THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **REACH NEW HOLDINGS LIMITED**, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for shares of the Company.

Reach New Holdings Limited
新達控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8471)

(1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; (2) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY ONE (1) SHARE HELD ON THE RECORD DATE AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

Placing Agent

瑞邦證券 RUIBANG

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

瓏盛資本有限公司 Draco Capital Limited

Capitalised terms used in this circular shall have the same meanings as defined in the section headed "Definitions" in this circular unless the context otherwise requires.

A letter from the Board is set out on pages 9 to 38 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 39 of this circular. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 40 to 81 of this circular.

It should be noted that the Shares will be dealt in on an ex-rights basis from Monday, 30 November 2026. Dealings in the Rights Shares in nil-paid form are expected to take place from Friday, 11 December 2026 to Friday, 18 December 2026 (both days inclusive). If the conditions of the Rights Issue are not fulfilled, any person contemplating dealing in the nil-paid Rights Shares during the period from Friday, 11 December 2026 to Friday, 18 December 2026 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers.

A notice convening the EGM to be held at Room 2502, 25th Floor, South Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong on Thursday, 26 November 2026 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event no less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

The Rights Issue will proceed on a non-underwritten basis irrespective of the acceptance of the provisionally allotted Rights Shares and is subject to fulfillment of conditions. Please refer to the section headed "Conditions of the Rights Issue" in this circular. In the event that the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders or holders of nil-paid rights together with the ES Unsold Rights Shares will be placed to independent placees on a best effort basis under the Compensatory Arrangements. Any Unsubscribed Rights Shares or ES Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and/or nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled.

This circular will remain on the "Latest Company Announcements" page of the website of the Stock Exchange at http://www.hkexnews.hk for at least 7 days from the date of its publication and on the website of the Company at www.sthl.com.hk.

4 November 2026

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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Set out below is the expected timetable for the proposed Rights Issue which is indicative only and has been prepared on the assumption that the conditions of the Rights Issue will be fulfilled.

Event	**Time and Date**
Latest time for lodging transfer documents of the Shares to qualify for attendance and voting at the EGM	4:30 p.m. on Thursday, 19 November 2026
Closure of register of members of the Company for determining the entitlement to attend and vote at the EGM (both dates inclusive)	Friday, 20 November 2026 to Thursday, 26 November 2026
Latest time for lodging proxy forms for the EGM	11:00 a.m. on Tuesday, 24 November 2026
Record date for attendance and voting at the EGM	Thursday, 26 November 2026
Expected date and time of the EGM to approve the Rights Issue	11:00 a.m. on Thursday, 26 November 2026
Announcement of the poll results of the EGM	Thursday, 26 November 2026
Register of members of the Company re-opens	Friday, 27 November 2026
Last day of dealings in Shares on a cum-rights basis	Friday, 27 November 2026
First day of dealings in Shares on an ex-rights basis	Monday, 30 November 2026
Latest time for lodging transfers of Shares in order to qualify for the Rights Issue	4:30 p.m. on Tuesday, 1 December 2026
Closure of the register of members for the Rights Issue (both dates inclusive)	Wednesday, 2 December 2026 to Tuesday, 8 December 2026
Record Date	Tuesday, 8 December 2026
Register of members of the Company re-opens	Wednesday, 9 December 2026
Prospectus Documents expected to be despatched	Wednesday, 9 December 2026
First day of dealings in nil-paid Rights Shares	Friday, 11 December 2026

