	241,963.66	100%	241,963.66	*4*
Total Assets	**4,538,214.86**		**3,130,010.20**	
Less:				
Liquidator, legal and professional fee		8%	(250,400.82)	*5*
Total assets available for unsecured creditors			**2,879,609.39**	
Company's liabilities (unsecured)			(962,193.15)	*6*
Estimated recovery rate for unsecured creditors			100%	
Surplus to shareholders			**1,917,416.23**	

Notes

The company, being a Hong Kong incorporated subsidiary, has been engaged in trading of shoes and clothes business.

1. Amount represented prepayments for the purchase of raw materials which is unlikely to be realised in full. A recovery rate of 30% is assumed.

2. Mainly represented amount due from an entity; a recovery rate of 80% is assumed because this entity has a good repayment record.

3. The recoverability is derived from the estimated distribution to the unsecured creditors from the liquidations of the respective group companies, which are Moody Trading Limited and Moody International Trading Limited.

4. A recovery rate of 100% is assumed on the cash and bank balances on the basis that such assets should be readily recoverable with minimal bank charge, in the absence of any security charges on the bank balance.

5. Depending on the nature of underlying asset(s), and anticipated complexity of the respective realisation process. Assumed 8% costs of realisation here as assets mainly from prepayments, other receivables, inter-company balance and cash.

6. Liabilities consist of intercompany payables due to a group company, Guangzhou Seojin Trading Co., Limited.

(13) Estimated return of subsidiary – Moody Trading Limited

	Book value as at 31 Dec 2020 RMB	Estimated Realisable %	Estimated Realisable value RMB	*Notes*
Current assets				
Prepayments	5,781.01	10%	578.10	*1*
Amount due from group companies:				
Moody Group (Int'l) Holding Limited	2,998.57	0.20%	5.93	*2*
Guangzhou Seojin Trading Co., Limited	928,176.26	100.00%	928,176.26	*2*
Moody International Trading Limited	18,948.74	60.35%	11,435.38	*2*
Total Assets	**955,904.58**		**940,195.67**	
Less:				
Liquidator, legal and professional fee		2%	(18,803.91)	*3*
Total assets available for unsecured creditors			**921,391.76**	
Company's liabilities (unsecured)			(947,613.73)	*4*
Estimated recovery rate for unsecured creditors			97.23%	
Surplus to shareholders			**0**	

Notes

The company, being a Hong Kong incorporated subsidiary, has no business or operation.

1. Amount mainly represented prepayments made to service providers. The Provisional Liquidators applied a recovery rate of 10% because since this is unlikely to be realised when liquidated.

2. The recoverability is derived from the estimated distribution to the unsecured creditors from the liquidations of the respective group companies, which are Moody Group (Int'l) Holding Limited, Guangzhou Seojin Trading Co., Limited and Moody International Trading Limited.

3. Depending on the nature of underlying asset(s), and anticipated complexity of the respective realisation process. Assumed 2% costs of realisation as assets are mainly from inter-company balances.

4. Liabilities consist of intercompany payables due to a group company, HKT International Holding Co. Limited.

(14) Estimated return of subsidiary – Moody International Trading Limited

	Book value as at 31 Dec 2020 RMB	Estimated Realisable %	Estimated Realisable value RMB	*Notes*
Current assets				
Prepayments	8,374.97	10%	837.50	*1*
Amount due from group companies:				
Guangzhou Seojin Trading Co., Limited	1,693,871.45	100.00%	1,693,871.45	*2*
Total Assets	**1,702,246.42**		**1,694,708.95**	
Less:				
Liquidator, legal and professional fee		2%	(33,894.18)	*3*
Total assets available for unsecured creditors			**1,660,814.77**	
Company's liabilities (unsecured)			(2,752,015.55)	*4*
Estimated recovery rate for unsecured creditors			60.35%	
Surplus to shareholders			**0**	

Notes

The company, being a Hong Kong incorporated subsidiary, has no business or operation.

1. Amount mainly represented prepayments made to service providers. A recovery rate of 10% is assumed since prepayments are unlikely to be realised when liquidated.

2. The recoverability is derived from the estimated distribution to the unsecured creditors from the liquidations of the respective group company, which is Guangzhou Seojin Trading Co., Limited.

3. Depending on the nature of underlying asset(s), and anticipated complexity of the respective realisation process. Assumed 2% cost of realisation as assets are mainly inter-company balances.

4. Liabilities consist of intercompany payables due to group companies which consist of HKT International Holding Co. Limited and Moody Trading Limited.

(15) Estimated return of subsidiary – Ultima Prime International Limited

	Book value as at 31 Dec 2020 RMB	Estimated Realisable %	Estimated Realisable value RMB	*Notes*
Non-current assets				
Long-term equity investment	57,890.76	0%	0	*1*
Current assets				
Amount due from group companies: Moody Technology Holdings Limited	327,208.66	0.89%	2,923.99	*2*
Total Assets	**385,099.42**		**2,923.99**	
Less:				
Liquidator, legal and professional fee			0	*3*
Total assets available for unsecured creditors			**2,923.99**	
Company's liabilities (unsecured)			(59,778.50)	*4*
Estimated recovery rate for unsecured creditors			4.89%	
Surplus to shareholders			**0**	

Notes

The company, being incorporated in BVI, is an intermediate holding company.

1. The company directly holds Moody Technology Research and Development Co., Ltd.. Assumed no surplus would accrue to the company from this subsidiary since the amount is immaterial.

2. The recoverability from the Company is derived from the estimated distribution to the unsecured creditors from the liquidations of the respective group company.

3. Depending on the nature of underlying asset(s), and anticipated complexity of the respective realisation process. Assumed nil costs of realisation as inter-company balance is the only realisable asset.

4. Liabilities consist of other payables and intercompany payables due to a group company, which is Moody Technology Research and Development Co., Ltd. (Hong Kong incorporated).

(16) Estimated return of subsidiary – Moody Technology Research and Development Co., Limited (This subsidiary was de-registered on 27 August 2021)

	Book value as at 31 Dec 2020 RMB	Estimated Realisable %	Estimated Realisable value RMB	*Notes*
Non-current assets				
Long-term equity investment	57,890.76	0%	0	*1*
Current assets				
Amount due from group companies: Ultima Prime International Limited	57,890.76	4.89%	2,831.65	*2*
Total Assets	**57,890.76**		**2,831.65**	
Less: Liquidator, legal and professional fee		0%	0	*3*
Total assets available for unsecured creditors			**2,831.65**	
Company's liabilities (unsecured)			(1,887.74)	*4*
Estimated recovery rate for unsecured creditors			100%	
Surplus to shareholders			**943.91**	

Notes

The company, being incorporated in Hong Kong, is an intermediate holding company with no business.

1. The company directly holds Zhuhai Lanhan Technology Co., Ltd.. No surplus would accrue to the company from this subsidiary after its liabilities are discharged.

2. The recoverability is derived from the estimated distribution to the unsecured creditors from the liquidations of the respective group company, which is Ultima Prime International Limited.

3. Depending on the nature of underlying asset(s), and anticipated complexity of the respective realisation process. Assumed nil cost of realisation as inter-company balance is the only realisable asset.

4. Consist of other payables.

(17) Estimated return of subsidiary – Zhuhai Lanhan Technology Co., Ltd. (This subsidiary was de-registered on 27 August 2021)

	Book value as at 31 Dec 2020 RMB	Estimated Realisable %	Estimated Realisable value RMB	*Notes*
Current assets				
Other receivables	3,510,500.00	80%	2,808,400.00	*1*
Amount due from group companies:				
Hongtai (China) Co., Ltd.	703,392.44	31.33%	220,389.06	*2*
Feng Tai (Hubei) Textile Co., Ltd.	1,550,000.00	52.35%	811,441.49	*2*
Total Assets	**5,763,892.44**		**3,840,230.55**	
Less:				
Liquidator, legal and professional fee		8%	(307,218.14)	*3*
Total assets available for unsecured creditors			**3,533,012.11**	
Company's liabilities (unsecured)			(7,589,841.24)	*4*
Estimated recovery rate for unsecured creditors			46.55%	
Surplus to shareholders			**0**	

Notes

The company, being PRC incorporated, has no business or operation.

1. Represented amount due from an entity which has long and good standing with the company therefore an optimistic 80% is assumed.

2. The recoverability is derived from the estimated distribution to the unsecured creditors from the liquidations of the respective group companies, which are Hongtai (China) Co., Ltd. and Feng Tai (Hubei) Textile Co., Ltd..

3. Depending on the nature of underlying asset(s), and anticipated complexity of the respective realisation process. Assumed 8% cost of realisation as assets are mainly from other payables and inter-company balance.

4. Liabilities consist of intercompany payables due to a group company, Moody Technology Holdings Limited.

E. Conclusion

The Provisional Liquidators have carried out a hypothetical liquidation analysis for the purpose of the Scheme. From the current analysis as summarized herein, the estimated liquidation return to Scheme Creditors on a forced-sale basis would be 0.89 %. It should be noted with caution that this estimated return was calculated on the basis of financial data that the Provisional Liquidators have yet to independently verify. Furthermore, recovery from the forced sale of the Company's assets on a break-up basis may be affected by different unforeseen circumstances, combined with the market conditions and terms of sale as may be offered by any potential purchaser.

