



Reach New Holdings Limited 新達控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8471

2025

ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Sha Xuanyi ("**Ms. Sha**") (*Chairlady*)
Mr. Li Rongsheng ("**Mr. Li**") (*Chief executive officer*)
Mr. Lam Kai Yuen ("**Mr. Gabi Lam**")
Mr. Lam Kai Cheong ("**Mr. Jeffrey Lam**")

Non-executive Director

Mr. Kok Bing Ching ("**Mr. Kok**")
(appointed on 8 August 2025)

Independent non-executive Directors

Mr. Lin Kin-Chin ("**Mr. Lin**")
Mr. Liu Mingxiao ("**Mr. Liu**")
Mr. Zhu Honghai ("**Mr. Zhu**")
(appointed as lead independent non-executive
Director on 25 March 2025)

AUDIT COMMITTEE

Mr. Liu Mingxiao (*Chairman*)
Mr. Lin Kin-Chin
Mr. Zhu Honghai

NOMINATION COMMITTEE

Mr. Zhu Honghai (*Chairman*)
Ms. Sha Xuanyi
(appointed on 25 March 2025)
Mr. Lin Kin-Chin
Mr. Liu Mingxiao

REMUNERATION COMMITTEE

Mr. Lin Kin-Chin (*Chairman*)
Mr. Liu Mingxiao
Mr. Zhu Honghai

TREASURY COMMITTEE

Ms. Sha Xuanyi (*Chairlady*)
Mr. Li Rongsheng
Mr. Liu Mingxiao

REGISTERED OFFICE

PO Box 1350
Regatta Office Park
Windward 3
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS

Room 2502, 25th Floor
South Tower, Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui East
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
PO Box 1350
Regatta Office Park
Windward 3
Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
Bank of China, Huizhou Industrial Park Branch
Industrial and Commercial Bank of China

COMPANY SECRETARY

Ms. Chan Mei Wah (*Certified Public Accountant*)

AUTHORISED REPRESENTATIVES

Mr. Lam Kai Yuen
Ms. Chan Mei Wah (*Certified Public Accountant*)



CORPORATE INFORMATION

AUDITOR

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants

LEGAL ADVISER

As to Hong Kong Law
ONC Lawyers
Solicitors
Hong Kong

COMPANY'S WEBSITE

www.sthl.com.hk
(information of this website does not form part of this report)

STOCK CODE

8471



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the **"Board"**) of directors (the **"Directors"**) of Reach New Holdings Limited (the **"Company"**), and together with its subsidiaries, the **"Group"**, I am pleased to present the annual report of the Company for the year ended 31 December 2025 (the **"Year"**).

The garment accessories market of the People's Republic of China (**"PRC"**) faced numerous challenges during 2025. Our business was inevitably affected by the keen price competition in the market, pressure of increasing operating costs, continuous cost reduction measures taken by the Group's customers, the advent of trade protectionism and intensifying trade frictions between the PRC and the United States of America (the **"USA"**). During 2025, the Group recorded revenue of approximately RMB80.4 million, representing a decrease of approximately 12.3% as compared to that of last year. The Group's gross profit for 2025 was approximately RMB20.0 million, representing a decrease of approximately 21.6% as compared to that of last year.

With extensive industry experience and expertise of our Directors and management, we have used our best effort to alleviate the impact from said challenges in the market.

In order to deal with the challenging market conditions, the Group will continue to undertake cost control measures and broaden our customer base and product offerings. We will endeavor to maintain our competitive edge in our comprehensive labelling solution services, production management and customer services and to enhance our overall competitiveness and market share. We foresee that it will be challenging for the entire garment accessories market in the upcoming years. We will continue to capture market opportunities so as to achieve a sustainable business growth and maximise the long-term benefits for our shareholders.

In order to diversify the business and income stream of the Group, the Group will also consider exploring other garment and textile business and other business opportunities for maximising the return to Shareholders in the long run. During 2024, the Group has expanded its business operations into production and trading of functional garment in the PRC. The functional garment to be introduced and manufactured by the Group will incorporate mugwort as a key component in the fabric's raw materials. Mugwort is known for its exceptional characteristics, including comfort, high breathability, cooling properties, and its potential to promote health and well-being. The Group also targeted to develop online sales channels of functional garment manufactured by the Group. In addition, during the first quarter of 2025 the Group completed the acquisition of 90% equity interest in Shenzhen GuanChengTong Technology Company Ltd.* (深圳市冠晟通科技有限公司) (**"GuanChengTong"**), which is an information technology company focusing on blockchain technology, application security, big data security, cloud security, Internet-of-Things (IoT) security, industrial control security and industrial internet security. The acquisition is expected to diversify the scope of business and will broaden the income stream of the Group in the future. On 18 December 2025, the Group entered into an equity transfer agreement to acquire 24% equity interest in Hengda Yongjin Agricultural High Technology Co. Ltd.* (衡達湧金農業高科技有限公司) (**"Hengda Yongjin"**), which possesses a production plant with advanced production capabilities for functional garments suitable to the use of the Group at the consideration of RMB11.6 million.

Finally, on behalf of the Board and the management, I wish to extend my sincere appreciation to all of our staff for their tireless efforts, diligence and contribution to the Group during 2025, and express my utmost gratitude to all shareholders, investors, customers, suppliers and business partners for their continued and valuable support and trust to the Group.

REACH NEW HOLDINGS LIMITED

Ms. Sha Xuanyi

Chairlady and executive Director

Hong Kong, 25 March 2026

* unofficial name for identification only



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is an established labelling solution provider and a one-stop garment accessories manufacturer and supplier based in the PRC. The Group mainly engages in the production of three types of products, which are (i) printed products (e.g. hangtags, price tags and stickers), (ii) woven labels (e.g. woven brand labels, woven size labels and badges) and (iii) printed labels (e.g. printed brand labels, printed size labels and care content labels). The Group also sources and sells other garment accessories, such as tapes, hanging tablets, string locks, leather badge, buttons and metal products, to the customers in the PRC. The Group's customers mainly include (i) garment brand companies, (ii) sourcing companies designated by garment brand companies and (iii) garment manufacturers in the PRC. In order to diversify the business and income stream, the Group has expanded its business operations into production and trading of functional garment in the PRC. The Group is also exploring other business opportunities for maximising the return to Shareholders in the long run.

Looking forward, the Directors consider that the future opportunities and challenges faced by the Group will continue to be affected by the overall development of the garment market in the PRC as well as factors such as the increasing costs of labour and materials. The Directors are of the view that regarding further development of garment market in the PRC, shortening of fashion cycle and the multifunction of labels remains to be the key drivers for the growth of the PRC garment accessories industry.

In addition, the Group explored new business opportunities to strengthen the Group's income streams, including, but not limited to, sales of garment products through different channels. The Group also re-entered the information technology segment by acquiring 90% equity interest in GuanChengTong, which is a company principally engages in blockchain technology and IT security. The acquisition is expected to diversify the scope of business and will broaden the income stream of the Group in the future.

During the year ended 31 December 2025, the Group undertook one round of placing under general mandate for raising funds for investment and development of a production facilities in Nanyang City, Henan Province of the PRC.

With the Group's experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors in respect of future challenges that are commonly faced by all competitors, and the Group will continue to adopt a positive yet prudent approach in its business strategies, with an aim to enhance the Group's profitability and maximise the shareholders' value in the long run.

FINANCIAL REVIEW

Revenue

For the Year, the Group recorded revenue of approximately RMB80.4 million, representing a decrease of approximately 12.3% comparing with that of approximately RMB91.7 million for the year ended 31 December 2024. A breakdown on revenue of the Group by product types for 2025 and the comparative figures in 2024 is summarised as below:

Product types	For the year ended 31 December			
	2025		2024	
	RMB'000	%	RMB'000	%
Printed products	29,678	36.9	28,584	31.2
Woven labels	13,282	16.5	13,443	14.6
Printed labels	14,342	17.9	17,763	19.4
Others (note)	23,074	28.7	31,916	34.8
	80,376	100	91,706	100

Note: Others mainly include tapes, string locks, leather badge, buttons, metal products and raw materials, etc..



MANAGEMENT DISCUSSION AND ANALYSIS

The Group's revenue decreased by approximately 12.3% from approximately RMB91.7 million for the year ended 31 December 2024 to approximately RMB80.4 million for the year ended 31 December 2025. The decrease in the Group's revenue was mainly attributable to decrease in sales in other products such as tapes, string locks, leather badge, buttons, metal products and raw materials during the year ended 31 December 2025.

The Group will continuously put more resources and effort in marketing to attract potential customers in the PRC and at the same time exploring the expansion of the customer base of the Group to PRC and foreign garment brand companies, in order to increase sales and enhance its profitability. In addition, the Group has expanded into other garment and textile business, such as production and trading of functional garment, and re-entered into the information technology segment. The Group is also keen to explore other business opportunities to diversify income streams.

Cost of sales and gross profit

During the year ended 31 December 2025, the cost of sales of the Group was approximately RMB60.4 million as compared to that of the year ended 31 December 2024 of approximately RMB66.2 million, representing a decrease of approximately RMB5.8 million. The Group's cost of sales primarily consists of material costs, direct labour costs, subcontracting costs, rental and rates, depreciation on machinery and utilities. During the year ended 31 December 2025, the Group's gross profit decreased by approximately 21.6% from approximately RMB25.5 million for the year ended 31 December 2024 to approximately RMB20.0 million for the year ended 31 December 2025.

During the year ended 31 December 2025, the Group's revenue decreased by 12.3% while the cost of sales decreased by 8.8% as compared with that of the previous year primarily due to shift in product mix. As a result, the Group's gross profit margin decreased by approximately 2.9 percentage points from approximately 27.8% for the year ended 31 December 2024 to approximately 24.9% for the year ended 31 December 2025.

Other income, gains and losses

During the year ended 31 December 2025, the Group's other income, gains and losses slightly decreased by approximately RMB0.2 million from approximately RMB0.8 million for the year ended 31 December 2024 to approximately RMB0.6 million for the year ended 31 December 2025.

Distribution and selling expenses

Distribution and selling expenses increased slightly by approximately RMB0.1 million to approximately RMB4.6 million for the year ended 31 December 2025 from approximately RMB4.5 million for the year ended 31 December 2024.

Administrative expenses

Administrative expenses decreased by approximately RMB0.8 million to approximately RMB28.5 million for the year ended 31 December 2025 from approximately RMB29.3 million for the year ended 31 December 2024, which was mainly due to the decrease in staff costs and benefits during the year ended 31 December 2025 comparing with those of last year. Administrative expenses consist primarily of staff costs and benefits, depreciation (excluding depreciation on property, plant and equipment), office expenses and other general administrative expenses.

Income Tax expense

Income tax expense of the Group was approximately RMB0.3 million for the year ended 31 December 2025 (for the year ended 31 December 2024: approximately RMB0.3 million).



MANAGEMENT DISCUSSION AND ANALYSIS

Loss for the Year

As a result of the foregoing, the Group's loss for the year was approximately RMB13.9 million for the year ended 31 December 2025, as compared with the loss for the year of approximately RMB8.3 million for the year ended 31 December 2024. The decrease in loss is mainly attributable to the decrease in gross profit.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2025, the Group had total assets of approximately RMB63.9 million (2024: approximately RMB51.8 million), which was financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately RMB24.1 million (2024: approximately RMB17.0 million) and approximately RMB39.8 million (2024: approximately RMB34.8 million), respectively.

The Group maintained sufficient working capital as at 31 December 2025 with bank and cash balances of approximately RMB18.0 million (2024: approximately RMB21.1 million, which were principally denominated in RMB). The Board adopts treasury policy in managing its cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business. As at 31 December 2025, the Group had bank borrowings of RMB1.1 million (2024: RMB1.4 million).

GEARING RATIO

The gearing ratio of the Group as at 31 December 2025 was approximately 2.9% (2024: 4.0%). The gearing ratio is calculated based on the total obligation under bank borrowings and overdrafts divided by total equity at the end of the year and multiplied by 100%.

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Year. The Group adopted an investment policy to utilise the idle cash or other financial resources of the Group to generate reasonable return to the Group with acceptable and controllable risks associated with the investments placed by the Group. In this connection, the Company also established a treasury committee of the Board to consider and assess the investment decisions of the Company in compliance of the treasury policy. During the year ended 31 December 2025, the Company did not hold any wealth management products or engage in any hedging activities.

On the other hand, the Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of our customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet our funding requirements from time to time.

PLEDGE OF ASSETS

As at 31 December 2025, the Group had pledge of assets with carrying value of RMB239,000 (2024: nil) as securities for facilities granted to the Group.

FOREIGN EXCHANGE EXPOSURE

The business operations of the Group's subsidiaries were conducted mainly in the PRC with revenues and expenses of the Group's subsidiaries denominated mainly in RMB. As at 31 December 2025, the Group's cash and bank deposits, were mainly denominated in RMB and Hong Kong Dollar ("HKD"). Any significant exchange rate fluctuations of HKD against RMB as the functional currency may have a financial impact to the Group.

As at 31 December 2025, the Directors considered the Group's foreign exchange risk to be insignificant. During the year ended 31 December 2025, the Group did not use any financial instruments for hedging purposes.



MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

Details of changes in the Company's share capital are set out in Note 27 to the consolidated financial statements of the Group in the report. On 26 March 2025, 2,000,000 share options were exercised at the exercise price of HK\$0.10 per Share. On 11 June 2025, the Company completed a placing of 204,000,000 Shares under general mandate and the number of its issued ordinary Shares increased to 1,226,000,000. For details of the placings conducted in 2025, please refer to the paragraphs headed "2025 Placing" below.

As at 31 December 2025, the number of its issued ordinary Shares was 1,226,000,000 of HK\$0.01 each. During the year ended 31 December 2025, the Company did not hold any treasury shares and did not sell any treasury shares.

DIVIDEND

The Board resolved not to declare any final dividend for the year ended 31 December 2025. No dividend in respect of the year ended 31 December 2025 (2024: nil) were declared by the Board.

COMMITMENTS

As at 31 December 2025, the Group did not have any significant capital commitments (2024: nil).

SEGMENTAL INFORMATION

Segmental information is presented for the Group as disclosed on note 7 to the consolidated financial statements of this report.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 30 June 2017 (the "**Prospectus**") and in this report, the Group did not have any plan for material investments or capital assets as of 31 December 2025.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 23 December 2024, the Group entered into an agreement to acquire a 90% equity interest in GuanChengTong, a company specializing in blockchain technology and IT security services, at the consideration of RMB90,000. The acquisition constituted a discloseable transaction. The transaction was completed on 15 January 2025. GuanChengTong became a subsidiary of the Company, whose financial results were consolidated into the financial results of the Group. For further information in relation to the acquisition of the equity interest in GuanChengTong, please refer to the announcement of the Company dated 23 December 2024.

On 18 December 2025, the Group entered into an equity transfer agreement to acquire 24% equity interest in Hengda Yongjin Agricultural High Technology Co. Ltd.* (衡達湧金農業高科技有限公司) ("**Hengda Yongjin**"), which possesses a production plant with advanced production capabilities for functional garments suitable to the use of the Group at the consideration of RMB11.6 million. Upon completion of the acquisition of 24% of the equity interest in Hengda Yongjin, the equity interest in Hengda Yongjin held by the Group is considered as a financial asset at fair value through profit or loss of the Company. For further information, please refer to the announcements of the Company dated 18 December 2025 and 2 February 2026. Save as disclosed in this report, the Group did not have any other material acquisitions or disposals of subsidiaries, associates or joint ventures.

CONTINGENT LIABILITIES

As at 31 December 2025, the Group did not have any material contingent liabilities (2024: nil).



MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYMENTS AND REMUNERATION POLICIES

As at 31 December 2025, the Group employed a total of 210 employees (2024: 219 employees) in mainland China and Hong Kong. The staff costs, including Directors' emoluments, of the Group were approximately RMB26.8 million for the year ended 31 December 2025 (2024: approximately RMB33.1 million). Directors' emoluments for the year ended 31 December 2025 amounted to approximately RMB2.3 million (2024: approximately RMB3.0 million) which included emoluments of the non-executive Director and independent non-executive Directors for a total amount of approximately RMB0.5 million (2024: approximately RMB0.4 million).

The Group promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff, competitive remuneration package is offered to employees (with reference to prevailing market salary level and individual employees' performance, qualification and experience). On top of basic salaries, discretionary bonuses may be paid with reference to the Group's performance as well as individual's performance. Other staff benefits include provision of retirement benefits, medical benefits and sponsorship of training courses. Share options may also be granted to eligible employees by reference to the Group's performance as well as individual contribution.

SIGNIFICANT INVESTMENTS HELD

On 18 December 2025, the Group entered into an equity transfer agreement to acquire 24% equity interest in Hengda Yongjin, which possesses a production plant with advanced production capabilities for functional garments suitable to the use of the Group at the consideration of RMB11.6 million. Upon completion of the acquisition of 24% of the equity interest in Hengda Yongjin, Hengda Yongjin is a considered as a financial asset at fair value through profit or loss of the Company. The principal business of Hengda Yongin is trading of crop seeds (limited to pre-packaged seeds not for resale), the cultivation of grain crops, and the production of seeds for non-staple crops. As at 31 December 2025, the Group held 24% of the equity interest in Hengda Yongin and the investment cost was RMB11.6 million. The fair value of the investment in the equity interest in Hengda Yongin was approximately RMB11.6 million as at 31 December 2025, which was of approximately 18.15% of the total assets of the Company as at 31 December 2025. There has yet been any financial performance available after the acquisition and up to 31 December 2025. There was no unrealised gain or loss after the acquisition and up to 31 December 2025 and there was no dividend received after the acquisition and up to 31 December 2025. The investment strategy of the investment over the equity interest in Hengda Yongin is that it possesses a suitable production plant for functional garment, which will be used by the Group as its production plant. The Company considers the future prospects of Hengda Yongin remain generally positive. Save as disclosed above, the Group did not hold other significant investments during the year ended 31 December 2025.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's key risk exposure are summarised as follows:

- (i) The Group's business may be seriously affected by any possible public health incident, which may cause lock-down, travel restrictions and suspension of work in the PRC, Hong Kong and other locations;
- (ii) The Group has not entered into long-term contracts with the customers of the Group and it is difficult for the Group to forecast future order quantities;
- (iii) Increases in the prices of raw materials may materially and adversely affect the Group's business, financial condition and results of operations;
- (iv) The Group may experience a shortage of labour or our labour costs may continue to increase;
- (v) The Group faces intense competition in the garment accessories industry in the PRC;



MANAGEMENT DISCUSSION AND ANALYSIS

- (vi) The Group may lose its customers if its customers move their factories from the PRC;
- (vii) The Group may exposed to environmental liabilities;
- (viii) The Group may be subject to potential labour disputes and labour strikes; and
- (ix) The future expansion plans of the Group, such as production and trading of functional garment, may not be successful and are subject to uncertainties and risks.

For other risks and uncertainties facing the Group, please refer to the section headed “Risk Factors” in the Prospectus.

KEY PERFORMANCE INDICATORS

The key financial performance indicators of the Group for the year ended 31 December 2025 is set out in the section headed “Five Years’ Financial Summary” of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As the operation and production of the Group is mainly located in the PRC, the Group’s operations are subject to certain environment requirements pursuant to the laws in the PRC, including primarily those in relation to prevention and reduction of pollution, water pollution control and waste disposal control.

The Group recognises its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts if possible. The Group aims to promote efficient use of resources and adopting green technologies for emission reduction. For instance, the Group seeks to replace the equipment by the environmental friendly machines in order to minimise overall exhaust emission.

For further information in relation to the environmental policies and performance of the Group, please refer to the Environmental, Social and Governance Report in this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Director’s knowledge, information and belief, having made all reasonable enquiries, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries during the year ended 31 December 2025.

KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

To the best knowledge and belief of the Directors, the Group maintains good relationship with its customers. The sales personnel and merchandisers make regular phone calls to the customers and visit them overseas periodically. If there is any complaint from customers, it will be reported to the management and immediate remedial action will be taken to address the complaint made by the customer.

To the best knowledge and belief of the Directors, the Group also maintains a good relationship with its suppliers. During the year ended 31 December 2025, no material complaint was received from the customers or the suppliers and there was no disputed debts or unsettled debts.

During the year ended 31 December 2025, there was no material dispute with the Group’s employees and no dispute on salary payments and other labour dispute. All accrued remunerations were settled on or before their respective due dates, as stipulated under individual employee’s employment contract. The Group also ensures that all the employees are reasonably remunerated by regular review the policies on salary increment, promotion, bonus, allowances and all other related benefits with reference to the individual performance, work experience and prevailing salary levels in the market.



MANAGEMENT DISCUSSION AND ANALYSIS

In view of the above and as at the date of the annual report, there is no circumstance or any event relating to employees, customers and suppliers which will have a significant impact on the Group's business and operation.

EVENTS AFTER THE REPORTING PERIOD

There was no significant subsequent events happened to the Group after 31 December 2025 and up to the date of this report.

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the Listing, after deducting listing-related expenses, were approximately HK\$37.6 million (equivalent to approximately RMB32.7 million) (the **"Net Proceeds"**). After the Listing, part of these proceeds have been applied for the purposes in accordance with the future plans and use of proceeds as set out in the Prospectus. On 28 April 2020, the Board resolved to change the use of the unutilised portion of the Net Proceeds, details of which are more particularly disclosed in the Company's announcement dated 28 April 2020. The unutilised Net Proceeds brought forward from 31 December 2024 was in the amount of HK\$1.8 million. As at 31 December 2025, the unutilised Net Proceeds have been fully applied according to the disclosure in the Prospectus and the announcement of the Company dated 28 April 2020.

An analysis of the utilisation of the Net Proceeds as at 31 December 2025 is set out below:

Intended Use of Net Proceeds	Revised planned application of the Net Proceeds HK\$'million	Utilised Net Proceeds as at 31 December 2025 HK\$'million	Net Proceeds utilised during the Year HK\$'million
Upgrading the production facilities and digital printing technology of the Group	7.9	7.9	–
Developing the capability of applying RFID technology to the products of the Group	3.0	3.0	1.8
Enhancing the heat transfer printing production facilities of the Group	4.1	4.1	–
Upgrading the information technology systems of the Group	5.3	5.3	–
Expansion of the sales and marketing department of the Group	3.0	3.0	–
General working capital	3.3	3.3	–
Developing garment trading business	8.0	8.0	–
Developing the internet and information technology business	3.0	3.0	–
Total	37.6	37.6	1.8

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF NET PROCEEDS FROM THE PLACING

FY2020 Placing

As disclosed in the Company's announcements dated 28 April 2020 and 13 May 2020, 50,000,000 Shares (the **"FY2020 Placing Shares"**) were successfully placed to nine independent placees at the placing price of HK\$0.113 per FY2020 Placing Share under general mandate (the **"FY2020 Placing"**). The gross proceeds and the net proceeds (after deducting the placing fee and other related expenses incurred in the FY2020 Placing) from the FY2020 Placing are HK\$5.65 million and approximately HK\$5.41 million, respectively (the **"FY2020 Placing Proceeds"**). As disclosed in the announcement of the Company dated 3 December 2021, the Group entered into a sale and purchase agreement to dispose of the equity interest of Dongdong Laike (Guangzhou) Information Technology Co., Ltd.* (咚咚來客(廣州)信息技術有限公司) (**"Dongdong Laike"**). As such, on 3 December 2021, the Board resolved to change the use of the unutilised portion of the net FY2020 Placing Proceeds to be utilised for investment in other information technology companies or projects which may be identified by the Group as suitable targets in the future. The balance of FY2020 Placing Proceeds brought forward from 2024 was approximately HK\$5.0 million.

The unutilised FY2020 Placing Proceeds brought forward from 31 December 2024 was in the amount of HK\$5.0 million. An analysis of the unutilisation of the net proceeds from the FY2020 Placing as at 31 December 2025 is set out below:

Intended use of the net proceeds from the FY2020 Placing	Revised total planned amount HK\$'million	Utilised net proceeds from the FY2020 Placing as at 31 December 2025 HK\$'million	Net proceeds from the FY2020 Placing utilised during the Year HK\$'million	Unutilised net proceeds from the FY2020 Placing as at 31 December 2025 HK\$'million	Expected timeline for the intended use
Working capital in Dongdong Laike in connection with the Group's development in the information technology industry	0.3	0.3	–	–	–
Investment in information technology companies or projects	5.1	0.1	–	5.0	December 2026

The Company will apply the unutilised portion of the FY2020 Placing Proceeds according to the announcements of the Company dated 13 May 2020 and 3 December 2021. The Company had utilised approximately RMB0.1 million to acquire the equity interest of GuanChengTong. The Company will continue to identify suitable acquisition target to utilise the remaining unutilised FY2020 Placing Proceeds as soon as practicable. The Company will make further announcement(s) as to update on the use of the FY2020 Placing Proceeds as and when appropriate.