Event	Time and Date
Latest time for splitting of PAL	4:00 p.m. on Tuesday, 15 December 2026
Last day of dealings in nil-paid Rights Shares	Friday, 18 December 2026
Latest time for Acceptance	4:00 p.m. on Wednesday, 23 December 2026
Announcement of the number of the Unsubscribed Rights Shares and ES Unsold Rights Shares subject to the Compensatory Arrangements	Thursday, 24 December 2026
Commencement of Placing by the Placing Agent	Monday, 28 December 2026
Latest time of Placing by the Placing Agent	6:00 p.m. on Monday, 4 January 2027
Latest time for the Rights Issue to become unconditional and Latest Time for Termination	6:00 p.m. on Wednesday, 6 January 2027
Announcement of the results of Rights Issue (including results of the Placing and the amount of the Net Gain) to be posted on the Stock Exchange's website and the Company's website	Friday, 8 January 2027
Share certificates for Rights Shares and refund cheques, if any, in respect of wholly or partially unsuccessful applications or in the event that the Rights Issue does not proceed, expected to be despatched	Monday, 11 January 2027
Expected commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Tuesday, 12 January 2027
Payment of the Net Gain (if any) to relevant No Action Shareholders (if any) or Excluded Shareholders (if any)	Monday, 1 February 2027

All times and dates stated above refer to Hong Kong local times and dates. All dates and deadlines specified in the expected timetable are indicative only and may be varied. Any changes to the expected timetable will be announced in separate announcement(s) by the Company as and when appropriate.

EFFECT OF BAD WEATHER ON LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The Latest Time for Acceptance will not take place at the time indicated above if there is a tropical cyclone warning signal no. 8 or above, or "extreme conditions" caused by super typhoons announced by the Government of Hong Kong or a "black" rainstorm warning:

(i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 23 December 2026. Instead the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or

(ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Wednesday, 23 December 2026. Instead the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on the currently scheduled date, the dates mentioned in the "Expected Timetable" above may be affected. The Company will notify the Shareholders by way of announcement(s) of any change to the expected timetable as soon as practicable.

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

"Announcement"	the announcement of the Company dated 4 September 2026 in relation to the Rights Issue
"Board"	the board of Directors
"Business Day"	any day (other than Saturday, Sunday or public holiday) on which banks are open in Hong Kong for general banking business
"CCASS"	The Central Clearing and Settlement System established and operated by HKSCC
"Companies (WUMP) Ordinance"	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company"	Reach New Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and its shares are listed on GEM (Stock Code: 8471)
"Compensatory Arrangements"	the compensatory arrangements made pursuant to Rule 10.31(1)(b) of the GEM Listing Rules as described in the paragraph headed "Procedures in respect of the Unsubscribed Rights Shares and the ES Unsold Rights Shares and the Compensatory Arrangements" in the letter from the Board of this circular
"Directors"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company to be convened to consider and approve the Increase in Authorised Share Capital and the Rights Issue
"ES Unsold Rights Shares"	the Rights Share(s) which would otherwise have been provisionally allotted to the Excluded Shareholders in nil-paid form
"Excluded Shareholder(s)"	the Overseas Shareholder(s) in respect of whom the Board, after making relevant enquiries with the legal advisers in the relevant jurisdictions, considers it necessary or expedient not to offer the Rights Shares to such Overseas Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
"GEM"	GEM operated by the Stock Exchange

"GEM Listing Committee"	has the meaning ascribed to it in the GEM Listing Rules
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"HK$" or "HKD"	Hong Kong dollar, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Increase in Authorised Share Capital"	the increase in the authorised share capital of the Company from HK$20,000,000 divided into 100,000,000 Shares of HK$0.2 each to HK$200,000,000 divided into 1,000,000,000 Shares of HK$0.2 each by the creation of an additional 900,000,000 unissued Shares of HK$0.2 each
"Independent Board Committee"	an independent board committee of the Board comprising all the independent non-executive Directors, which has been established to advise the Independent Shareholders in respect of the Rights Issue
"Independent Financial Adviser"	Draco Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue
"Independent Shareholders"	any Shareholder(s) who is(are) not required to abstain from voting on the resolution relating to the Rights Issue at the EGM under the GEM Listing Rules
"Independent Third Parties"	any individual or company not being the connected persons of the Company, independent of the Company and its connected persons and not connected with any of them or their respective associates
"Jan 2024 Placing"	the shares placing under general mandate completed on 18 January 2024
"June 2025 Placing"	the shares placing under general mandate completed on 11 June 2025
"Last Trading Day"	Friday, 4 September 2026, last trading day for the Shares on the Stock Exchange immediately before the publication of the Announcement