The above analysis demonstrates the Company is insolvent in that its liabilities significantly exceed its assets. If the Scheme does not become effective, it is likely that the Scheme Creditors will receive very minimal recovery, as the Company itself holds few assets to be realised, and only net proceeds from a few assets may be derived from the liquidation of its PRC subsidiaries, many of which are also insolvent. Scheme Creditors should note with caution that asset realisations in liquidation are subject to huge uncertainties and unforeseen circumstances particularly in the mainland China which is often the case.

Summary of estimated Scheme Costs
(as at the Latest Practicable Date for illustrative purpose only)

	Details	Estimated amount (HK$ million)
1	Fees for the Provisional Liquidators, Scheme Administrators and Adjudicator	4.00
2	Fees for the legal representatives and counsel in Hong Kong	0.90
3	Fees for the legal representatives in Bermuda (fees incurred but no anticipation for a parallel scheme in Bermuda]	0.35
4	Printer	0.30
5	HKEX	0.20
6	Share registrar	0.50
7	Information agent	0.45
8	Independent financial advisors	0.22
9	Reporting accountant	0.05
10	Misc. (e.g. venue for meetings, online voting cost logistics, etc.)	0.20
	Total	**7.17**

Note: The estimated total Scheme Costs of HK$7.17 million will not be compromised under the Scheme and will be settled by cashflow generated from ongoing operations of the Company or funds raised by placing of new shares, rights issue, and allotment of shares. The Scheme Costs are estimates subject to the development of the restructuring process and any directions as may be given by the Court, and in which case, it may be subject to further adjustments to reflect the actual circumstances.

BOARD MEMORANDUM OF
BALANCE SHEET, PROFIT AND WORKING CAPITAL FORECAST
FOR FINANCIAL PERIOD FROM 1 JANUARY 2022 TO 31 DECEMBER 2026

This memorandum summarises the financial information available to the directors of the Company (the "**Directors**") based on which the Directors prepared the Group's profit and working capital forecast (the "**Forecast**") for the financial period from 1 January 2022 to 31 December 2026, with reference to the future business plan and forecast (the "**Business Plan**") of the directors of the Company set out in section 2.6 of the Explanatory Statement.

The accuracy and reliability of the Forecast are the sole responsibility of the Directors. This memorandum contains all the relevant information which the Directors deemed important in the preparation of the Forecast. The information has not been independently audited or verified by the statutory auditor or third parties.

A. Basis of Preparation

The Forecast was prepared by the Directors based on an unaudited consolidated cash flow statement of the Group for the year ended 31 December 2021, and a forecast of cash movements of the Group for the period from 1 January 2022 to 31 December 2026 (the "**Forecast Period**"). As explained in the announcement made by the Company dated 31 March 2022 in relation to the unaudited annual results for the year ended 31 December 2021, the auditing process has not been completed due to restrictions in force in parts of China to combat the COVID-19 outbreak. The audit of the financial statements of the Group for the year ended 31 December 2021 is in progress and it is anticipated that the audit process would be finalised by 15 May 2022. The details of the relevant group structure, financial parameters and estimates of the Group, are set out in the sections below. Scheme Creditors should consider the Business Forecast in conjunction with the audited financial statements of the Group when they become available.

The significant accounting policies adopted in the preparation of the Forecast are consistent in all material respects with those adopted by the Group as set out in the Group's audited financial statements for the year ended 31 December 2020 (the "**2020 Annual Report**"). These accounting policies are in conformity with Hong Kong Financial Reporting Standards.

In preparing the Forecast, the Directors have made certain assumptions as set out in Section B of this memorandum. Key assumptions on business terms and financial parameters are the best estimation made by the Directors. These assumptions form an integral part of the Forecast. The Directors assume full and sole responsibility of the assumptions used in the preparation of this memorandum. To the extent that the Directors have not identified events that have occurred or may occur in respect of the Group during the Forecast Period, the impact of these events has not been taken into account in the Forecast.

Since the Forecast relates to the future, actual results may be different from the forecast results because events and circumstances frequently do not occur as expected, and the differences may be material.

All amounts in this memorandum are stated in Renminbi ("**RMB**") unless otherwise stated.

B. General Assumptions

(1) There will be no material changes in existing government political, legal, fiscal, economic or regulatory conditions in Hong Kong, the People's Republic of China (the "**PRC**"), Bermuda or in the countries or territories in which the Group operates or has arrangements or agreements, which may have adverse effect on the business of the Group.

(2) There will be no material changes in the bases or rates of income tax in Hong Kong, the PRC, Bermuda or in the countries or territories in which the Group operates or in the countries in which the Company or its subsidiaries were incorporated.

(3) There will be no material change in the inflation, interest rate, tariff and duties in Hong Kong and any other places in which the Group operates from those currently prevailing as at 31 December 2021.

(4) The Group's operations, results and financial condition will not be materially and adversely affected by the risk factors set forth, in the sub-section headed "Principal Risks and Uncertainties" in the 2020 Annual Report.

(5) The Group will be able to continually obtain adequate finance for its business and to operate as going concern in the foreseeable future.

(6) The Group's operations and business will not be materially affected or interrupted by competition and any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors, including but not limited to the occurrence of natural disasters, health hazard, supply failure, labour dispute, significant lawsuit and arbitration.

(7) The Forecast has been prepared taking into account the Directors' and the Group's key senior management's continued involvement in the development of the Group's existing and new operations. It is assumed that the Group will be able to retain its key management and personnel during the Forecast Period.

(8) All of the Group's assets, including property, plant and equipment, loan receivables, trade and other receivables are carried at amounts not materially different from their recoverable amount during the Forecast Period. It is assumed that there will be no material changes in their recoverable amounts during the Forecast Period.

(9) There will be no material change in credit terms offered to customers and credit terms offered by suppliers and subcontractors.

(10) The Directors do not anticipate any extraordinary or exceptional items which will arise during the Forecast Period.

(11) The Group will continue to be able to utilise and renew its existing banking and credit facilities at the prevailing interest rates, terms and conditions during the Forecast Period.

(12) As at the date of this memorandum, the Hong Kong Institute of Certified Public Accountants may have issued amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2021 and which have not been adopted in the preparation of the Forecast. The Group has concluded that their adoption is unlikely to have a significant impact on the Group's results of operations and financial position for the Forecast Period. Except for those disclosed in the notes in the section headed "Financial Information of the Group" in this memorandum, it is assumed that there will be no material changes in new accounting standards that will have a material impact on the Group's operations, financial position and results.

(13) Most of the Group's operating income is denominated in RMB, whereas some of the Group's expenses (e.g. interest expenses for the bonds liabilities) are paid in HKD and the Group's consolidated financial statements are presented in HKD. Therefore, there is an exchange rate risk exposure (both transaction and translation) to the Group for any unfavourable change in exchange rate between HKD and RMB. It is assumed in the Working Capital Forecast that the exchange rate of HKD against RMB will not materially fluctuate during the Forecast Period. The exchange rate of HKD against RMB as at 31 December 2021 of approximately 1.2245 has been adopted as the HKD/RMB exchange rate for the Forecast Period.

(14) The Directors assume that the Company can extend or renew the payment terms with the creditors for overdue borrowings and interest expenses within the Forecast Period. Hence, except for the operating cash outflow, any cash outflow for bond liabilities, bank borrowing and interest expenses will not be included in the Forecast Period.

(15) The Directors assume the Company will not be wound up during the Forecast Period prior to the completion of the Scheme of Arrangement between the Company and its creditors pursuant to section 670 of the Companies Ordinance (Cap. 622) (the "**Scheme**"); it is also assumed that the companies within the Group would not take any recovery actions against each other.

(16) Trading in the Existing Shares will continue.

C. Specific Assumptions

(1) The Directors assume that the Scheme for the Company's debt restructuring will be completed as scheduled in the third quarter of 2022.

(2) The Directors assume that the acquisition of Leader Elastic and its subsidiaries (the "**Target Group**"), as defined in the announcements of the Company dated 26 July 2021 and 31 December 2021, will be completed by 30 June 2022, which is the proposed long-stop date of such acquisition. The Target Group will become the subsidiaries of the Company from July 2022 onwards.

(3) The Directors assume that all the existing banking facilities of the Group and the Target Group will be successfully renewed or extended in the Forecast Period. The Group will only repay the interest expenses of the bank borrowings in the Forecast Period.

(4) The Company has entered into three memoranda of understanding ("**MOUs**") with one potential investor named China Shenghai Group Limited and two placing agents namely JMC Capital HK Limited ("**JMC Capital**") and China Angel Investment Management Limited ("**China Angel**") on 26 July 2021. Furthermore, the Company entered into another MOU with Mr. Su Jiangbo ("**Mr. Su**"), an independent merchant from PRC on 6 August 2021. Each of the MOUs provide that the potential investor or placing agents agreed to conditionally invest or find the investors to invest in the Company a sum of no less than HK$100,000,000, equivalent to approximately RMB81.67 million, within 5 years after the implementation of the Scheme ("**Investment Period**").

