

Công Ty TNHH Lian-Ta-Hsing (Việt Nam)
(English Name: Lian-Ta-Hsing Company Limited (Vietnam))

Accountants' report on Historical Financial Information
for each of the years ended 31 December 2023, 2024 and 2025
and four months ended 30 April 2025 and 2026

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF CÔNG TY TNHH LIAN-TA-HSING (VIỆT NAM) (ENGLISH NAME: LIAN-TA-HSING COMPANY LIMITED (VIETNAM)) TO THE DIRECTORS OF FOUNTAIN SET (HOLDINGS) LIMITED

Introduction

We report on the historical financial information of Công Ty TNHH Lian-Ta-Hsing (Việt Nam) (English name: Lian-Ta-Hsing Company Limited (Vietnam)) (the "Target Company") set out on pages 4 to 43, which comprises the statements of financial position of the Target Company as at 31 December 2023, 2024 and 2025 and 30 April 2026, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the years ended 31 December 2023, 2024 and 2025 and the four months ended 30 April 2026 (the "Track Record Period"), and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages 4 to 43 forms an integral part of this report, which has been prepared for inclusion in the circular of Fountain Set (Holdings) Limited (the "Company") dated 5 October 2026 (the "Circular") in connection with the proposed acquisition of 81% equity interests in the Target Company.

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 3(a) to the Historical Financial Information, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of the Target Company is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

Reporting accountants' responsibility

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

Reporting accountants' responsibility – continued

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 3(a) to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's financial position as at 31 December 2023, 2024 and 2025 and 30 April 2026, and of the Target Company's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 3(a) to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Company which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the four months ended 30 April 2025 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Target Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 3(a) to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 3(a) to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page 4 have been made.

Dividend

We refer to Note 11 to the Historical Financial Information which states that no dividends have been declared or paid by the Target Company in respect of the Track Record Period.



Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 5 October 2026

Chau Fong, Lily

Practising Certificate Number P08090

HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of Historical Financial Information

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

The financial statements of the Target Company for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with accounting policies which conform with HKFRS Accounting Standards as issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in HK\$'000)

	Notes	Year ended 31 December			Four months ended 30 April	
		2023 HK\$'000	2024 HK\$'000	2025 HK\$'000	2025 HK\$'000 (Unaudited)	2026 HK\$'000
Revenue	5	41,570	96,651	67,683	17,354	15,868
Cost of sales		(69,176)	(100,666)	(70,633)	(17,143)	(19,674)
Gross (loss)/profit		(27,606)	(4,015)	(2,950)	211	(3,806)
Other income, gains and losses, net	6	(451)	(583)	(793)	(267)	10
Distribution and selling expenses		(56)	(292)	(246)	(23)	(76)
Administrative expenses		(8,581)	(11,670)	(8,623)	(2,437)	(2,957)
Finance costs	7	(890)	(1,468)	(2,013)	(508)	(666)
Loss before income tax		(37,584)	(18,028)	(14,625)	(3,024)	(7,495)
Income tax credit/(expense)	8	4	4	3	(7)	(7)
Loss for the year/period	9	(37,580)	(18,024)	(14,622)	(3,031)	(7,502)
Other comprehensive (expense)/income						
<i>Item that will not be reclassified subsequently to profit or loss:</i>						
Exchange difference arising on translation from functional currency to presentation currency		(5,068)	(8,870)	(3,993)	(2,998)	478
Other comprehensive (expense)/income for the year/period		(5,068)	(8,870)	(3,993)	(2,998)	478
Total comprehensive expense for the year/period		(42,648)	(26,894)	(18,615)	(6,029)	(7,024)

STATEMENTS OF FINANCIAL POSITION

(Expressed in HK\$'000)

	Notes	As at 31 December			As at 30 April
		2023 HK\$'000	2024 HK\$'000	2025 HK\$'000	2026 HK\$'000
Non-current assets					
Property, plant and equipment	13	137,702	118,024	98,591	93,981
Right-of-use assets	14	36,906	33,985	32,144	31,965
Other intangible assets	15	18	-	-	-
Deferred tax assets	16	11	14	17	10
		<u>174,637</u>	<u>152,023</u>	<u>130,752</u>	<u>125,956</u>
Current assets					
Inventories	17	31,241	36,445	32,977	32,469
Trade receivables	18	8,515	20,268	15,176	14,654
Prepayments, deposits and other receivables	19	4,398	5,753	4,825	4,661
Cash and cash equivalents	20	8,768	10,190	6,637	6,543
		<u>52,922</u>	<u>72,656</u>	<u>59,615</u>	<u>58,327</u>
Current liabilities					
Trade payables	21	13,854	15,219	9,787	13,452
Other payables and accruals		959	1,088	1,078	717
Contract liabilities	22	10,014	6,934	5,709	4,905
Lease liabilities - current portion	23	7	7	7	7
Amount due to a related company	32(a)	977	684	913	916
Loans from immediate holding company	32(a)	23,571	26,425	26,527	26,628
Bank borrowings	24	3,741	26,837	17,508	15,885
		<u>53,123</u>	<u>77,194</u>	<u>61,529</u>	<u>62,510</u>
Net current liabilities		<u>(201)</u>	<u>(4,538)</u>	<u>(1,914)</u>	<u>(4,183)</u>
Total assets less current liabilities		<u>174,436</u>	<u>147,485</u>	<u>128,838</u>	<u>121,773</u>
Non-current liability					
Lease liabilities - non-current portion	23	932	875	843	802
Net assets		<u>173,504</u>	<u>146,610</u>	<u>127,995</u>	<u>120,971</u>
Capital and reserves					
Share capital	25	281,127	281,127	281,127	281,127
Reserves		<u>(107,623)</u>	<u>(134,517)</u>	<u>(153,132)</u>	<u>(160,156)</u>
Total equity		<u>173,504</u>	<u>146,610</u>	<u>127,995</u>	<u>120,971</u>

STATEMENTS OF CHANGES IN EQUITY
(Expressed in HK\$'000)

	Share capital HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
At 1 January 2023	234,218	-	(4,678)	(60,529)	169,011
Loss for the year	-	-	-	(37,580)	(37,580)
Exchange difference arising on translation from functional currency to presentation currency	-	-	(5,068)	-	(5,068)
Total comprehensive expense for the year	-	-	(5,068)	(37,580)	(42,648)
Capital contribution (Note 25)	46,909	232	-	-	47,141
At 31 December 2023 and 1 January 2024	281,127	232	(9,746)	(98,109)	173,504
Loss for the year	-	-	-	(18,024)	(18,024)
Exchange difference arising on translation from functional currency to presentation currency	-	-	(8,870)	-	(8,870)
Total comprehensive expense for the year	-	-	(8,870)	(18,024)	(26,894)
At 31 December 2024 and 1 January 2025	281,127	232	(18,616)	(116,133)	146,610
Loss for the year	-	-	-	(14,622)	(14,622)
Exchange difference arising on translation from functional currency to presentation currency	-	-	(3,993)	-	(3,993)
Total comprehensive expense for the year	-	-	(3,993)	(14,622)	(18,615)
At 31 December 2025	281,127	232	(22,609)	(130,755)	127,995
	Share capital HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
At 1 January 2025	281,127	232	(18,616)	(116,133)	146,610
Loss for the period (unaudited)	-	-	-	(3,031)	(3,031)
Exchange difference arising on translation from functional currency to presentation currency (unaudited)	-	-	(2,998)	-	(2,998)
Total comprehensive expense for the period (unaudited)	-	-	(2,998)	(3,031)	(6,029)
At 30 April 2025 (unaudited)	281,127	232	(21,614)	(119,164)	140,581
At 1 January 2026	281,127	232	(22,609)	(130,755)	127,995
Loss for the period	-	-	-	(7,502)	(7,502)
Exchange difference arising on translation from functional currency to presentation currency	-	-	478	-	478
Total comprehensive income/(expense) for the period	-	-	478	(7,502)	(7,024)
At 30 April 2026	281,127	232	(22,131)	(138,257)	120,971