* Unofficial name for identification only

MANAGEMENT DISCUSSION AND ANALYSIS

JANUARY-2024 PLACING

As disclosed in the Company's announcements dated 2 January 2024 and 18 January 2024, 100,000,000 Shares (the "**Jan-2024 Placing Shares**"), which ranked pari passu with other ordinary shares, were successfully placed to seven independent placees at the placing price of HK\$0.08 per Jan-2024 Placing Share under general mandate (the "**Jan-2024 Placing**"). The net price per Jan-2024 Placing Share was approximately HK\$0.077 and the closing price of the Shares on 2 January 2024, being the date on which placing agreement was signed, was HK\$0.097. The Jan-2024 Placing Shares have an aggregate nominal value of HK\$1 million. The gross proceeds and the net proceeds (after deducting the placing fee and other related expenses incurred in the Jan-2024 Placing) from the Jan-2024 Placing are HK\$8.0 million and approximately HK\$7.7 million, respectively (the "**Jan-2024 Placing Proceeds**"). The market value of the Jan-2024 Placing Shares was HK\$9.7 million on the date on which the placing agreement was signed. The balance of Jan-2024 Placing Proceeds brought forward from 2024 was approximately HK\$3.8 million.

The reasons for the Jan-2024 Placing and an analysis of the utilisation of the net proceeds from the Jan-2024 Placing as at 31 December 2025 is set out below:

Intended use of the Jan-2024 Placing Proceeds	Total planned amount HK\$'million	Utilised net proceeds from the Jan-2024 Placing as at 31 December 2025	Net proceeds from the Jan-2024 Placing utilised during the Year	Unutilised net proceeds from the Jan-2024 Placing as at 31 December 2025	Expected timeline for the intended use
		HK\$'million	HK\$'million	HK\$'million	
Expansion of production plant for functional garment	3.1	3.1	–	–	–
Acquisition of machineries for manufacture and processing of functional garment	2.3	–	–	2.3	December 2026
Purchasing raw materials and semi-finished products for further processing at the Group's production plant	1.5	–	–	1.5	December 2026
Working capital of the Company	0.8	0.8	–	–	–
Total	7.7	3.9	–	3.8	

The unutilised portion of the net proceeds of Jan-2024 Placing is currently placed in banks in Hong Kong and the PRC. The Company has applied the utilised portion and will apply the unutilised portion of the Jan-2024 Placing Proceeds according to the announcement of the Company dated 18 January 2024. There was a delay in the application of the proceeds allocated for acquisition of machineries for manufacture and processing of functional garment and purchasing raw materials and semi-finished products for further processing at the Group's production plant because the plan for the acquisition of new machineries for functional garments and the related raw materials and semi-finished products took longer time to implement than expected.

MANAGEMENT DISCUSSION AND ANALYSIS

MAY-2024 PLACING

As disclosed in the Company's announcements dated 16 April 2024 and 2 May 2024, 70,000,000 Shares (the "**May-2024 Placing Shares**"), which ranked pari passu with other ordinary shares, were successfully placed to six independent placees at the placing price of HK\$0.07 per May-2024 Placing Share under general mandate (the "**May-2024 Placing**"). The net price per May-2024 Placing Share was approximately HK\$0.067 and the closing price of the Shares on 16 April 2024, being the date on which the placing agreement was signed, was HK\$0.081. The May-2024 Placing Shares have an aggregate nominal value of HK\$700,000. The gross proceeds and the net proceeds (after deducting the placing fee and other related expenses incurred in the May-2024 Placing) from the May-2024 Placing are HK\$4.9 million and approximately HK\$4.7 million, respectively (the "**May-2024 Placing Proceeds**"). The market value of the May-2024 Placing Shares was HK\$5.67 million on the date on which the placing agreement was signed. The balance of the May-2024 Placing Proceeds brought forward from 2024 was approximately HK\$2.2 million.

The reasons for the May-2024 Placing and an analysis of the utilisation of the net proceeds from the May-2024 Placing as at 31 December 2025 is set out below:

Intended use of the May-2024 Placing Proceeds	Total planned amount HK\$'million	Utilised net proceeds from the May-2024 Placing as at 31 December 2025 HK\$'million	Net proceeds from the May-2024 Placing utilised during the Year HK\$'million	Unutilised net proceeds from the May-2024 Placing as at 31 December 2025 HK\$'million	Expected timeline for the intended use
Marketing and developing online sales channels of the functional garment	3.0	0.8	–	2.2	December 2026
Working capital of the Company	1.7	1.7	–	–	–
Total	4.7	2.5	–	2.2	

The unutilised portion of the net proceeds of May-2024 Placing is currently placed in banks in Hong Kong and the PRC. The Company has applied the utilised portion and will apply the unutilised portion of the May-2024 Placing Proceeds according to the announcement of the Company dated 2 May 2024. There was a delay in the proceeds allocated for marketing and developing online sales channels for the functional garment because the online sales channels took longer time to develop than expected.

MANAGEMENT DISCUSSION AND ANALYSIS

2025 PLACING

As disclosed in the Company's announcements dated 23 May 2025 and 11 June 2025, 204,000,000 Shares (the **"2025 Placing Shares"**), which ranked pari passu with other ordinary shares, were successfully placed to 11 independent placees at the placing price of HK\$0.10 per 2025 Placing Share under general mandate (the **"2025 Placing"**). The net price per 2025 Placing Share was approximately HK\$0.098 and the closing price of the Shares on 23 May 2025, being the date on which the placing agreement was signed, was HK\$0.122. The 2025 Placing Shares have an aggregate nominal value of HK\$2,040,000. The gross proceeds and the net proceeds (after deducting the placing fee and other related expenses incurred in the 2025 Placing) from the 2025 Placing are HK\$20.4 million and approximately HK\$20.0 million, respectively (the **"2025 Placing Proceeds"**). The market value of the 2025 Placing Shares was approximately HK\$24.89 million on the date on which the placing agreement was signed.

The reasons for the 2025 Placing and an analysis of the utilisation of the net proceeds from the 2025 Placing as at 31 December 2025 is set out below:

Intended use of the 2025 Placing Proceeds	Total planned amount HK\$'million	Utilised net proceeds from the 2025 Placing as at 31 December 2025 HK\$'million	Net proceeds from the 2025 Placing utilised during the Year HK\$'million	Unutilised net proceeds from the 2025 Placing as at 31 December 2025 HK\$'million	Expected timeline for the intended use
Investment and development of a production facilities as the base for research and development and manufacturing of the functional garment	15.0	12.8	12.8	2.2	December 2027
Working capital of the Company	5.0	5.0	5.0	–	–
Total	20.0	17.8	17.8	2.2	

The unutilised portion of the net proceeds of 2025 Placing is currently placed in banks in Hong Kong and the PRC. The Company has applied the utilised portion and will apply the unutilised portion of the 2025 Placing Proceeds according to the announcement of the Company dated 23 May 2025.

SHARE OPTION SCHEME

A share option scheme was adopted and approved by the then sole shareholder of the Company on 24 June 2017 (the **"Share Option Scheme"**) and will remain in force for 10 years after its adoption with terms of the Share Option Scheme under Chapter 23 of the GEM Listing Rules. The principal terms of the Share Option Scheme are summarised in the directors' report of this report. On 26 March 2024, the Company granted 80,000,000 share options (**"Share Options"**) to a number of grantee under the Share Option Scheme.

MANAGEMENT DISCUSSION AND ANALYSIS

Details of the Share Options, which were granted during the year ended 31 December 2024, are as follows:

Grantees	Name of Director	Grant Date	Exercise Price	Exercise Period	Vesting Date	Balance as at 1 January 2025	Number of Share Options granted during the Year	Number of Share Options exercised during the Year	Number of Share Options cancelled or lapsed during the Year	Balance as at 31 December 2025
Directors	Ms. Sha Xuanyi	26 March 2024	HK\$0.1	From 26 March 2025 to 25 March 2026	26 March 2025	950,000	–	–	–	950,000
	Mr. Li Rongsheng	26 March 2024	HK\$0.1	From 26 March 2025 to 25 March 2026	26 March 2025	9,500,000	–	–	–	9,500,000
Other 17 employees		26 March 2024	HK\$0.1	From 26 March 2025 to 25 March 2026	26 March 2025	69,550,000	–	2,000,000	–	67,550,000
Total						80,000,000	–	2,000,000	–	78,000,000

The Share Options outstanding at 31 December 2025 had a weighted average remaining contractual life of 0.23 years.

On 26 March 2024, the Company granted a total of 80,000,000 Share Options with the vesting period, exercise period, exercise price and other particulars set out in the table above. The closing price of the Shares on the Stock Exchange was HK\$0.094 per Share on 26 March 2024 as the date of grant and HK\$0.093 per Share on 25 March 2024, being the date immediately before the date of grant. The Share Options granted on 26 March 2024 were not subject to any specific performance target. The fair value of the Share Options granted on 26 March 2024 was approximately RMB2,869,000 which was recognised as share based payment expense in the consolidated profit or loss for the year ended 31 December 2024. The accounting standard and policy adopted for calculation of the fair value of the Share Options granted on 26 March 2024 is based on Hong Kong Financial Reporting Standard 2 — Share-based Payment (HKFRS 2) and the Binomial Option Pricing Model was adopted in its valuation.

The total number of share which may be issued upon the exercise of all outstanding options granted under the Share Option Scheme is as follows:

	The Share which may be issued upon the exercise of all outstanding Share Options	Percentage to the then number of issued Shares
At the beginning of the year ended 31 December 2025	80,000,000	7.84%
At the end of the year ended 31 December 2025	78,000,000	6.36%
As at the date of this annual report	78,000,000	6.36%



MANAGEMENT DISCUSSION AND ANALYSIS

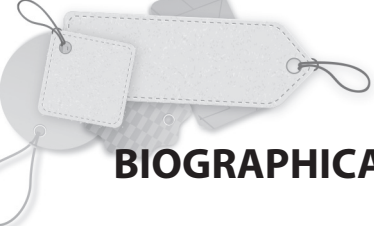
The total number of share available for issue under the Share Option Scheme is as follows:

	The Share available to grant under the scheme mandate limit	Percentage to the then number of issued Shares	The Share available to grant under the service provider sublimit	Percentage to the then number of issued Shares
At the beginning of the year ended 31 December 2025	0	0%	Nil	Nil
At the end of the year ended 31 December 2025	0	0%	Nil	Nil
As at the date of this annual report	0	0%	Nil	Nil

At the beginning and at the end of the Year, no Share Options were available for future grants under the scheme mandate limit of the Share Option Scheme. There is no service provider sublimit under the Share Option Scheme.

During the Year, a total of 2,000,000 Share Options were exercised by the grantees who were employees at the exercise price of HK\$0.1 per Share. The exercise of 2,000,000 Share Options took place on 26 March 2025. The weighted average closing price of the Shares immediately before the date on which the exercise took place (i.e. 25 March 2025) was HK\$0.235 per Share.

Save as disclosed above, no Share Options were exercised, granted, cancelled or lapsed during the Year.



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Chairlady and executive Director

Ms. Sha Xuanyi (沙宣邑女士)

Ms. Sha Xuanyi, aged 53, was appointed as an executive Director on 26 September 2023 and as the chairlady of the Board on 23 February 2024. Ms. Sha was awarded a bachelor's degree in economics in Huazhong University of Science and Technology* (華中科技大學), the PRC in 2006 and a master's degree in computer application technology from Nanjing University of Science and Technology* (南京理工大學), the PRC in 2016, and a master's degree in science of Chinese environmental studies in Hong Kong Metropolitan University in 2023.

Ms. Sha worked at China Merchants Bank in Shenzhen, the PRC from February 1993 to January 2014. Her last position at China Merchants Bank was the general manager of the sales department of China Merchants Bank's Qianhai branch. Since 2014, Ms. Sha has been focusing on the business of personal investment.

Executive Directors

Mr. Li Rongsheng (李榮生先生)

Mr. Li Rongsheng, aged 38, was appointed as an executive Director and the chief executive officer of the Group on 28 November 2023. Mr. Li was awarded a bachelor's degree in arts from Nankai University (南開大學), the PRC, in 2011, and a master degree in Business Administration from Hong Kong Metropolitan University in September 2024.

Mr. Li had 12 years of experience working in the property development industry. From May 2011 to May 2013, Mr. Li worked at Shenzhen Tianxia Real Estate Development Co., Ltd.* (深圳市田廈房地產開發有限公司) in the PRC as a purchasing engineer. From May 2013 to July 2022, Mr. Li was the senior management of Shenzhen Qiuming Investment Development Co., Ltd (深圳市秋銘投資發展有限公司) in the PRC. From August 2018 to May 2023, Mr. Li was the deputy general manager of Shenzhen Nanxian Technology Co., Ltd. (深圳南顯科技有限公司) in the PRC.

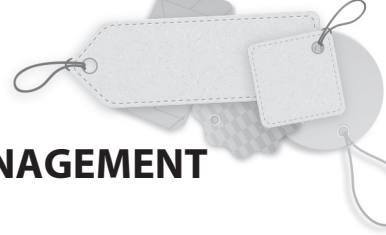
Mr. Lam Kai Yuen (林啟源先生)

Mr. Gabi Lam, aged 43, was appointed as the Director on 22 January 2016 and was re-designated as the executive Director on 26 January 2017. He is responsible for overseeing the overall strategic planning, business development and day-to-day management of the Group's operations.

Mr. Gabi Lam obtained a bachelor's degree of business in management with distinction from the Queensland University of Technology in October 2004. He then obtained a master's degree of business in entrepreneurship from the University of Queensland in December 2005. Mr. Gabi Lam has over 19 years of experience in the garment accessories manufacturing industry since he joined the Group in March 2006. He was then appointed as the general manager of STL Garment Accessories and Reach New Technology in August 2006, being responsible for overseeing the factory operations of these companies.

Mr. Gabi Lam currently serves as a director of four subsidiaries of the Company, namely New Forest, Smart Trend, STL Garment Accessories and Reach New Technology. Mr. Gabi Lam is the elder brother of Mr. Jeffrey Lam.

* for identification purpose only



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lam Kai Cheong (林啟昌先生)

Mr. Jeffrey Lam, aged 37, was appointed as the Director on 22 January 2016 and as the executive Director on 26 January 2017. He is responsible for overseeing the overall strategic planning, business development and day-to-day management of the Group's operations.

Mr. Jeffrey Lam graduated from the University of Bath with a bachelor's degree of science in accounting and finance in June 2012. Mr. Jeffrey Lam has around 13 years of experience in the garment accessories manufacturing industry. He was appointed as director of Reach New Technology in April 2007 and joined STL Garment Accessories in August 2012 as general manager assistant, assisting Mr. Gabi Lam in overseeing the factory operations of these companies.

Mr. Jeffrey Lam currently serves as a director of three subsidiaries of the Company, namely Smart Trend, STL Garment Accessories and Reach New Technology. He is also the accounting manager of Smart Trend. He is the younger brother of Mr. Gabi Lam.

Non-executive Director

Mr. Kok Bing Ching (郝冰清先生)

Mr. Kok, aged 40, graduated from The Chinese University of Hong Kong with a bachelor degree of engineering in information engineering in December 2010.

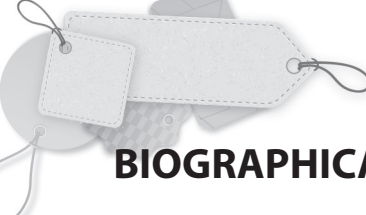
Mr. Kok has over 11 years of experience in financial technology, blockchain and virtual asset market. From September 2014 to December 2017, he worked as the head of information technology of Hani Securities (H.K.) Limited (恆利證券(香港)有限公司) (currently known as 'Fosun International Securities Limited (復星國際證券有限公司)'). He then served as the vice president of Loto Interactive Limited (樂透互娛有限公司) (currently known as 'Crypto Flow Technology Limited (加冕科技有限公司)' (Stock code: 8198) from January 2018 to December 2022 primarily in charge of the operations of blockchain and big data in Hong Kong and the PRC. Since May 2023, Mr. Kok has founded and participated in several blockchain technology innovation projects in Hong Kong.

Independent non-executive Directors

Mr. Lin Kin-Chin (林耕進先生)

Mr. Lin Kin-Chin, aged 69, was appointed as an independent non-executive Director on 26 September 2023. He is the chairman of the remuneration committee, member of the audit committee and member of the nomination committee.

Mr. Lin Kin-Chin obtained a bachelor's degree from Taipei University of Marine Technology (台北海洋科技大學) (formerly known as 中國海事專科學校), Taiwan in 1979. He had 16 years' experience working as senior management of various companies, namely being the general manager and executive director of 保山康源生物有限責任公司 in the PRC from October 2007 to June 2021, being the executive director and legal representative of 天息綠能(深圳)生物科技有限公司 in the PRC from October 2007 to June 2021 and being the director of 四川速肥綠能科技有限公司 in the PRC from August 2023 to September 2023.



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Liu Mingxiao (劉明曉先生)

Mr. Liu Mingxiao, aged 57, was appointed as an independent non-executive Director on 28 November 2023. He is the chairman of the audit committee, member of the remuneration committee and member of the nomination committee.

Mr. Liu was awarded a bachelor's degree in economic management from Party School of Heilongjiang Provincial Committee of the Communist Party of China (中共黑龍江省委黨校), the PRC in 1997, and in 2007, Mr. Liu further obtained the title of Qualification Certificate of Speciality and Technology in Accounting (Intermediate)* (會計專業技術中級資格證書) conferred by the Ministry of Finance of the PRC.

Mr. Liu had 24 years of experience working in the finance area of various companies. From June 2001 to September 2009, Mr. Liu worked at Puyang Shennong Seed Co., Ltd.* (濮陽市神農種業有限公司) in the PRC as an accountant; and from October 2009 to August 2016, Mr. Liu was the finance manager of Shenzhen Kunyuan Motor Vehicle Driver Training Co., Ltd.* (深圳市坤元機動車駕駛員培訓有限公司) in the PRC; and from September 2016 to June 2019, he was the finance manager of Zhonghe Biological Seed Industry Group Co., Ltd.* (中禾生物種業集團有限公司) in the PRC. From July 2019 to July 2021, Mr. Liu was the finance manager of ISP Global Limited, a company whose shares are listed on GEM of the Stock Exchange, (stock code 8487), and he is currently the finance manager of Zhonghe Biological Seed Industry Group Co., Ltd.* (中禾生物種業集團有限公司) in the PRC from August 2021.

Mr. Zhu Honghai (朱洪海先生)

Mr. Zhu Honghai, aged 48, was appointed as an independent non-executive Director on 25 February 2022 and was designated as a lead independent non-executive director of the Company on 25 March 2025. He is the chairman of the remuneration committee and a member of the audit committee and nomination committee. Mr. Zhu obtained a bachelor's degree in law from Sun Yat-sen University, the PRC in 2004. Mr. Zhu was qualified as a lawyer in the PRC and is currently a lawyer in B&D Law Firm (Shenzhen)* (北京市北斗鼎銘(深圳)律師事務所).

Save as the above, each of the Director and member of the senior management has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas. Save as disclosed above, there is no financial, business, family or other material or relevant relationship among the members of the Board and senior management.



CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2025.

CORPORATE GOVERNANCE CODE

The Directors and the management of the Group recognise the importance of sound corporate governance to the long-term success and continuing development of the Group. Therefore, the Board is committed to upholding good corporate standards and procedures, so as to improve the accountability system and transparency of the Group, protect the interests and create value for shareholders of the Company.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix C1 of the GEM Listing Rules. During the year ended 31 December 2025, to the best knowledge of the Board, the Company has complied with all applicable code provisions of the CG Code.

The Board establishes the Company's purpose, values, and strategy, and satisfies itself that these and the Company's culture are aligned. The Company's culture instils and continually reinforces values of acting lawfully, ethically, and responsibly across the organization. The Board acts with integrity and leads by example to promote this desired culture, focusing on creating long-term sustainable growth for shareholders rather than taking undue risks for short-term gains.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision C.2.1 of the CG Code stipulates that the role of the chairman and chief executive officer should be separated and should not be preformed by the same individual. During the year ended 31 December 2025, the Company fully complied with the said code provision that the role of the chairman was separated from the chief executive officer and both roles were not performed by the same individual.

BOARD OF DIRECTORS

The key responsibilities of the Board include formulation of the Group's overall strategies, the setting of management targets and supervision of management performance. The management is delegated with the authority and responsibility by the Board for the management and administration of the Group. In addition, the Board has also delegated various responsibilities to the board committees of the Company (the "**Board Committees**"). Further details of the Board Committees are set out below in this annual report.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties as set out in code provision A.2.1 of the CG Code, which include the following:

1. to develop and review the policies and practices on corporate governance of the Group and make recommendations;
2. to review and monitor the training and continuous professional development of the Directors and senior management;
3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and
5. to review the Company's compliance with the CG Code and disclosure in the corporate governance report of the Company.



CORPORATE GOVERNANCE REPORT

Composition of the Board

During the Year and up to the date of this annual report, the Board comprises seven Directors, including four executive Directors and three independent non-executive Directors (the “INED”). The composition of the Board during the Year is set out as follow:

Executive Directors

Ms. Sha Xuanyi
Mr. Lam Kai Yuen
Mr. Li Rongsheng
Mr. Lam Kai Cheong

Non-executive Director

Mr. Kok Bing Ching (appointed on 8 August 2025)

Independent non-executive Directors

Mr. Lin Kin-Chin
Mr. Liu Mingxiao
Mr. Zhu Honghai (appointed as lead independent non-executive Director on 25 March 2025)

The length of tenure and current period of appointment of the Directors as at the date of this annual report are set out below:

Name of Director	Position	Date of first appointment	Length of tenure as at the date of this annual report	Current period of appointment
Ms. Sha Xuanyi	Chairlady and Executive Director	26 September 2023 (as executive director); 23 February 2024 (as chairlady of the Board)	About 2 years	Three-year term, automatically for successive terms of one year until terminated by the Director or the Company in accordance with the terms of the service agreement
Mr. Li Rongsheng	Chief Executive Officer and Executive Director	28 November 2023	About 2 years	
Mr. Lam Kai Yuen	Executive Director	22 January 2016 (as director); 26 January 2017 (as executive director)	About 10 years	
Mr. Lam Kai Cheong	Executive Director	22 January 2016 (as director); 26 January 2017 (as executive director)	About 10 years	
Mr. Kok Bing Ching	Non-executive Director	8 August 2025	About 7 months	One-year fixed term renewable automatically for successive term of one year unless terminated in accordance with the appointment letter
Mr. Lin Kin-Chin	Independent Non-executive Director	26 September 2023	About 2 years	
Mr. Liu Mingxiao	Independent Non-executive Director	28 November 2023	About 2 years	
Mr. Zhu Honghai	Lead Independent Non-executive Director	25 February 2022 (as INED); 25 March 2025 (as lead INED)	About 4 years	



CORPORATE GOVERNANCE REPORT

In compliance with rules 5.05(1) and 5.05(2) of the GEM Listing Rules, the Board consisted of three INEDs during the year ended 31 December 2025, with at least one independent non-executive Director (i.e. Mr. Liu Mingxiao) possessing appropriate professional qualifications or accounting or related financial management expertise. During the Year and as of the date of this report, the number of INEDs represents more than one-third of the Board as required under rule 5.05A of the GEM Listing Rules. As such, there is a strong independent element in the Board to provide independent judgement.

In accordance with code provision C.3.3 of the CG Code, the Company has entered into a letter of appointment with each of the INEDs under which each INED is appointed for a fixed term (subject to re-election). Each of the letter of appointment is for a fixed term of one year initially commencing from the date of first appointment and renewable automatically for successive term of one year unless terminated by either party in accordance with the terms thereof. Specific enquiry has been made by the Company of each of the INEDs to confirm their independence pursuant to rule 5.09 of the GEM Listing Rules. In this connection, the Company has received confirmations from all of the three INEDs as to their independence. Based on the confirmations received, the Company considers all the INEDs to be independent under the GEM Listing Rules.