Due to previous delay in the timetable of the Restructuring, the Company had to secure the continued support from the Potential Investors. On 24 March 2022, the Company entered into three supplemental MOUs with JMC Capital, China Angel and Mr. Su, whereby:

(i) JMC Capital and China Angel each confirmed that they will continue to support the Company's Restructuring, and agreed to conditionally find the investors to invest in the Company for not less than HK$200 million (i.e. equivalent to approximately RMB163.33 million) in the Investment Period;

(ii) Mr. Su agreed to continue to support the Company's Restructuring and reaffirmed his intention to invest no less than HK$100 million in the Company (i.e. equivalent to approximately RMB81.67 million) in the Investment Period.

Furthermore, on 24 March 2022, the Company also entered into a new MOU with Joyful Capital HK Limited ("**Joyful Capital**"), an independent placing agent in Hong Kong, who agreed conditionally to find investors to invest no less than HK$200 million in the Company (i.e. equivalent to approximately HK$163.33 million) in the Investment Period.

The Directors assume that such investment will be successfully completed and the Group will have new capital of approximately HK$700 million (i.e. equivalent of approximately RMB571.7 million) in the next five years from the second half of 2022. For illustrative purposes only, and with a view to provide an estimated value of the Scheme Shares, assumptions have to be made about the number of shares in the next few years, especially those to be issued to the potential investors under the MOUs. To this end, the Board has adopted a notional issue price of HK$0.248, being the average closing price of the Shares from 28 February 2022 to 30 March 2022. Insofar as the closing prices between 28 February 2022 and 7 March 2022 are concerned, those have been adjusted and multiplied by 10 to reflect the effect of the Share Consolidation which became effective on 8 March 2022.

It should be noted that in the MOUs there are no specific schedules for the investment sums to be injected into the Company. This is due to the common understanding between the Company and the potential investors and placing agents that the Company's needs for immediate cash may vary from time to time over the Investment Period, and the Company will update the Potential Investors as to its needs when appropriate. For the purpose of this business forecast, the Directors assume the funding is evenly injected in the Company on a quarterly basis starting from September 2022 over the course of five years.

D. Balance Sheet, Profit and Working Capital Forecast

Based on the Company's future plan, the Company's balance sheet, profit and working capital forecast for the Forecast Period is prepared under two scenarios.

The first scenario is one where part of the new capital invested into the Company under the MOUs will be re-invested into the production line in Hubei and that all of the Company's existing subsidiaries will continue operations throughout the Forecast Period (see Section D1).

The second scenario is one where the Company divests its loss-making fabric business in the beginning of 2024 upon the approval of the shareholders and compliance with the Listing Rules (see Section D2). In the latter scenario, all the figures of the fabrics segment will be excluded.

As a whole, the Directors have projected the Group's profit and working capital in its three main business segments (i.e. textile, fabrics, and shoes and clothes), as well as the new business in elastic webbing after the acquisition of shareholding in Leader Elastic. Further notes explaining the projections are set out in Section D3.

D1. Scenario 1: Reinvestment in the Hubei production line and continued operation of all existing subsidiaries

Consolidated financial position (Assets and liabilities)

	As at 31 Dec 2021 *Unaudited* *RMB'000*	As at 31 Dec 2022 *Forecasted* *RMB'000*	As at 31 Dec 2023 *Forecasted* *RMB'000*	As at 31 Dec 2024 *Forecasted* *RMB'000*	As at 31 Dec 2025 *Forecasted* *RMB'000*	As at 31 Dec 2026 *Forecasted* *RMB'000*
Non-current and current assets						
Property, plant and equipment	189,586	171,828	174,070	203,312	182,154	160,996
Right-of-use assets	16,626	16,220	15,814	15,408	15,002	14,596
Cash and bank balances	2,235	45,607	59,207	47,730	86,522	132,569
Other current assets	19,268	19,268	19,268	19,268	19,268	19,268
Total assets	**227,715**	**252,923**	**268,359**	**285,718**	**302,946**	**327,429**
Non-current and current liabilities						
Net asset liabilities less cash and bank balances of Leader Elastic Target Group		(6,889)	(6,889)	(6,889)	(6,889)	(6,889)
Trade and other payables	(291,637)	(268,795)	(211,256)	(153,717)	(96,178)	(38,638)
Borrowings (bank borrowings and bonds)						
Current secured bank borrowings	(106,212)	(106,212)	(106,212)	(106,212)	(106,212)	(106,212)
Current unsecured bank borrowings	(57,100)	(57,100)	(57,100)	(57,100)	(57,100)	(57,100)
Current unsecured bonds	(638,180)	–	–	–	–	–
Non-current unsecured bonds	(169,452)	–	–	–	–	–
Lease liabilities	(145)	(145)	(145)	(145)	(145)	(145)
Deferred income	(12,785)	(12,473)	(12,161)	(11,849)	(11,537)	(11,225)
Total liabilities	(1,275,511)	(451,614)	(393,763)	(335,912)	(278,061)	(220,209)
Net Assets/(liabilities)	**(1,047,796)**	**(198,691)**	**(125,404)**	**(50,194)**	**24,885**	**107,220**

Profit forecast

	Notes	Year ended 31 Dec 2021 *Unaudited* *RMB'000*	Year ending 31 Dec 2022 *Forecasted* *RMB'000*	Year ending 31 Dec 2023 *Forecasted* *RMB'000*	Year ending 31 Dec 2024 *Forecasted* *RMB'000*	Year ending 31 Dec 2025 *Forecasted* *RMB'000*	Year ending 31 Dec 2026 *Forecasted* *RMB'000*
Revenue							
Sales of shoes and clothes	Note 1(a)	125,645	127,611	129,608	131,636	133,695	135,787
Sales of fabrics	Note 1(b)	29,896	30,371	34,889	40,078	46,040	52,888
Sales of elastic webbing	Note 1(c)	–	33,209	70,750	75,366	80,282	85,520
Total revenue		155,541	191,191	235,247	247,080	260,017	274,195
Cost of sales – shoes and clothes	Note 2(a)	(122,924)	(124,502)	(126,101)	(127,720)	(129,360)	(131,021)
Cost of sales – fabrics	Note 2(b)	(28,990)	(29,304)	(33,662)	(37,897)	(43,534)	(43,534)
Cost of sales – elastic webbing	Note 2(c)	–	(24,917)	(53,123)	(56,021)	(59,078)	(62,302)
Total cost of sales		(151,914)	(178,723)	(212,886)	(221,638)	(231,972)	(236,857)
Gross Profit	Note 2	3,627	12,468	22,361	25,442	28,046	37,338
Other income and expenses, net	Note 3	3,969	4,292	4,616	4,616	4,616	4,616
Impairment of trade and other receivables	Note 4	(20,090)	–	–	–	–	–
Depreciation and amortization	Note 5	(17,758)	(17,758)	(17,758)	(18,758)	(21,158)	(21,158)
Exchange gain/(loss)	Note 6	17,109	24,488	–	–	–	–
Selling and administrative expenses	Note 7	(19,101)	(21,054)	(25,028)	(25,054)	(25,588)	(26,140)
Finance costs	Note 8	(68,284)	(44,422)	(20,573)	(20,573)	(20,573)	(20,573)
Loss before tax		(100,528)	(41,986)	(36,382)	(34,327)	(34,658)	(25,917)
Income tax expenses	Note 9	–	–	–	–	–	–
Loss for the year		(100,528)	(41,986)	(36,382)	(34,327)	(34,658)	(25,917)
Add:							
Depreciation and amortization		17,758	17,758	17,758	18,758	21,158	21,158
Finance costs		68,284	44,422	20,573	20,573	20,573	20,573
Exchange gain/(loss)		(17,109)	(24,488)	–	–	–	–
Adjusted EBITDA	Note 10	**(31,595)**	**(4,294)**	**1,949**	**5,004**	**7,073**	**15,814**

Working capital forecast

	Notes	Year ended 31 Dec 2021 *Unaudited* *RMB'000*	Year ending 31 Dec 2022 *Forecasted* *RMB'000*	Year ending 31 Dec 2023 *Forecasted* *RMB'000*	Year ending 31 Dec 2024 *Forecasted* *RMB'000*	Year ending 31 Dec 2025 *Forecasted* *RMB'000*	Year ending 31 Dec 2026 *Forecasted* *RMB'000*
Operating activities							
Net cash inflow from sales of shoes and clothes	Note 11	2,721	775	1,136	1,508	1,890	2,283
Net cash inflow from sales of fabrics	Note 12	29,896	24,486	34,092	38,781	44,549	51,176
Net cash outflow to suppliers of fabrics	Note 12	(28,990)	(22,993)	(32,886)	(36,838)	(42,124)	(43,534)
Net cash inflow from elastic webbing	Note 13	–	33,209	70,750	75,366	80,282	85,520
Net cash outflow to suppliers of elastic webbing	Note 13	–	(24,917)	(53,123)	(56,021)	(59,078)	(62,302)
Cash outflow for the outstanding payables	Note 14	–	(19,521)	(57,539)	(57,539)	(57,539)	(57,539)
Cash outflow for selling and administrative expenses	Note 7	(16,098)	(18,721)	(22,657)	(22,647)	(23,143)	(23,656)
Cash outflow for tax payment	Note 9	–	–	–	–	–	–
Net cash used in operating activities		(12,471)	(27,682)	(60,227)	(57,390)	(55,163)	(48,052)
Investing activities							
Purchase of property, plant and equipment	Note 15	–	–	(20,000)	(48,000)	–	–
Payment of acquisition of the Target Group		(415)	–	–	–	–	–
An addition of cash from the Target Group	Note 16		21,521	–	–	–	–
Interest received		–	39	68	154	196	340
Net cash generated from/(used in) investing activities		(415)	21,561	(19,933)	(47,846)	195	340
Financing activities							
Interest paid	Note 8	–	(10,286)	(20,573)	(20,573)	(20,573)	(20,573)
Capital injection by the potential investors	Note 17	–	57,166	114,332	114,332	114,332	114,332
Proceeds from the subscriptions of new shares	Note 18	12,018	2,614	–	–	–	–
Net cash generated from financing activities		12,018	49,494	93,759	93,759	93,759	93,759
Net (decrease)/increase in bank balances and cash		(868)	43,372	13,600	(11,477)	38,792	46,047
Cash and cash equivalents at the beginning of the year		3,103	2,235	45,607	59,207	47,730	86,522
Cash and cash equivalents at the end of the year		**2,235**	**45,607**	**59,207**	**47,730**	**86,522**	**132,569**