STATEMENTS OF CASH FLOWS

(Expressed in HK\$'000)

	Note	Year ended 31 December			Four months ended 30 April	
		2023 HK\$'000	2024 HK\$'000	2025 HK\$'000	2025 HK\$'000 (Unaudited)	2026 HK\$'000
Operating activities						
Loss before income tax		(37,584)	(18,028)	(14,625)	(3,024)	(7,495)
Adjustments for:						
Depreciation of property, plant and equipment	9	17,595	16,862	15,866	4,043	5,049
Impairment of property, plant and equipment	9	-	-	602	-	10
Depreciation of right-of-use assets	9	994	955	906	302	302
Amortisation of other intangible assets	9	193	18	-	-	-
Exchange (gains)/losses, net		(44)	1,054	824	(80)	241
Finance costs		890	1,468	2,013	508	666
Interest income	6	(199)	(4)	(9)	(3)	(3)
Operating (loss)/profit before working capital changes		(18,155)	2,325	5,577	1,746	(1,230)
Decrease/(increase) in inventories		9,454	(7,088)	2,471	(2,244)	633
Decrease/(increase) in trade receivables		153	(12,562)	4,549	4,334	579
Decrease/(increase) in prepayments, deposits and other receivables		5,881	(1,638)	772	185	73
(Decrease)/increase in trade payables		(5,761)	2,173	(5,031)	(4,201)	3,622
(Decrease)/increase in other payables and accruals		(6,179)	(1,128)	(65)	140	(364)
Increase/(decrease) in contract liabilities		511	(2,611)	(1,038)	1,437	(824)
(Decrease)/increase in amount due to a related company		-	(247)	248	(202)	-
Net cash (used in)/generated from operating activities		(14,096)	(20,776)	7,483	1,195	2,489
Investing activities						
Purchase of property, plant and equipment		(181)	(2,957)	(135)	(33)	(10)
Release of time deposits		1,786	-	-	-	-
Interest received		199	4	9	3	3
Net cash generated from/(used in) investing activities		1,804	(2,953)	(126)	(30)	(7)
Financing activities						
Drawdown on bank borrowings		20,731	46,329	48,594	16,928	10,151
Repayment of bank borrowings		(27,416)	(22,830)	(57,214)	(19,957)	(11,838)
Loans advanced from immediate holding company		23,523	23,569	-	-	-
Loans repaid to immediate holding company		(1,933)	(19,915)	-	-	-
Repayment of principal portion of lease liabilities		(7)	(7)	(7)	(7)	(7)
Interest paid		(890)	(1,468)	(2,013)	(508)	(666)
Net cash generated from/(used in) financing activities		14,008	25,678	(10,640)	(3,544)	(2,360)
Net increase/(decrease) in cash and cash equivalents		1,716	1,949	(3,283)	(2,379)	122
Cash and cash equivalents at beginning of the year/period		6,855	8,768	10,190	10,190	6,637
Effect of exchange rate changes on cash and cash equivalents		197	(527)	(270)	(195)	(216)
Cash and cash equivalents at the end of the year/period		8,768	10,190	6,637	7,616	6,543

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General Information

The Target Company is a company with limited liability incorporated under the laws of Vietnam on 30 August 2016. The addresses of the registered office and the principal place of business of the Target Company are Lot 45-1, N15 Road, Phuoc Dong Industrial Zone, Phuoc Dong Commune, Huyện Gò Dầu, Tây Ninh Province, Vietnam.

The Target Company is principally engaged in the business of knitting, dyeing and sales of knitted fabrics.

The functional currency of the Target Company is Vietnamese Dong ("VND"), the currency of the primary economic environment in which the Target Company operates. The Historical Financial Information is presented in Hong Kong dollars ("HK\$") as the directors of the Target Company consider that Hong Kong dollars are preferable in presenting the operating and financial position of the Target Company for inclusion in the Circular.

The directors of the Target Company consider the immediate parent and ultimate controlling party to be Lian-Ta-Hsing International Co., Ltd., a company established in the Republic of Seychelles.

2 Application of new and amendments to HKFRS Accounting Standards

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Target Company has consistently applied the accounting policies which conform with HKFRS Accounting Standards, which are effective for the accounting period beginning on 1 January 2026 throughout the Track Record Period.

New and amendments to HKFRS Accounting Standards issued but not yet effective

The Target Company has not early applied the following new and amendments to HKFRS Accounting Standards which have been issued but are not yet effective:

HKFRS 18	Presentation and Disclosure in Financial Statements ¹
HKFRS 19 and its amendments	Subsidiaries without Public Accountability: Disclosures ¹
HKFRS 20	Regulatory Assets and Regulatory Liabilities ²
Amendments to HKAS 21	Translation to a Hyperinflationary Presentation Currency ¹
Amendments to HKAS 28	Amendments to the Fair Value Option for Investments in Associates and Joint Ventures ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2027.

² Effective for annual periods beginning on or after 1 January 2029.

³ Effective for annual periods beginning on or after a date to be determined.

Except for the new HKFRS Accounting Standard mentioned below, the directors of the Target Company anticipate that the application of all other new and amendments to HKFRS Accounting Standards will have no material impact on the Historical Financial Information in the foreseeable future.

HKFRS 18 “Presentation and Disclosure in Financial Statements” (“HKFRS 18”)

HKFRS 18, which sets out requirements on presentation and disclosures in financial statements and will replace HKAS 1 “Presentation of Financial Statements”. HKFRS 18 introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss, provides disclosures on management-defined performance measures in the notes to the financial statements and improves aggregation and disaggregation of information to be disclosed in the financial statements. Minor amendments to HKAS 7 “Statement of Cash Flows” and HKAS 33 “Earnings per Share” are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Target Company is in the process of assessing the detailed impact of HKFRS 18 on the Target Company’s Historical Financial Information.

3 Basis of preparation of Historical Financial Information and material accounting policy information

(a) Basis of preparation of Historical Financial Information

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with HKFRS Accounting Standards as issued by the HKICPA. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The statutory financial statements of the Target Company for the years ended 31 December 2023, 2024 and 2025 were prepared in accordance with the Vietnamese Accounting Standards and were audited by Tri Thuc Viet Company Limited, an independent audit firm in Vietnam.

As at 30 April 2026, the Target Company’s current liabilities exceeded current assets by HK\$4,183,000, which gives rise to uncertainty regarding its ability to continue as a going concern. Its current liabilities consist primarily of loans from its immediate holding company of HK\$26,628,000. As detailed in Note 33, subsequent to the end of the reporting period, the Target Company entered into an asset divestment agreement on 27 July 2026, pursuant to which the loans due to its immediate holding company were fully settled. In light of the successful settlement of the balance, the directors of the Target Company are satisfied that the Target Company will have sufficient financial resources to continue as a going concern. Accordingly, the Historical Financial Information for the Track Record Period has been prepared on a going concern basis.