Pursuant to Articles 108 and 112 of the articles of association of the Company (the “**Articles**”), one-third of the Directors shall retire from office by rotation at each annual general meeting and every Director shall be subject to retirement by rotation at least once every 3 years. However, a retiring Director shall be eligible for re-election.

Saved as disclosed below and in the section “Biographical Details of Directors and Senior Management” in this annual report, there is no financial, business, family or other material or relevant relationship among members of the Board and senior management.

Mr. Kok Bing Ching was appointed as a non-executive Director on 8 August 2025. Prior to his appointment becoming effective, Mr. Kok obtained the legal advice referred to in Rule 5.02D of the GEM Listing Rules on 7 August 2025, and he has confirmed that he understood his obligations as a director of a listed issuer.

Board Diversity Policy

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making. Pursuant to the CG Code, the Board has adopted a board diversity policy (the “**Board Diversity Policy**”). The Company recognises and benefits from the diversity of Board members. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company’s competitive advantage. The Company believes that greater diversity of directors is good for corporate governance and is committed:

- To attract and retain candidate(s) for Board with a combination of competencies from the widest possible pool of available talents;
- To maintain a Board with diversity perspectives at all levels, in particular, those are aligning with the Company’s strategy and objectives;
- To assess regularly the diversity profile of the Board and, where applicable, senior management prepared for the Board positions under the succession planning of the Company and the progress on achieving diversity objectives, if any;
- To ensure that the selection and nomination of Board positions are appropriately structured so that a diverse range of candidates can be considered;



CORPORATE GOVERNANCE REPORT

- To set up appropriate procedures for development of a broader and more diverse pool of skilled and experienced senior management that would be prepared for Board positions; and
- To ensure that changes to the Board's composition can be managed without undue disruption.

While appointments of all members of the Board will continue to be made on a merit basis, the Company will ensure that the Board diversity has been considered from a wide range of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skill, knowledge and length of service, and any other factors that the Board may consider relevant and applicable from time to time. The goal of the Board diversity is to ensure that a balanced composition of skill, experience and expertise offered by different Directors in the Board can provide a wider range of prospective, insights and solutions to the Company and enable the Board to discharge its duties effectively and support the sustainable growth of the Company in the long run.

The Board will take opportunities to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointments. The Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing the Board to gender parity. The Board also aspires to having an appropriate proportion of directors who have direct experience in the Group's core markets, with different ethnic backgrounds, and reflecting the Group's strategy.

The Board had reviewed the implementation and effectiveness of the Board Diversity Policy and was of the view that the Board Diversity Policy and its implementation was sufficient and effective.

Board Diversity

The Company is conscious of maintaining Board diversity with an appropriate level of female members on the Board, which shall not be less than one female member with immediate effect as its measurable objective. During the Year and as at the date of this Report, the Board comprised one female Director, namely Ms. Sha Xuanyi, in which case the Board considered gender diversity has been achieved. The Board also sets a non-gender diversity measurable objective that it should comprise at least one Director which is not for textile related professional qualifications or expertise. During the Year, this measurable objective has been achieved. While conscious efforts are being taken by the Company to fulfil its Board Diversity Policy, all appointments are ultimately made on a merit basis taking into account available and suitable candidates.

The Nominations Committee will review the implementation of the Board Diversity Policy at least annually and make recommendation on any proposed changes to the Board for the Board's review and approval to ensure its continued appropriateness and effectiveness.

For recruiting potential successors to the Board to achieve Board diversity including gender diversity, the Board has prepared a list of desirable skills, experience, qualifications, gender or perspectives which the candidate should have. If the Board determines that an additional or replacement Director is required, it will deploy multiple channels for identifying suitable director candidates, including referral from Directors, shareholders, management, advisors of the Company and external executive search firms.

CORPORATE GOVERNANCE REPORT

Workforce Diversity

The Group is committed to promoting diversity, inclusion and equal opportunity in recruitment, employment, training and promotion. The Group's workforce diversity policy seeks to maintain a fair and inclusive working environment and to promote diversity, including gender diversity, at different levels of the workforce, including senior management.

As at 31 December 2025, the gender ratio of senior management was 75% male and 25% female; and the gender ratio of the workforce excluding senior management was 50.5% male and 49.5% female.

The measurable objective for workforce diversity in terms of gender diversity is to maintain the current gender ratio at similar level. The Board considered that gender diversity of the workforce of the Group has been well maintained during the Year. The Board considered such measurable objective had been achieved during the Year. As such, the plan for the Group in terms of gender diversity in workforce is to maintain the balance of gender diversity in the foreseeable future.

The Group has adopted a workforce diversity policy. The aim of the workforce diversity policy is for cultivating and preserving a diverse and inclusive workplace, which includes (i) promoting equal opportunities at work to all employees, eliminating discrimination and harassment in employment; (ii) ensuring all employment-related decisions are made based on merits, free from any form of discrimination or bias; and (iii) providing various mechanisms for employees to raise their concerns relating to the workplace.

Board and General Meetings

During the Year, four Board meetings were held. The annual general meeting of the Company for 2025 was held on 18 June 2025 (the "2025 AGM").

The attendance record of each Director at the Board meeting for the Year and 2025 AGM is set out in the table below:

	Number of Attendance/ number of Board Meetings	Attendance to the 2025 AGM
Executive Directors		
Ms. Sha Xuanyi	5/5	yes
Mr. Lam Kai Yuen	5/5	yes
Mr. Li Rongsheng	5/5	yes
Mr. Lam Kai Cheong	5/5	yes
Non-executive Director		
Mr. Kok Bing Ching	2/2	N/A
Independent non-executive Directors		
Mr. Lin Kin-Chin	5/5	yes
Mr. Liu Mingxiao	5/5	yes
Mr. Zhu Honghai	5/5	yes

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of conduct regarding securities transactions by the Directors as the required standard of dealings set out in Rules 5.46 to 5.67 of the GEM Listing Rules (the "Model Code"). The Company has made specific enquiry to each of the Directors as to the compliance of the Model Code and each of the Director confirmed that they have fully complied with the Model Code during the year ended 31 December 2025. The Company was not aware of any non-compliance with the Model Code by the Directors during the year ended 31 December 2025.



CORPORATE GOVERNANCE REPORT

Corporate Governance Functions and Conduct of Meetings

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions as set out in code provision A.2.1 of the Code, such as developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the training and continuous professional development of the Directors and senior management, and reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, etc.

Code provision C.5.3 of the Code stipulates that at least 14 days' notice should be given for a regular Board meeting. For other Board and committee meetings, reasonable notices are required to be given. An agenda and accompanying board papers are sent to all Directors at least three days before each Board meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. All the Directors are given an opportunity to include matters in the agenda for regular Board meetings. The Directors also have separate independent professional advice at the Company's expense to assist them in performing their duties to the Company if necessary. Minutes of all Board meetings recording sufficient details of matters considered and decisions made are duly kept by the secretary of the meetings and open for inspection on reasonable notice by the Directors.

Mechanism ensuring sufficient independence views to the Board

The Board recognises Board independence is critical to good corporate governance. The Company has put in place the mechanisms to ensure a strong independence element on the Board, which are summarised below:

Board Composition

- The Board endeavours to ensure the appointment of at least three independent non-executive Directors and at least one-third of the Board members being independent non-executive Directors (or such higher threshold as may be required by the GEM Listing Rules from time to time).
- Apart from complying with the requirements prescribed by the GEM Listing Rules as to the composition of certain Board committees, independent non-executive Directors will be appointed to other Board committees as far as practicable to ensure independent views are available.

Independence Assessment

- The Nomination Committee shall strictly adhere to the nomination policy and the independence assessment criteria as set out in the GEM Listing Rules with regard to the nomination and appointment of independent non-executive Directors.
- Each independent non-executive Director is also required to inform the Company as soon as practicable if there is any change in his own personal particulars that may materially affect his independence.
- The Nomination Committee is mandated to assess annually the independence of all independent non-executive Directors by reference to the independence criteria as set out in the GEM Listing Rules to ensure that they can continually exercise independent judgement.



CORPORATE GOVERNANCE REPORT

Decision Making

- All Directors (including independent non-executive Directors) are entitled to seek further information and documentation from the management on the matters to be discussed at board meetings. They can also seek assistance from the Company's company secretary and, where necessary, independent advice from external professional advisers at the Company's expense.
- All Directors (including independent non-executive Directors) shall not vote or be counted in the quorum on any board resolution approving any contract or arrangement in which such Director or any of his close associates has a material interest.
- The Board had made an annual review on the implementation of the abovementioned mechanisms and was of the view that the abovementioned mechanisms had been satisfactorily implemented.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

The Group acknowledges the importance of continuing professional development for the Directors for a sound and effective internal control system and corporate governance. In this regard, the Group has always encouraged the Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance.

All the Directors understand the importance of continuous professional development and are committed to participate any suitable training to develop and refresh their knowledge and skills. During the year ended 31 December 2025, the Directors have complied with the code provision C.1.4 of the CG Code by participating sufficient relevant continuous professional training.

The Company has maintained the training record in respect of each Director. There are also arrangements in place for providing continuing briefing and professional development to Directors by the Company whenever necessary.

Mr. Kok Bing Ching, who was appointed as the non-executive Director on 8 August 2025, obtained legal advice from, ONC Lawyers, a firm of solicitors qualified to advise on Hong Kong law, pursuant to Rule 5.02D of the GEM Listing Rules as regards the requirements under the GEM Listing Rules that are applicable to him as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 7 August 2025. Mr. Kok Bing Ching had made confirmation that he understood his obligations as a director of a listed issuer.

BOARD PERFORMANCE REVIEW AND BOARD SKILLS MATRIX

During the Year, the Board conducted a formal evaluation of its performance, covering, among other matters, Board composition, Board processes, effectiveness of information flow, oversight of strategy, risk management and internal controls, and Board committee performance. The review was conducted internally, and the Board considered that it operated effectively during the year.

The Board has also maintained a board skills matrix, which identifies the key mix of skills, experience and diversity represented on the Board, including experience in garment accessories, manufacturing, finance, legal, information technology and corporate governance, and considered that the Board's current composition remains aligned with the Company's business, strategy and governance needs.



CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established a number of functional committees in compliance with the relevant GEM Listing Rules and to assist the Board to discharge its duties. Currently, four committees have been established. An audit committee (the “**Audit Committee**”) has been established on 24 June 2017 with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and code provisions D.3.3 and D.3.7 of the CG Code; a remuneration committee (the “**Remuneration Committee**”) has been established on 24 June 2017 with its terms of reference in compliance with code provision E.1.2 of the CG Code; and a nomination committee (the “**Nomination Committee**”) has been established on 24 June 2017 with its terms of reference in compliance with code provision B.3.1 of the CG Code. The functions and responsibilities of these committees have been set out in the relevant terms of reference which are of no less stringent than that stated in the CG Code. The relevant terms of reference of each of the three committees can be found on the Group’s website (www.sthl.com.hk) and the website of the Stock Exchange. In addition, a treasury committee (the “**Treasury Committee**”) has been established on 28 November 2023.

All committees have been provided with sufficient resources and support from the Group to discharge their duties.

AUDIT COMMITTEE

The Company has established the Audit Committee on 24 June 2017 with its written terms of reference in compliance with code provisions D.3.3 and D.3.7 of the CG Code. The Audit Committee consists of three members, namely Mr. Liu Mingxiao, Mr. Lin Kin-Chin and Mr. Zhu Honghai, all being independent non-executive Directors. Mr. Liu Mingxiao currently serves as the chairman of the Audit Committee, who has appropriate professional qualifications and experience in accounting matters. The members of the Audit Committee shall comprise non-executive Directors and shall be appointed or removed by the Board. If any member of the Audit Committee ceases to be a Director, he/she will cease to be a member of the Audit Committee automatically. The Audit Committee has reviewed the consolidated financial statements for the year ended 31 December 2025.

The Audit Committee must comprise a minimum of three members, at least one of whom is an INED with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.28 of the GEM Listing Rules. In addition, the majority of the Audit Committee shall be INEDs.

With reference to the terms of reference, the primary responsibilities of the Audit Committee are, among others, the following (for the complete terms of reference, please refer to the Group’s website at www.sthl.com.hk or the website of the Stock Exchange):

1. to make recommendations to the Board on the appointment, re-appointment and removal of the Company’s external auditor, and approve the remuneration and terms of engagement of the Company’s external auditor;
2. to review and monitor the Company’s external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
3. to develop and implement policy on engaging the Company’s external auditor to supply non-audit services, if any;
4. to monitor integrity of the Company’s financial statements, annual report and accounts, half-year report and quarterly report and review significant financial reporting judgments contained in them;
5. to discuss with the Company’s external auditors questions and doubts arising in the audit of annual accounts;



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6. to review the statement about the Company's internal control system as included in the Company's annual report prior to submission for the Board's approval;
7. to review the Company's financial reporting, financial controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the Company's risk management and internal control systems;
8. to discuss the risk management and internal control systems with the Company's management to ensure that management has performed its duty to have effective systems;
9. to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
10. to review the financial and accounting policies and practices of the Group;
11. to review the external auditor's management letter, any material queries raised by the auditor to the management in respect of accounting records, financial accounts or systems of control and management's response;
12. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
13. to report to the Board on that matters pursuant to the terms of reference of the Audit Committee and consider other topics as defined by the Board; and
14. to review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

The Board is of the view that the Audit Committee has properly discharged its duties and responsibilities during the Year and up to the date of this report.

The members of the Audit Committee should meet at least twice a year. During the Year, four Audit Committee meetings were held.

The attendance records of the members of the Audit Committee are summarised below:

Members of the Audit Committee	Number of attendance
Mr. Liu Mingxiao (Chairman)	4/4
Mr. Lin Kin-Chin	4/4
Mr. Zhu Honghai	4/4



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The following is a summary of the works performed by the Audit Committee during the Year:

- (a) reviewed the Group's consolidated financial result for the year ended 31 December 2024 and interim results for the six months ended 30 June 2025 before submission to the Board, with a focus on compliance with accounting standards, the GEM Listing Rules and other requirements in relation to financial reporting of the Audit Committee;
- (b) discussed the effectiveness of the internal controls system throughout the Group, including financial, operational and compliance controls, and risk management; and
- (c) reviewed the accounting principles and practices adopted by the Group and other financial reporting matters.

There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditor. The Audit Committee has reviewed with the management and the Company's auditor the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the audited financial statements for the Year.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three members, namely Mr. Lin Kin-Chin (Chairman), Mr. Liu Mingxiao and Mr. Zhu Honghai, all being independent non-executive Directors of the Company.

The Remuneration Committee has adopted the model described in code provision E.1.2(c)(ii) of the CG Code, whereby it makes recommendations to the Board on the remuneration packages of individual executive Directors and senior management. During the Year, the Remuneration Committee also reviewed matters relating to the Company's share option scheme pursuant to Chapter 23 of the GEM Listing Rules.

With reference to the terms of reference of the Remuneration Committee, the primary responsibilities of the Remuneration Committee include, among other things, the following (for the complete terms of references, please refer to the Group's website at www.sthl.com.hk or the website of the Stock Exchange):

- 1. to consult the chairman of the Board and/of chief executive about their remuneration proposals for other executive Directors;
- 2. to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- 3. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- 4. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
- 5. to make recommendations to the Board on the remuneration of non-executive Directors;
- 6. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- 7. to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;



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8. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
9. to ensure that no Directors or any of his associates is involved in deciding his own remuneration.

The members of the Remuneration Committee should meet at least once a year. During the Year, two meetings of the Remuneration Committee were held and have, inter alia, (i) reviewed the proposed remuneration packages of the newly appointed Directors during the Year; and (ii) reviewed the remuneration packages for individual executive Directors and senior management and making recommendations to the Board.

The attendance records of the members of the Remuneration Committee are summarised below:

Members of the Remuneration Committee	Number of attendance
Mr. Lin Kin-Chin (Chairman)	2/2
Mr. Liu Mingxiao	2/2
Mr. Zhu Honghai	2/2

The emolument payable to the Directors depends on their respective contractual terms under the service contracts or the appointment letters (as the case may be), and as recommended by the Remuneration Committee. Details of the Directors' emoluments are set out in note 11 to the consolidated financial statements.

The Remuneration Policy of Directors

Quality and committed staff are valuable assets contributing to the Group's success. To ensure the ability to attract and retain talents, the Group's remuneration policy of Directors is built upon the principles of providing equitable and market-competitive remuneration package that support the performance culture and enable the achievement of strategic business goals. The Group's remuneration policy of Directors is, therefore, aiming at providing competitive but not excessive remuneration package to the Directors.

The Directors' remuneration comprises fixed salary or service fee and variable components (such as bonus and share options), which is benchmarked against companies of comparable business or scale with reference to a mix of factors such as the prevailing market condition, the Company's performance and the qualifications, skills, experience and educational background of the Directors.

The Directors' remuneration is reviewed annually and are subject to shareholders' approval.



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Work done by the Remuneration Committee in relation to grant of Share Options under the Share Option Scheme

During the year ended 31 December 2024, the Remuneration Committee reviewed and made recommendation to the Board regarding the grant of 80,000,000 share options (the **"Share Options"**) on 26 March 2024 to the Directors and certain employees under the Share Option Scheme. While considering the grant of the Share Options, although there was no specific performance target attached to the Share Options and the Share Options are not subject to any clawback mechanism, the Remuneration Committee had evaluated, among other things, the value of the position of the grantee of the Share Options (the **"Grantees"**), period of services with the Group, and his/her performance and contributions to the Group. Having considered that (1) the Share Options to be granted will give the Grantees an opportunity to have a personal stake in the Company; and (2) the value of the Share Options shall be subject to the market performance of the Shares, which in turn depends on the performance of the Group, to which the Grantees would directly contribute, the Remuneration Committee considered that notwithstanding the absence of performance target set for each Grantee individually, the grant of the Share Options aligns with the purpose of the Share Option Scheme to incentivise the Grantees to contribute to the Group's business development. In addition, the Remuneration Committee considered that a specific clawback mechanism is not necessary, having considered that the lapse of the Share Options upon the Grantee(s) cease to be an eligible participant under the Share Option Scheme, which was in line with the purpose of the Share Option Scheme and in the interests of the Company.

After considering those factors, the Remuneration Committee recommended the proposed grant of Share Options to the grantees to the Board for approval to appreciate the grantees' devotion and commitment to the Company which align with the purpose of the Share Option Scheme that the grant of the Share Options is to provide incentives or rewards for the contributions of the grantees by aligning the interest of the grantees with that of the Company.

During the year ended 31 December 2025, no Share Options were granted under the Share Option Scheme. As such, the Remuneration Committee was not convened to consider any matters relating to the grant of the Share Options under the Share Options Scheme.

NOMINATION COMMITTEE

The Nomination Committee comprises four members, namely Mr. Zhu Honghai (Chairman), Ms. Sha Xuanyi (appointed on 25 March 2025), Mr. Lin Kin-Chin and Mr. Liu Mingxiao, being one executive Director and three independent non-executive Directors of the Company.

With reference to the terms of reference of the Nomination Committee, the primary responsibilities of the Nomination Committee include, among other things, the following (for the complete terms of reference please refer to the Group's website at www.sthl.com.hk or the website of the Stock Exchange):

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on proposed changes, if any, to the Board to complement the Company's corporate strategy;
2. to review the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy;
3. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
4. to assess the independence of INEDs; and
5. to make recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for the Directors, in particular the chairman and the chief executive.



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6. to support the issuer's regular evaluation of the Board's performance; and
7. to assess each Director's time commitment and contribution to the Board, as well as each Director's ability to discharge his or her responsibilities effectively, taking into account professional qualifications, work experience, existing listed company directorships and other significant external time commitments.

The members of the Nomination Committee should meet at least once a year. During the Year, two meetings of the Nomination Meeting were held. The Nomination Committee has, during the Year, conducted the following tasks:

- (i) reviewed and considered the structure, size and composition of the Board;
- (ii) identified individuals suitably qualified to become Board members and made recommendations to the Board on the selection of individual nominated for directorships;
- (iii) assessed the independence of the INEDs;
- (iv) reviewed and considered the diversity, skills, experience, qualifications and education background of the members of the Board;
- (v) considered the Directors to retire and reappoint at the forthcoming annual general meeting of the Company (the **"2026 AGM"**); and
- (vi) assessed the time commitment and contribution of each Director to the Board, and considered that each Director has devoted sufficient time and attention to discharge his/her responsibilities effectively, taking into account their professional qualifications, work experience, existing directorships in other listed companies, and other significant external commitments.

The attendance records of the members of the Nomination Committee are summarised below:

Members of the Nomination Committee	Number of attendance
Mr. Zhu Honghai (Chairman)	2/2
Mr. Lin Kin-Chin	2/2
Mr. Liu Mingxiao	2/2
Ms. Sha Xuanyi (appointed on 25 March 2025)	1/1

Directors' Time Commitments

The Company requires Directors to disclose to the Company, at the time of appointment and in a timely manner upon any change, the number and nature of offices held in public companies or organisations and other significant external commitments. The Nomination Committee and the Board take such disclosures into account when assessing whether each Director is able to devote sufficient time to the affairs of the Company and discharge his/her responsibilities effectively.

The Nomination Committee made assessment on the time commitments of the Directors during the Year and was of the view that the Directors had devoted sufficient time to the business and affairs of the Company.



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Nomination policy

The Board has adopted a nomination policy, which establishes written guidelines to the Nomination Committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

The Board, through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.

Nomination Criteria

In evaluating and selecting any candidate for the directorship, the following criteria should be considered:

- (i) the candidate's character and integrity;
- (ii) the candidate's qualifications including professional qualifications, skills, knowledge and experience, and diversity aspects under the Board Diversity Policy (as defined below) that are relevant to the Company's business and corporate strategy;
- (iii) any measurable objectives adopted for achieving diversity on the Board;
- (iv) for independent non-executive Directors, whether the candidate would be considered independent with reference to the independence guidelines set out in the GEM Listing Rules;
- (v) any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- (vi) willingness and ability of the candidate to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and
- (vii) such other perspectives that are appropriate to the Company's business and succession plan and where applicable may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

Nomination Procedures

The Company has put in place the following director nomination procedures:

Appointment of New and Replacement Directors

- (i) If the Board determines that an additional or replacement Director is required, it will deploy multiple channels for identifying suitable director candidates, including referral from Directors, shareholders, management, advisors of the Company and external executive search firms.
- (ii) Upon compilation and interview of the list of potential candidates, the relevant Nomination Committee will shortlist candidates for consideration by the Nomination Committee/Board based on the selection criteria and such other factors that it considers appropriate. The Board has the final authority on determining suitable director candidate for appointment.



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Re-election of Directors and Nomination from Shareholders

- (i) Where a retiring Director, being eligible, offers himself for re-election, the Board shall consider and, if consider appropriate, recommend such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to shareholders prior to a general meeting in accordance with the GEM Listing Rules.
- (ii) Any shareholder of the Company who wishes to nominate a person to stand for election as a Director at a general meeting must lodge with the company secretary of the Company within the lodgement period specified in the relevant shareholder circular (a) a written nomination of the candidate, (b) written confirmation from such nominated candidate of his willingness to stand for election, and (c) biographical details of such nominated candidate as required under the GEM Listing Rules. Particulars of the candidate so proposed will be sent to all shareholders for information by a supplementary circular.

TREASURY COMMITTEE

The Board has resolved to establish the treasury committee (the **"Treasury Committee"**) on 28 November 2023.

The Treasury Committee comprises three members, namely Ms. Sha Xuanyi (Chairlady), Mr. Li Rongsheng and Mr. Liu Mingxiao. With reference to the terms of reference of the Treasury Committee, the primary duty of the Treasury Committee is to review, assess and oversee the treasury activities of the Company, which includes, among other things:

- 1. to review, evaluate and approve any investment worth not exceeding HK\$30 million or reaching the level of "discloseable transaction" as defined under the GEM Listing Rules;
- 2. to review, evaluate and propose to the Board for approval any investment worth over HK\$30 million or reaching the level of "discloseable transaction" as defined under the GEM Listing Rules;
- 3. an investment can fall into either of the following two categories:
 - (i) investment in listed securities and bonds; and
 - (ii) investment in crypto currencies.
- 4. to determine whether the proposed investment is in the interests of the Company and the shareholders of the Company as a whole; and
- 5. to carry out other duties as may be determined from time to time by the Board.