D2. Scenario 2: Divestiture of the fabrics segment from January 2024

Consolidated financial position (Assets and liabilities)

	As at 31 Dec 2021 *Unaudited* *RMB'000*	As at 31 Dec 2022 *Forecasted* *RMB'000*	As at 31 Dec 2023 *Forecasted* *RMB'000*	As at 31 Dec 2024 *Forecasted* *RMB'000*	As at 31 Dec 2025 *Forecasted* *RMB'000*	As at 31 Dec 2026 *Forecasted* *RMB'000*
Non-current and current assets						
Property, plant and equipment	189,586	171,828	154,070	48,000	45,600	43,200
Right-of-use assets	16,626	16,220	15,814	–	–	–
Cash and bank balances	2,235	45,607	79,214	85,374	141,455	199,702
Other current assets	19,268	19,268	19,268	–	–	–
Total assets	**227,715**	**252,923**	**268,366**	**133,374**	**187,055**	**242,902**
Non-current and current liabilities						
Net asset liabilities less cash and bank balances of Leader Elastic Target Group	–	(6,889)	(6,889)	(6,889)	(6,889)	(6,889)
Trade and other payables	(291,637)	(268,795)	(211,256)	(12,104)	(12,104)	(12,104)
Borrowings (bank borrowings and bonds)						
Current secured bank borrowings	(106,212)	(106,212)	(106,212)	–	–	–
Current unsecured bank borrowings	(57,100)	(57,100)	(57,100)	–	–	–
Current unsecured bonds	(638,180)	–	–	–	–	–
Non-current unsecured bonds	(169,452)	–	–	–	–	–
Lease liabilities	(145)	(145)	(145)	(145)	(145)	(145)
Deferred income	(12,785)	(12,473)	(12,161)	–	–	–
Total liabilities	(1,275,511)	(451,614)	(393,763)	(19,138)	(19,138)	(19,138)
Net Assets/liabilities	**(1,047,796)**	**(198,691)**	**(125,397)**	**114,236**	**167,917**	**223,764**

Profit forecast

	Notes	Year ended 31 Dec 2021 *Unaudited* *RMB'000*	Year ending 31 Dec 2022 *Forecasted* *RMB'000*	Year ending 31 Dec 2023 *Forecasted* *RMB'000*	Year ending 31 Dec 2024 *Forecasted* *RMB'000*	Year ending 31 Dec 2025 *Forecasted* *RMB'000*	Year ending 31 Dec 2026 *Forecasted* *RMB'000*
Revenue							
Sales of shoes and clothes	Note 1(a)	125,645	127,611	129,608	131,636	133,695	135,787
Sales of fabrics	Note 1(b)	29,896	30,371	34,889	–	–	–
Sales of elastic webbing	Note 1(c)	–	33,209	70,750	75,366	80,282	85,520
Total revenue		155,541	191,191	235,247	207,002	213,977	221,307
Cost of sales – shoes and clothes	Note 2(a)	(122,924)	(124,502)	(126,101)	(127,720)	(129,360)	(131,021)
Cost of sales – fabrics	Note 2(b)	(28,990)	(29,304)	(33,662)	–	–	–
Cost of sales – elastic webbing	Note 2(c)	–	(24,917)	(53,123)	(56,021)	(59,078)	(62,302)
Total cost of sales		(151,914)	(178,723)	(212,886)	(183,741)	(188,438)	(193,323)
Gross Profit	Note 2	**3,627**	**12,468**	**22,361**	**23,261**	**25,539**	**27,984**
Other income and expenses, net	Note 3	3,969	4,292	4,616	647	647	647
Impairment of trade and other receivables	Note 4	(20,090)	–	–	–	–	–
Depreciation and amortization	Note 5	(17,758)	(17,758)	(17,758)	–	(2,400)	(2,400)
Exchange gain/(loss)	Note 6	17,109	24,488	–	–	–	–
Selling and administrative expenses	Note 7	(19,101)	(21,054)	(25,028)	(21,383)	(21,844)	(22,321)
Finance costs	Note 8	(68,284)	(44,422)	(20,573)	(4,763)	(4,763)	(4,763)
Loss before tax		(100,528)	(41,986)	(36,382)	(2,238)	(2,821)	(853)
Income tax expenses	Note 9	–	–	–	–	–	–
Loss for the year		(100,528)	(41,986)	(36,382)	(2,238)	(2,821)	(853)
Add:							
Depreciation and amortization		17,758	17,758	17,758	–	2,400	2,400
Finance costs		68,284	44,422	20,573	4,763	4,763	4,763
Exchange gain/(loss)		(17,109)	(24,488)	–	–	–	–
Adjusted EBITDA	Note 10	**(31,595)**	**(4,294)**	**1,949**	**2,524**	**4,343**	**6,310**

Working capital forecast

	Notes	Year ended 31 Dec 2021 *Unaudited* *RMB'000*	Year ending 31 Dec 2022 *Forecasted* *RMB'000*	Year ending 31 Dec 2023 *Forecasted* *RMB'000*	Year ending 31 Dec 2024 *Forecasted* *RMB'000*	Year ending 31 Dec 2025 *Forecasted* *RMB'000*	Year ending 31 Dec 2026 *Forecasted* *RMB'000*
Operating activities							
Net cash inflow from sales of shoes and clothes	Note 11	2,721	775	1,136	1,508	1,890	2,283
Net cash inflow from sales of fabrics	Note 12	29,896	24,486	34,092	–	–	–
Net cash outflow to suppliers of fabrics	Note 12	(28,990)	(22,993)	(32,886)	–	–	–
Net cash inflow from elastic webbing	Note 13	–	33,209	70,750	75,366	80,282	85,520
Net cash outflow to suppliers of elastic webbing	Note 13	–	(24,917)	(53,123)	(56,021)	(59,078)	(62,302)
Cash outflow for the outstanding payables	Note 14	–	(19,521)	(57,539)	(57,539)	(57,539)	(57,539)
Cash outflow for selling and	Note 7	(16,098)	(18,721)	(22,657)	(18,975)	(19,398)	(19,838)
Cash outflow for tax payment	Note 9	–	–	–	–	–	–
Net cash used in operating activities		(12,471)	(27,682)	(60,227)	(55,661)	(53,843)	(51,876)
Investing activities							
Purchase of property, plant and equipment	Note 15	–	–	–	(48,000)	–	–
Payment of acquisition of the Target Group		(415)	–	–	–	–	–
An addition of cash from the Target Group	Note 16	–	21,521	–	–	–	–
Interest received		–	39	75	252	354	554
Net cash generated from/(used in) investing activities		(415)	21,560	75	(47,748)	354	554
Financing activities							
Interest paid	Note 8	–	(10,286)	(20,573)	(4,763)	(4,763)	(4,763)
Capital injection by the potential investors	Note 17	–	57,166	114,332	114,332	114,332	114,332
Proceeds from the subscription of new shares	Note 18	12,018	2,614	–	–	–	–
Net cash generated from financing activities		12,018	49,494	93,759	109,569	109,569	109,569
Net (decrease)/increase in bank balances and cash		(868)	43,372	33,607	6,160	56,080	58,247
Cash and cash equivalents at the beginning of the year		3,103	2,235	45,607	79,214	85,374	141,454
Cash and cash equivalents at the end of the year		**2,235**	**45,607**	**79,214**	**85,374**	**141,454**	**199,701**

D3. Notes for the projections in Scenarios 1 and 2

1 Revenue

(a) Shoes and Clothes Trading

The Group has two subsidiaries, namely Guangzhou Seojin Trading Limited ("**Seojin**") and HKT International Holding Limited ("**HKT**") which commenced the business of sales of shoes, clothing and other necessities in December 2018. Seojin and HKT purchased the products from the PRC suppliers and shipped the products to their overseas customers mainly from Korea and Japan.

Due to the outbreak of COVID-19, customer demands have dropped significantly, from a revenue of RMB397.9 million in 2019 to RMB192.8 million in 2020 (i.e. a 52% decrease), and further to RMB125.6 million in 2021 (i.e. another 36% decrease). The average sales per customer dropped from approximately RMB1.58 million for 2019 to approximately RMB1.0 million for 2020 and to approximately RMB0.62 million for 31 December 2021.