(b) Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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

Property, plant and equipment (other than construction in progress) are depreciated so as to write off their cost net of expected residual values over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of the reporting period. The useful lives are as follows:

Buildings	5-25 years
Plant and machinery	5-10 years
Equipment	3-6 years
Motor vehicles	5-10 years

Construction in progress is stated at cost less any recognised impairment loss. Costs include any costs directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Target Company's accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use. Such construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for its intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss on disposal or retirement of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

Property, plant and equipment are tested for impairment by comparing their carrying amounts with their recoverable amounts.

(c) Leases

As a lessee

All leases are required to be capitalised in the statements of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low value. The Target Company has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of less than 12 months and do not contain a purchase option. The lease payments associated with those leases have been expensed on a straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise:

- (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);
- (ii) any lease payments made at or before the commencement date, less any lease incentive received;
- (iii) any initial direct costs incurred by the lessee; and
- (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Target Company measures the right-of-use assets applying a cost model. Under the cost model, the Target Company measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. They are depreciated over the shorter period of lease term and useful life of the underlying asset.

The Target Company presents right-of-use assets as a separate line in the statements of financial position.

The Target Company applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

The Target Company has leased a number of properties under tenancy agreements which the Target Company exercises its judgement and determines that it is a separate class of assets apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use assets arising from the properties under tenancy agreements are carried at depreciated cost.

When the Target Company obtains ownership of the underlying leased assets at the end of the lease term upon exercising purchase options, the cost the relevant right-of-use assets and the related accumulated depreciation are transferred to property, plant and equipment.

Right-of-use assets are tested for impairment by comparing their carrying amounts with their recoverable amounts.

Lease liabilities

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Target Company uses the Target Company's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments:

- (i) fixed payments less any lease incentives receivables;
- (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (iii) amounts expected to be payable by the lessee under residual value guarantees;
- (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is presented as a separate line in the statements of financial position.

Subsequent to the commencement date, the Target Company measures the lease liability by:

- (i) increasing the carrying amount to reflect interest on the lease liability;
- (ii) reducing the carrying amount to reflect the lease payments made; and
- (iii) remeasuring the carrying amount to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payments.

(d) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

(e) Intangible assets

Intangible assets acquired separately are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on a straight-line basis over their useful lives as follows. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Software	Shorter of 3 years or period of the contract term
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Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts.

(f) Financial instruments

Financial assets

Financial assets are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets at amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gains or losses on derecognition are recognised in profit or loss.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The Target Company recognises loss allowances for expected credit loss ("ECL") on trade receivables, deposits and other receivables measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Target Company is exposed to credit risk.

Impairment loss on financial assets

ECLs are a probability-weighted estimates of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Target Company in accordance with the contract and all the cash flows that the Target Company expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Target Company has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Target Company has established a provision matrix that is based on the Target Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment except for individual assessment on credit-impaired trade receivables.

For other financial assets of the Target Company, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Target Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Target Company's historical experience and informed credit assessment and including forward-looking information.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Target Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the foregoing, the Target Company assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) the debt instrument has a low risk of default, ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Target Company considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

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

Definition of default

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

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Company, in full (without taking into account any collaterals held by the Target Company).

The Target Company considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Target Company in full, without recourse by the Target Company to actions such as realising security (if any is held); or (2) the financial asset is more than 365 days past due unless the Target Company has reasonable and supportable information demonstrate that a more lagging default criterion is more appropriate.

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

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

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

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. Interest income on non credit-impaired financial assets is calculated based on the gross carrying amount. Interest income is recognised in profit or loss and is included in the “Other income, gains and losses, net” line item (Note 6).

Financial liabilities

The Target Company classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities are added to or deducted from the fair value of the financial liabilities, as appropriate, on initial recognition.

Financial liabilities at amortised cost including trade payables, other payables and accruals, bank borrowings and loan from immediate holding company are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

Derecognition

The Target Company derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognised in profit or loss.

(g) Cash and cash equivalents

In the statements of financial position, bank balances and cash comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Bank balances for which use by the Target Company is subject to third party contractual restriction are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash.

For the purpose of the statements of cash flows, cash and cash equivalents comprise short-term bank deposits, bank balances and cash which are not restricted as to use.

(h) Provisions

Provisions are recognised for liabilities of uncertain timing or amount when the Target Company has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

(i) Impairment of non-current assets (other than financial assets)

At the end of the reporting period, the Target Company reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exist or may have decreased:

- property, plant and equipment;
- right-of-use assets; and
- other intangible assets.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Target Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit for which the estimates of future cash flows have not been adjusted.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the cash-generating unit is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately.

(j) Revenue from contracts with customers

Information about the Target Company's accounting policies relating to contracts with customers is provided in Note 5.

(k) Contract liabilities

A contract liability represents the Target Company's obligation to transfer goods to a customer for which the Target Company has received consideration (or an amount of consideration is due) from the customer.

A contract liability is recognised when the customer pays consideration before the Target Company recognises the related revenue.

(l) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(m) Income taxes

Income taxes for the year/period comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary difference arising on investments in subsidiaries and an associate, except where the Target Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Target Company recognises the right-of-use assets and the related lease liabilities, the Target Company first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities. For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Target Company applies HKAS 12 requirements to the lease liabilities, and the related assets separately. The Target Company recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

(n) Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, income and expense items of foreign operations are translated into the presentation currency of the Target Company (i.e. Hong Kong dollars) at the average exchange rates for the year/period. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Target Company's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

(o) Employee benefits

(i) *Short-term employee benefits*

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year/period when the employees render the related service.

(ii) *Defined contribution retirement plan*

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) *Termination benefits*

Termination benefits are recognised on the earlier of when the Target Company can no longer withdraw the offer of those benefits and when the Target Company recognises restructuring costs involving the payment of termination benefits.

(p) Related parties

- (a) A person or a close member of that person's family is related to the Target Company if that person:
 - (i) has control or joint control over the Target Company;
 - (ii) has significant influence over the Target Company; or
 - (iii) is a member of key management personnel of the Target Company or the Target Company's parent.
- (b) An entity is related to the Target Company if any of the following conditions apply:
 - (i) The entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Target Company or an entity related to the Target Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or the Target Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependent of that person or that person's spouse or domestic partner.

4 Key sources of estimation uncertainty

The key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

(a) Impairment of non-financial assets

Non-financial assets including property, plant and equipment, right-of-use assets and other intangible assets comprise a significant portion of the Target Company's total assets. They are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on fair value less costs of disposal or value-in-use calculations as appropriate. To determine the recoverable amount based on fair value less costs of disposal, the Target Company obtained quoted market prices when available or used independent appraisals. To determine the recoverable amount based on value-in-use calculations, the Target Company used cash flow projection discounted at an appropriate pre-tax discount rate. The pre-tax discount rate reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement. The cash flow projection also requires the use of judgement and estimation regarding the financial forecasts prepared by the management with major assumptions. The management derives the required cash flow projection from historical results, internal business plans, the prevailing market conditions and the expected remaining useful lives of the relevant assets. Changes to major assumptions and estimation could affect the fair value less costs of disposal and value-in-use calculations and as a result affecting the Target Company's reported financial condition and results of operations.