"Latest Practicable Date"	28 October 2026, being the latest practicable date before the printing of this circular for the purpose of ascertaining certain information contained herein
"Latest Time for Acceptance"	4:00 p.m. on Wednesday, 23 December 2026 being the latest time for acceptance of the offer of and payment for the Rights Shares
"Latest Time for Termination"	6:00 p.m. on Wednesday, 6 January 2027 or such later date as the Company and the Placing Agent may agree in writing, being the latest time to terminate the Placing Agreement
"May 2024 Placing"	the shares placing under general mandate completed on 2 May 2024
"May 2026 Placing"	the shares placing under general mandate completed on 27 May 2026
"Must Win"	Must Win Finance Company Limited (必盈財務有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
"Net Gain"	the premium paid by the Placees over the Subscription Price for the Placing Shares placed by the Placing Agent
"No Action Shareholders"	those Qualifying Shareholders who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounces, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed
"Overseas Shareholders"	the Shareholder(s) whose registered address(es) as shown in the register of members of the Company as at the close of business on the Record Date is/are outside Hong Kong
"PAL(s)"	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
"Placee(s)"	institutional, corporate or individual investor(s) procured by the Placing Agent and/or its sub-placing agents to subscribe for the Placing Shares pursuant to the Placing Agreement
"Placing"	the placing of the Placing Shares on a best effort basis by the Placing Agent and/or its sub-placing agents(s) to the Placees on the terms and conditions of the Placing Agreement

"Placing Agent"	Ruibang Securities Limited, a licensed corporation to carry on business in Type 1 regulated activity (dealing in securities) and Type 6 (advising on corporate finance) under the SFO
"Placing Agreement"	the placing agreement dated 4 September 2026 entered into between the Company and the Placing Agent in relation to the Placing
"Placing Completion Date"	Wednesday, 6 January 2027 or such other date as the Company and the Placing Agent may agree
"Placing Period"	a period commencing from the first Business Day after the date of announcement of the number of the Placing Shares, which is expected to be Monday, 28 December 2026, and ending at the 6:00 p.m. on Monday, 4 January 2027
"Placing Shares"	the Unsubscribed Rights Shares and the ES Unsold Rights Shares
"PRC"	The People's Republic of China which, for the purpose of this circular, excludes Taiwan, Hong Kong and the Macau Special Administrative Region
"Production Facilities"	The production facilities of the Group for functional garment at Hengda Yongjin Zhonghe Smart Agriculture Entrepreneurship Park in Liaohe Town, Wolong District, Nanyang City, Henan Province, the PRC (中國河南省南陽市臥龍區潦河鎮的衡達涌金中禾智慧農業創業園)
"Prospectus"	the prospectus to be issued to the Shareholders containing details of the Rights Issue
"Prospectus Documents"	the Prospectus and the PAL
"Prospectus Posting Date"	Wednesday, 9 December 2026 or such other date as the Company may determine, being the date on which the Prospectus Documents are posted to the Qualifying Shareholders and the Prospectus for information only to the Excluded Shareholders
"Qualifying Shareholders"	Shareholders, other than Excluded Shareholders, whose names appear on the register of members of the Company at the close of business on the Record Date