The management prepared the sales forecast for the year ending 31 December 2022 by extrapolating the actual sales amount of approximately RMB21.3 million for January and February 2022. The aggregate numbers of customers for Seojin and HKT is 40 in the first two month of 2022 (Full year of 2021: 198). The management expected that the sales order from these customers will be stable in 2022, without assuming any addition of customers for the remaining months of 2022. As a result, the projected annual sales will increase from approximately RMB125.6 million for 2021 to approximately RMB127.6 million for 2022, representing an increase of 1.6%.

The trading of the Group's clothing products to the Asian countries largely depends on the recovery of their local consumer markets from the COVID-19 pandemic. It is reasonably foreseeable that the Asian countries will gradually withdraw the lockdown/quarantine measures in mid-2022 and that the consumer markets will recover. 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, thanks to measures such as vaccination rollout. Therefore, the management expects that the sales orders from these Asian customers in 2022 will slightly improve and the forecast growth of 1.6% is considered reasonable.

Based on the forecast for 2022, the management cautiously applied the same modest growth rate of 1.6% to the rest of the Forecast Period, resulting in the sales amounts of approximately RMB129.6 million, RMB131.6 million, RMB133.7 million and RMB135.8 million for the year ending 31 December 2023, 2024, 2025 and 2026, respectively.

(b) Sales of fabrics

The fabrics business had been the main business of the Group. Initially, the Group had two production bases located in Shishi City in Fujian Province ("**Fujian base**") and Huangmei County in Hubei Province ("**Hubei base**"), respectively. The Group mainly sources the raw materials, e.g. cottons, from upstream suppliers from the PRC, processes and manufactures various fabric products before selling them to the downstream customers in the PRC.

In recent years, the Group's fabrics business was affected by the fierce competition in the textile industry of the PRC. In 2019, the export of textile of the PRC was also adversely affected by the Chinese-US trade friction in 2019. In April 2020, the Fujian base was closed down due to the forced sale of the factory buildings by the local court in the PRC for repayment of certain bank borrowing to the bank creditors. Therefore, the Group could only carry on with manufacturing from the Hubei base and the production scale was decreased. In 2020, the Hubei base was further struck by the outbreak of COVID-19 and had to be locked down for several months.

Due to the unfavourable market conditions, the Group had to sell products to certain individual customers at lower prices, resulting in a significant drop of sales of fabrics from approximately RMB121.7 million for 2019 to approximately RMB15.2 million for 2020. The fabrics business slightly recovered in 2021 as total sales increased to RMB29.9 million with a profit margin of 3.3%, owing to an increase in average selling price from approximately RMB1.77 per meter in 2020 to RMB5.45 per meter in 2021, as well as increase in number of customers from 16 in 2020 to 60 in 2021.

Scenario 1 (Assuming the Fabrics Business is continued)

The Fabrics Business has been making significant losses since 2017. The management considered it was mainly due to the production inefficiency with old plant and machinery currently used by the Hubei base. As such, the management intends to reinvest in new plant and machinery financed by the potential funds investment of the MOUs in order to enhance the efficiency and reduce the costs of production during the production process in 2023 (the "**Reinvestment**"). The budget of the Reinvestment will be approximately RMB20 million.

The management prepared the sales forecast for the year ending 31 December 2022 based on an expected increase in average selling price and sales quantities in the PRC market. According to the data of National Bureau of Statistics, the GDP of the PRC in 2021 grew by 8.1% and the average growth rate in the past two years was 5.1%; the growth rate of the production quantities of the fabric products in the PRC was approximately 9.3% in 2021. Therefore, the management adopted 5.1% as the growth rate of the average sales price and 9.1% as the growth rate of the sales quantities. This leads to an expected increase of revenue from approximately RMB29.9 million for the year ended 31 December 2021 to approximately RMB30.4 million for the year ending 31 December 2022.

Based on the forecast for the year ending 31 December 2022 and the support by the Reinvestment, the management assumes that the revenue growth will remain constant in the Forecast Period, resulting the revenue of approximately RMB34.9 million, RMB40.1 million, RMB46.0 million and RMB52.9 million for the years ending 31 December 2023, 2024, 2025 and 2026, respectively.

Scenario 2 (Assuming the Fabrics Business is discontinued)

With reference to the Business Plan, the management is also considering to divest the fabrics business in the first half of 2024, which is subject to inter alia the approval of the shareholders and compliance with the Listing Rules. As such, no revenue is projected for this segment in 2024.

(c) Sales of elastic webbing

Pursuant to the agreement with the vendor, the completion date of the Leader Elastic Acquisition is 30 June 2022. The management assumes that the acquisition will be successfully completed and the Target Group will become subsidiaries of the Company from 1 July 2022. Therefore, it is assumed that the financial results of the Target Group will be included in Group's consolidated financial statements starting from 1 July 2022.

The main business of the Target Group is manufacturing and sales of elastic webbing products in the PRC. Its production base is located in Zhuhai City of Guangdong Province. Pursuant to the audited results of the Target Group, the annual revenue generated was approximately RMB70.9 million and RMB60.3 million for the year ended 31 December 2019 and 2020 respectively. Such decrease was mainly caused by the decreased domestic demands in the PRC following the outbreak of COVID-19 in the PRC.

To facilitate the Leader Elastic Acquisition, the Target Group's financial results for the ten months ended 31 October 2021 was recently audited, which is included in the circular to be published to the shareholders of the Company. According to the audited financial results, the Target Group generated RMB62.7 million in revenue for those ten months, and is projected to generate a total revenue of RMB66.4 million for the year ended 31 December 2021.

The management prepared the sales forecast for the year ending 31 December 2022 based on the actual growth of the Target Group's business from 2019 to 2021. A growth rate of 5.8%, which is the average growth rate for sales quantities and average unit price from 2019 to 2021, is applied to the sales for 2022. As a result, the annual revenue is projected at approximately RMB66.4 million for the year ending 31 December 2022, half of which will be consolidated into the Group's financial statements for the year ending 31 December 2022. The management considers the growth rate to be reasonable as the market continues to recover from the impact of the COVID-19 pandemic.

Following from the forecast for the year ending 31 December 2022, a growth rate of 6.5% is applied to the revenue for 2023, which is based on a slight 5% further growth on the average unit selling price and 2% further growth on the sale quantities. The revenue for 2023 is projected at RMB70.8 million.

The management anticipates the overall growth of revenue to be stable in the foreseeable future. The growth rate adopted for 2024 and thereafter is based on the forecasted growth rate of 2023, resulting in forecasted revenue of approximately RMB75.4 million, RMB80.3 million and RMB85.5 million for the years ending 31 December 2024, 2025 and 2026 respectively.

2 Cost of sales and gross profits

(a) Shoes and Clothes Trading

The cost of sales of shoes and clothes mainly represented the purchase of the products from the suppliers mainly from the PRC. The unaudited cost of sales generated from this segment was approximately RMB122.9 million and the gross profit margin was approximately 2.2% for the year ended 31 December 2021.

Applying the same methodology as the forecast on revenue, the management prepared the forecast on cost of sales for the year ending 31 December 2022 by extrapolating the actual cost of sales amounts of approximately RMB20.8 million for January and February 2022. As a result, the projected annual cost of sales will increase from approximately RMB122.9 million for 2021 to approximately RMB124.5 million for 2022, representing an increase of 1.3%.

The management then applied the growth rate of 1.3% to the rest of the Forecast Period, resulting in cost of sales amounting to approximately RMB126.1 million, RMB127.7 million, RMB129.4 million and RMB131.0 million for the years ending 31 December 2023, 2024, 2025 and 2026, respectively.

Based on the actual sales in the first two month of 2022, the gross profit margin was approximately 2.4%, representing an increase from the gross profit of 2.2% in 2021. Based on the forecasted growth in revenue of 1.6% and cost of sales of 1.3%, the gross profits are estimated at approximately RMB3.1 million, RMB3.5 million, RMB3.9 million, RMB4.3 million and RMB4.8 million, representing gross profit margins of approximately 2.4%, 2.7%, 3.0%, 3.2% and 3.5% for the years ending 31 December 2022, 2023, 2024, 2025 and 2026, respectively. The marks a return to the gross profit margin of 3.5% achieved in 2020.

(b) Sales of fabrics

The cost of sales of fabrics mainly represented the purchase of the raw materials and the manufacturing overhead for the fabrics products. The unaudited cost of sales incurred in this segment was approximately RMB28.9 million and the gross profit margin was approximately 3.3% for the year ended 31 December 2021.

The management prepared the forecast on cost of sales for the year ending 31 December 2022, assuming the increase in average unit cost will be in line with the revenue, i.e. approximately a 5.1% increase. As a result, the forecasted cost of sales is approximately RMB29.3 million and the gross profit is approximately RMB1.1 million, representing a gross profit margin of approximately 3.5% for 2022. The management adopts the same growth rate of 5.1% for 2023, resulting the forecasted cost of sales of approximately RMB33.7 million, gross profit of approximately RMB1.2 million, and gross profit margin of approximately 3.5%.

Scenario 1

The management assumes the Reinvestment is completed in the end of 2023, such that the growth in cost of sales can be reduced to 3% in 2024, resulting in forecasted cost of sales of approximately RMB37.9 million, gross profit of approximately RMB2.2 million, and a gross profits margin of approximately 5.4%.