If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

(b) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. In assessing the net realisable value and making appropriate allowances, the management considers their physical conditions, age, market conditions and market price for similar items. Those charged with governance reassess these estimates at the end of each reporting period. Provision is made, where necessary, for obsolete, slow-moving and defective inventory items. The difference between the provision of this period and the provision of the previous period is recognised as an increase or a decrease of cost of goods sold in the period.

5 Revenue and segment information

(i) Disaggregation of revenue from contracts with customers

	Year ended 31 December			Four months ended 30 April	
	2023	2024	2025	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Type of goods:					
Sales of knitted fabrics	<u>41,570</u>	<u>96,651</u>	<u>67,683</u>	<u>17,354</u>	<u>15,868</u>
Geographical market					
Vietnam	21,361	48,447	51,940	13,318	13,725
Taiwan	12,441	24,750	3,616	927	472
Hong Kong	7,768	23,454	12,122	3,108	1,671
Others	<u>-</u>	<u>-</u>	<u>5</u>	<u>1</u>	<u>-</u>
	<u>41,570</u>	<u>96,651</u>	<u>67,683</u>	<u>17,354</u>	<u>15,868</u>
Timing of revenue recognition:					
At a point in time	<u>41,570</u>	<u>96,651</u>	<u>67,683</u>	<u>17,354</u>	<u>15,868</u>

(ii) Performance obligations for contracts with customers and revenue recognition policies

Sales of knitted fabrics

Customers obtain control of the goods when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accept the goods. There is generally only one performance obligation. Invoices are usually payable within 30 days to 180 days. Some of the Target Company's contracts with customers from the sale of goods provide customers with a right of return, i.e., a right to exchange for another product. These rights of return do not allow the returned goods to be refunded in cash. Target Company receives certain percentage of the contract sum as advance payment from the customers upon signing the sales contracts and is included in contract liabilities.

(iii) Transaction price allocated to the remaining performance obligations for contracts with the customers

Sales of goods were made in a short period of time and the performance obligation was mostly satisfied in one year or less at the end of each reporting period, thus the Target Company applied the expedient of not to disclose the transaction price allocated to unsatisfied performance obligation.

(iv) Segment information

Information reported to the directors of the Target Company, being the chief operating decision makers, for the purposes of resource allocation and assessment focuses on revenue analysis by type of goods. No other discrete financial information is provided other than the Target Company's results and financial position as a whole. Accordingly, no further analysis is presented.

Geographical information

The geographical areas of location of customers are disclosed above in Note 5(i). All of the Target Company's non-current assets (excluding deferred tax assets) as at 31 December 2023, 2024 and 2025 and 30 April 2026 are located in Vietnam based on the geographical location of the assets.

Information about major customers

Revenue from external customers contributing over 10% to the total revenue of the Target Company during the Track Record Period is as follows:

	Year ended 31 December			Four months ended 30 April	
	2023	2024	2025	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Customer A	20,256	45,472	49,877	16,861	13,675
Customer B (Note)	-	13,403	-	-	-

Note: Revenue from customer B for the year ended 31 December 2023, 31 December 2025 and the four months ended 30 April 2025 and 30 April 2026 did not contribute over 10% of the total revenue of the Target Company.

6 Other income, gains and losses, net

	Year ended 31 December			Four months ended 30 April	
	2023	2024	2025	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Interest income	199	4	9	3	3
Exchange (losses)/gains, net	(695)	(945)	(854)	(285)	7
Others	45	358	52	15	-
	<u>(451)</u>	<u>(583)</u>	<u>(793)</u>	<u>(267)</u>	<u>10</u>

7 Finance costs

	Year ended 31 December			Four months ended 30 April	
	2023	2024	2025	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Finance costs on:					
Bank borrowings	672	1,409	1,958	490	648
Loans from immediate holding company	157	-	-	-	-
Lease liabilities	61	59	55	18	18
	<u>890</u>	<u>1,468</u>	<u>2,013</u>	<u>508</u>	<u>666</u>

8 Income tax (credit)/expense

	Year ended 31 December			Four months ended 30 April	
	2023	2024	2025	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Deferred tax (Note 16)	<u>(4)</u>	<u>(4)</u>	<u>(3)</u>	<u>7</u>	<u>7</u>

Under the Law of Foreign Investment of 1996, as amended in 2000 and 2014 in Vietnam, the Company received preferential Corporate Income Tax ("CIT") rates at 8.5% during the years ended 31 December 2023, 2024 and 2025, and 17% during the four months ended 30 April 2026. No provision for Vietnam CIT has been made as the Target Company had no assessable profit generated in Vietnam for the Track Record Period.

The income tax (credit)/expense for the year/period can be reconciled to the loss before income tax per statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Four months ended 30 April	
	2023	2024	2025	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Loss before income tax	<u>(37,584)</u>	<u>(18,028)</u>	<u>(14,625)</u>	<u>(3,024)</u>	<u>(7,495)</u>
Tax at domestic rates applicable to profits or losses in the jurisdiction concerned	(3,194)	(1,532)	(1,363)	(256)	(1,274)
Tax effect of expenses not deductible for tax purpose	375	426	444	144	279
Tax effect of tax losses not recognised	<u>2,815</u>	<u>1,102</u>	<u>916</u>	<u>119</u>	<u>1,002</u>
Income tax (credit)/expense	<u>(4)</u>	<u>(4)</u>	<u>(3)</u>	<u>7</u>	<u>7</u>

9 Loss for the year/period

Loss for the year/period has been arrived at after charging:

	Year ended 31 December			Four months ended 30 April	
	2023	2024	2025	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Employee costs (including directors' emoluments):					
Salaries, allowance and other benefits	10,183	16,668	13,411	3,887	4,600
Retirement benefits scheme contribution	601	688	609	212	149
	<u>10,784</u>	<u>17,356</u>	<u>14,020</u>	<u>4,099</u>	<u>4,749</u>
Auditors' remuneration	12	12	12	4	4
Depreciation of property, plant and equipment	17,595	16,862	15,866	4,043	5,049
Depreciation of right-of-use assets	994	955	906	302	302
Amortisation of other intangible assets	193	18	-	-	-
Impairment of property, plant and equipment	-	-	602	-	10

10 Directors' emoluments and five highest paid individuals

Directors' emoluments

Directors' emoluments during the Track Record Period, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, are as follows:

	Year ended 31 December			Four months ended 30 April	
	2023	2024	2025	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Fees	-	-	-	-	-
Other emoluments					
Salaries and other benefits	72	90	88	29	30
Discretionary bonuses	-	-	-	-	-
Retirement benefits scheme contribution	13	12	12	4	3
	<u>85</u>	<u>102</u>	<u>100</u>	<u>33</u>	<u>33</u>

Five highest paid individuals

The five highest paid individuals of the Target Company do not include any of the above directors of the Target Company for the Track Record Period. Details of the remuneration for the five highest paid individuals of the Target Company for the Track Record Period are as follows:

	Year ended 31 December			Four months ended 30 April	
	2023 HK\$'000	2024 HK\$'000	2025 HK\$'000	2025 HK\$'000 (Unaudited)	2026 HK\$'000
Salaries and other benefits	811	833	831	277	277
Retirement benefits scheme contribution	49	34	34	11	11
	<u>860</u>	<u>867</u>	<u>865</u>	<u>288</u>	<u>288</u>

The number of the highest paid individuals who are not the directors of the Target Company whose remuneration fell within the following bands is as follows:

	Year ended 31 December			Four months ended 30 April	
	2023 HK\$'000	2024 HK\$'000	2025 HK\$'000	2025 HK\$'000 (Unaudited)	2026 HK\$'000
Nil to HK\$1,000,000	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

During the Track Record Period, no emoluments were paid by the Target Company to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Target Company or as compensation for loss of office. None of the directors of the Target Company waived or agreed to waive any emoluments during the Track Record Period.