The members of the Treasury Committee should meet at least once a year. During the Year, one meeting of the Treasury Committee was held and no investment project had been identified.



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DIVIDEND POLICY

The Board has adopted a dividend policy (the “**Dividend Policy**”) which sets out the factors to be considered by the Board in declaring and recommending the dividend payment of the Company. Summary of the Dividend Policy is set out below:

- (i) In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among other things of the Group:
 - a. operating and financial results;
 - b. cash flow situation;
 - c. business conditions and strategies;
 - d. future operations and earnings;
 - e. taxation consideration;
 - f. interim dividend paid, if any;
 - g. capital requirement and expenditure plans;
 - h. interests of shareholders;
 - i. statutory and regulatory restrictions;
 - j. any restrictions on payment of dividends; and
 - k. any other factors that the Board may consider relevant.
- (ii) The payment of the dividend by the Company is also subject to any restrictions under the Companies Act of the Cayman Islands and the Articles. Any final dividends declared by the Company must be approved by an ordinary resolution of the shareholders at an annual general meeting and must not exceed the amount recommended by the Board. The Board may from time to time pay to the shareholders such interim and/or special dividends as it considers to be justified by the profits of the Group.
- (iii) The Board endeavours to strike a balance between the shareholders’ interests and prudent capital management with a sustainable Dividend Policy. The Board will review the Dividend Policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the policy at any time as it deems fit and necessary.

The Company will review the Dividend Policy from time to time and there can be no assurance that a dividend will be proposed or declared in any specific periods.

As disclosed in the “Management Discussion and Analysis” section of this annual report, the Board resolved not to declare a final dividend for the year ended 31 December 2025. This decision was made after careful consideration of the Group’s financial performance for the Year and the need to preserve adequate working capital to navigate the current challenging market conditions.



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AUDITORS' REMUNERATION

The amount of fees charged by the external auditor generally depends on the scope and volume of the external auditor's work performed.

For the year ended 31 December 2025, the remuneration paid or payable to the external auditor of the Company in respect of the statutory audit services and non-audit services for the Group are as follows:

	Fees paid/payable for the services rendered	
	2025	2024
	HK\$'000	HK\$'000
Statutory audit services	650	650
Non-audit services	nil	nil

During the Year, the auditor did not perform any non-audit services to the Group.

COMPANY SECRETARY

Ms. Chan Mei Wah was appointed as the company secretary of the Company on 26 September 2023. Ms. Chan has extensive experience in auditing and accounting. Ms. Chan graduated from the City University of Hong Kong with a bachelor's degree of Arts in Accountancy. Ms. Chan is currently a director of SAA CPA Limited, a CPA firm in Hong Kong. She is a member of The Hong Kong Institute of Certified Public Accountants.

All Directors have access to the advice and services of the company secretary. The company secretary reports to the Chairman of the Board and are responsible for ensuring that board procedures are followed, and for facilitating communications among Directors as well as with shareholders of the Company and management. During the year ended 31 December 2025, the company secretary has taken no less than 15 hours of relevant professional training according to Rule 5.15 of the GEM Listing Rules.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility for the establishment, maintenance and review of the Group's internal control system to safeguard shareholder investments and the assets of the Group. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimises the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Board has conducted an annual review of the implemented system and procedures, covering financial, operational and legal compliance controls and risk management functions for the Year. The Directors consider that the Group has implemented appropriate procedures safeguarding the Group's assets against unauthorised use or misappropriation, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations.

The Group recognises that good risk management is essential for the long-term development on the Group's business. Management is responsible for establishing, implementing, reviewing and evaluating the sound and effective internal control system underpinning the risk management framework. The management has formulated the risk management and control framework. All employees are committed to implement the risk management framework into the daily operation. The Board, together with the Audit Committee, would conduct annual review on the internal control and risk management system of the Group on an annual basis. Upon conducting the annual review on the internal control and risk management systems of the Group, the Audit Committee and the Board were satisfied with the effectiveness and efficiency of the risk management and internal control systems of the Group.



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The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness.

OBJECTIVES OF RISK MANAGEMENT AND INTERNAL CONTROL

The Group has adopted a three-tier risk management approach to identify, assess, mitigate and handle risks. At the first line of defence, business units are responsible for identifying, assessing and monitoring risks associated with each business or deal. The management, as the second line of defence, defines rule sets and models, provides technical support, develops new systems and oversees portfolio management. It ensures that risks are within the acceptable range and that the first line of defence is effective. As the final line of defence, the audit committee of the Company, with the professional advices and opinions from the external professional company by whom internal audit work of the Group was conducted on annual basis, ensures that the first and second lines of defence are effective through constant inspection and monitoring.

Handling and Dissemination of Inside Information

The Group is aware of its obligation under relevant sections of the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong) (the “SFO”) and the GEM Listing Rules. An inside information policy has been established to lay down guidelines on definition, compliance and reporting mechanism of inside information. All members of the Board, senior management, and staff who are likely to possess inside information are strictly bound by this policy. Staff who have access to inside information are required to keep such unpublished inside information confidential until relevant announcement is made. Failure to comply with such requirements may result in disciplinary actions.

Whistleblowing Policy and Anti-corruption Policy

The Company has established a whistleblowing policy and system for internal and external parties to raise concerns in relation to possible misconduct of the Group, its employees or Directors in a confidential or anonymous manner, or both.

The Company has also adopted anti-corruption policy and procedures to promote and support compliance with applicable anti-corruption laws and regulations. The Group provides relevant guidance and/or training to its employees from time to time to reinforce ethical business conduct and compliance awareness.

Further details of the Group's whistleblowing arrangements and anti-corruption measures are set out in the ESG Report in this annual report.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge and understand their responsibility for preparing the consolidated financial statements and to ensure that the consolidated financial statements of the Group are prepared in a manner which reflects the true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required under the GEM Listing Rules.

The Directors are of the view that the consolidated financial statements of the Group for the year has been prepared on this basis.

To the best knowledge of the Directors, there is no uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

Statement of the Company's external auditors' responsibilities in respect of the consolidated financial statements is set out in the Independent Auditors' Report of this annual report.



CORPORATE GOVERNANCE REPORT

GENERAL MEETINGS WITH SHAREHOLDERS

The annual general meeting (“**AGM**”) is a forum in which the Board and the shareholders communicate directly and exchange views concerning the affairs and overall performance of the Group, and its future developments, etc.

At the AGM, the shareholders will be given the opportunity to raise questions to the Directors (including the INEDs). The external auditor of the Company is also invited to be present at the AGM to address the queries of the shareholders concerning the audit procedures and the auditor’s report.

The 2026 AGM will be held on Thursday, 18 June 2026, the notice of which shall be sent to the shareholders of the Company in accordance with the Articles, the GEM Listing Rules and other applicable laws and regulations.

SHAREHOLDERS’ RIGHTS

Procedures for convening an extraordinary general meeting upon shareholders’ requisition

The shareholders shall be entitled to convene an extraordinary general meeting (the “**EGM**”) on requisition by shareholders pursuant to Article 64 of the Articles that the Board may, whenever it thinks fit, convene an EGM on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within 2 months after the deposit of such requisition. If, within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionists themselves may convene a meeting in accordance with the Articles and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Shareholders’ Nomination of Directors

Pursuant to Article 113 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director (signed by a member duly qualified to attend and vote at the meeting), notice in writing by that person of his willingness to be elected and the biographical details of that person as required under Rule 17.50(2) of the GEM Listing Rules for publication by the Company shall have been lodged at the head office or at the registration office of the Company, provided that the minimum length of the period during which such notices to the Company may be given shall be at least 7 days and that (if such notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of the notices required under this Article will commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

Procedures for directing shareholders’ enquiries to the Board

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company’s Hong Kong share registrar (details of which are set out in the section headed “Corporate Information” of this annual report).

Should there be any enquiries and concerns from shareholders, they may send in written enquiries addressed to the head office and principal place of business of the Company in Hong Kong at Room 2502, 25th Floor, South Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong by post for the attention of the Board and/or the Company Secretary.

Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company.



CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, and investors. These include answering questions through the annual general meeting, the publication of annual, interim and quarterly reports, notices, announcements and circulars, the Company's website at www.sthl.com.hk and meetings with investors and shareholders. News update of the Group's business development and operation are also available on the Company's website.

The Shareholders' Communication Policy

The Company has adopted a shareholders' communication policy, details of which is summarised below:

Shareholders' Meetings

- The annual general meetings and other general meetings of the Company are the primary communication forum between the Company and the Shareholders. Shareholders are encouraged to participate in general meetings physically or to appoint proxies to attend and vote at such meetings for and on their behalf if they are unable to attend.
- Notices of the general meetings, related circulars and forms of proxy are provided within a prescribed time prior to the general meetings on Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.sthl.com.hk) and by post to the Shareholders.
- The Directors, in particular, the chairman of the Board committees or their delegates, appropriate senior executives and external auditor will attend the general meetings to answer the Shareholders' questions.
- The chairman of the general meetings will propose to vote the resolutions (except resolutions which relate purely to procedural or administrative matters) by poll in accordance with the Articles. Scrutineer will be appointed for the vote-taking at the general meetings and the voting results will be published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.sthl.com.hk) subsequent to the close of the general meetings.

Corporate Communications

- The Company will send (by electronic means as permitted by the Articles or the GEM Listing Rules) corporate communications of the Company, which include annual reports, interim reports, notices of shareholders' meeting, listing documents, circulars, and proxy forms, to the Shareholders.
- Shareholders are encouraged to provide their up-to-date contact details (including electronic contact details) to the Hong Kong branch share registrar of the Company in order to facilitate timely and effective communications.

Company's Website

- The Company's website (www.sthl.com.hk) provides the Shareholders with corporate information on the Group. It also provides information on corporate governance of the Group and the compositions and functions of the Board and the committees of the Board.
- In addition to the "Investor Relations" section in which corporate communications of the Company are posted as soon as practicable following their release on the Stock Exchange's website (www.hkexnews.hk), press releases and newsletters issued by the Company from time to time are also available on the Company's website to facilitate communication between the Company, Shareholders and investment community.
- Information on the Company's website is updated on a regular basis.



CORPORATE GOVERNANCE REPORT

Arrangements for dissemination of Corporate Communications

Pursuant to the amended Rule 16.04A of the GEM Listing Rules and the Articles, the Company has adopted the following policy for dissemination of the future corporate communications of the Company (the “**Corporate Communications**”) to the Shareholders electronically and only send Corporate Communications in printed form to the Shareholders upon request.

In this connection, the following arrangements on dissemination of Corporate Communications has come into effect:

1. Actionable Corporate Communications

The Company will send the Actionable Corporate Communications (as defined under the GEM Listing Rules) to its Shareholders individually in electronic form by email. If the Company does not possess the email address of a Shareholder or the email address provided is not functional, the Company will send the Actionable Corporate Communication in printed form together with a request form for soliciting the Shareholder’s functional email address to facilitate electronic dissemination of Actionable Corporate Communications in the future.

2. Corporate Communications

The Company will make the Corporate Communications available on its website (www.sthl.com.hk) and the Stock Exchange’s website (www.hkexnews.hk).

The Company will not send a notice of publication of the website version of Corporate Communications to its Shareholders. The Shareholders are encouraged to proactively monitor the availability of all future Corporate Communications on the websites and access the Website Version of Corporate Communications by themselves.

For those Shareholders who wish to receive a printed version of all future Corporate Communications and Actionable Corporate Communications or, if for any reason, have difficulty in gaining access to the Company’s website, the Company will, upon receipt of request in writing by the Shareholder to the Company’s branch share registrar in Hong Kong at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or by email to 8471-ecom@vistra.com, send future Corporate Communications and/or the relevant Corporate Communications (as the case may be) to such Shareholders in printed form free of charge.

Please note that the preference in receiving Corporate Communications in printed form of a Shareholder will be valid until expired on the last day of each financial year of the Company or unless being revoked or superseded (whichever is earlier). Further request in writing will be required if a Shareholder prefers to continue receiving printed copy of future Corporate Communications and Actionable Corporate Communications after the end of the financial year.



CORPORATE GOVERNANCE REPORT

Communication with the Company

Shareholders may raise questions, request for publicly available information and provide comments and suggestions to the Directors and management of the Company. Such questions, requests, comments and suggestions can be addressed to the Company by post to Room 2502, 25th Floor, South Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong, or by the following means:

Telephone number: (852) 3525 1275

Email address: info@sthl.com.hk

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

During the year ended 31 December 2025, the Company engaged with shareholders primarily through the 2025 AGM, publication of corporate communications, handling of shareholder enquiries and, where applicable, meetings or communications with shareholders and investors. The principal representatives of the Company involved in such engagements included the Chairlady, Chief Executive Officer and executive Directors. Views and feedback received from shareholders and investors were considered by the Board and management in reviewing the Company's governance and communication arrangements.

The Company highly values the view and comment by the Shareholders' and relevant stakeholders to the Company and would invite the Shareholders' and relevant stakeholders to communicate with the Company by employing the abovementioned means. In view of the above shareholders' communication means and measures adopted by the Company, the Board is of the view that the shareholders' communication policy implemented during the Year was sufficient and effective.

CONSTITUTIONAL DOCUMENTS

During the Year, no amendments were made to the memorandum and the Articles of the Company.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The board (the “**Board**”) of directors (the “**Directors**”) of Reach New Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) is pleased to present our Environmental, Social and Governance (“**ESG**”) Report (“**ESG Report**”) for the financial year ended 31 December 2025. This report summarises the Group's initiatives, strategies and performance in fulfilling its ESG responsibilities on sustainable development and its responses to stakeholders' concerns of material issues.

The reporting scope covers the core business activities of the Group, which are principally engaged in production, supply of garment accessories and provision of information technology services for the year ended 31 December 2025. The Board has overall responsibility for the ESG strategy, management, performance and reporting, with the support of the management.

The ESG Report is prepared in accordance with “Environmental, Social and Governance Reporting Code” (the “**ESG Reporting Code**”) under Appendix C2 of the GEM Listing Rules. All material ESG issues identified have been discussed in this ESG Report pursuant to the Mandatory Disclosure Requirements, “Comply or explain” Provisions and Climate-related Disclosures. The Board considers that the Group has complied with the requirements and provisions set out in ESG Reporting Code.

REPORTING PRINCIPLES

The following principles are applied in the preparation of this ESG Report:

Materiality

We identify material ESG factors by evaluating and reviewing the ESG impacts generated by the Group, the latest ESG trends, and the ESG concerns and demands of the stakeholders. For details, please refer to the sections headed “Stakeholders Engagement” and “Materiality Assessment” of this ESG Report.

Quantitative

We provide information on the standards, methodologies, assumptions and/or calculation tools, and source of conversion factors used, for the reporting of emissions/energy consumption in the respective sections in this ESG report, where applicable.

Balance

We avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.

Consistency

We apply consistent methodologies to allow for meaningful comparison of ESG data over time.

GOVERNANCE STRUCTURE

The Board

The Board plays a high priority on sustainable development and oversees the ESG issues by integrating the ESG concepts into corporate culture and daily operations where practicable and considering the trends, risks and opportunities that influence the Group's long-term development. The Board addresses the ESG issues in design, implementation and monitoring of the risk management and internal control systems, whilst balancing the cost of such integration. The progress made against ESG (including climate-related) goals and targets are reviewed by the Board annually and the ESG plan is revised in accordance with the latest ESG Reporting Code and the industry trends and developments. The Board possesses the appropriate skills, experience and competencies necessary to oversee the Group's ESG matters and its main responsibilities are shown as follows:



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- Hold at least one meeting each year to revisit the overall ESG (including climate-related) approach;
- Monitor the implementation progress and effectiveness of the sustainable development strategies;
- Oversee the identification and assessment of ESG risks and opportunities based on stakeholders' feedback and evolving market conditions; and
- Review and approve ESG report.

Audit Committee

- Identify, evaluate and determine ESG (including climate-related) risks through risk assessment;
- Ensure appropriate and effective risk management and internal control systems related to ESG matters; and
- Report to the Board on ESG related matters and issues identified.

Management

- Develop and implement the ESG (including climate-related) frameworks, strategies and policies of the Group and regularly report to the Board on the progress and effectiveness of the development and implementation;
- Evaluate and monitor ESG issues and risks regularly;
- Review the effectiveness of risk and internal control systems and formulate internal system documents;
- Make recommendations on the ESG related goals and targets; and
- Prepare the ESG report of the Group in accordance with all applicable laws and regulations.

Functional Departments

- Implement ESG (including climate-related) initiatives, policies and works;
- Record and report ESG data;
- Report to the management on ESG work and assist them for preparing ESG report; and
- Collect feedback and ESG concerns from stakeholders.



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STAKEHOLDERS ENGAGEMENT

In order to define what are relevant and material to our business in relation to sustainability, the Group has to understand what issues our stakeholders are most concerned with. We define our stakeholders as people who affect our business and people who are affected by our business.

Stakeholders	Expectations and Concerns	Communication Channels and Management Responses
Shareholders and investors	• Return on investment • Corporate governance improvement • Information transparency	• Annual general meeting • Annual and interim reports • Press releases and announcements
Government and Regulatory Authorities	• Compliance with laws and regulations • Contribution to local economy • Fulfill tax obligation • Anti-corruption policies	• Supervision on the compliance with local laws and regulations • Annual reports, interim reports, ESG reports and other public information • Timely tax filing and payment
Employees	• Competitive remuneration and welfare • Labour rights • Training and development • Occupational health and safety • Respect and fair treatment	• Annual performance review • Staff training • Provision of safety equipment • Fair and competitive remuneration scheme
Customers	• Product and service quality improvement • Respect clients' privacy and protect their interests	• Customer satisfaction surveys and feedback forms • Customer service hotline and email
Suppliers	• Fair and open procurement • Maintain stable and long-term relationship	• Open tender • Contracts and agreements • Regular evaluation of suppliers
Communities	• Environmental protection • Community contribution • Economic development	• Public welfare activities • ESG reports • Strict emission management

We actively exchange information with our stakeholders through a transparent platform and we are devoted to continuous improvement of our communication system. We are committed to maintain long-term partnership with our stakeholders and actively engaged in addressing their concerns with follow-up actions.

If you, as one of our stakeholders, have any questions about the content of the ESG Report or comments on the Group's sustainability issues, please contact us via info@sthl.com.hk.



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MATERIALITY ASSESSMENT

Materiality assessment was conducted in accordance with expectations and feedback from our key stakeholders. We also considered the climate-related risks and opportunities that could reasonably be expected to affect the Group's capital and financial performance over the short, medium or long term.

We adopted the following process to evaluate, prioritise and manage material ESG related issues:

- Step 1: identify the ESG related issues based on compliance requirements, industry trends and internal policies
- Step 2: prioritise the ESG related issues according to importance to stakeholders and importance to Group in a matrix form
- Step 3: determine material ESG related issues according to the highest priority in matrix

Based on the materiality assessment, the Board believes that the most pertinent sustainability issues that are material to both the Group and its stakeholders include the following:

- Compliance with laws and regulations
- Economic performance
- Employees' rights and development
- Product quality and responsibility
- Information security and privacy protection
- Occupational health and safety
- Anti-corruption
- Energy consumption and efficiency

The Group concluded that there was no significant change in the main concerns of stakeholders and the priority of ESG matters remained consistent with the previous reporting period. Effective internal control systems and management policies on these aspects are reinforced with the aim of enhancing efficiency of operations and generating environmental and social benefits to our stakeholders.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OUR GOAL AND PROGRESS REVIEW

The Group is committed to undertaking ESG responsibilities and improving our ESG performance in business operations by implementation of environmentally friendly measures and upholding good corporate governance standards in harmony with economic development. Environmental and social goals of the Group and progress review of our goals are shown as follows:

Environment

Corporate Environmental Policy

Being the foundation of a sustainable economy, a sustainable environment is crucial to the well-being of human beings. During the years ended 31 December 2025 and 2024, the Group complied with the relevant laws and regulations governing air emissions, discharges into water and land, and generation of hazardous and non-hazardous waste, which include the Environmental Protection Law of the People's Republic of China ("PRC") and Atmospheric Pollution Prevention and Control Law of the PRC.

We have received FSC certification for our products which meet the requirements of chain of custody by purchasing FSC certified mixed and recycled paper, production and sales of FSC certified mixed and recycled printed paper products. We have also achieved Oeko-Tex Standard 100 Confidence in Textiles which certified that our woven labels and woven badges that are made of white and dyed polyester yarn (with disperse dyestuffs) and polyester interlining in black and white meet the human ecological requirements.

A1 Emissions

The Group has established relevant emissions reduction and energy saving initiatives to minimise the emissions and maintain green operations.

For the years ended 31 December 2025 and 2024, greenhouse gas ("GHG") emissions of the Group were mainly generated from purchased electricity (scope 2) in PRC and indirect emissions generated from business travel by flight (scope 3). There was no direct emission detected from owned or controlled sources (scope 1). Our goal is to promote a culture of energy saving and to gradually reduce greenhouse gas emissions. We set up emission and energy use efficiency targets based on previous year's actual emissions and monitor the electricity consumption level by monthly electricity bills and actual production level. The Group endeavours to improve energy efficiency and reduce energy consumption by adopting energy saving initiatives, which are discussed in the sub-section headed "A2 Use of Resources" of this ESG Report.

We encourage our staff to utilise electronic communication channels, such as conference call to reduce the frequency of business trips and hence the carbon emissions generated during transportation.

The air emissions were mainly generated from the printing processes. We equip with machinery in production process in compliance with the air pollutant emission standards. External expertise is engaged to test and monitor the air emission level annually against the PRC air pollutant emission standards.

The calculation methodologies for the corresponding GHG emissions, as well as the emission factors used in the calculations, are based on national or regional standards, including "Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange of Hong Kong. There is no material change made to the measurement approach, inputs and assumptions during the reporting period.



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A summary of relevant key performance indicators (“**KPIs**”) of the Group for the years ended 2025 and 2024 is shown as follows:

Emissions	Unit	2025	2024
Scope 2 Greenhouse Gas Emissions — CO ₂ e	tonne	1,380	1,739
Scope 2 Greenhouse Gas Emissions — CO ₂ e Intensity	tonne/100,000 production unit	0.39	0.43
Scope 3 Greenhouse Gas Emissions — CO ₂ e	tonne	13.04	N/A
Nitrogen Oxide	kg	Note	Note
Sulfur Dioxide	kg	Note	Note
Particulate Matter	kg	80.1	86.0

Note: The test results of emission intensity (mg/m³) is lower than the detection limit of test method.

The Group has not identified any hazardous waste that was produced by our core business activities.

The Group is committed to conserving precious resources and reducing the usage and disposal of non-hazardous waste throughout our operations. The non-hazardous wastes generated by the Group were mainly papers and solid wastes generated in our offices and other places of operations, which were insignificant and had little impact on the environment. 609 tonnes (2024: 469 tonnes) of paper was used for the year ended 31 December 2025.

We set up reduction targets based on previous year’s actual tonnes of papers used and monitor the consumption by quarter. We enforce waste reduction campaign to encourage paperless solution for documents storage, materials sharing or internal administrative documents. Employees are encouraged to use double-sided and black and white setting or recycled papers when printing or photocopying documents. It considerably improves the operational efficiency while helping to create a paperless operation system. Most of the used paper are recycled and such materials are collected by waste collectors.

A2 Use of Resources

Electricity consumption from our production processes is the major source of our greenhouse gas emissions. The Group adopts a number of energy saving initiatives and efficiency practices to enhance employees’ awareness of reduction of greenhouse gas emission and energy saving and promote green workplace, including:

- Deploy electrical machinery improvement and power-saving settings during the inactivity periods;
- Encourage digital printing to reduce the utilisation of electricity, screen films and other resources;
- Encourage the employees to turn off IT devices when not in use;
- Set machines such as copiers and TV monitors to turn off automatically after business hours;
- Make the best use of natural lighting by positioning workstations near the windows with sufficient protection measures;
- Maintain an indoor temperature at an optimal level for comfort; and
- Put up signage emphasizing the importance of energy saving.



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The Group's existing core business activities are not expected to pose a significant use of packaging materials and hence has no material impact on the environment. We source water that is fit for purpose and set up water efficiency targets based on previous year's actual consumption with quarterly monitoring. The Group promotes water conservation to its employees and conducts water saving measures to meet water efficiency, including regular maintenance of water supply and water use equipment to reduce water leakage or waste.