Applying the same growth rate, for 2025 and 2026, the cost of sales are estimated at approximately RMB43.5 million and RMB50.0 million, the gross profits at approximately RMB2.5 million and RMB2.9 million, and gross profit margin at approximately 5.4% respectively.

Scenario 2

According to the Business Plan, the management would also consider to divest the fabrics segment in the first half of 2024. After the disposal of the fabric business, which is subject to inter alia the approval of the shareholders and compliance with the Listing Rules, no cost of sales is expected to be incurred from the 2024 onwards.

(c) Sales of elastic webbing

The cost of sales of elastic webbing mainly represented the raw materials and other cost included in the manufacturing of the products. According to the audited results of the Target Group for the ten months ended 31 October 2021, the cost of sales was approximately RMB39.4 million and the gross profit was approximately RMB12.9 million, representing a gross profit margin of approximately 24.7%. The projected annual cost of sales will be approximately RMB47.3 million and the projected annual gross profit will be approximately RMB15.5 million, representing a gross profit margin of approximately 24.7% for the year ended 31 December 2021.

The management prepared the forecast on the cost of sales for the year ending 31 December 2022 based on the actual growth from 2019 to 2021. The forecasted revenue growth for 2022 will be approximately 5.5% using the average increments of the production costs for 2019-2021. As a result, the projected annual cost of sales will be approximately RMB49.8 million and the gross profits will be approximately RMB16.6 million for the year ending 31 December 2022. As the Leader Elastic Acquisition is anticipated to be completed by 30 June 202, half of the results of the Target Group, i.e. costs of approximately RMB24.9 million and gross profits of approximately RMB8.3 million will be consolidated into the Group's financial statements for the year ended 31 December 2022.

Based on the forecast for 2022, there will be a revenue growth of 5.5% for 2023 assuming further increase in average cost of production by 5% and sales quantities of the products by 2%, which is in line with the expected increase of revenue. As a result, for 2023, the forecasted cost of sales is approximately RMB53.1 million and the gross profit is approximately RMB17.6 million, representing a gross profit margin of approximately 24.9%.

The management expects the overall increase in cost of sales to be stable in the foreseeable future. The same growth rate is applied to 2024 and beyond, resulting the forecasted cost of sales of approximately RMB56.0 million, RMB59.1 million and RMB62.3 million and the gross profits of approximately RMB19.3 million, RMB21.2 million and RMB23.2 million, representing gross profit margins of approximately 25.7%, 26.4% and 27.1% for the years ending 31 December 2024, 2025 and 2026, respectively.

3 Other income

For the unaudited result of year 2021, the Company's other income of approximately RMB4.0 million was mainly comprised of bank interest income, amortisation of the deferred income of government grants related to the leasehold lands and right-of-use assets and processing fee income, etc. The other income from the fabric segment of approximately RMB4.0 million is assumed to be the same in 2022, with a slight increase of bank interest income and other income from the Target Group of approximately RMB0.3 million since July 2022. As a result, the projected other income of the enlarged group will be approximately RMB4.3 million for the year ending 31 December 2022. The management assumes that such other income will remain constant in the Forecast Period, resulting in a total amount of approximately RMB4.6 million for the years ended 31 December 2023, 2024, 2025 and 2026, respectively.

4 Impairment of trade and other receivables

The provision of impairment and expected credit loss on the receivables are usually assessed during the interim review and annual audit. As these amounts are non-cash items and subject to the regular assessment, they will not be considered in the Forecast.

5 Depreciation and amortization of property, plant and equipment

The amounts represented the annual depreciation of the property, plant and equipment and annual amortisation of the right-of-use assets, i.e. the land use right, of the Group, following the annual depreciation. According to the Group's accounting policies, depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The management assumes there to be a constant depreciation of approximately RMB17.8 million, assuming there will be other material addition of the property, plant and equipment for the years ending 31 December 2022 and 2023. The depreciation expenses of the Target Group are also included in the selling and administrative expenses of the Target Group.

Scenario 1

As mentioned above, assuming the fabrics segment will be continued with the Reinvestment completed by the end of 2023, there will be additional plant and machinery of approximately RMB20 million and their depreciation will be recognised starting from January 2024. Based on the Group's policy, the new machinery will depreciate over 20 years representing an annual depreciation of RMB1 million. Therefore, it is anticipated that the annual depreciation will increase from approximately RMB17.8 million in 2023 to approximately RMB18.8 million in 2024.

The management also intended to expand the factory buildings on the Leader Elastic Land with an investment cost of approximately RMB48 million (the "Expansion"), which is expected to be completed by the end of 2024. As the management has not determined whether to reserve the new factory building for the Group's own use or for investment, the return on investment for the Expansion will not be included in the Forecast. Yet, the estimated investment cost and depreciation of the Expansion will be included in the Forecast starting from 2024. As a result, the annual depreciation amount for the new plant and equipment will be approximately RMB2.4 million, resulting an increase of the depreciation amount of the Group to approximately RMB21.2 million for the years ending 31 December 2025 and 2026.

Scenario 2

If the fabrics segment is disposed of by the beginning of 2024, there is no projection for the depreciation of this segment from 2024. The amounts represented the annual depreciation for the additions of the new property, plant and equipment of approximately RMB2.4 million for the year ending 31 December 2025 and 2026, respectively.

6 Exchange gain/(loss)

The exchange gain/(loss) was generated from an appreciation rate of RMB against HKD mainly from the operation of the Group and recognised in profit or loss in 2021. As these amounts are non-cash items and subject to the regular assessment, they will not be included in the remaining Forecast Period.

7 Selling and administrative expenses

The breakdown of the projected selling and administrative expenses in the Forecast Period is as follows:

Scenario 1

		2021	2022	2023	2024	2025	2026
		RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
	Notes	*Unaudited*	*Forecast*	*Forecast*	*Forecast*	*Forecast*	*Forecast*
Salaries	*(i)*	2.69	2.12	2.15	2.17	2.19	2.20
Legal and professional fees	*(ii)*	2.33	2.45	1.85	1.92	1.93	1.93
Transportation costs	*(iii)*	3.02	2.33	2.37	2.41	2.45	2.48
Restructuring expenses	*(iv)*	2.30	3.69	0.49	–	–	–
Provision of impairment	*(v)*	5.28	–	–	–	–	–
Other expenses	*(vi)*	3.48	3.18	3.21	3.19	3.22	3.30
Target Group's expenses	*(vii)*	–	7.28	14.96	15.37	15.79	16.24
Total		19.10	21.05	25.03	25.06	25.58	26.14

Notes: –

(i) The salaries expenses of approximately RMB2.24 million comprise staff costs in Hubei base, the salaries of administrative staff in Hong Kong and the directors' remunerations for the year ended 31 December 2021. A number of staff in Hong Kong recently left, resulting in a decrease in salaries expenses in 2022. The management assumed that the staff cost will increase by 2% annually from 2022, representing general inflation.

(ii) Legal and professional fees mainly represented auditors' remuneration, legal fees and other professional fees for normal operation of the Group. The budget is based on the fees charged by professional parties currently engaged by the Company. The management assumes that there will be the same budget for the professional parties, and if not the Company will switch to engage lower cost providers.

(iii) Transportation costs mainly represented the shipping costs of the Group's export products. The management targets to control the annual logistics fees by seeking discount from the logistics company for bulk transportation. Based on the actual transportation fees incurred for the first two months of 2022 of approximately RMB0.38 million, the projected expenses will be approximately RMB2.33 million, representing approximately 1.8% to the revenue for the year ending 31 December 2022. The management assumed that the percentage of logistics expenses to revenue will remain at 1.8% during the Forecast Period., resulting in the amounts of approximately RMB2.37 million, RMB2.41 million, RMB2.45 million and RMB2.48 million for the years ending 31 December 2023, 2024, 2025 and 2026, respectively. This falls within the 2019 to 2021 range of 1.7% to 3.8%.

(iv) The Restructuring expenses mainly comprise the expected fees paid to professional parties incurred in the Restructuring such as the Liquidators, the independent financial advisors and the lawyers, etc. and the logistics costs of the Restructuring, such as booking fees of meeting venue, etc. The budget is based on the quotation and invoices received by the Company.

(v) The provision of impairment mainly comprise the impairment of long-aged prepayment and inventories recognised in administrative expenses based on the Company's credit and accounting policies. As these amounts are non-cash items and subject to the regular assessment, they will not be included in the Forecast.

(vi) Other administrative expenses mainly comprise office expenses, entertainment expenses and rental expenses, etc. The management will endeavour to control the administrative expenses. The increase rate of 2% applied reflects general inflation in the Forecast Period.

(vii) Upon the completion of Leader Elastic Acquisition by June 2022, the selling and administrative expenses of the Target Group will be consolidated into the enlarged Group from July 2022. The management projected the selling and administrative expenses for 2021 using the audited amounts for the ten months ended 31 October 2021. The selling expense was approximately 3.4% of the turnover. The management assumes such ratio will remain constant in the Forecast Period. In addition, the management assumes the annual increase of the administrative expenses to be approximately 2%, again representing the inflation rate in the Forecast Period.