11 Dividend

No dividend has been declared or paid by the Target Company in respect of the Track Record Period.

12 Loss per share

No loss per share is presented for the purpose of this report as its inclusion is not considered meaningful.

13 Property, plant and equipment

	Buildings HK\$'000	Equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Furniture and fixture HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost							
At 1 January 2023	82,480	2,428	73,751	31,065	2,366	668	192,758
Additions	6,480	-	13	-	8	-	6,501
Currency realignment	(2,137)	(61)	(1,838)	(774)	(59)	(16)	(4,885)
At 31 December 2023 and 1 January 2024	86,823	2,367	71,926	30,291	2,315	652	194,374
Additions	891	9	3,172	-	200	-	4,272
Disposal	-	-	-	-	(1,718)	-	(1,718)
Currency realignment	(4,713)	(127)	(3,972)	(1,636)	(83)	(36)	(10,567)
At 31 December 2024 and 1 January 2025	83,001	2,249	71,126	28,655	714	616	186,361
Additions	33	-	97	-	81	10	221
Disposal	-	-	-	-	(293)	-	(293)
Transfer	9	(9)	-	-	-	-	-
Currency realignment	(2,289)	(62)	(1,962)	(791)	(19)	(7)	(5,130)
At 31 December 2025 and 1 January 2026	80,754	2,178	69,261	27,864	483	619	181,159
Additions	-	-	20	-	62	-	82
Transfer	10	-	-	-	-	(10)	-
Currency realignment	307	8	264	106	2	3	690
At 30 April 2026	81,071	2,186	69,545	27,970	547	612	181,931
Depreciation and impairment							
At 1 January 2023	9,112	1,190	15,766	12,647	1,588	-	40,303
Depreciation for the year	3,809	454	7,607	5,110	615	-	17,595
Currency realignment	(275)	(36)	(488)	(380)	(47)	-	(1,226)
At 31 December 2023 and 1 January 2024	12,646	1,608	22,885	17,377	2,156	-	56,672
Depreciation for the year	3,828	392	7,582	4,909	151	-	16,862
Written back on disposal	-	-	-	-	(1,718)	-	(1,718)
Currency realignment	(789)	(97)	(1,446)	(1,075)	(72)	-	(3,479)
At 31 December 2024 and 1 January 2025	15,685	1,903	29,021	21,211	517	-	68,337
Depreciation for the year	3,664	201	7,293	4,658	50	-	15,866
Written back on disposal	-	-	-	-	(293)	-	(293)
Impairment for the year	-	-	-	-	-	602	602
Currency realignment	(444)	(53)	(828)	(602)	(14)	(3)	(1,944)
At 31 December 2025 and 1 January 2026	18,905	2,051	35,486	25,267	260	599	82,568
Depreciation for the period	1,221	46	2,353	1,316	113	-	5,049
Impairment for the period	-	-	-	-	-	10	10
Currency realignment	72	8	140	99	1	3	323
At 30 April 2026	20,198	2,105	37,979	26,682	374	612	87,950
Carrying values							
At 31 December 2023	74,177	759	49,041	12,914	159	652	137,702
At 31 December 2024	67,316	346	42,105	7,444	197	616	118,024
At 31 December 2025	61,849	127	33,775	2,597	223	20	98,591
At 30 April 2026	60,873	81	31,566	1,288	173	-	93,981

At 31 December 2023, 2024, 2025 and 30 April 2026, certain property, plant and equipment with an aggregate carrying amount of HK\$74,177,000, HK\$67,316,000, HK\$61,849,000 and HK\$60,873,000 were pledged to secure certain bank borrowings granted to the Target Company (Note 30).

14 Right-of-use assets

	Land and buildings HK\$'000	Machinery HK\$'000	Total HK\$'000
Cost			
At 1 January 2023	982	39,887	40,869
Currency realignment	(24)	(994)	(1,018)
At 31 December 2023 and 1 January 2024	958	38,893	39,851
Currency realignment	(52)	(2,100)	(2,152)
At 31 December 2024 and 1 January 2025	906	36,793	37,699
Currency realignment	(25)	(1,015)	(1,040)
At 31 December 2025 and 1 January 2026	881	35,778	36,659
Currency realignment	3	137	140
At 30 April 2026	884	35,915	36,799
Depreciation and impairment			
At 1 January 2023	52	1,962	2,014
Provided for the year	26	968	994
Currency realignment	(2)	(61)	(63)
At 31 December 2023 and 1 January 2024	76	2,869	2,945
Provided for the year	24	931	955
Currency realignment	(5)	(181)	(186)
At 31 December 2024 and 1 January 2025	95	3,619	3,714
Provided for the year	23	883	906
Currency realignment	(2)	(103)	(105)
At 31 December 2025 and 1 January 2026	116	4,399	4,515
Provided for the period	8	294	302
Currency realignment	-	17	17
At 30 April 2026	124	4,710	4,834
Carrying values			
At 31 December 2023	882	36,024	36,906
At 31 December 2024	811	33,174	33,985
At 31 December 2025	765	31,379	32,144
At 30 April 2026	760	31,205	31,965

At 31 December 2023, 2024, 2025 and 30 April 2026, certain right-of-use assets with aggregate carrying amount of HK\$36,906,000, HK\$33,985,000, HK\$32,144,000 and HK\$31,965,000 were pledged to secure certain bank borrowings granted to the Target Company (Note 30).

Lump sum payment was made upfront to acquire the rights-of-use of certain machinery on the leased land, and certain ongoing payments will be made under the terms of the land lease contract.