A summary of relevant KPIs of the Group for the years ended 31 December 2025 and 2024 is shown as follows:

Use of resources	Unit	2025	2024
Indirect Energy Consumption	kWh'000	1,745	2,163
Indirect Energy Consumption Intensity	kWh/100 production unit	0.49	0.53
Water Consumption	tonne	14,468	13,280
Water Consumption Intensity	tonne/100,000 production unit	4.09	3.27

A3 The Environment and Natural Resources

The Group does not have any direct or significant impact on the environment and natural resources in the course of our business operations. We monitor possible environmental impacts of our business operations regularly to generate sustainable values to our stakeholders.

A4 Climate Change

We understand that climate change may lead to extreme weather events that will ultimately affect the sustainable development and costs of our business operations. We endeavour to strengthen our climate risk management to ready us for future risks and opportunities.

Governance

The Board is responsible for overseeing the Group's climate-related risks and opportunities, and the management is delegated by the Board to fulfill the Group's ESG objectives. Please refer to the section headed "Governance Structure" of this ESG Report for more details.

Strategy

During the years ended 31 December 2025 and 2024, climate risk assessment exercise was conducted to identify and qualitatively assess the potential risks and opportunities on our cash flows, assess to finance or cost of capital, assets, operations, and financial performance across current/near-term, short term (2030), medium term (2050) and long term (2080) time horizons, thereby facilitating the formulation of our climate risk mitigation measures. The Group has considered the resilience of its strategy and business model to climate-related changes, developments and uncertainties. There was no climate-related transition plan as at 31 December 2025. Given the Group's business model, the Group has moderate exposure to climate-related risks and opportunities. The primary vulnerabilities and our responses in managing various risks and opportunities that may be brought by the climate change are shown below:



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Climate-Related Risks and Opportunities

Risks	Details	Timeframe and Risk Level	Effects and Financial Implications	Our Responses and Actions
Physical Risk	Increased frequency and severity of extreme weather events, such as typhoons, rain and flooding, which may affect us from providing services and damage our facilities and products	Short term (low) Medium term (low) Long term (medium)	- Increase operating and maintenance costs - Operational disruptions, supply chain disturbances and loss of revenue - Emergency incidents may pose impacts on personnel safety, properties and the environment	- Deploying monitoring and alarm systems and conducting on-site safety inspections - Implementing natural disasters emergency plan - Conducting preventive measures and flexible working arrangement
Transition risk – Policy and Regulatory Risk	Governments around the world enact more stringent regulatory trends in relation to climate change and environmental protection at home and abroad	Short term (low to medium) Medium term (high) Long term (high)	- Increase compliance cost - Increase capital expenditure on clean energy usage	- Regularly monitoring the regulatory trends - Actively advancing operational model transformation and exploring various feasible solutions to reduce energy consumption and GHG emissions
Transition risk – Market and Reputational Risk	Change in customer preferences and behaviour for green products and services	Short term (medium) Medium term (high) Long term (high)	Failure to respond promptly to changes in consumer preferences or demand may lead to a decline in competitiveness, thereby reducing overall revenue	- Ongoing study of application of recycled materials - Adopting energy-efficient equipment and conducting annual tests on air emission level by external expertise - Strengthening development of green products and new designs

Opportunities	Details	Timeframe and Opportunity Level	Effects and Financial Implications	Our Responses and Actions
Green resources, energy efficiency and resilience	Advancement and adoption of clean energy technologies and diversified energy-efficient equipment in global markets	Short term (high) Medium term (high) Long term (high)	- Enhance operational efficiency and reduce energy consumption and related costs - Improve productivity and contribute to potential revenue growth - Build a green brand image and enhance the Group's long-term competitiveness	- Exploring new environmental technologies - Strengthening development of green products and new designs - Optimization of energy and resources consumption



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As at 31 December 2025, the current and anticipated financial effects of climate-related risks and opportunities were not quantitatively and separately identifiable. The Group is currently developing its capability to estimate and quantify the financial effects of and amount of assets or business activities vulnerable to climate-related risks and opportunities in the future, with the long term objective of developing a system to support scenario modelling and appropriate disclosures. Based on current year's assessment, we consider there is no significant risk of a material adjustment within the next financial year to the carrying amounts of assets and liabilities reported in the financial statements.

Reasonable information relief is adopted on current and anticipated effects of climate-related risks and opportunities on the Group's value chain. We will keep refining our method in determining the scope of value chain in climate risk assessment.

Given the evolving nature of climate-related impacts, the Group steadily increases capital investment, strengthens its climate adaptation and mitigation efforts, and reviews the assessment results annually to ensure they reflect the latest development. When necessary, we will dynamically adjust our strategic planning in resource allocation, business model and value chain to maintain the Group's resilience and competitiveness in facing the climate change.

Risk Management

The Group incorporates climate-related risks that may arise from its business operations into our risk assessment, according to their likelihood and financial impact, as well as the effort required to adapt to and recover from these risks.

Metrics and Targets

Greenhouse gas emissions and targets of the Group are discussed in sub-section headed "A1 Emissions" of this ESG Report. The targets have not been validated by a third party and no revision to the targets during the reporting period. Sectoral decarbonisation approach is not applicable to the Group.

The Group does not apply a carbon price in decision making and no climate-related considerations are factored into remuneration policy. We do not have plan to use carbon credits to offset greenhouse gas emissions. Disclosure of industry-based metrics has yet to be included.

Social

Employment and Labour Practices

Human capital has always been considered by the Group as one of the most important assets for our long-term operations and business development, thus the Group is committed to upholding a fair and transparent human resource policy.

B1 Employment

Equality and diversity are highly respected in our corporate philosophy during the process of employment, remuneration, promotion and termination. According to our employee inclusion policy, we select candidates based on the consideration of their skills, experiences and qualifications and offer equal opportunities based on gender, age, marital status, physical disability, religion and nationality.

We offer competitive wages, retirement benefit, medical insurance, disability and invalidity coverage, maternity leave and other paid leave entitlements and compensation to our employees. The salary and benefit levels and promotion of the employees are reviewed and adjusted annually based on the results of performance evaluation. We place great importance on receiving feedback from employees and establish efficient communication channel that enables them to express their work-related opinions or any other relevant feedback regarding our Group.



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We do not tolerate the dismissal of employees on any unreasonable basis. Management will assess the cases with the department head and human resources department to ensure there are reasonable grounds. During the years ended 31 December 2025 and 2024, the Group complied with the relevant laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare in all material respects. Relevant laws and regulations include Employment Ordinance, Employees' Compensation Ordinance, Minimum Wage Ordinance and Mandatory Provident Fund Schemes Ordinance in Hong Kong, Labour Law of the PRC and Social Insurance Law of the PRC.

A summary of total workforce and employee turnover of the Group for the years ended 31 December 2025 and 2024 is shown as follows:

Total workforce	2025	2024
Total number of employees	210	219
By gender		
Female	103	117
Male	107	102
By age		
18 or below	–	–
19 to 40	84	87
41 to 60	121	125
Over 60	5	7
By employment type		
Full-time	210	219
Part-time	–	–
By employee category		
Ordinary level	171	181
Senior level	39	38
By geographical region		
Hong Kong	11	11
PRC	199	208
Employee turnover rate	2025	2024
Employee turnover	14.8%	7.3%
By gender		
Female	19.4%	11.1%
Male	10.3%	2.9%
By age		
18 or below	–	–
19 to 40	8.3%	2.3%
41 to 60	18.2%	10.4%
Over 60	40.0%	14.3%
By geographical region		
Hong Kong	–	–
PRC	15.6%	7.7%



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B2 Health and Safety

As a production-driven enterprise, we are committed to providing our employees with healthy and safe workplaces in the course of our business operations and strongly uphold the industry standards. During the years ended 31 December 2025 and 2024, the Group complied with all applicable laws and regulations in relation to providing a safe working environment and protecting employees from occupational hazards, including the Law of the PRC on Work Safety. We purchase medical insurance and compensation insurance to protect the interests of employees and offer employees with personal protective equipment based on their job duties. For example, the staff at production line are provided with dust-proof masks and earplugs. Also, the Group organises regular safety education programs for our employees to raise their safety awareness over the course of production activities. In addition, we organise fire drills and emergency evacuation simulations and training to raise the employees’ awareness of fire prevention and to equip employees with appropriate knowledge and skills in the event of emergency.

The Group cares about the health of our employees and provides our employees with a full-range health service platform. The Group maintains precautions against the spread of various communicable diseases and implement several measures in workplaces:

- Perform disinfection in all public area on timely basis;
- Provide sufficient amount of masks and disinfection supplies in all workplaces; and
- Request supervisors or department head to monitor the health status of its team members on timely basis.

A summary of the relevant health and safety related KPIs of the Group of the past three years is shown as follows:

Health and safety	2025	2024	2023
Number of work-related fatalities	0	0	0
Rate of work-related fatalities	0%	0%	0%
Lost days due to work injury	0	0	0



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B3 Development and Training

The Group believes that the competencies and skills of our staff play an important role in maintaining our operation efficiency and long-term mutual success of employees and the Group. We encourage and support our staff in continuous professional training and development programs.

During the years ended 31 December 2025 and 2024, we organised internal training for our staff in different departments and management levels covering customer management, supplier management, communication skill and thematic courses such as Artificial Intelligence and internal control to improve their knowledge and skills for discharging duties at work. New joiners will be provided proper orientation training and mentoring in order to help them adapt to the new working environment affirmatively and quickly.

A summary of development and training provided by the Group during for the years ended 31 December 2025 and 2024 is shown as follows.

Employee training	Unit	2025	2024
Average training hours completed per employee	hour	2.6	2.5
By gender			
Female	hour	2.9	2.5
Male	hour	2.4	2.5
By category			
Ordinary level	hour	1.4	1.3
Senior level	hour	8.1	8.2
Percentage of employees trained			
By gender			
Female	%	91.3	80.3
Male	%	76.6	80.4
By category			
Ordinary level	%	80.7	76.2
Senior level	%	97.4	100.0

B4 Labour Standards

Our Group prohibits the employment of any child or forced labour in any of our operations and services. To prevent child and forced labour, human resource department is required to check the proof of age for all applicants before confirming their employment and monitor the practical situation. We will conduct remediation actions immediately if any child or forced labour is identified.

The Group did not aware of any non-compliance with relevant laws and regulations related to recruitment of child labour or forced labour during the years ended 31 December 2025 and 2024.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Operating Practices

B5 Supply Chain Management

As at 31 December 2025 and 2024, the Group has over 273 and 277 suppliers which are all located in the PRC.

Over the course of selecting and engaging potential suppliers, our procurement department is required to analyse the background and competitiveness of potential suppliers. The identified suppliers will be further approved by the production and other related departments of the production plant. Afterwards, they become the members listed on the qualified supplier list of the Group.

The Group identifies the environmental and social risk along the supply chain by conducting risk assessment. Throughout the whole supply chain processes, the Group identifies key risk areas in material procurement, supplier quality control and appraisal, and communication transparency. We have adopted the principles of openness, fairness and transparency in supply chain management.

To promote environmentally preferable products and services when selecting suppliers, we consider whether suppliers are using environmental friendly resources in provision of products and services, their corporate effort in pollution or emission control and their compliance with local environmental and social law and regulations. We also consider the suppliers' qualification certificates such as FSC certificate and Oeko-Tex certificate and give priority to suppliers which promote sustainability in their operations. We regularly monitor the suppliers and we will terminate the cooperation with suppliers if their environmental and social standards are not in line with the Group's policies.

B6 Product Responsibility

Our Group values the safety and quality of our products. We monitor the quality of products regularly, in strict compliance with relevant laws and regulations and national standards on health and safety, labelling and privacy matters relating to products and services provided. All places of operations in the Group have satisfactory hygienic condition, quality control policies and subject to regular inspection procedures. No product sold was recalled because of safety and health reasons and no product related complaint was received in 2025 and 2024.

We maintain quality management and assurance system on product and service provision in consideration of customers' expectations. No recall procedure is required throughout the Group's operations. We manage customers comments or complaints through formal and official communication channels. We will conduct investigations and prepare reports based on the responses and take corrective measures when necessary.

Intellectual Property Rights ("IP rights")

As at 31 December 2025, the Group manages 5 (2024: 5) trademarks which are material to the Group's business in compliance with the Trade Marks Ordinance in Hong Kong and Trademark Law of the PRC.

In order to ensure that the customer's IP rights are properly protected during the outsourcing processes to subcontractors, confidentiality agreement regarding the IP rights must be signed before the business engagement. Internally, we enter employment contracts with our employees which contain provision of IP rights and confidentiality clauses. Each employee in production team of the Group has signed a written confirmation to (i) confirm that all IP rights created or made during their employment with the Group shall belong to us; and (ii) agree not to use or disclose the confidential information relating to the product designs without the authorisation of the Group.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group may be subject to risks in relation to the IP rights of the garment brand companies and the Group may be exposed to potential claims in respect of the infringement of third party IP rights. Therefore, to ensure that the trademarks or the designs and specifications provided by our customers do not infringe any third party IP rights during the course of business, we implement the following internal control measures:

- Obtain the relevant certificates, licences or authorisations to check if our customers have the right to authorise us to manufacture products with the relevant trademarks, designs or specifications;
- Request our sales and marketing department to check the trademarks, designs or specifications through online databases maintained by IP rights registries in various countries to ascertain the name of the owners of the IP rights and consult external legal counsel, if necessary; and
- Incorporate terms in agreements with our customers and require them to, among others, (a) undertake that it is the registered owner/authorised licensee of the registered owner of the trademarks, designs or specifications; (b) hold us harmless from and against any and all third party claims and associated cost, including legal costs, arising from the use of the products sold by our customers.

The Group emphasizes data protection and privacy. We complied with the Personal Data (Privacy) Ordinance and other statutory requirements to achieve a high standard of security and confidentiality of personal data protection for the years ended 31 December 2025 and 2024. We maintain appropriate collection, storage, and processing practices of data and implement strong security measures to protect against unauthorised access to personal information. We set guidelines to collect personal data that are relevant and required for our business and strictly prohibit the disclosure of personal data to any entity that is not a member of our Group without consent unless it is required by law.

B7 Anti-Corruption

The Group is committed to upholding a high standard of business ethics to prohibit bribery and corrupt practices. The Group has developed a series of company policies on anti-fraud, anti-bribery, anti-extortion and anti-money laundering with reference to Prevention of Bribery Ordinance, Anti-Money Laundering and Counter-Terrorist Financing Ordinance in Hong Kong, Company Law of the PRC and Anti-unfair Competition Law of PRC. These policies apply to all members of the Group, and we encourage all of our business partners to abide by the mentioned principles. The Group conducts periodic and systematic fraud risk assessments and effectively communicate its anti-fraud policies and procedures to all levels of employees. The Group continues to monitor the control effectiveness in mitigating fraud risk and remedy any identified deficiency in a timely manner when necessary.

We encourage and provide directors and senior management with professional training sessions and seminars covering corporate governance, business development and strategy, and anti-corruption to enrich and strengthen their professional and business knowledge. New joiners are provided with anti-corruption training during the orientation process.

During the years ended 31 December 2025 and 2024, we complied with the relevant laws and regulations in all material aspects. No legal cases regarding corrupt practices were brought against the Group or any of our employees in 2025 and 2024.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Whistle-Blowing Policy

In order to encourage our employees to report any suspected illegality, irregularity, malpractice, unethical acts or behaviours, inappropriate conducts or actions that are not in line with the principles of ethics and the Group's policies, the Group maintains whistle-blowing mechanism via a private and confidential reporting channel. It applies to all levels of the members of the Group, which have been documented in the employee handbook and circulated among employees for their reference.

The Group is committed to handle the reports with due care and conducts a detailed investigation seriously for each reasonably established case. The Group is fully aware that we are obligated to refer the matter to the legal enforcement parties or regulators if considered necessary.

We strictly protect the identities of whistleblowers and refer those who constitute crimes to the judicial authorities in accordance with the laws.

Community

B8 Community Investment

The Group understands the importance for making positive contribution to the community where it operates and considers community benefits as one of its social responsibilities.

We encourage our employees to actively participate in public events in relation to community investments, sponsorships and charitable contributions. We donated RMB37,000 and RMB211,000 to charities in 2025 and 2024 respectively and annually evaluate and review the vision and operation of approved charities.

We also value our employees' needs and offer specific assistances to employees who suffer severe health issues or experience family-related misfortunes.

The Group will continue to review the objectives and direction of community investment annually.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Reporting Code by HKEX — “Comply or explain” Provisions

Subject Areas,

Aspects, General

Disclosures and KPIs Description

Relevant Page(s)

in the ESG Report

A. Environmental

Aspect A1: Emissions 46–47

General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.
KPI A1.1	The types of emissions and respective emissions data.
KPI A1.2	[Repealed 1 January 2025]
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs Description		Relevant Page(s) in the ESG Report
Aspect A2: Use of Resources		47–48
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	
Aspect A3: The Environment and Natural Resources		48
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them.	
Aspect A4: Climate Change		48–50
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Relevant Page(s) in the ESG Report
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		50–51
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	
KPI B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	
Aspect B2: Health and Safety		52
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	
KPI B2.2	Lost days due to work injury.	
KPI B2.3	Description of occupational health and safety measures adopted and how they are implemented and monitored.	



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs Description		Relevant Page(s) in the ESG Report
Aspect B3: Development and Training		53
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	
KPI B3.2	The average training hours completed per employee by gender and employee category.	
Aspect B4: Labour Standards		53
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	
Operating Practices		
Aspect B5: Supply Chain Management		54
General Disclosure	Policies on managing environmental and social risks of the supply chain.	
KPI B5.1	Number of suppliers by geographical region.	
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs		Description	Relevant Page(s) in the ESG Report
Aspect B6: Product Responsibility			54–55
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.		
KPI B6.2	Number of products and service related complaints received and how they are dealt with.		
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.		
KPI B6.4	Description of quality assurance process and recall procedures.		
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.		
Aspect B7: Anti-corruption			55–56
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.		
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.		
KPI B7.3	Description of anti-corruption training provided to directors and staff.		



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs		Description	Relevant Page(s) in the ESG Report
Community			
Aspect B8: Community Investment			56
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).		
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.		



REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements for the financial year ended 31 December 2025 as follows:

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2025, there had been no changes in the memorandum of association and Articles of the Company.

CORPORATE REORGANISATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 22 January 2016.

In preparing for the listing of the shares on GEM on the Listing Date, the Group underwent the Corporate Reorganisation and the Company became the holding company of the companies comprising the Group upon the completion of the Corporate Reorganisation on 30 November 2016.

Details of the Corporate Reorganisation are set out in the section headed “History, Development and Reorganisation” in the Prospectus. The Shares of the Company have been listed on GEM since 21 July 2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is an established labelling solution provider and a one-stop garment accessories manufacturer and supplier based in the PRC. We mainly engage in the production of three types of products, which are (i) printed products (e.g. hangtags, price tags and stickers), (ii) woven labels (e.g. woven brand labels, woven size labels and badges) and (iii) printed labels (e.g. printed brand labels, printed size labels and care content labels). We also source and sell other garment accessories, such as tapes, hanging tablets, string locks, leather badge, buttons and metal products, to the customers of the Group in the PRC. The customers of the Group mainly include (i) garment brand companies, (ii) sourcing companies designated by the garment brand companies and (iii) garment manufacturers in the PRC. In order to diversify the business and income stream, the Group has expanded its business operations into production and trading of functional garment in the PRC. The functional garment to be introduced and manufactured by the Group will incorporate mugwort as a key component in the fabric’s raw materials. Mugwort is known for its exceptional characteristics, including comfort, high breathability, cooling properties, and its potential to promote health and well-being. The Group also targeted to develop online sales channels of functional garment manufactured by the Group. In addition, the Group entered into an equity transfer agreement to acquire 90% equity interest in GuanChengTong, which is an information technology company focusing on blockchain technology, application security, big data security, cloud security, Internet-of-Things (IoT) security, industrial control security and industrial internet security. The acquisition is expected to diversify the scope of business and will broaden the income stream of the Group in the future. The Group is also exploring other business opportunities for maximising the return to Shareholders in the long run.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the “**Companies Ordinance**”), including a discussion of the principal risks and uncertainties facing the Group, key performance indicators, environmental policies of the Group, compliance with laws and regulations by the Group, its relationship with customers, suppliers, subcontractors and employees and an indication of likely future developments in the Group’s business, can be found in the Management Discussion and Analysis set out on pages 5 to 16 of this annual report. This discussion forms part of this directors’ report.



REPORT OF THE DIRECTORS

SEGMENT INFORMATION

An analysis of the Group's performance for the Year by operating segment is set out in note 7 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2025 are set out in the consolidated statement of profit or loss and other comprehensive income on page 80 of this annual report.

The Board did not recommend payment of a final dividend for the year ended 31 December 2025.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on page 134 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movement during the year in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in note 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2025, the Company has no reserves available for distribution to the shareholders, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 24 June 2017 (the "**Scheme**" or "**Share Option Scheme**"). The terms of the Scheme are in accordance with the provision of Chapter 23 of the GEM Listing Rules. On 26 March 2024, the Company granted 80,000,000 share options ("**Share Options**") to individuals under the Share Option Scheme. For further information in relation to the movement of the Share Options under the Share Option Scheme during the Year, please refer to the paragraph headed "Share Option Scheme" in the Management Discussion and Analysis section in this annual report.

In line with the amended Chapter 23 of the GEM Listing Rules, which was effective from 1 January 2023, the following is a summary of the principal terms of the Scheme but it does not form part of, nor was it intended to be part of the Scheme nor should it be taken as affecting the interpretation of the rules of the Scheme:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable our Group to grant options to the eligible participants as incentives or rewards for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group or any entity which is an associated company of any member of the Group (the "**Invested Entity**"). As at the Latest Practicable Date, there was no Invested Entity other than members of our Group, and our Group has not identified any potential Invested Entity for investment.



REPORT OF THE DIRECTORS

(b) The Participants of the Scheme

Our Directors shall, in accordance with the provisions of the Share Option Scheme and the GEM Listing Rules, be entitled but shall not be bound at any time within a period of 10 years commencing from the date of the adoption of the Share Option Scheme to make an offer to any employee (whether full time or part time, including the directors (including any non-executive Director and independent non-executive Director)) of our Company, any of our subsidiaries (within the meaning of the Companies Ordinance) or any Invested Entity (an “**eligible employee**”);

and, for the purpose of the Share Option Scheme, the offer for the grant of an option may be made to any company wholly owned by one or more eligible participants.

For the avoidance of doubt, the grant of any option by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of eligible participants shall not, by itself, unless our Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the eligible participants to an offer under the Share Option Scheme shall be determined by our Directors from time to time on the basis of our Directors’ opinion as to his contribution to the development and growth of our Group.

(c) Maximum number of Shares

- (i) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the total number of Shares in issue at the time dealings in the Shares first commence on the Stock Exchange, being 80,000,000 Shares (the “**General Scheme Limit**”). As at the beginning and at the end of the year, there were 80,000,000 share options and 0 share options available for grant under the Share Option Scheme, respectively, representing approximately 9.4% and 0% of the issued share capital of the Company, respectively. There was no service provider sublimit set under the Share Option Scheme during the year ended 31 December 2025. There were no outstanding share option granted at the beginning of the Year and there were 78,000,000 share options outstanding as at the end of the Year, under which a total of 78,000,000 shares, representing approximately 6.36% of the number of issued shares, may be issued upon the exercise of the share options.
- (ii) Without prejudice to (iii) below, our Company may seek approval of our Shareholders in general meeting to refresh the General Scheme Limit every three years, provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group shall not exceed 10% of the Shares in issue as at the date of the approval of the limit and for the purpose of calculating the limit, options (including options outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option schemes of our Group will not be counted.
- (iii) Without prejudice to (ii) above, our Company may seek separate shareholders’ approval in general meeting to grant options under the Share Option Scheme beyond the General Scheme Limit, or if applicable, the extended limit referred to in (ii) above to eligible participants specifically identified by our Company before such approval is sought.



REPORT OF THE DIRECTORS

(d) Maximum entitlement of each eligible participant

Subject to (e) below, the total number of Shares issued and which may fall to be issued upon exercise of the options under the Share Option Scheme and the options granted under any other share option scheme of our Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being. Where any further grant of options under the Share Option Scheme to a grantee would result in the Shares issued and to be issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the Share Option Scheme and any other share option scheme of our Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by our Shareholders in general meeting with such grantees and his close associates (or his associates if the participant is a connected person) abstaining from voting.