Scenario 2

If the fabrics segment is disposed of in the first half of 2024, the related expenses will be excluded. The breakdown of the projected expenses in the Forecast Period is as follows:

	2021	2022	2023	2024	2025	2026
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
	Unaudited	*Forecast*	*Forecast*	*Forecast*	*Forecast*	*Forecast*
Salaries	2.69	2.12	2.15	1.18	1.18	1.18
Legal and professional fees	2.33	2.45	1.85	1.63	1.63	1.63
Transportation costs	3.02	2.33	2.37	2.41	2.45	2.48
Restructuring expenses	2.30	3.69	0.49	–	–	–
Provision of impairment	5.28	–	–	–	–	–
Other expenses	3.48	3.18	3.21	0.79	0.79	0.79
Target Group's expenses	–	7.28	14.96	15.37	15.79	16.23
Total	19.10	21.05	25.03	21.38	21.84	22.32

8 Finance costs

Finance costs mainly comprise of the interest expense for bond liabilities and bank borrowings. The interest expenses for bond liabilities were approximately RMB52.5 million and the interest expenses for bank borrowings were approximately RMB15.8 million for the 2021. Starting from the second half of 2022, it is anticipated that only the interest expenses for bank borrowings will be incurred as the Company's bond liabilities will have been compromised in this Scheme, resulting in the decrease in the finance costs from RMB68.3 million for 2021 to approximately RMB44.4 million for 2022.

Scenario 1

The projected annual amounts of approximately RMB20.6 million from 2023 to 2026 represent the sum of interest expenses based on the current bank borrowings of the Group and the Target Group, with reference to the actual amounts incurred in 2021, assuming that there will be no addition of the bank borrowings.

Scenario 2

If the fabrics segment is disposed in the second half of 2023 or at the beginning of 2024, the Group will no longer repay the annual interest expenses for the bank borrowings under the fabrics segment amounted to RMB15.8 million from 2024 onwards. As a result, the projected finance cost is approximately RMB4.8 million based on the projected finance cost of the Target Group in 2021, assuming there will be no additions of the bank borrowing.

9 Income tax expenses

The PRC enterprise income tax expenses are estimated at approximately 15%, which apply to the Group and the Target Group in the Forecast Period. As the Group will record losses before tax during the Forecast Period (at least up to the end of 2024), no provision for enterprise income tax expenses will be made accordingly.

10 Adjusted EBITDA

Based on the various estimations and assumptions set out in this Forecast, the performance of the Group is expected to improve and its losses reduced, so that the Group will eventually breakeven in the foreseeable future.

To supplement the consolidated financial statements which are presented in accordance with the international financial reporting standard ("**IFRS**"), the Company also refer to adjusted EBITDA as additional financial measure. EBITDA represents net profit before interest expenses, income tax expenses and depreciation and amortization, while adjusted EBITDA further excludes the exchange gains or losses. The Company believes that the adjusted EBITDA is useful for understanding and assessing underlying business performance and operating trends by eliminating the impact of certain unusual, non-recurring, non-cash and/or non-operating items that the Group does not consider indicative of the performance of the Group's business. Such adjusted EBITDA, as the management believes, is widely accepted and adopted in the industry in which the Group is operating in. However, the adjusted EBITDA shall not be viewed in a stand-alone basis.

Under Scenario 1, the EBITDA of the Company will be approximately RMB2.0 million, RMB5.0 million, RMB7.1 million and RMB15.8 million for the year ending 31 December 2023, 2024, 2025 and 2026. Under Scenario 2, the EBITDA of the Company will be approximately RMB1.9 million, RMB2.5 million, RMB4.3 million and RMB6.3 million.

11 Net cash inflow from sales of shoes and clothes

The amount represents the cash receipt from the customers less the cash payment to suppliers and the transportation costs recognised in the selling and administrative expenses. Based on the sales patterns from 2019 to 2021, the Group received the advance from customers and then paid the products costs before the delivery of the products. The net profit is assumed to be equivalent of net cash inflow in each month for this segment. As such, net cash inflow is estimated at approximately RMB0.8 million, RMB1.1 million, RMB1.5 million, RMB1.9 million and RMB2.3 million from 2022 to 2026 respectively.

12 Net cash flow from sales of fabrics

The amount represents the cash receipt from customers based on the Group's credit terms of 90 days less the payment to suppliers under the fabrics segment. Under Scenario 2, if the Group disposed the fabrics business by the end of 2023 or the beginning of 2024, there will be no cash flow from this segment from 2024 onwards.

13 Net cash flow from sales of elastic webbing

The amount represents the cash receipt from customers of elastic webbing which is assumed that the cash from customers is in the same month of the delivery of the goods and the sales recognition based on the historical records of the Target Group.

14 Payment of outstanding trade and other payables

Excluding payables of approximately RMB3.7 million that will settled in exchange for allotment of the Company's shares under the Scheme, the outstanding trade and other payables that need to be settled amount to approximately RMB291.4 million as at 31 December 2021. Most of these payables were arise from the operating subsidiaries of Group in the PRC under fabric segments. The management intends to initiate the negotiation with the creditors after the completion of the restructuring in case the Group will continue to run the fabric business. The management assumes that the Company will be able to negotiate with its creditors to settle all the payables by instalments within 5 years starting from September 2022, i.e. right after the implementation of the Scheme and the Company had received the first investment funds from the potential investors in September 2022. The average monthly repayment amount will be approximately RMB4.8 million.

Under Scenario 1, the repayment amount for the year ending 31 December 2022 will be approximately RMB19.1 million and the annual repayment amount will be approximately RMB57.5 million for the years from 2023 to 2026. Under Scenario 2, if the Group disposed the fabrics business by the end of 2023, the Group will no longer be responsible to repay the outstanding trade and other payables since January 2024.

15 Purchase of property, plant and equipment

The management assumes there will be no additions of property, plant and equipment for 2022. According to the Business Plan and Forecast, the Reinvestment will be completed with the budget costs of RMB20 million in 2023 and the investment on Expansion will be completed with the budget costs of RMB48 million in 2024. It is assumed that these costs will be paid in the years of the completion of the Reinvestment and Expansion.

16 An addition of cash from the Target Group

The Company is set to acquire 51% of Leader Elastic, which is assumed to be completed by 30 June 2022. The cash and bank balances of the Group will be enlarged since July 2022. The amount represents the cash and bank balances of the Target Group of approximately RMB21.52 million as at 31 October 2021. The management assumes such amount will not materially change and hence adopts the same in the Forecast.

17 Capital injection by potential investors

As mentioned in note (4) of the specific assumptions above, these amounts represented the capital injection by the potential investors under the MOUs. For illustrative purposes, the management assumed that approximately RMB28.6 million will be injected into the Company every quarter starting from September 2022.

18 Proceeds from the subscription of new shares

The amount represents the proceeds from the subscription of new shares issued by the Company in April 2021 and August 2021 respectively. In April 2021, the Company issued of 72,604,167 shares at the subscription price of HK$0.096, with net proceeds of approximately HK$6.77 million. In July 2021, the Company entered into subscription agreements with 6 subscribers for 87,125,893 subscription shares at the subscription price of HK$0.091, with net proceeds of approximately HK$7.80 million received in August 2021.

On 25 March 2022, the Company's shareholders passed a resolution to refresh the general mandate to issue/allot 20% of the existing shares to new investors. The management assumes the relevant procedures will be completed in April 2022. The Company would proceed to identity the investors to subscribe for up to 20% of the Company's existing shares (i.e. 52,275,535 shares) at the prevailing market price of approximately HK$0.25 per share, and raise around HK$3.1 million (or RMB2.61 million) of further capital.

E. Conclusion

In view of the above, if the Scheme is successfully implemented, the Directors believe that there is a real prospect that the Group has sufficient working capital to meet its requirements for the next 12 months and the Forecast Period. The Group's financial results will improve by reducing the loss for the years in the Forecast Period and the Group will have positive adjusted EBITDA during the Forecast Period.

Furthermore, the potential of the Group's business is underscored by the four MOUs entered into with potential investor and placing agents, which may open up further financial resources to the Group and ultimately maximize returns to the Scheme Creditors who have become shareholders of the Company. As a result, the management anticipates that the Group as a whole may return to solvency by 2024 if the Fabrics Business is divested, or by 2025 if that business is kept.

富德金融
FUTEC FINANCIAL

FUTEC Financial Limited
Suite 622 Ocean Centre
Harbour City
Kowloon
Hong Kong

19 April 2022

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

Dear Sirs,

Re: Moody Technology Holdings Limited (the "Company", together with its subsidiaries, the "Group") profit and working capital forecast for the period from 1 January 2022 to 31 December 2026

We refer to the profit and working capital forecast of the Group for the period from 1 January 2022 to 31 December 2026 (the "**Profit Forecast**") set forth in Appendix 9 and estimated recovery under the scheme ("**Estimated Scheme Recovery**") set forth in Appendix 12. Unless otherwise stated, capitalised terms used in this letter shall have the same meanings as those defined in this Scheme Document.

We have reviewed the unaudited financial results of the Group for the year ended 31 December 2021 and two months ended 28 February 2022, the Profit Forecast and Estimated Scheme Recovery for which the Directors are solely responsible, and have reviewed and discussed with the management of the Company regarding the bases and assumptions adopted in the Profit Forecast and Estimated Scheme Recovery.

We have also reviewed the letter issued by McMillan Woods (Hong Kong) CPA Limited dated 12 April 2022 as set out in Appendix 11 containing its opinion that, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly complied in accordance with the basses and assumptions adopted by the Directors as set out in board memorandum and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the annual report for the year ended 31 December 2020.