15 Other intangible assets

	Software HK\$'000
Cost	
At 1 January 2023	672
Currency realignment	<u>(17)</u>
At 31 December 2023 and 1 January 2024	655
Currency realignment	<u>(35)</u>
At 31 December 2024 and 1 January 2025	620
Currency realignment	<u>(18)</u>
At 31 December 2025 and 1 January 2026	602
Currency realignment	<u>3</u>
At 30 April 2026	<u>605</u>
Accumulated amortisation	
At 1 January 2023	457
Provided for the year	193
Currency realignment	<u>(13)</u>
At 31 December 2023 and 1 January 2024	637
Provided for the year	18
Currency realignment	<u>(35)</u>
At 31 December 2024 and 1 January 2025	620
Currency realignment	<u>(18)</u>
At 31 December 2025 and 1 January 2026	602
Currency realignment	<u>3</u>
At 30 April 2026	<u>605</u>
Carrying values	
At 31 December 2023	<u>18</u>
At 31 December 2024	<u>-</u>
At 31 December 2025	<u>-</u>
At 30 April 2026	<u>-</u>

16 Deferred tax assets

For the purposes of presentation in the statements of financial position, certain deferred tax assets and liabilities of the same taxable entity have been offset. The following is an analysis of the deferred tax balances for reporting purposes:

	At 31 December			At 30 April
	2023	2024	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred tax assets	187	176	170	162
Deferred tax liabilities	(176)	(162)	(153)	(152)
	<u>11</u>	<u>14</u>	<u>17</u>	<u>10</u>

The major deferred tax assets/(liabilities) recognised by the Target Company and movements thereon during the Track Record Period are as follows:

	Right-of-use assets HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At 1 January 2023	(186)	194	8
Credited/(charged) to profit or loss	5	(1)	4
Currency realignment	<u>5</u>	<u>(6)</u>	<u>(1)</u>
At 31 December 2023 and 1 January 2024	(176)	187	11
Credited/(charged) to profit or loss	5	(1)	4
Currency realignment	<u>9</u>	<u>(10)</u>	<u>(1)</u>
At 31 December 2024 and 1 January 2025	(162)	176	14
Credited/(charged) to profit or loss	5	(2)	3
Currency realignment	<u>4</u>	<u>(4)</u>	<u>-</u>
At 31 December 2025 and 1 January 2026	(153)	170	17
Credited/(charged) to profit or loss	2	(9)	(7)
Currency realignment	<u>(1)</u>	<u>1</u>	<u>-</u>
At 30 April 2026	<u>(152)</u>	<u>162</u>	<u>10</u>

As at 31 December 2023, 2024, 2025 and 30 April 2026, no deferred tax asset has been recognised in respect of the cumulative tax losses of HK\$83,510,000, HK\$90,390,000, HK\$90,811,000 and HK\$96,951,000, as it is not probable that future taxable profits against which the losses can be utilised will be available. The tax losses would expire within 5 years under current tax legislation.

17 Inventories

	At 31 December			At 30 April
	2023	2024	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Raw materials	14,218	8,660	6,949	10,052
Work-in-progress	5,599	9,546	8,313	6,238
Finished goods	11,424	18,239	17,715	16,179
	<u>31,241</u>	<u>36,445</u>	<u>32,977</u>	<u>32,469</u>

18 Trade receivables

	At 31 December			At 30 April
	2023	2024	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	<u>8,515</u>	<u>20,268</u>	<u>15,176</u>	<u>14,654</u>

The Target Company normally allows a credit period of 30 days to 180 days to its trade customers.

The following is an ageing analysis of trade receivables based on the invoice dates, which approximate the respective revenue recognition dates, as at the end of each reporting period:

	At 31 December			At 30 April
	2023	2024	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 month	5,598	13,678	10,375	10,050
1 to 2 months	1,598	3,907	2,963	2,871
2 to 3 months	799	1,953	1,481	1,435
Over 3 months	520	730	357	298
	<u>8,515</u>	<u>20,268</u>	<u>15,176</u>	<u>14,654</u>

Before accepting any new customer, the Target Company assesses the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with satisfactory trustworthy credit history. Credit limits attributed to customers are reviewed regularly.

The Target Company does not hold any collateral over the trade receivables.

The Target Company measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Further details on the Target Company's credit policy and credit risk arising from trade receivables are set out in Note 27(b).

At 31 December 2023, 2024, 2025 and 30 April 2026, certain trade receivables with an aggregate carrying amount of HK\$8,515,000, HK\$20,268,000, HK\$15,176,000 and HK\$14,654,000 were pledged to secure certain bank loans granted to the Target Company (Note 30).

19 Prepayments, deposits and other receivables

	At 31 December			At 30 April
	2023	2024	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Value-added tax recoverable	4,394	5,104	4,388	4,648
Prepayments, deposits and other receivables	4	649	437	13
	<u>4,398</u>	<u>5,753</u>	<u>4,825</u>	<u>4,661</u>

20 Cash and cash equivalents

Cash and cash equivalents include demand deposits and short-term bank deposits for the purpose of meeting the Target Company's short-term cash commitments, which carry interest at market rates ranging from 1.03%, 0.04%, 0.12% and 0.03% per annum as of 31 December 2023, 2024 and 2025 and 30 April 2026, respectively.

21 Trade payables

	At 31 December			At 30 April
	2023	2024	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	<u>13,854</u>	<u>15,219</u>	<u>9,787</u>	<u>13,452</u>

The credit period on purchase of goods is 60 days to 90 days. The following is an ageing analysis of trade payables based on the invoice dates, as at the end of each reporting period:

	At 31 December			At 30 April
	2023	2024	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 month	8,679	9,932	5,644	8,214
1 to 2 months	2,758	3,032	1,872	2,607
2 to 3 months	1,379	1,516	936	1,303
Over 3 months	<u>1,038</u>	<u>739</u>	<u>1,335</u>	<u>1,328</u>
	<u>13,854</u>	<u>15,219</u>	<u>9,787</u>	<u>13,452</u>

22 Contract liabilities

The Target Company has recognised the following revenue-related contract liabilities:

	At 31 December			At 30 April
	2023	2024	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contract liabilities	<u>10,014</u>	<u>6,934</u>	<u>5,709</u>	<u>4,905</u>

Movements in contract liabilities:

	At 31 December			At 30 April
	2023	2024	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January	10,754	10,014	6,934	5,709
Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	(985)	(3,154)	(6,257)	(853)
Increase in contract liabilities as a result of advanced consideration received from customers	507	542	5,219	29
Currency realignment	<u>(262)</u>	<u>(468)</u>	<u>(187)</u>	<u>20</u>
At 31 December	<u>10,014</u>	<u>6,934</u>	<u>5,709</u>	<u>4,905</u>

23 Lease liabilities

Lease liabilities payable:

	At 31 December			At 30 April
	2023	2024	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 year	7	7	7	7
After 1 year but within 2 years	7	7	7	7
After 2 years but within 5 years	25	26	27	27
After 5 years	<u>900</u>	<u>842</u>	<u>809</u>	<u>768</u>
	939	882	850	809
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(7)</u>	<u>(7)</u>	<u>(7)</u>	<u>(7)</u>
Amount due for settlement after 12 months	<u>932</u>	<u>875</u>	<u>843</u>	<u>802</u>

	At 31 December			At 30 April
	2023	2024	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total cash outflows for leases (including payments of principal and interest portions of lease liabilities and short-term leases)	<u>68</u>	<u>65</u>	<u>62</u>	<u>25</u>

The incremental borrowing rate applied to lease liabilities was 6.70% per annum as of 31 December 2023, 2024 and 2025 and 30 April 2026.

24 Bank borrowings

	At 31 December			At 30 April
	2023	2024	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Secured:				
Bank borrowings	<u>3,741</u>	<u>26,837</u>	<u>17,508</u>	<u>15,885</u>
Repayable:				
Within one year	<u>3,741</u>	<u>26,837</u>	<u>17,508</u>	<u>15,885</u>

As at 31 December 2023, 2024, 2025 and 30 April 2026, the bank borrowings were interest-bearing at Vietnam Interbank Offered Rate ("VNIBOR") plus a spread of 3.2% per annum, VNIBOR plus a spread ranging from 3.2% to 3.5% per annum, VNIBOR plus a spread ranging from 3.2% to 3.5% per annum and VNIBOR plus a spread ranging from 3.2% to 3.5% per annum, respectively.