(e) Time of acceptance and exercise of an option

An offer under the Share Option Scheme may remain open for acceptance by the eligible participants concerned (and by no other person) for a period of up to 21 days from the date, which must be a business day, on which the offer is made.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to the grantee thereof, and in the absence of such determination, from the date of acceptance of the offer of such option to the earlier of (i) the date on which such option lapses under the relevant provisions of the Share Option Scheme; and (ii) the date falling 10 years from the offer date of that option.

An offer shall have been accepted by an eligible participant in respect of all Shares which are offered to such eligible participant when the duplicate letter comprising acceptance of the offer duly signed by the eligible participant together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.

Any offer may be accepted by an eligible participant in respect of less than the number of Shares which are offered provided that it is accepted in respect of a board lot for dealings in the Shares on GEM or an integral multiple thereof and such number is clearly stated in the duplicate letter comprising acceptance of the offer duly signed by such eligible participant and received by our Company together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.



REPORT OF THE DIRECTORS

(f) Subscription price for Shares

The subscription price in respect of any option shall, subject to any adjustments made pursuant to paragraph(s) below, be at the discretion of our Directors, provided that it shall not be less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the offer date;
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and
- (iii) the nominal value of a Share.

(g) Remaining life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted (i.e. 21 July 2027). The remaining life of the Share Option Scheme is approximately 1 year from the date of this report.

DISCLOSURES OF INTERESTS

A. Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares or Debentures

As at 31 December 2025, the interests and short positions of the Directors and chief executive of the Company in the shares, the underlying shares or debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such director or chief executive was taken or deemed to have under such provision of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to standard of dealings by Directors as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

REPORT OF THE DIRECTORS



Interests in the company

Name of Director	Capacity/nature of interest	Number of Shares	Percentage of interest in the Company
Ms. Sha Xuanyi	Beneficial owner	132,400,000 (Long position)	10.80%
Mr. Li Rongsheng	Beneficial owner	90,000,000 (Long position)	7.34%

Save as disclosed above, as at the date of this report, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, required to be notified to the Company and the Stock Exchange.

B. Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures

So far as the Directors are aware, as at 31 December 2025, the following persons (other than the Directors and chief executive of the Company) had or deemed or taken to have an interest or short position in the Shares or underlying Shares which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules.

Name	Capacity/nature of interest	Number of Shares	Percentage of interest in the Company
Xiao Fengcen	Beneficial owner	154,770,000 (Long Position)	12.62%

Save as disclosed above, as at 31 December 2025, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in the Shares, the Underlying Shares or Debentures" above, had notified the Company of an interest or short position in the Shares, underlying Shares or debentures of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.



REPORT OF THE DIRECTORS

MAJOR CUSTOMERS

During the Year, the Group's five largest customers accounted for approximately 48.4% (2024: 51.7%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 24.8% (2024: 24.7%) of the total revenue.

To the best of the knowledge of the Directors, none of the Directors or any of their respective close associates, or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers.

MAJOR SUPPLIERS AND SUBCONTRACTORS

During the Year, the Group's five largest suppliers (including the subcontractors) accounted for approximately 24.8% (2024: 27.3%) of the total purchases of the Group and the largest supplier of the Group accounted for approximately 10.1% (2024: 11.8%) of the total purchases.

To the best of the knowledge of the Directors, none of the Directors or any of their respective close associates, or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's five largest suppliers.

DIRECTORS

The Directors during the Year and up to the date of this annual report were:

Executive Directors

Ms. Sha Xuanyi
Mr. Lam Kai Yuen
Mr. Li Rongsheng
Mr. Lam Kai Cheong

Non-executive Director

Mr. Kok Bing Ching (appointed on 8 August 2025)

Independent non-executive Directors

Mr. Lin Kin-Chin
Mr. Liu Mingxiao
Mr. Zhu Honghai

Information regarding directors' emoluments is set out in note 11 to the consolidated financial statements.

An annual confirmation of independence pursuant to the requirements under Rule 5.09 of the GEM Listing Rules has been received from each of the INEDs. The Nomination Committee was satisfied that each of the INEDs was independent within the meaning of Rule 5.09 of the GEM Listing Rules.



REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors are set out on pages from 17 to 19 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years and renewable automatically for successive terms of one year until terminated by the Director or the Company in accordance with the terms of the agreement. Each independent non-executive Directors was appointed under a letter of appointment for a fixed term of one year and renewable automatically for successive term of one year unless terminated by either party in accordance with the terms thereof.

None of the Directors had a service contracts with the Company or any of its subsidiaries during the Year which is not determinable by the Group within one year without payment compensation, other than the statutory compensation.

DIRECTORS' RETIREMENT AND RE-ELECTION

Pursuant to Article 108 of the Articles, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting of the Company, provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation every year shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any Director appointed by the Board pursuant to Article 112 shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

Pursuant to Article 112 of the Articles, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In accordance with Articles 108 and 112 of the Articles, Mr. Kok Bing Ching, Mr. Li Rongsheng and Mr. Lin Kin-Chin will retire at the forthcoming AGM and, being eligible, offer himself for re-election at the forthcoming AGM.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in the Prospectus and elsewhere in this annual report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which the Director or an entity connected the Director had a material interest, whether directly or indirectly, subsisted at any time during the Year.



REPORT OF THE DIRECTORS

CONTROLLING SHAREHOLDERS' INTEREST

Save as disclosed in this annual report, there were no contracts of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries or any contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 11 to the consolidated financial statements in this annual report.

EMOLUMENT POLICY

The Remuneration Committee will review and determine the remuneration and compensation packages of the Directors and senior management with reference to their responsibilities, workload, time devoted to the Group and the performance of the Group. The Directors and other employees who have made valuable contribution to the Group may also receive options to be granted under the Scheme.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the year ended 31 December 2025.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year. The Company did not hold or sell any treasury shares during the Year.

PERMITTED INDEMNITY PROVISIONS

At no time during the Year was there any permitted indemnity provisions (whether made by the Company or otherwise) being in force for the benefit of any Directors of the Company, or of its associated company.

RELATED PARTY TRANSACTIONS

The related party transactions entered into by the Group with 史威特服飾(惠州)有限公司 Sweater Garment (Huizhou) Company Limited* ("**Sweater Garment (Huizhou)**") and Good Wealthy Properties Limited ("**Good Wealthy**") during the Year as set out in note 29 to the consolidated financial statements do not constitute connected transactions or continuing connected transactions which require reporting, announcement or independent shareholders' approval, since such transactions are fully exempt from reporting, announcement requirements and the independent shareholders' approval requirements pursuant to Chapter 20 of the GEM Listing Rules.

The related party transactions in relation to the key management personnel remuneration as disclosed in note 29 to the audited consolidated financial statements are connected transactions exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements pursuant to the GEM Listing Rules.

Save as disclosed above, the Directors consider that those related party transactions disclosed in note 29 to the consolidated financial statements did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the GEM Listing Rules.



REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

During the Year, the Group did not enter into any connected transactions or continuing connected transactions which are not fully exempted from reporting, announcement and independent shareholders' approval requirements.

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information that is publicly available to the Company, the Company confirms that it complied with the minimum prescribed public float of 25% of the Company's total number of issued shares in that class under Rule 17.37B of the GEM Listing Rules during the Year and up to the date this report.

AUDITOR

The consolidated financial statements for the Year have been audited by McMillan Woods (Hong Kong) CPA Limited ("**McMillan Woods**"). McMillan Woods shall retire in the forthcoming AGM and, being eligible, offer themselves for re-appointment. A resolution for the reappointment of McMillan Woods as auditor of the Company will be proposed at the 2026 AGM. The Company has not changed its external auditor during the year ended 31 December 2025 and up to the date of this report.

AUDIT COMMITTEE

The audited consolidated financial statements of the Group for the year ended 31 December 2025 have been reviewed by the audit committee of the Board. The audit committee is of the opinion that the audited consolidated financial statements of the Group for the year ended 31 December 2025 comply with the applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

CORPORATE GOVERNANCE

Details of the corporate governance of the Company are set out in the section headed "Corporate Governance Report" on pages 20 to 41 of this report.

PRE-EMPTIVE RIGHTS

There is no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the Year.

* For identification purpose only



REPORT OF THE DIRECTORS

CHARITABLE DONATIONS

Charitable and other donations made by the Group during the Year amounted to RMB37,000 (2024: RMB211,000).

EVENTS AFTER THE REPORTING PERIOD

There was no other significant subsequent events happened to the Group after 31 December 2025 and up to the date of this report.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain entitlements to attend and vote at the 2026 AGM, the register of members of the Company will be closed from Monday, 15 June 2026 to Thursday, 18 June 2026, both days inclusive, during which period no transfer of the shares of the Company will be registered. Shareholder of the Company are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 12 June 2026.

On behalf of the Board
Reach New Holdings Limited
Sha Xuanyi
Chairlady and Executive Director

Hong Kong, 25 March 2026



INDEPENDENT AUDITOR'S REPORT



長青

TO THE SHAREHOLDERS OF REACH NEW HOLDINGS LIMITED

新達控股有限公司

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Reach New Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as “the **Group**”) set out on pages 81 to 135, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

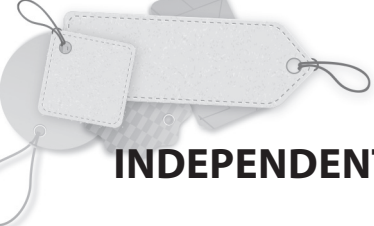
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) as issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), as applicable to audit of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matter we identified is allowance for credit losses, impairment assessment of non-financial assets and the fair value of financial assets at FVTPL.



INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Allowance for credit losses	
Refer to the material accounting policy information in note 4(q), critical judgements and key estimates in notes 5(a)(i), 5(b)(ii) and the relevant disclosures in notes 6(b) and 19 to the consolidated financial statements We identified the allowance for credit losses as a key audit matter due to the significance of the amount of trade receivables to the consolidated financial statements and the significant judgement and estimates involved by management in determining the allowance for credit losses. in determining the allowance for credit losses, the Group takes into consideration the historical default rates and changes in forward-looking information. As at 31 December 2025, the carrying amount of the Group's trade receivables is approximately RMB19,746,000 (net of allowance for credit losses of approximately RMB2,675,000).	In connection with the assessment of appropriateness of the allowance for credit losses, we have performed the following procedures: (1) Obtaining an understanding of management's process of assessing the allowance for credit losses of trade receivables including the use of provision matrix; (2) Evaluating the appropriateness of groupings of trade receivables having similar loss patterns; (3) Assessing the reasonableness of the historical default rates and taking into consideration of the forward-looking information; (4) Testing the accuracy of management's calculation of the allowance for credit losses for trade receivables; and (5) Assessing the appropriateness of the disclosure made in the consolidated financial statements.

Impairment assessment of non-financial assets

Refer to the material accounting policy information in note 4(p), critical judgements and key estimates in note 5(b)(i) and the relevant disclosures in notes 14, 15 and 16 to the consolidated financial statements

The management of the Group has performed an impairment review in accordance with Hong Kong Accounting Standard 36 in relation to the Group's non-financial assets. As of 31 December 2025, the carrying amounts of property, plant and equipment, intangible assets, and right-of-use assets were approximately RMB3,090,000, RMB Nil and RMB Nil respectively, after taking into account the accumulated impairment losses of approximately RMB8,522,000, RMB696,000, and RMB719,000 respectively.	In connection with the impairment assessment on non-financial assets, we have performed the following procedures: (1) Understanding, evaluating and validating the Group's internal controls over the impairment assessment of non-financial assets; (2) Understanding and evaluating the management's processes in identifying impairment indicators;
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INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key audit matter

The Group's property, plant and equipment, intangible assets and right-of-use assets were identified for impairment assessment by estimating the recoverable amounts using the higher of value-in-use calculation and fair value less costs of disposal.

Management performed impairment assessment on the recoverable amounts using the value-in-use method which is higher than the fair value less costs of disposal. Key assumptions adopted in the discounted cash flows included the estimates of the growth rates of business volume, gross profit margin and the pre-tax discount rate.

We identified the impairment of non-financial assets as a key audit matter due to the significant judgement and estimates involved by management in determining the impairment of non-financial assets.

How our audit addressed the key audit matter

- (3) For those non-financial assets with impairment indicators, examining the management's discounted cash flow model as follows:
 - Engaging experts to evaluate the reasonableness of the methodology and pre-tax discount rate adopted by management;
 - Assessing the reasonableness of the growth rates of business volume, gross profit margin and the pre-tax discount rate adopted in the discounted cash flows by comparing them with historical actual information and management's approved budget;
 - Checking the mathematical accuracy of the discounted cash flow model and the underlying data used in the calculations, and
 - Evaluating the adequacy of disclosure in respect of the impairment review in the consolidated financial statements.

Fair Value Measurement of Financial Assets at FVTPL

Refer to the material accounting policy information in the note 4(f), critical judgements and key estimates in notes 5(a)(ii), 5(b)(iii) and the relevant disclosures in note 17 to the consolidated financial statements.

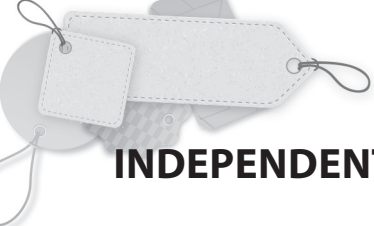
We identified the Fair Value Measurement of Financial Assets at FVTPL as a key audit matter due to the significance of the balance and level of judgement involved.

The management of the Group has performed a fair value measurement of financial assets at FVTPL as at 31 December 2025 in accordance with Hong Kong Financial Reporting Standard 9 and Hong Kong Financial Reporting Standard 13.

As of 31 December 2025, the carrying amount of the financial assets at FVTPL was approximately RMB11,600,000 (2024: RMBNil). The fair value was determined using valuation techniques that rely on significant unobservable inputs. Judgement and estimation are required in establishing the relevant valuation methodologies and inputs.

In connection with the assessment of fair value measurement of financial assets at FVTPL, we have performed the following:

- (1) Obtaining an understanding of management's process for classifying the investment as financial assets at FVTPL rather than as an associate;
- (2) Evaluating the competence, capabilities and objectivity of the independent valuer engaged by management;
- (3) Assessing the appropriateness of the valuation methodologies applied;
- (4) Testing the reasonableness of key unobservable inputs and assumptions in the valuation;
- (5) Performing sensitivity analyses to evaluate the impact of changes in key inputs on the valuation outcome, and
- (6) Assessing the appropriateness of the disclosures made in the consolidated financial statements.



INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the Other Information. The Other Information comprises all of the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors of the Company in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



INDEPENDENT AUDITOR'S REPORT

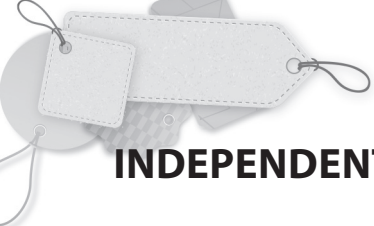
AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

McMillan Woods (Hong Kong) CPA Limited

Certified Public Accountants

Chan Chun Sing

Audit Engagement Director

Practising Certificate Number: P05537

24/F., Siu On Centre

188 Lockhart Road, Wan Chai

Hong Kong

25 March 2026



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Revenue	7	80,376	91,706
Cost of sales		(60,360)	(66,207)
Gross profit		20,016	25,499
Other income, gains and losses	8	594	751
Allowance for credit losses on trade receivables, net		(1,067)	(323)
Distribution and selling expenses		(4,641)	(4,541)
Administrative expenses		(28,490)	(29,343)
Finance expense		(50)	(49)
Loss before tax		(13,638)	(8,006)
Income tax expense	9	(276)	(252)
Loss and total comprehensive expense for the year	10	(13,914)	(8,258)
Loss and total comprehensive expense for the year attributable to:			
Owners of the Company		(13,892)	(8,258)
Non-controlling interests		(22)	—
		(13,914)	(8,258)
		RMB cents	RMB cents
Loss per share	13		
— Basic		(1.22)	(0.83)
— Diluted		N/A	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	3,090	932
Intangible assets	15	–	–
Right-of-use assets	16	–	1,350
Financial assets at fair value through profit or loss	17	11,600	–
		14,690	2,282
CURRENT ASSETS			
Inventories	18	2,640	2,924
Trade receivables	19	19,746	17,705
Prepayments, deposits and other receivables	19	8,773	7,781
Bank and cash balances	20	18,047	21,062
		49,206	49,472
CURRENT LIABILITIES			
Trade payables	21	13,858	8,271
Other payables and accruals	21	7,260	4,885
Contract liabilities	22	194	539
Leases liabilities	23	404	342
Bank Borrowing	24	240	240
Tax payable		981	1,171
		22,937	15,448
NET CURRENT ASSETS		26,269	34,024
TOTAL ASSETS LESS CURRENT LIABILITIES		40,959	36,306
NON-CURRENT LIABILITIES			
Deferred tax liability	25	55	55
Bank Borrowing	24	900	1,140
Lease liabilities	23	199	308
		1,154	1,503
NET ASSETS		39,805	34,803
CAPITAL AND RESERVES			
Share capital		10,794	8,879
Reserves		29,023	25,924
Equity attributable to owners of the Company		39,817	34,803
Non-controlling interests		(12)	–
TOTAL EQUITY		39,805	34,803

The consolidated financial statements on pages 81 to 135 were approved and authorised for issue by the Board of Directors on 25 March 2026 and are signed on its behalf by:

Li Rongsheng
DIRECTOR

Lam Kai Cheong
DIRECTOR



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Attributable to owners of the Company						Non-controlling interests ("NCI") RMB'000	Total RMB'000
	Share capital RMB'000	Share premium RMB'000 (Note i)	Share based payment reserve RMB'000 (Note iii)	Other reserve RMB'000 (Note ii)	Accumulated losses RMB'000	Sub-Total RMB'000		
At 1 January 2024	7,321	41,488	–	14,145	(34,582)	28,372	–	28,372
Issuance of new shares from placing of shares	1,558	10,261	–	–	–	11,819	–	11,819
Share based payment expense (Note 31)	–	–	2,869	–	–	2,869	–	2,869
Loss and total comprehensive expense for the year	–	–	–	–	(8,258)	(8,258)	–	(8,258)
At 31 December 2024	8,879	51,750	2,869	14,145	(42,840)	34,803	–	34,803
Issuance of new shares from placing of shares	1,897	16,826	–	–	–	18,723	–	18,723
Issuance of new shares upon exercise of share options	18	239	(74)	–	–	183	–	183
Acquisition of subsidiaries	–	–	–	–	–	–	10	10
Loss and total comprehensive expense for the year	–	–	–	–	(13,892)	(13,892)	(22)	(13,914)
At 31 December 2025	10,794	68,815	2,795	14,145	(56,732)	39,817	(12)	39,805

Note:

- Pursuant to the Companies law of the Cayman Islands and the Company's Articles of Association, the share premium of the Company is distributable to the equity holders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.
- As part of the group reorganisation for the listing of the Company's shares on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), there were series of restructuring within the Group which mainly involved interspersing investment holding entities between the operating subsidiaries and investment holding companies. The difference between the Company's share capital and the combined paid-in capital of 新天倫服裝配料(惠州)有限公司 ("**STL Garment Accessories**") and Reach New Technology (Huizhou) Company Limited* (新達科技(惠州)有限公司) ("**Reach New Technology**") (formerly known as 新天倫服裝輔料(惠州)有限公司), the indirect wholly-owned subsidiaries of the Company established in the People's Republic of China (the "**PRC**"), was credited to other reserve on 30 November 2016.
- The Group maintains an equity-settled share-based payment reserve within its equity structure to account for share option schemes. This reserve represents the cumulative fair value of share options granted to directors and employees, which are systematically recognized as personnel expenses over the vesting period.

* English name is for identification purpose.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
OPERATING ACTIVITIES			
Loss before tax		(13,638)	(8,006)
Adjustments for:			
Depreciation of property, plant and equipment		534	501
Allowance for credit losses on trade receivables, net		1,067	323
Depreciation of right-of-use assets		150	450
Finance expenses		50	49
Bank interest income		(10)	(216)
Share-based payment expense		–	2,869
Exchange loss, net		270	53
Operating loss before movements in working capital		(11,577)	(3,977)
Decrease/(increase) in inventories		284	(747)
Increase in trade receivables		(2,690)	(5,230)
Decrease/(increase) in prepayments, deposits and other receivables		1,288	(2,021)
Increase in trade payables		3,361	4,221
Increase in other payables and accruals		1,092	112
Decrease in contract liabilities		(345)	(841)
Cash used in operations		8,587	(8,483)
Interest paid		(50)	(49)
Tax paid during the year		(342)	(184)
NET CASH USED IN OPERATING ACTIVITIES		(8,979)	(8,716)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,683)	(1,433)
Purchase of right-for-use assets		–	(1,800)
Bank interest received		10	216
Net cash inflow on acquisition of a subsidiary		1,888	–
Purchase of financial assets at fair value through profit or loss		(11,600)	–
NET CASH USED IN INVESTING ACTIVITIES		(12,385)	(3,017)



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
FINANCING ACTIVITIES			
Net proceeds from issue of shares		18,906	11,819
New bank loans raised		–	1,500
Repayment of bank borrowings		(240)	(120)
Repayment of lease liabilities		(47)	(76)
NET CASH GENERATED FROM FINANCING ACTIVITIES		18,619	13,123
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(2,745)	1,390
CASH AND CASH EQUIVALENTS AT 1 JANUARY		21,062	19,725
Effect of foreign exchange rate changes		(270)	(53)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		18,047	21,062
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	20	18,047	21,062



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

1. GENERAL

Reach New Holdings Limited (the “**Company**”) is a public limited company incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 22 January 2016. The ordinary shares of the Company (the “**Shares**”) have been listed on GEM of Stock Exchange in July 2017. Its registered office is located at PO Box 1350, Regatta Office Park, Windward 3, Grand Cayman, KY1-1108, Cayman Islands. The address of its principal place of business is located at Unit 2502, 25th Floor, South Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are principally engaged in production, supply of garment accessories and provision of information technology services in the PRC.

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which in collective term includes all applicable Hong Kong Financial Reporting Standards (“**HKFRS**”), Hong Kong Accounting Standards (“**HKASs**”) and Interpretations and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Material accounting policy informations adopted by the Group are discussed below.

The HKICPA has issued certain new and revised HKFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

(a) Amendments to HKFRS Accounting Standards that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRS Accounting Standards as issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2025 for the preparation of the consolidated financial statements:

Amendments to HKAS 21 and HKFRS 1

Lack of Exchangeability

The application of the amendments to HKFRS Accounting Standards in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS *(Continued)*

(b) New and amendments to HKFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRS Accounting Standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 January 2025:

	Effective for accounting periods beginning on or after
Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA
Annual Improvements to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7 — Annual Improvements to HKFRS Accounting Standards — Volume 11	1 January 2026
Amendments to HKFRS 9 and HKFRS 7 — Classification and Measurement of Financial Instruments	1 January 2026
Amendments to HKFRS 9 and HKFRS 7 — Contracts Referencing Nature-dependent Electricity	1 January 2026
Amendments to HK Int 5 — Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
HKFRS 18 — Presentation and Disclosure in Financial Statements	1 January 2027
Amendments to HKAS 21 — Translation to a Hyperinflationary Presentation Currency	1 January 2027

Except for the new and amendments to HKFRS Accounting Standards mentioned below, the Group anticipate that the application of all other new and amendments to HKFRS Accounting Standards and interpretation will not have material impact on the consolidated financial statements in the foreseeable future.

HKFRS 18 Presentation and Disclosure in Financial Statements, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 Presentation of Financial Statements. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (the title of which will be changed to Basis of Preparation of Financial Statements upon effective of HKFRS 18) and HKFRS 7. 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 Group is in the process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below.

The preparation of consolidated financial statements in conformity with HKFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The material accounting policy informations applied in the preparation of these consolidated financial statements are set out below:

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December 2025. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

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

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

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

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the **"functional currency"**). The consolidated financial statements are presented in RMB, which is the Company's presentation currency.