On the basis of the foregoing and the opinion of McMillan Woods (Hong Kong) CPA Limited, we are of the opinion that the Profit Forecast has been made after due and careful enquiry and the bases and assumptions adopted by the Directors are fair and reasonable.

Yours faithfully,

FUTEC Financial Limited



McMillan Woods (Hong Kong) CPA Limited
24/F., Siu On Centre
188 Lockhart Road, Wan Chai, Hong Kong

(香港)會計師事務所有限公司
香港灣仔駱克道188號
兆安中心24樓

12 April 2022

The Joint and Several Provisional Liquidators
The Board of Directors
Moody Technology Holdings Limited
20/F, Infinitus Plaza,
199 Des Voeu Road Central,
Sheung Wan, Hong Kong

Dear Sirs,

Moody Technology Holdings Limited (the "Company") and its subsidiaries (the "Group")
Profit Forecast for Year Ending 31 December 2026

We refer to the forecast of the consolidated profit attributable to equity holders of the Company for the year ending 31 December 2026 set forth in board memorandum which has been prepared by the directors of the Company in connection with their profit and working capital forecast (the "Profit Forecast").

Directors' Responsibilities

The Profit Forecast has been prepared by the directors of the Company based on the audited consolidated results of the Group for the year ended 31 December 2020, the unaudited consolidated results based on the management accounts of the Group for the year ended 31 December 2021 and a forecast of the consolidated results of the Group for the five years ending 31 December 2026.

The Company's directors are solely responsible for the Profit Forecast.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (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 Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Forecast based on our procedures.

We conducted our engagement with reference to Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Forecast in accordance with the bases and assumptions made by the directors and as to whether the Profit Forecast is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions adopted by the directors as set out in board memorandum and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the annual report for the year ended 31 December 2020.

Other matter – high level of uncertainty on assumption

We draw attention to the board memorandum, the Group's bank borrowings and bonds of approximately RMB163 million and RMB808 million respectively were subject to renewal or to be fully repaid for the next twelve months from 31 December 2021 and with reference to the Company's announcement dated 11 November 2020, the Company has formulated a restructuring transaction involving the issue of shares that the total value of the shares to be issued equals to the entire outstanding principal amount of debts due and owing by the Company to each of the Company's creditors. The forecasted operating cash inflow and outflow of the Group as disclosed in the board memorandum are highly depended that the Group will be able to successfully negotiate and agree with the creditors to renew or extend the existing indebtedness and the Group will be able to finish debt restructuring and locate new investors to inject working capital. Any difference between the actual outcome of the above when compared to the estimation by the directors of the Company would have a significant effect on the consolidated profit of the Group for the year ending 31 December 2026 attributable to owners of the Company. Our opinion is not qualified in respect of this matter.

Yours faithfully,

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants
Hong Kong

ESTIMATED RECOVERY UNDER THE SCHEME

This is the Company's analysis in respect of the estimated recovery under the Scheme, which was prepared by the Company based on the Business Forecast set out in Appendix 9 (as reviewed by the Independent Financial Adviser and McMillan Woods (Hong Kong) CPA Limited), is premised on two scenarios: one where the Group carries on its Fabrics Business, and one where the Group disposes of its Fabrics Business at the beginning of 2024. In the latter scenario, the Group is expected to return to a position of solvency sooner and yield a higher recovery rate for the Scheme Scenarios. In summary, the Scheme Creditors' recovery under the Scheme is estimated at:

(1) As at 31 December 2024 and on the basis that the Group disposes of its Fabrics Business, **10.27%**;

(2) As at 31 December 2025 and on the basis that the Group keeps its Fabrics Business, **2.03%**;

(3) As at 31 December 2026 and on the basis that the Group keeps its Fabrics Business, **8.00%**.

Whether the Group decides to keep or divest the Fabrics Business depends on a number of factors, such as the approval of the shareholders and compliance with the Listing Rules. The detailed bases, qualifications and assumptions adopted can be found in the Business Forecast above.

I. *Where the Group disposes of its Fabrics Business*

Net assets as at 31 December 2024	**RMB114,236,264**	*Note 1*
Total no. of issued shares	**5,482,795,789**	
Existing share capital as at 31 March 2022	52,275,535	
Possible subscription of shares under general mandate refreshed on 25 March 2022	10,455,107	*Note 2*
Consideration paid to Sundust Company Limited	10,020,000	*Note 3*
Scheme Creditors with Admitted Claims	3,998,754,825	*Note 4*
Shares issued to prospective investors	1,411,290,322	*Note 5*
Value of Scheme Shares	**RMB83,315,671**	
Estimated recovery under the Scheme	**10.27%**	

Notes:

1. Please refer to section D2 of the Business Forecast at Appendix 9 above.

2. The Company's shareholders have refreshed the general mandate to issue or allot 20% of the total number of existing shares to new investors at a special general meeting held on 25 March 2022. It is anticipated that the Company would proceed to identify investors to subscribe for new shares and exhaust the general mandate to raise further capital.

3. Pursuant to the Share Purchase Agreement dated 26 July 2021 between the Company and Sundust Company Limited, the Company would acquire 51% of Leader Elastic for a total consideration of approximately HK$12.24 million to be paid by consideration shares issued at HK$0.12 per share. The Company has since carried out a Share Consolidation whereby every 10 shares are consolidated into 1 share. It is assumed that the Company and Sundust Company Limited will sign a supplemental agreement to revise the consideration share price to HK$1.2 per share, reflecting the effect of the Share Consolidation.

4. Based on the Group's unaudited consolidated accounts, the outstanding claims of the Scheme Creditors amount to approximately HK$993.43 million. The issue price of the Scheme Shares is the lower of HK$1.95 or the average daily closing price as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Notice of the Scheme Meeting. For this analysis, the issue price of HK$0.248 per share is adopted, which reflects the average closing price of the Shares from 28 February 2022 to 30 March 2022. Insofar as the closing prices between 28 February 2022 and 7 March 2022 are concerned, those have been adjusted and multiplied by 10 to reflect the effect of the Share Consolidation which became effective on 8 March 2022. This is considered to be a close estimate of the average daily closing price as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Notice of the Scheme Meeting.

5. Pursuant to the four new and supplemental MOUs entered into between the Company and potential investor and placing agents on 24 March 2022, the Company anticipates that no less than HK$700 million will be injected into the Company in the 5 years following the implementation of the Scheme. For the purposes of this forecast, it is assumed that: (i) the funding is evenly injected into the Company on a quarterly basis starting from September 2022 over the course of five years, such that by the end of 2024, HK$350 million is expected to have been injected to the Company; and (ii) the new investors would receive new shares issued at HK$0.248 per share, which is the average closing price of the Shares from 28 February 2022 to 30 March 2022 (insofar as the closing prices between 28 February 2022 and 7 March 2022 are concerned, those have been adjusted and multiplied by 10 to reflect the effect of the Share Consolidation which became effective on 8 March 2022), meaning that 1,411,290,322 shares are issued.

II. *Where the Group maintains its Fabrics Business*

	As at 31 December 2025	As at 31 December 2026	*Note*
Net assets	**RMB24,885,540**	**RMB107,219,860**	*Note 1*
Total no. of issued shares	**6,043,854,084**	**6,607,382,261**	
Existing share capital as at 31 March 2022	52,275,535	52,275,535	
Possible subscription of shares under general mandate refreshed on 25 March 2022	10,455,107	10,455,107	
Consideration paid to Sundust Company Limited	10,020,000	10,020,000	
Scheme Creditors with Admitted Claims	3,998,754,825	3,998,754,825	
Shares issued to potential investors	1,972,348,617	2,535,876,794	*Note 2*
Value of Scheme Shares	**RMB16,464,853**	**RMB64,888,925**	
Estimated recovery under the Scheme	**2.03%**	**8.00%**	

Notes:

1. Please refer to section D1 of the Business Forecast at Appendix 9 above.

2. For the purposes of this forecast, it is assumed that: (i) the funding under the MOUs is evenly injected into the Company on a quarterly basis starting from September 2022 over the course of five years, and (ii) the new investors would receive new shares issued at HK$0.248 per share, which is the average closing price of the Shares from 28 February 2022 to 30 March 2022 (insofar as the closing prices between 28 February 2022 and 7 March 2022 are concerned, those have been adjusted and multiplied by 10 to reflect the effect of the Share Consolidation which became effective on 8 March 2022).

   On that basis, by the end of 2025, HK$490 million is expected to have been injected into the Company, and new investors receiving new shares issued at HK$0.248 per share would hold 1,972,348,617 shares; by the end of 2026, HK$630 million is expected to have been injected into the Company, and the new investors receiving new shares issued at HK$0.248 per share would hold 2,535,876,794 shares.

HCMP 1072 / 2021

IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 1072 OF 2021

IN THE MATTER of Moody Technology Holdings Limited (滿地科技股份有限公司) (Provisional Liquidators appointed for Restructuring Purpose) (the "Company")

AND

IN THE MATTER of sections 670, 671, 673 and 674 of the Companies Ordinance (Cap. 622)

ORDER

Dated the 25th day of January 2024.
Filed on the 29th day of January 2024.

ERIC CHOW & CO.
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