As at 31 December 2023, 2024, 2025 and 30 April 2026, the bank borrowings of the Target Company are secured by certain assets (see Note 30 for details) and guaranteed by three individual shareholders of the Target Company's ultimate controlling party.

25 Share capital

Details of movement of the share capital of the Target Company are as follows:

	Number of shares	HK\$'000
Paid-in capital		
At 1 January 2023	30,000,000	234,218
Capital contribution (Note)	<u>6,000,000</u>	<u>46,909</u>
At 31 December 2023, 31 December 2024, 31 December 2025, and 30 April 2026	<u>36,000,000</u>	<u>281,127</u>

Note:

During the year ended 31 December 2023, loans from immediate holding company of VND142,260,000,000 (equivalent to HK\$47,141,000) were converted to capital contribution, of which VND141,540,000,000 (equivalent to HK\$46,909,000) were registered as paid-up capital of the Target Company and the remaining amount of VND720,000,000 (equivalent to HK\$232,000) were accounted for as capital reserve.

26 Capital risk management

The directors of the Target Company manage its capital to ensure that the Target Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Target Company's overall strategy remains unchanged from prior periods.

The capital structure of the Target Company consists of debts, which include the bank borrowings and loans from immediate holding company as disclosed in Note 24 and 32(a), respectively, and share capital and reserve as stated in the statements of financial position.

The directors of the Target Company review the capital structure on an on-going basis. As part of this review, the directors of the Target Company consider the cost of capital and the risks associated with the share capital. Based on recommendations of the directors of the Target Company, the Target Company may balance its overall capital structure through the issue of new debts and the redemption of existing debts.

27 Financial instruments

(a) Categories of financial instruments

	At 31 December			At 30 April
	2023	2024	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
Financial assets measured at amortised cost (including cash and cash equivalents)	<u>21,836</u>	<u>35,759</u>	<u>26,425</u>	<u>26,018</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>43,082</u>	<u>70,047</u>	<u>55,585</u>	<u>57,691</u>

(b) Financial risk management objectives and policies

The major financial instruments of the Target Company include trade receivables, deposits and other receivables, bank balances and cash, trade payables, other payables and accruals, amount due to a related company, loans from immediate holding company and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Target Company's functional currency is VND. The Target Company is not exposed to significant foreign currency risk as revenue and expenditure giving rise to receivables, payables and cash balances are denominated in its functional currency.

(ii) Interest rate risk

The Target Company is mainly exposed to cash flow interest rate risk primarily in relation to variable-rate bank balances and borrowings. It is the Target Company's policy to keep its bank borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Target Company's cash flow interest rate risk is mainly concentrated on the fluctuation of VNIBOR arising from the Target Company's variable-rate bank borrowings. In view of the frequent changes in market interest rate, the Target Company shall monitor the interest rate fluctuation closely and arrange appropriate financial instruments to minimise the interest rate risk.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings only as the directors of the Target Company consider the exposure of cash flow interest rate risk arising from variable-rate bank balances is not significant at the end of each reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of each reporting period was outstanding for the whole year/period. A 50 (2024: 50) basis points increase or decrease in interest rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

For the variable-rate bank borrowings, as at 31 December 2023, 2024 and 2025 and 30 April 2026, if interest rate had been 50 basis points higher/lower and all other variables were held constant, the Target Company's post-tax loss for the year/period would increase/decrease by HK\$17,000, HK\$123,000, HK\$80,000 and HK\$66,000, respectively.

Credit risk

Credit risk refers to the risk that the Target Company's counterparties default on their contractual obligations resulting in financial losses to the Target Company. As at 31 December 2023, 2024, 2025 and 30 April 2026, the maximum exposure to credit risk by the Target Company without taking into account any collateral held or other credit enhancements, which will cause a financial loss due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the recognised financial assets as stated in the statements of financial position.

In order to manage the credit risk, management of the Target Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Credit sales of products are only made to customers with good credit quality and repayment history. In addition, the Target Company regularly reviews the recoverable amount of debt on both collective and individual basis to ensure that adequate impairment losses are made for irrecoverable amounts. In response to the global economic uncertainty, management has also been performing more frequent reviews of credit limits for customers in regions and industries that are severely impacted. During the four months ended 30 April 2026, no impairment loss in respect of the trade receivables during the Track Record Period was recognised.

For trade receivables, the Target Company has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for trade receivables that are credit-impaired which are assessed individually and legal action has been taken by the Target Company to demand for repayment, the Target Company determines the ECL on the trade receivables by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of the assets that are not credit-impaired is presented based on their past due status in terms of the provision matrix.

As the Target Company's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past default experience of the debtor, adjusted for forward-looking factors specific to the debtor and the economic environment is not further distinguished between the Target Company's different customer bases.

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Target Company's view of economic conditions over the expected lives of the receivables.

For other non-trade related receivables, the Target Company has assessed whether there has been a significant increase in credit risk since initial recognition. The Target Company considers that there is no significant increase in credit risk of these amounts since initial recognition and the Target Company provided impairment based on 12-month ECL.

The credit risk on liquid funds of the Target Company is limited because the counterparties are banks with high credit ratings assigned by reputable credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Target Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Company has significant exposure to individual customers. During the Track Record Period, the Company has a concentration of credit risk as a majority of the total trade receivable was due from an individual customer.

Liquidity risk

In the management of the liquidity risk, the Target Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Company's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with the relevant loan covenants.

The following tables detail the Target Company's remaining contractual maturity for their non-derivative financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Target Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest is floating rates, the undiscounted amount is derived from interest rate at the end of each reporting period.

	Weighted average effective interest rate %	Less than 1 year or on demand HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying Amount HK\$'000
At 31 December 2023							
Non-derivative financial liabilities							
Trade payables	N/A	13,854	-	-	-	13,854	13,854
Other payables and accruals	N/A	959	-	-	-	959	959
Bank borrowings	4.32% – 7.76%	3,741	-	-	-	3,741	3,741
Loans from immediate holding company	N/A	23,571	-	-	-	23,571	23,571
Amount due to a related company	N/A	977	-	-	-	977	977
Lease liabilities	6.70%	67	67	202	2,015	2,351	939
Total		43,169	67	202	2,015	45,453	44,041

	Weighted average effective interest rate %	Less than 1 year or on demand HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying Amount HK\$'000
At 31 December 2024							
Non-derivative financial liabilities							
Trade payables	N/A	15,219	-	-	-	15,219	15,219
Other payables and accruals	N/A	1,088	-	-	-	1,088	1,088
Bank borrowings	6.30% – 8.70%	26,837	-	-	-	26,837	26,837
Loans from immediate holding company	N/A	26,425	-	-	-	26,425	26,425
Amount due to a related company	N/A	684	-	-	-	684	684
Lease liabilities	6.70%	64	64	191	1,842	2,161	882
Total		70,317	64	191	1,842	72,414	71,135