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

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

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

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

(iii) Translation on consolidation

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(c) Property, plant and equipment

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

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

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

Leasehold improvements	10%
Machinery	10%–50%
Motor vehicles	20%
Office equipment	20%–50%
Furniture and fixtures	20%

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

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

(d) Leases

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

The Group as a lessee

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(d) Leases *(Continued)*

The Group as a lessee *(Continued)*

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

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

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

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

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as negative lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred as if it were not a lease modification.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(e) Inventories

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

(f) Recognition and derecognition of financial instruments

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

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

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

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

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(g) Financial assets

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

Debt investments

Debt investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.
- FVTOCI — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(h) Trade and other receivables

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

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

(i) Cash and cash equivalents

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

(j) Financial liabilities and equity instruments

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

(k) Trade and other payables

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

(l) Equity instruments

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

(m) Revenue and other income

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(m) Revenue and other income *(Continued)*

Revenue from IT services are recognised at a point in time.

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

(n) Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

(o) Government grants

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

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

(p) Impairment of non-financial assets

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

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

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

Impairment losses for CGU are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the CGU. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment, except for goodwill, for which impairment losses are not reversed.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(q) Impairment of financial assets

The Group recognises a loss allowance for ECL on trade and other receivables, and amounts due from related parties. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9. Under this approach, the Group always recognises lifetime ECL from initial recognition. The ECL on these financial assets is estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors specific to the debtors, general economic conditions, and forward-looking information available at the reporting date.

For other receivables and amounts due from related parties that are measured at amortised cost, the Group applies the general approach under HKFRS 9. Under this approach, the Group recognises 12-month ECL if credit risk has not increased significantly since initial recognition, and lifetime ECL if credit risk has increased significantly. In assessing whether credit risk has increased significantly, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information. Indicators may include deterioration in credit ratings, adverse changes in business or economic conditions, or significant increases in credit risk on other financial instruments of the same debtor. Irrespective of other factors, the Group presumes that credit risk has increased significantly when contractual payments are more than 30 days past due, unless reasonable and supportable information demonstrates otherwise.

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

Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(q) Impairment of financial assets *(Continued)*

Significant increase in credit risk *(Continued)*

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

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

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

- (i) The financial instrument has a low risk of default,
- (ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

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

Definition of default

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(q) Impairment of financial assets *(Continued)*

Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

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

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

(a) Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgement that has the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(i) Significant increase in credit risk

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

(ii) 24% equity interest measured at FVTPL

As disclosed in note 17, the Group holds a 24% equity interest in Hengda Yongjin Agricultural High Technology Co., Ltd. (衡達湧金農業高科技有限公司). The directors of the Company have carefully assessed whether this investment should be classified as an associate under HKAS 28. In making this judgement, the directors considered that the Group does not have representation on the board of directors, participation in policy-making processes, or other contractual rights that would allow it to influence the financial or operating decisions of the investee. Accordingly, despite the 24% equity interest, the directors concluded that the Group does not have significant influence and is not in a position to significant influence or participate in the operations of the investee. The investment has therefore been classified as a financial assets at FVTPL.

(b) Key sources of estimation uncertainty

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

(i) Impairment assessment of non-financial assets

Property, plant and equipment, intangible assets and right-of-use assets are reviewed for possible impairments whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is determined at the higher of value in use or the fair value less costs of disposal.

Determination as to whether and how much an asset is impaired involves management estimates and judgements such as growth rates of business volume, gross margin and the pre-tax discount rate for value in use. Judgement is required by the directors to determine key assumptions adopted and changes to key assumptions and estimates can significantly affect the results of the impairment reviews.

Details of the impairment assessment are disclosed in note 14.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

(i) Impairment assessment of non-financial assets *(Continued)*

The carrying amount of property, plant and equipment, intangible assets and right-of-use assets as at 31 December 2025 were approximately RMB3,090,000 (2024: RMB932,000), RMB Nil (2024: RMB Nil), and RMB Nil (2024: RMB1,350,000), respectively. The accumulated impairment loss provisions of property, plant and equipment, intangible assets and right-of-use assets as at 31 December 2025 amounted to approximately RMB8,522,000 (2024: RMB8,522,000), RMB696,000 (2024: RMB696,000) and RMB719,000 (2024: RMB719,000), respectively.

(ii) Impairment of trade receivables

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

As at 31 December 2025, the carrying amount of trade receivables was approximately RMB19,746,000 (net of allowance for credit losses of approximately RMB2,675,000) (2024: approximately RMB17,705,000 (net of allowance for credit losses of approximately RMB1,608,000)).

(iii) Fair value measurement of financial instruments

As at 31 December 2025, financial assets at FVTPL amounting to RMB11,600,000 (2024: RMB Nil), are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof.

Whilst the Group considers these valuations to represent the best estimates available, the absence of observable market prices and reliance on valuation techniques introduce a degree of uncertainty in respect of the fair value measurement. changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See note 17 for further disclosures.

(iv) 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 the estimated cost necessary to make the sales. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer's taste and competitor's actions in response to severe industry cycles. The Group will reassess the estimates by the end of each reporting period.

As at 31 December 2025, the carrying amount of inventories was approximately RMB2,640,000 (2024: RMB2,924,000). No allowance for inventories due to the net realisable value below cost has been recognised for the year ended 31 December 2025 (2024: RMB Nil).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are principally denominated in currencies other than the functional currencies of the Group's entities including Hong Kong dollars ("HK\$"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

As at 31 December 2025, if RMB had weakened 5 per cent against the HK\$ with all other variables held constant, consolidated loss before tax for the year could have been approximately RMB209,000 (2024: RMB414,000) lower, arising mainly as a result of the foreign exchange gain on bank balances denominated in HK\$. If RMB had strengthened 5 per cent against HK\$ with all other variables held constant, consolidated loss before tax for the year would have been approximately RMB209,000 (2024: RMB414,000) higher, arising mainly as a result of the foreign exchange loss on bank balances denominated in HK\$.

(b) Credit risk

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

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group has concentration of credit risk as 41.49% (2024: 47.11%) and 75.26% (2024: 89.62%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

Trade receivables *(Continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables, as at 31 December 2025 and 2024:

	2025		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	–	10,019	–
1–90 days past due	10	7,958	796
91–180 days past due	20	3,206	641
181–365 days past due	50	–	–
More than 365 days past due	100	1,238	1,238
		22,421	2,675

	2024		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	–	12,424	–
1–90 days past due	10	5,815	581
91–180 days past due	20	28	6
181–365 days past due	50	51	26
More than 365 days past due	100	995	995
		19,313	1,608

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

Movement in the loss allowance for trade receivables during the year is as follows:

	2025 RMB'000	2024 RMB'000
At 1 January	1,608	1,285
Net impairment losses recognised for the year	1,067	323
At 31 December	2,675	1,608

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

Financial assets at amortised cost

Other than trade receivables, all of the Group's financial assets at amortised cost are considered to have low credit risk, and the loss allowance recognised during the year was therefore limited to 12-month expected losses. Other receivables are considered to be low credit risk when they have a low risk of default and the debtors has a strong capacity to meet its contractual cash flow obligations in the long term.

Based on the assessment by the management, the management considers the ECL for other receivables is insignificant and therefore no loss allowance was made against the financial assets at amortised cost other than trade receivables.

(c) Liquidity risk

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

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

	Weighted average interest rate %	On demand or within one year RMB'000	More than one year but not exceeding two years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2025					
Trade payables	–	13,858	–	13,858	13,858
Other payables and accruals	–	7,260	–	7,260	7,260
Bank borrowings	2.90%	247	926	1,173	1,140
Lease liabilities	4.35%	422	207	629	603
Total		21,787	1,133	22,920	22,861

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk *(Continued)*

	Weighted average interest rate %	On demand or within one year RMB'000	More than one year but not exceeding two years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2024					
Trade payables	–	8,271	–	8,271	8,271
Other payables and accruals	–	4,885	–	4,885	4,885
Bank borrowings	3.25%	248	1,177	1,425	1,380
Lease liabilities	4.35%	357	321	678	650
Total		13,761	1,498	15,259	15,186

(d) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits, bank borrowings and lease liabilities. Bank deposits and bank borrowings bear interests at variable rates that vary with the then prevailing market condition.

Except as stated above, the Group does not have other significant interest-bearing assets and liabilities at the end of reporting period, its income and operating cash flows are substantially independent of changes in market interest rates.

Sensitivity analysis on cash flow interest-rate risk has not been presented as the reasonably possible changes in market interest rate will not have significant impact on the Group's consolidated financial statements.

(e) Other price risk

The Group is exposed to equity price risk through its investment in financial assets at FVTPL for long term strategic purpose. This investment represents a 24% equity interest in a PRC-incorporated company that owns production assets in Nanyang City and engages in the provision of functional garment production facilities. Their performance is assessed at least bi-annually based on the information made available to the Group. The investment is unquoted and classified within Level 3 of the fair value hierarchy under HKFRS 13 and the sensitivity analyses for the investment were disclosed in Note 6(e).

(f) Fair value measurement of financial instruments

Group's financial instruments are measured at fair value for financial reporting purposes. The directors of the Company have determined that the valuation of the Group's unquoted equity investment, representing a 24% equity interest classified at FVTPL, is performed using appropriate valuation techniques and inputs.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(f) Fair value measurement of financial instruments *(Continued)*

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engaged an independent qualified valuer to perform the valuation. Management reviewed the valuation results and concluded that the fair value of the investment as at 31 December 2025 was RMB11,600,000, determined using an asset-based approach. Fair values are categorised into different fair value hierarchy based on the inputs used in the valuation techniques as follows:

- **Level 1** fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2** fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3** fair value measurements are those derived from valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable (significant unobservable input).

At 31 December 2025, the Group's financial assets measured at fair value on a recurring basis comprised unlisted equity securities RMB11,600,000. This investment represents a 24% equity interest in a PRC-incorporated company that owns production assets in Nanyang City and which is engaged in the provision of functional garment production facilities.

The investment is classified within **Level 3** of the fair value hierarchy under HKFRS 13, as the valuation relies on significant unobservable inputs. The fair value was determined using an asset-based approach, with the following key inputs:

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Unlisted equity investment at FVTPL	31/12/2025	31/12/2024	Level 3	Asset-based Approach	• Land unit rate — Adjustments only impact the land portion of the valuation. Building value remains unchanged. Reported figure still reflects the total property value (land and building). • Financing cost — Treated as indirect cost capitalised into replacement cost. Adjustments affect both land and building portions simultaneously. Reported figure continues to represent total property value. • Construction unit rate — Adjustments only impact the building portion of the valuation. Land value remains unchanged. Reported figure still reflects the total property value (land and building).
	RMB11,600,000	–			
	(24% equity interest in a PRC-incorporated company holding production assets in Nanyang City for functional garment production)				



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(f) Fair value measurement of financial instruments *(Continued)*

The directors are of the opinion that the fair value of the unlisted equity investment is RMB11,600,000 as at 31 December 2025. The valuation was determined using an asset-based approach and relies on significant unobservable inputs and is therefore classified within Level 3 of the fair value hierarchy under HKFRS 13.

During the year ended 31 December 2025, there were no transfers into or out of Level 2 or Level 3 of the fair value hierarchy. The Group's unlisted equity investment has remained classified within Level 3 throughout the period, as the valuation continues to rely on significant unobservable inputs under the asset-based approach.

The Group's investment in financial assets at FVTPL is classified within Level 3 of the fair value hierarchy. During the year ended 31 December 2025, the Group recognised RMB 11,600,000 representing the purchase of a 24% equity interest. No gains or losses were recognised in profit or loss, as the fair value at year-end equaled the acquisition cost. Accordingly, the Level 3 fair value measurement at 31 December 2025 was RMB 11,600,000 (2024: Nil).

Sensitivity analysis

Sensitivity of fair value measurement

The fair value of the Group's unlisted equity investment of RMB11,600,000 (24% equity interest in a PRC-incorporated company holding production assets in Nanyang City) is classified within Level 3 of the fair value hierarchy. The valuation relies on significant unobservable inputs, and therefore is subject to sensitivity to changes in those assumptions.

The independent valuer identified three significant unobservable inputs under the asset-based approach:

- **Adopted land unit rate** — A $\pm 5\%$ change in the adopted land unit rate would result in a movement in fair value of approximately RMB1.1 million at the 100% equity level.
- **Adopted financing cost** — A $\pm 5\%$ change in the adopted financing cost would result in a movement in fair value of approximately RMB1.6–1.7 million at the 100% equity level.
- **Adopted construction unit rate** — A $\pm 5\%$ change in the adopted construction unit rate would result in a movement in fair value of approximately RMB1.1–1.2 million at the 100% equity level.

The carrying amounts of the Group's financial assets and liabilities at amortised cost were not materially different from their fair values as at 31 December 2025 and 2024.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(g) Categories of financial instruments at 31 December

	2025 RMB'000	2024 RMB'000
Financial assets:		
Financial assets measured at amortised cost	43,326	41,523
Financial assets at fair value through profit or loss	11,600	–
Financial liabilities:		
Financial liabilities at amortised cost	22,258	14,536

7. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	2025 RMB'000	2024 RMB'000
Types of products — Timing of revenue recognition — at a point in time		
Sales of printed products	29,678	28,584
Sales of woven labels	13,282	13,443
Sales of printed labels	14,342	17,763
Information technology ("IT") services	6,434	–
Others	16,640	31,916
	80,376	91,706

Types of customers

	2025 RMB'000	2024 RMB'000
Garment brand companies	7,433	7,584
Sourcing companies designated by garment brand companies	19,969	20,177
Garment manufacturers	46,404	50,582
Government agency and enterprises	6,434	–
Others	136	13,363
	80,376	91,706



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

The Chief Executive Officer of the Group, being the chief operating decision maker (“**CODM**”), regularly reviews revenue analysis by major products as set out in the revenue analysis above for the purpose of resource allocation and assessment of performance.

Commencing in 2025, the Group has introduced additional revenue streams from IT services which were not presented in prior years.

However, other than revenue analysis, no operating results and other discrete consolidated financial statements are regularly reviewed by the CODM for the purpose of resource allocation and assessment of performance of respective businesses. The CODM reviews the operating results of the Group as a whole to make decisions about resource allocation and for performance assessment. The operation of the Group constitutes one single operating and reportable segment under HKFRS 8 “Operating Segments” and accordingly no separate segment information is presented.

Geographical information

The Group’s revenue from operations are located in the PRC. Most of the Group’s non-current assets and capital expenditure are located or utilised in the PRC.

Information about major customers

Revenue from a customer that individually contributing over 10% of the total revenue are as follows:

	2025 RMB’000	2024 RMB’000
Customer A	19,969	22,466

8. OTHER INCOME, GAINS AND LOSSES

	2025 RMB’000	2024 RMB’000
Bank interest income	10	216
Government grant (Note)	148	63
Others	436	472
	594	751

Note: There were no unfulfilled conditions or contingencies relating to the government grants and therefore such grant were recognised as other income during the year ended 31 December 2025.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

9. INCOME TAX EXPENSE

	2025 RMB'000	2024 RMB'000
Current tax:		
Provision for the year	276	252

The Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands pursuant to the rules and regulations in those jurisdictions.

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits derived from or earned in Hong Kong for the year ended 31 December 2025 (2024: Nil).

The Group is subject to the PRC Enterprise Income Tax (the "PRC EIT") at a rate of 25% (2024: 25%) and dividend withholding tax at a rate of 5% (2024: 5%) for the year ended 31 December 2025, except STL Garment Accessories which qualified as High and New Technology Enterprises and entitled to the preferential tax rate of 15% for the year ended 31 December 2025 (2024: 15%).

Current tax provision represents provision for the PRC EIT.

The reconciliation between the income tax expense and the product of loss before tax multiplied by the PRC EIT rate is as follows:

	2025 RMB'000	2024 RMB'000
Loss before tax	(13,638)	(8,006)
Tax at the PRC EIT rate of 25% (2024: 25%)	(3,410)	(2,002)
Tax effect of deductible temporary differences not recognised	267	81
Tax effect of expenses not deductible for tax purpose	9	1,180
Tax effect of tax losses not recognised	3,410	2,033
Utilisation of the losses previous not recognised	–	(1,040)
Tax expense for the year	276	252



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

10. LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR

	2025 RMB'000	2024 RMB'000
Loss and total comprehensive expense for the year has been arrived at after charging:		
Directors' emoluments (note 11)	2,311	3,015
Other staff costs excluding directors' emolument		
— salaries and wages	21,364	24,481
— retirement benefits scheme contribution	3,164	3,152
— share-based payment expenses	–	2,494
Total directors and other staff costs	26,786	33,142
Auditor's remuneration	599	599
Cost of inventories recognised as cost of sales	53,510	62,790
Depreciation of property, plant and equipment	534	501
Depreciation of right-of-use assets	150	450
Interest expense on lease liabilities	19	13
Interest expense on bank borrowing	31	36
Short-term lease expense	2,018	2,330
Exchange loss, net	270	53

Cost of inventories recognised as cost of sales includes staff costs, depreciation on property, plant and equipment and right-of-use assets of approximately RMB13,759,000 (2024: RMB17,450,000) which are included in the amounts disclosed separately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

11. DIRECTORS' EMOLUMENTS AND EMPLOYEES' REMUNERATION

Directors' emoluments

Details of the emoluments paid or payable to directors are as follows:

	Fee RMB'000	Salaries, allowance and benefits in kind RMB'000	Retirement benefits scheme contribution RMB'000	Share-based payment expense RMB'000	Total RMB'000
2025					
Executive Directors					
Ms. Sha Xuanyi	–	417	17	–	434
Mr. Lam Kai Yuen	–	570	17	–	587
Mr. Lam Kai Cheong	–	387	16	–	403
Mr. Li Rongsheng	–	387	14	–	401
	–	1,761	64	–	1,825
Non-executive directors					
Mr. Kok Bing Ching (appointed on 8 August 2025)	53	–	–	–	53
	53	–	–	–	53
Independent Non-executive directors					
Mr. Zhu Honghai	156	–	–	–	156
Mr. Lin Kin-Chin	133	–	–	–	133
Mr. Liu Mingxiao	144	–	–	–	144
	433	–	–	–	433
	486	1,761	64	–	2,311

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There was no arrangement under which a director waived or agreed to waive any emoluments during the year ended 31 December 2025 (2024: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

11. DIRECTORS' EMOLUMENTS AND EMPLOYEES' REMUNERATION (Continued)

Directors' emoluments (Continued)

	Fee RMB'000	Salaries, allowance and benefits in kind RMB'000	Retirement benefits scheme contribution RMB'000	Share-based payment expense RMB'000	Total RMB'000
2024					
Executive Directors					
Ms. Sha Xuanyi	–	563	17	34	614
Mr. Lam Kai Yuen	–	597	17	–	614
Mr. Lam Kai Cheong	–	597	17	–	614
Mr. Li Rongsheng	–	387	12	341	740
	–	2,144	63	375	2,582
Independent Non-executive directors					
Mr. Zhu Honghai	156	–	–	–	156
Mr. Lin Kin-Chin	133	–	–	–	133
Mr. Liu Mingxiao	144	–	–	–	144
	433	–	–	–	433
	433	2,144	63	375	3,015



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

11. DIRECTORS' EMOLUMENTS AND EMPLOYEES' REMUNERATION *(Continued)*

Employees' remuneration

The five highest paid employees of the Group during the year included three directors (2024: three directors), details of whose emoluments are set out above. Details of the remuneration for the year of the remaining two (2024: two) highest paid employees who are neither a director nor chief executive of the Group are as follows:

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Salaries and allowances	1,772	1,761
Retirement benefits scheme contribution	13	17
	1,785	1,778

Their emoluments fell within the following bands:

	2025	2024
	Number of employees	Number of employees
Nil to HK\$1,000,000 (Equivalent to Nil to approximately RMB899,000)		
(2024: Nil to approximately RMB899,000)	2	2

During the years ended 31 December 2025 and 2024, no emoluments were paid by the Group to the directors of the Company or any of the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

Directors' material interests in transactions, arrangements and contracts

Save as disclosed in note 29 to the consolidated financial statements, no other significant transaction, arrangement and contract in relation to the Group's business to which the Company was a party and in which a director of the Company and a director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

12. DIVIDEND

No dividend in respect of the years ended 31 December 2025 and 2024 were declared and approved by the directors.

13. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

	2025 RMB'000	2024 RMB'000
Loss:		
Loss for the year attributable to owners of the Company for the purpose of calculating basic loss per share	(13,892)	(8,258)
	2025	2024
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	1,135,556,164	991,945,206

No diluted loss per share is presented for the years ended 31 December 2025 and 2024 as there were no dilutive potential ordinary share in issue.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Furniture and fixtures RMB'000	Total RMB'000
COST						
At 1 January 2024	13,724	30,510	1,108	5,621	1,094	52,057
Additions	–	923	432	46	32	1,433
At 31 December 2024 and 1 January 2025	13,724	31,433	1,540	5,667	1,126	53,490
Acquired on acquisition of a subsidiary	–	–	–	199	–	199
Additions	–	1,888	283	485	27	2,683
At 31 December 2025	13,724	33,321	1,823	6,351	1,153	56,372
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2024	13,724	30,510	1,108	5,621	1,094	52,057
Provided for the year	–	348	143	3	7	501
At 31 December 2024 and 1 January 2025	13,724	30,858	1,251	5,624	1,101	52,558
Acquired on acquisition of a subsidiary	–	–	–	190	–	190
Provided for the year	–	125	189	213	7	534
At 31 December 2025	13,724	30,983	1,440	6,027	1,108	53,282
CARRYING AMOUNT						
At 31 December 2025	–	2,338	383	324	45	3,090
At 31 December 2024	–	575	289	43	25	932



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Impairment assessment

As at 31 December 2025, due to the continuous loss of the Group, the management of the Group concluded there was indication for impairment and conducted impairment assessment on recoverable amounts of certain property, plant and equipment, intangible assets and right-of-use assets of the Group attributable to the cash-generating unit relating to labelling solution business ("CGU").

The recoverable amount of CGU has been determined based on a value-in-use calculation. That calculation used a cash flow projections based on financial budgets approved by the management covering the next 5 years with a pre-tax discount rate of 18.2% (2024: 18.6%). The Group estimates pre-tax discount rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The annual revenue growth rate used is 3% (2024: 5%), which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the relevant industry. Another key assumption for the value-in-use calculation is the budgeted gross margin of 25% (2024: 27.0%), which is determined based on the CGU' past performance, management expectations for the market development and volatility in financial markets including potential disruptions of the Group's operations.

As at 31 December 2025, the recoverable amount of the CGU is higher (2024: higher) than its carrying amounts. Based on the above assessment, no (2024: no) impairment loss on property, plant and equipment, intangible assets and right-of-use assets was recognised for the year ended 31 December 2025.

As at 31 December 2025, the carrying amounts of property, plant and equipment, intangible assets and right-of-use assets were approximately RMB3,090,000, RMB Nil and RMB Nil (2024: RMB932,000, RMB Nil and RMB1,350,000) respectively, after taking into account the accumulated impairment losses of approximately RMB8,522,000, RMB696,000 and RMB719,000 (2024: RMB8,522,000, RMB696,000 and RMB719,000) in respect of property, plant and equipment, intangible assets and right-of-use assets respectively.

15. INTANGIBLE ASSETS

	RMB'000
COST	
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	1,802
CARRYING AMOUNT	
At 31 December 2025	–
At 31 December 2024	–

The intangible assets represent computer softwares acquired from independent third parties, which have finite useful lives of 10 years and are amortised on a straight-line basis. These assets are used in the Group's labelling solution segment. Details of impairment assessment of intangible assets as at 31 December 2025 and 2024 are set out in note 14.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

16. RIGHT-OF-USE ASSETS

	Leased properties	
	RMB'000	
As at 1 January 2024	–	
Additions to right-of-use assets	1,800	
Depreciation charge	(450)	
As at 31 December 2024 and 1 January 2025	1,350	
Depreciation charge	(150)	
Early termination of lease	(1,200)	
As at 31 December 2025	–	
	2025	2024
	RMB'000	RMB'000
Depreciation of right-of-use assets		
— leased properties	150	450
Lease interests expense	19	13
Expenses relating to short-term lease	2,018	2,330

Lease liabilities of approximately RMB603,000 (2024: RMB650,000) are recognised while the related right-of-use assets were fully impaired in prior years with balance of RMBNil (2024: RMBNil) as at 31 December 2025.

The lease arrangements do not impose any covenants other than the security interests in leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purpose.