	Weighted average effective interest rate %	Less than 1 year or on demand HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying Amount HK\$'000
At 31 December 2025							
Non-derivative financial liabilities							
Trade payables	N/A	9,787	-	-	-	9,787	9,787
Other payables and accruals	N/A	1,078	-	-	-	1,078	1,078
Bank borrowings	7.10% - 9.20%	17,508	-	-	-	17,508	17,508
Loans from immediate holding company	N/A	26,527	-	-	-	26,527	26,527
Amount due to a related company	N/A	913	-	-	-	913	913
Lease liabilities	6.70%	62	62	185	1,729	2,038	850
Total		55,875	62	185	1,729	57,851	56,663

At 30 April 2026	Weighted average effective interest rate %	Less than 1 year or on demand HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying Amount HK\$'000
Non-derivative financial liabilities							
Trade payables	N/A	13,452	-	-	-	13,452	13,452
Other payables and accruals	N/A	717	-	-	-	717	717
Bank borrowings	9.20% - 9.80%	15,885	-	-	-	15,885	15,885
Loans from immediate holding company	N/A	26,628	-	-	-	26,628	26,628
Amount due to a related company	N/A	916	-	-	-	916	916
Lease liabilities	6.70%	62	62	186	1,674	1,984	809
Total		57,660	62	186	1,674	59,582	58,407

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

(c) Fair value

The carrying amounts of the Target Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2023, 2024 and 2025 and 30 April 2026.

28 Reconciliation of liabilities arising from financing activities

	Bank borrowings (Note 24) HK\$'000	Loans from immediate holding company (Note 32(a)) HK\$'000	Lease liabilities (Note 23) HK\$'000	Total HK\$'000
At 1 January 2023	10,606	48,938	970	60,514
Financing cash flows	(7,357)	21,433	(68)	14,008
Interest expense (Note 7)	672	157	61	890
Non-cash transaction (Note 29)	-	(47,141)	-	(47,141)
Currency realignment	(180)	184	(24)	(20)
At 31 December 2023 and 1 January 2024	3,741	23,571	939	28,251
Financing cash flows	22,089	3,654	(65)	25,678
Interest expense (Note 7)	1,409	-	59	1,468
Currency realignment	(402)	(800)	(51)	(1,253)
At 31 December 2024 and 1 January 2025	26,837	26,425	882	54,144
Financing cash flows	(10,578)	-	(62)	(10,640)
Interest expense (Note 7)	1,958	-	55	2,013
Currency realignment	(709)	102	(25)	(632)
At 31 December 2025 and 1 January 2026	17,508	26,527	850	44,885
Financing cash flows	(2,335)	-	(25)	(2,360)
Interest expense (Note 7)	648	-	18	666
Currency realignment	64	101	(34)	131
At 30 April 2026	15,885	26,628	809	43,322
At 1 January 2025	26,837	26,425	882	54,144
Financing cash flows	(3,519)	-	(25)	(3,544)
Interest expense (Note 7)	490	-	18	508
Currency realignment	(1,368)	292	(55)	(1,131)
At 30 April 2025 (unaudited)	22,440	26,717	820	49,977

29 Non-cash transaction

During the year ended 31 December 2023, loans from immediate holding company of VND142,260,000,000 (equivalent to HK\$47,141,000) were converted to capital contribution (see Note 25).

30 Pledge of assets

At the end of each reporting period, the Target Company's certain assets have been pledged to secure the bank borrowings granted to the Target Company. The carrying amounts of the pledged assets of the Target Company at the end of each reporting period are as follows:

	At 31 December			At 30 April
	2023	2024	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property, plant and equipment (Note 13)	74,177	67,316	61,849	60,873
Right-of-use assets (Note 14)	36,906	33,985	32,144	31,965
Trade receivables (Note 18)	8,515	20,268	15,176	14,654

31 Commitments

(a) Capital commitment

At the end of each reporting period, capital commitment contracted for but not provided for in the Historical Financial Information are as follows:

	At 31 December			At 30 April
	2023	2024	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided for:				
Purchase of property, plant and equipment	-	-	-	52,728

(b) Operating lease arrangement – where the Target Company as a lessor

On 30 April 2026, the Target Company entered into an equipment and facilities lease agreement (the "Lease Agreement") with Fountain Set Limited, pursuant to which Fountain Set Limited shall lease certain equipment and facilities required for production and business operations from the Target Company. The lease commenced on 1 May 2026 and shall terminate upon the earlier of (i) 30 April 2028; and (ii) the occurrence of any termination event specified in the Lease Agreement (including the completion of the proposed acquisition of 81% capital contribution interest in the Target Company by Fountain Set (Holdings) Limited and its subsidiaries). No maturity analysis of undiscounted lease payments receivable is presented as the lease arrangement does not contain a fixed non-cancellable lease term and is subject to termination option.

32 Related parties disclosures

(a) Related party balances

Saved as disclosed elsewhere to the Historical Financial Information, the Target Company had the following material balances with related parties:

	At 31 December			At 30 April
	2023	2024	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loans from immediate holding company (Note (i))	23,571	26,425	26,527	26,628
Amount due to a related company (Note (ii))	977	684	913	916
	<u>24,548</u>	<u>27,109</u>	<u>27,440</u>	<u>27,544</u>

Notes:

- (i) As at 31 December 2023, loans from immediate holding company are unsecured, interest-bearing at 2% per annum and repayable within one year. Pursuant to an addendum to the loan agreement dated 1 January 2024, the loans are changed as interest-free with effect from 1 January 2024 onwards. As at 31 December 2024 and 2025 and 30 April 2026, loans from immediate holding company are unsecured, interest-free and repayable within one year.
- (ii) As at 31 December 2023, 2024 and 2025 and 30 April 2026, amount due to a related company is unsecured, interest-free and repayable on demand. The entity is identified as a related party of the Target Company as it is under the common control of the controlling shareholder of Target Company.

(b) Related party transactions

Saved as disclosed elsewhere to the Historical Financial Information, the Target Company also entered into the following transactions with related parties:

	At 31 December			At 30 April
	2023	2024	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Purchase of goods from a related company	<u>2,249</u>	<u>3,796</u>	<u>2,605</u>	<u>834</u>

Three individual shareholders of the Target Company's ultimate controlling party have guaranteed certain bank loans made to the Target Company as at 31 December 2023, 2024, 2025 and 30 April 2026, as disclosed in note 24 to the Historical Financial Information.

(c) Compensation of key management personnel

The key management personnel are the directors of the Target Company, and their remuneration is disclosed in Note 10 to the Historical Financial Information.

33 Event after reporting period

Subsequent to the end of the reporting period, the Target Company, Ocean Textile Investment Pte. Limited, an indirectly wholly-owned subsidiary of the Company (as Purchaser), and Lian-Ta-Hsing International Co., Ltd. (as Vendor) entered into an asset divestment agreement on 27 July 2026, pursuant to which the Vendor is responsible for divesting the current assets (inventories, trade and bill receivables, prepayments, deposits and other receivables and bank balances and cash) and liabilities (trade and bill payables, other payables and accruals, contract liabilities, loans from immediate holding company, amount due to a related company and bank borrowings) of the Target Company as at 30 April 2026 (the “Divested Assets and Liabilities”) through the Vendor’s own arrangements before 31 July 2026. As at the date of this report, the aforesaid divestment of assets and liabilities has been completed.

Also, after the end of the reporting period, the pledge of assets as set out in Note 30 were released upon the settlement of the related bank borrowings.

Subsequent financial statements

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 30 April 2026.