Upon the early termination of the lease during the year ended 31 December 2025, the right-of-use assets with the carrying amount of RMB1,200,000 was derecognised and the related prepaid rent of approximately RMB1,200,000 would be refunded and was reclassified as other receivables.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

17. FINANCIAL ASSETS AT FVTPL

	2025 RMB'000	2024 RMB'000
Unlisted equity securities	11,600	–

The unlisted equity securities represent a 24% equity investment in Hengda Yongjin Agricultural High Technology Co., Ltd. (衡達湧金農業高科技有限公司) that holds production assets in Nanyang City and engages in the provision of functional garment production facilities. In accordance with HKFRS 9 Financial Instruments, management has assessed that the Group does not have significant influence over the investee in note 5(a)(ii), and accordingly the investment is classified as FVTPL under non-current assets. In the opinion of the Company's directors, the carrying amounts of the investment in the Nanyang-based PRC company at 31 December 2025 approximated its fair values, please refer to the details of fair value measurements in note 5(b)(iii).

18. INVENTORIES

	2025 RMB'000	2024 RMB'000
Raw materials	2,014	2,024
Work in progress	306	568
Finished goods	320	332
	2,640	2,924

At the end of the reporting period, the Group's inventories are stated at the lower of cost and net realisable value.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

19. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2025 RMB'000	2024 RMB'000
Trade receivables	22,421	19,313
Less: allowance for credit losses	(2,675)	(1,608)
	19,746	17,705
Other receivables and deposits	5,533	2,745
Prepayments	3,240	5,036
	8,773	7,781

The Group allows credit periods ranging from 30 to 90 days to its trade customers. Before accepting any new customer, the Group makes enquiries to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customer are reviewed annually. The following is an aging analysis of trade receivables net of allowance for credit losses presented based on the invoice date at the end of the reporting period:

	2025 RMB'000	2024 RMB'000
Within 90 days	17,363	17,658
91–180 days	2,383	22
181–365 days	–	25
	19,746	17,705

Details of credit loss assessment of trade and other receivables for the years ended 31 December 2025 and 2024 are set out in note 6(b) to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

20. BANK AND CASH BALANCES

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

	2025 RMB'000	2024 RMB'000
Bank and cash balances		
US\$	3	1
HK\$	665	8,703
RMB	17,379	12,358
	18,047	21,062

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

21. TRADE AND OTHER PAYABLES AND ACCRUALS

	2025 RMB'000	2024 RMB'000
Trade payables	13,858	8,271
Other payables	6,071	2,534
Accrued expenses	1,189	2,351
	7,260	4,885

The credit period on trade payables ranging from 30 to 90 days. The aging analysis of the Group's trade payables below is presented based on the invoice date at the end of the reporting period:

	2025 RMB'000	2024 RMB'000
Within 90 days	7,630	5,881
91–180 days	1,706	1,490
181–365 days	2,917	829
Over 1 year	1,605	71
	13,858	8,271



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

22. CONTRACT LIABILITIES

	2025 RMB'000	2024 RMB'000
Sales of products	194	539

Contract liabilities arise when the Group receives upfront payment or cash advances before the commencement of the garment accessories manufacturing services activity, which exceeds the revenue recognised to date.

As at 1 January 2025, contract liabilities amounted to approximately RMB539,000.

Contract liabilities are expected to be settled within the Group's normal operating cycle, which is no more than 12 months after the reporting period.

Revenue recognized during the year ended 31 December 2025 that was included in the contract liabilities balances at 1 January 2025 amounted to approximately RMB539,000 (2024: approximately RMB1,380,000).

23. LEASE LIABILITIES

	Present value of minimum lease payments	
	2025 RMB'000	2024 RMB'000
Lease liabilities payable:		
Within one year	404	342
Within a period of more than one year but not exceeding two years	199	308
	603	650
Less: Amount due for settlement within twelve months shown under current liabilities	(404)	(342)
Amount due for settlement after twelve months shown under non-current liabilities	199	308

At 31 December 2025, the average incremental borrowing rate was 4.35% (2024: 4.35%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

24. BANK BORROWING

	2025 RMB'000	2024 RMB'000
At amortised cost:		
Secured bank borrowing	1,140	1,380

The carrying amounts of the above borrowing are analysed based on contractual repayment date as follows:

	2025 RMB'000	2024 RMB'000
The carrying amounts of the borrowing are repayable:		
Within one year	240	240
Within a period of more than one year but not exceeding two years	900	1,140
	1,140	1,380
Less: Amounts due within one year shown under current liabilities	(240)	(240)
Amounts shown under non-current liabilities	900	1,140

The carrying amount of the Group's borrowing are denominated in Renminbi. The effective interest rate on the loan from financial institution during the year ended 31 December 2025 was 2.90% per annum (2024: 3.25%).

At 31 December 2025, the Group's borrowing from financial institution of approximately RMB1,140,000 (2024: RMB1,380,000) were secured by (i) personal guarantee by a director of the Company, (ii) corporate guarantee by a subsidiary of the Company.

In respect of bank borrowings with carrying amount of RMB1,140,000 as at 31 December 2025 (2024: RMB1,380,000), the Group is required to comply with the following financial covenants which are tested on a yearly basis: (i) the borrower is obligated to maintain a debt-to-asset ratio not exceeding 90%, (ii) from the effective date of the agreement until full repayment of principal and interest, the borrower is prohibited from distributing any dividends or profits to shareholders, ensuring priority repayment of debt, and (iii) in the event of financial metric deterioration, unfulfilled commitments, or irregular related-party transactions, the lender reserves the right to declare debt acceleration and enforce remedies, including asset freezing and account set-off.

The Group has complied with the relevant covenants at each test date on or before the end of the reporting period. The directors has assessed their potential impact on financial position and liquidity and confirms compliance with all covenants as of the reporting date.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

25. DEFERRED TAX LIABILITY

The following is the deferred tax liability recognised and movements thereon during the current and prior years:

	Withholding tax on distributable profits RMB'000
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	55

Under the Law of the PRC on EIT, withholding tax at a rate of 5% is proposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards.

As at 31 December 2025, deferred tax has not been provided for temporary differences attributable to the remaining accumulated undistributed profits of two PRC subsidiaries amounting to an aggregate amount of approximately RMB12,377,000 (2024: RMB14,900,000) as the directors of the Company do not expect (2024: not expect) to declare any additional dividends during the years ended 31 December 2025 as mentioned above and the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

As at 31 December 2025, the Group has unused tax losses of approximately RMB22,935,000 (2024: RMB9,297,000), available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

Included in unrecognised tax losses are losses of approximately RMB16,446,000 (2024: RMB12,947,000) may be carried forward for five years from the year when the corresponding loss was incurred. Other losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of RMB12,612,000 (2024: RMB11,545,000) arising from allowance for credit losses. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

26. ACQUISITION OF A SUBSIDIARY

On 23 December 2024, the Group's indirect wholly-owned subsidiary, Shenzhen Xinda Technology Group Co., Ltd. (深圳市新達科創集團有限公司) (the "**Purchaser**"), entered into an Equity Transfer Agreement to acquire a 90% equity interest in Shenzhen GuanShengTong Technology Co., Ltd. (深圳市冠晟通科技有限公司) (the "**Target Company**"), a PRC-incorporated entity principally engaged in network information security services.

The total cash consideration amounted to RMB90,000. The acquisition was completed in early January 2025, and the Target Company has since become a subsidiary of the Group.

The fair values of identifiable assets acquired and liabilities assumed are as follows:

Assets acquired and liabilities recognised at the date of acquisition	RMB'000
Property, plant and equipment	9
Trade receivables	417
Prepayments	1,081
Bank and cash balance	1,978
Tax receivable	124
Trade payables	(2,226)
Other payables and accruals	(1,283)
Total identifiable net assets	100
Less: non-controlling interests (" NCI ") (10% of net assets)	10
Consideration transferred	90

The non-controlling interests in the Target Company recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of the Target Company and amounted to RMB10,000.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

26. ACQUISITION OF A SUBSIDIARY *(Continued)*

Net cash inflow on acquisition

	RMB'000
Cash consideration paid	(90)
Less: cash and cash equivalents balances acquired	1,978
Net cash inflow	1,888

The Group entered into an agreement to acquire the Target Company primarily to diversify its business and income streams to expand beyond traditional garment accessories into the information technology segment.

Acquisition-related costs have been excluded from the consideration transferred and were recognized as an expense in the current year in the consolidated statement of profit or loss.

The receivables acquired (principally trade receivables) had gross contractual amounts of RMB417,000 and were recognized at fair value of RMB417,000 at the date of acquisition. The best estimate at acquisition date of contractual cash flows not expected to be collected was RMB nil.

Included in the loss for the year is RMB228,000 attributable to the additional business generated by the Target Company. Revenue for the year includes RMB6,394,000 generated from the Target Company.

Had the acquisition of the Target Company been completed on 1 January 2025, revenue for the year of the Group would have been RMB81,033,000, and loss for the year would have been RMB13,903,000. The pro forma information is presented for illustrative purposes only and is not necessarily indicative of the revenue and results of operations of the Group that would have been achieved had the acquisition been completed on 1 January 2025, nor is it intended to be a projection of future results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

27. SHARE CAPITAL

	Number of shares	HK\$
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	2,000,000,000	20,000,000
Issued and fully paid:		
At 31 December 2023 and 1 January 2024	850,000,000	8,500,000
Issuance of shares upon placing of shares (note i)	170,000,000	1,700,000
At 31 December 2024 and 1 January 2025	1,020,000,000	10,200,000
Issuance of shares upon placing of shares (note ii)	204,000,000	2,040,000
Issuance of shares upon exercise of shares option (note iii)	2,000,000	20,000
	206,000,000	2,060,000
At 31 December 2025	1,226,000,000	12,260,000
	2025	2024
	RMB'000	RMB'000
Shown in the consolidated financial statements as RMB	10,794	8,879



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

27. SHARE CAPITAL (Continued)

Notes:

- (i) On 2 January 2024, the Company announced that a placing agreement was signed between the Company as issuer and Ruibang Securities Limited as placing agent. On 18 January 2024, the Company completed placing of 100,000,000 shares of the Company (the “**Shares**”) under general mandate and raised the gross proceeds and the net proceeds of approximately HK\$8.0 million (equivalent to approximately RMB7.4 million) and approximately HK\$7.8 million (equivalent to approximately RMB7.2 million) respectively. In addition, on 16 April 2024, the Company announced that a placing agreement was signed between the Company as issuer and Ruibang Securities Limited as placing agent. On 2 May 2024, the Company completed placing of 70,000,000 shares under general mandate and raised the gross proceeds and the net proceeds of approximately HK\$4.9 million (equivalent to approximately RMB4.7 million) and approximately HK\$4.8 million (equivalent to approximately RMB4.6 million) respectively.
- (ii) On 23 May 2025, the Company announced that a placing agreement was signed between the Company as issuer and Ruibang Securities Limited as placing agent, under which the Company agreed to allot and issue, and the placing agent agreed to place 204,000,000 Shares at the placing price of HK\$0.1 per Share (“**2025 Placing**”) under general mandate. On 11 June 2025, the Company completed the 2025 Placing of 204,000,000 Shares and raised gross proceeds of approximately HK\$20.4 million (equivalent to approximately RMB19.1 million) and the net proceeds of approximately HK\$20.0 million (equivalent to approximately RMB18.7 million) respectively.
- (iii) On 26 March 2025, 2,000,000 share options were exercised at the exercise price of HK\$0.10 per Share, resulting in the issue of 2,000,000 Shares and raise proceeds of approximately HK\$200,000 (equivalent to approximately RMB183,000). No related costs were incurred in connection with issue of Shares upon the exercise of Share Options.

The Group’s objective when managing capital are to safeguard the Group’s ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged from prior years.

The capital structure of the Group consists of debt (net of cash) and cash equivalents and equity.

The management of the Group reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends (subject to covenant disclosed in Note 24), the issue of new shares, new debts or the redemption of existing debts.

The externally imposed capital requirements for the Group that in order to maintain its listing on the Stock Exchange is to have a public float of at least 25% of the shares of the Company throughout the year. Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float of at least 25% throughout the years ended 31 December 2025 and 2024.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

28. EMPLOYEE BENEFITS

The Group operates a Mandatory Provident Fund Scheme (the “**MPF Scheme**”) under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). The MPF Scheme is defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the MPF Scheme vest immediately. During the year ended 31 December 2025, the retirement benefits scheme contribution arising from the MPF Scheme charged to profit and loss was approximately RMB154,000 (2024: RMB68,000).

Pursuant to the relevant labour laws, rules and regulations in the PRC, the Group participates in defined contribution retirement benefit scheme (the “**Retirement Benefit Scheme**”) organized by the relevant local government authorities in the PRC whereby the Group is required to make contributions to the Retirement Benefit Scheme at a certain rate of the standard wages determined by the relevant authorities in the PRC during the year. Contributions to the Retirement Benefit Scheme vest immediately. During the year ended 31 December 2025, the costs charged under the Retirement Benefit Scheme for the Group’s PRC subsidiaries amounted to approximately RMB3,074,000 (2024: RMB3,147,000).

There was no forfeited contribution under the MPF Scheme and Retirement Benefit Scheme which may be used by the Group to reduce the contribution payable in the future years.

29. RELATED PARTY TRANSACTION

Apart from details of the balances with related parties disclosed elsewhere in the consolidated financial statements, the Group also entered into the following transactions with related parties during the year ended 31 December 2025:

Name of related company/party	Nature of transactions	Year ended 31 December	
		2025	2024
		RMB’000	RMB’000
史威特服飾(惠州)有限公司	Rental paid (Note)	2,000	2,250
Good Wealthy properties Limited	Rental paid (Note)	90	80

Note: Mr. Lam Cheung Chuen is the father of Mr. Lam Kai Yuen and Mr. Lam Kai Cheong, both the executive Directors as at 31 December 2025. Mr. Lam Cheung Chuen was the ultimate beneficial owner of 史威特服飾(惠州)有限公司 and Good Wealthy Properties Limited during the years ended 31 December 2025 and 2024.

Compensation of key management personnel

The remuneration of key management personnel including the directors of the Company, during the year was approximately RMB2,258,000 (2024: RMB3,015,000) which is determined by reference to the performance of individuals and market trends.

No post-employment benefits, other long term benefits and termination benefits are paid or payable to the key management personnel.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

30. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

The Company has direct and indirect equity interests in the following subsidiaries at the end of the reporting period:

Name of subsidiaries	Date of incorporation/ establishment	Place of incorporation/ establishment/ operation	Legal form	Issued and fully paid-up share capital/ registered capital	Proportion of ownership interests/voting power held by the Company		Principal activities
					2025	2024	
Direct							
New Forest Company Limited	1 December 2015	BVI	Private enterprise with limited liability	US\$1 (2024: US\$1)	100%	100%	Investment holding
RN Crypto (BVI) Company Limited	4 September 2019	BVI	Private enterprise with limited liability	US\$1 (2024: US\$1)	100%	100%	Investment holding
Indirect							
Smart Trend Enterprises Company Limited	15 April 2016	Hong Kong	Private enterprise with limited liability	HK\$1 (2024: HK\$1)	100%	100%	Investment holding
RN Standard Kepler Company Limited	1 November 2019	Hong Kong	Private enterprise with limited liability	HK\$10,000 (2024: HK\$10,000)	100%	100%	Investment holding
Reach New Liquor-Making Industry Company Limited	4 January 2024	Hong Kong	Private enterprise with limited liability	HK\$1 (2024: HK\$1)	100%	100%	Inactive
Will Win Business Limited	13 January 2025	Hong Kong	Private enterprise with limited liability	HK\$10,000 (2024: Nil)	100%	Nil	Investment holding
Will Win Trading Limited	22 May 2019	Hong Kong	Private enterprise with limited liability	HK\$10,000 (2024: HK\$10,000)	100%	100%	Investment holding
*新達科技(惠州)有限公司 Reach New Technology	29 April 2007	PRC	Limited liability	US\$1,000,000 (2024: US\$1,000,000)	100%	100%	Manufacturing and sale of garment accessories
*新天倫服裝配料(惠州)有限公司	31 December 2001	PRC	Limited liability	US\$2,400,000 (2024: US\$2,400,000)	100%	100%	Manufacturing and sale of garment accessories
*深圳市新達科創集團有限公司	18 August 2021	PRC	Limited liability	HK\$1,000,000 (2024: HK\$1,000,000)	100%	100%	Corporate management and advisory
*深圳市新旭供應鏈企業管理有限公司	14 December 2023	PRC	Limited liability	RMB50,000,000 (2024: RMB50,000,000)	100%	100%	Inactive

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

30. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiaries	Date of incorporation/ establishment	Place of incorporation/ establishment/ operation	Legal form	Issued and fully paid-up share capital/ registered capital	Proportion of ownership interests/voting power held by the Company		Principal activities
					2025	2024	
*深圳市新達功能紡織有限公司	14 December 2023	PRC	Limited liability	RMB50,000,000 (2024:RMB50,000,000)	100%	100%	Sale and production of textile products
*深圳市新達农业高科技有限公司	13 December 2023	PRC	Limited liability	RMB50,000,000 (2024: RMB50,000,000)	100%	100%	Inactive
*深圳市冠晟通科技 有限公司	7 June 2016	PRC	Limited liability	RMB100,000 (2024: Nil)	90%	Nil	Network information security services

* These companies were established in the PRC as wholly foreign owned enterprises

This company was established in the PRC as a foreign owned enterprise.

None of the subsidiaries had issued any debt securities at the end of the year. As at 31 December 2025, the bank and cash balances of the Group' subsidiaries in the PRC denominated in RMB amounted to approximately RMB15,181,000 (2024: approximately RMB12,358,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

31. SHARE OPTION SCHEME

A share option scheme was adopted and approved by the then shareholders of the Company on 24 June 2017 (the "**Share Option Scheme**") and will remain in force for 10 years after its adoption. The terms of the Share Option Scheme are in accordance with Chapter 23 of the GEM Listing Rules. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. For other principal terms of the Share Option Scheme are summarised in the paragraph headed "D. Share Option Scheme" in Appendix IV to the Company's Prospectus dated 30 June 2017.

On 26 March 2024, the Company granted 80,000,000 share options ("**Share Options**") to individuals under the Share Option Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

31. SHARE OPTION SCHEME (Continued)

Details of the Share Options granted during the year is as follows:

Name of Grantees	Grant Director	Grant Date	Exercise Price	Exercise Period	Vesting Date	Balance as at 1 January 2024	Number of Share Options granted during the Year	Balance as at 31 December 2024 and 1 January 2025	Number of Share Options granted during the Year	Number of Share Options exercised during the Year	Number of Share Options cancelled or lapsed during the Year	Balance as at 31 December 2025
Directors	Ms. Sha Xuanyi	26 March 2024	HK\$0.1	From 26 March 2025 to 25 March 2026	26 March 2025	-	950,000	950,000	-	-	-	950,000
Directors	Mr. Li Rongsheng	26 March 2024	HK\$0.1	From 26 March 2025 to 25 March 2026	26 March 2025	-	9,500,000	9,500,000	-	-	-	9,500,000
Other 17 employees	-	26 March 2024	HK\$0.1	From 26 March 2025 to 25 March 2026	26 March 2025	-	69,550,000	69,550,000	-	(2,000,000)	-	67,550,000
Total						-	80,000,000	80,000,000	-	(2,000,000)	-	78,000,000

The closing price of the Shares on the Stock Exchange was HK\$0.094 per Share on 26 March 2024 as the date of grant and HK\$0.093 per Share on 25 March 2024, being the date immediately before the date of grant. The Share Options granted on 26 March 2024 were not subject to any specific performance target. The fair value of the Share Options granted on 26 March 2024 was approximately RMB2,869,000 which was recognised as share based payment expense in the consolidated profit or loss during the year ended 31 December 2024.

These fair values were calculated using the Binomial Option Pricing Model. The inputs into the model were as follows:

	2024
Weighted average share price	HK\$0.094
Exercise price	HK\$0.100
Expected volatility	98.51%
Expected life	2 years
Risk-free rate	3.65%
Expected dividend yield	0.00%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 8 years.

The number of Share which may be issued by exercising the outstanding Share Options as at 31 December 2025 was 78,000,000 (2024: 80,000,000) Shares which represent approximately 6.36% (2024: 7.84%) of the number of issued Shares. Save for the exercise of 2,000,000 share options in 2025 and the grant of 80,000,000 share options on 26 March 2024, no other share options have been exercised, granted, cancelled or lapsed during the years ended 31 December 2025 and 2024.

There were no options available for grant under the share option scheme mandate as at 1 January 2025, 31 December 2025 and the date of approval of these consolidated financial statements. All share options that could be granted under the scheme mandate have been fully granted and disclosed. No unrecorded share option grants or unutilised scheme mandate exists.

As at 31 December 2025, the weighted average remaining contractual life of these outstanding share options is approximately 0.23 years (2024: 1.23 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

32. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	2025 RMB'000	2024 RMB'000
NON-CURRENT ASSET		
Investment in subsidiaries	23,519	23,429
CURRENT ASSETS		
Prepayments, deposits and other receivables	–	18
Amounts due from subsidiaries	15,392	11,520
Bank and cash balances	92	123
	15,484	11,661
CURRENT LIABILITIES		
Other payables	–	71
Amounts due to subsidiaries	1,964	2,046
	1,964	2,117
NET CURRENT ASSETS	13,520	4,544
NET ASSETS	37,039	32,973
CAPITAL AND RESERVES		
Share capital (note 27)	10,794	8,879
Reserves (note (a))	26,245	24,094
	37,039	32,973

Approved by the Board of Directors on 25 March 2026 and are signed on its behalf by:

Li Rongsheng
DIRECTOR

Lam Kai Cheong
DIRECTOR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

32. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY *(Continued)*

Notes:

(a)

	Share premium RMB'000	Share based payment reserve RMB'000	Capital reserve (note (b)) RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2024	41,488	–	48,429	(72,522)	17,395
Issuance of new shares from placing of shares	10,261	–	–	–	10,261
Share based payment expense	–	2,869	–	–	2,869
Loss and total comprehensive expense for the year	–	–	–	(6,431)	(6,431)
At 31 December 2024	51,750	2,869	48,429	(78,953)	24,094
Issuance of new shares from placing of shares	16,826	–	–	–	16,826
Issuance of new shares upon exercise of share options	239	(74)	–	–	165
Loss and total comprehensive expense for the year	–	–	–	(14,840)	(14,840)
At 31 December 2025	68,815	2,795	48,429	(93,793)	26,245

(b) Reserve arising from group reorganisation during 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

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

	Bank Borrowing RMB'000	Lease Liabilities RMB'000	Total RMB'000
As 1 January 2024	–	726	726
Repayment of lease liabilities	–	(76)	(76)
New bank loans raised	1,500	–	1,500
Repayment of bank borrowings	(120)	–	(120)
Interest expenses	36	13	49
Interest paid	(36)	(13)	(49)
At 31 December 2024 and 1 January 2025	1,380	650	2,030
Repayment of lease liabilities	–	(47)	(47)
Repayment of bank borrowings	(240)	–	(240)
Interest expenses	31	19	50
Interest paid	(31)	(19)	(50)
At 31 December 2025	1,140	603	1,743



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Total cash outflow for leases

Amounts included in the consolidated statement of cash flow for leases comprise the following:

	2025 RMB'000	2024 RMB'000
Within operating cash flows	2,037	2,343
Within financing cash flows	47	76
	2,149	2,419

These amounts relate to the following:

	2025 RMB'000	2024 RMB'000
Lease rental paid	2,149	2,419

34. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 25 March 2026.

FIVE YEARS' FINANCIAL SUMMARY

RESULTS

	2025	Year ended 31 December			
		2024	2023	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	80,376	91,706	66,323	67,251	74,414
LOSS BEFORE TAXATION	(13,638)	(8,006)	(21,401)	(6,661)	(1,327)
Income tax expense	(276)	(252)	(233)	(89)	(109)
LOSS FOR THE YEAR	(13,914)	(8,258)	(21,634)	(6,750)	(1,436)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2025	As at 31 December			
		2024	2023	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	63,896	51,754	40,460	63,914	70,385
TOTAL LIABILITIES	(24,091)	(16,951)	(12,088)	(13,774)	(13,495)
	39,805	34,803	28,372	50,140	56,890
EQUITY:					
Equity attributable to owners of the Company	39,817	34,803	28,372	50,006	56,749
Non-controlling interests	(12)	–	–	134	141
	39,805	34,803	28,372	50,140	56,890