"Record Date"	Tuesday, 8 December 2026 or such other date as may be determined by the Company, being the date by reference to which the Shareholders' entitlements to participate in the Rights Issue will be determined
"Rights Issue"	the issue of the Rights Shares by way of rights on the basis of three (3) Rights Shares for every one (1) Share held by the Qualifying Shareholders on the Record Date at the Subscription Price
"Rights Shares"	up to 220,680,000 new Shares (assuming no change in the number of issued Shares on or before the Record Date)
"SFC"	the Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Registrar"	Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
"Shareholders"	holders of the Shares
"Shares"	ordinary shares of HK$0.2 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	the subscription price of HK$0.2 per Rights Share under the Rights Issue
"substantial shareholder(s)"	has the meaning as ascribed thereto under the GEM Listing Rules
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"Unsubscribed Rights Shares"	the Rights Shares that are not subscribed by the Qualifying Shareholders
"%"	per cent

For illustrative purpose, sums in RMB in this circular are translated to HKD at the rate of RMB1 to HK$1.17. Such exchange rate has been used for illustrative purpose only and does not constitute a representation that any amounts were or may have been exchanged at this or any rates or at all.

Reach New Holdings Limited
新達控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8471)

Executive Director:
Ms. Sha Xuanyi *(Chairlady)*
Mr. Li Rongsheng *(Chief Executive Officer)*
Mr. Lam Kai Yuen
Mr. Lam Kai Cheong

Non-executive Director:
Mr. Kok Bing Ching

Independent Non-executive Directors:
Mr. Zhu Honghai
(Lead Independent non-executive Director)
Mr. Lin Kin-Chin
Mr. Liu Mingxiao

Registered Office:
P.O. Box 1350
Regatta Office Park
Windward 3
Grand Cayman KY1-1108
Cayman Islands

Headquarters and Principal Place of Business in Hong Kong:
Room 2502, 25th Floor
South Tower, Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui East
Kowloon, Hong Kong

4 November 2026

To the Shareholders

Dear Sir/Madam,

(1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; (2) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY ONE (1) SHARE HELD ON THE RECORD DATE AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement.

The purpose of this circular is to provide you with, among other things, (i) further details of the Increase in Authorised Share Capital and the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to

the Independent Board Committee and the Independent Shareholders on the Rights Issue; and (iv) a notice convening the EGM, in order to enable you to make an informed decision on how to vote at the EGM.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As of the date of this circular, the authorised share capital of the Company is HK$20,000,000 divided into 100,000,000 Shares with par value of HK$0.2 each, of which 73,560,000 Shares have been issued and are fully paid or credited as fully paid.

The Company proposes to increase the authorised share capital of the Company from HK$20,000,000 divided into 100,000,000 Shares of HK$0.2 each to HK$200,000,000 divided into 1,000,000,000 Shares of HK$0.2 each by the creation of an additional 900,000,000 unissued Shares of HK$0.2 each. Subject to passing of an ordinary resolution by Shareholders at the EGM, the Increase in Authorised Share Capital will become effective on the date of the EGM.

In order to facilitate the Rights Issue, accommodate the future growth of the Group and to provide the Company with greater flexibility to raise funds in the future, the Board considers the Increase in Authorised Share Capital is in the interests of the Company and the Shareholders as a whole.

PROPOSED RIGHTS ISSUE

Subject to the Increase in Authorised Share Capital becoming effective, the Company proposes to raise gross proceeds of up to approximately HK$44.1 million by way of the issue of up to 220,680,000 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date), at the Subscription Price of HK$0.2 per Rights Share on the basis of three (3) Rights Shares for every one (1) Share held on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders.

The Rights Issue is not underwritten. Further details of the Rights Issue are set out below:

Issue statistics

Assuming no further change in the number of issued Shares on or before the Record Date:

Basis of Rights Issue	:	Three (3) Rights Shares for every one (1) Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK$0.2 per Rights Share

Net price per Rights Share (i.e. Subscription Price less estimated cost and expenses incurred in the Rights Issue on a per Rights Share basis)	:	HK$0.195 per Rights Share
Number of Shares in issue as at date of the Announcement	:	73,560,000 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	up to 220,680,000 Rights Shares
Aggregate nominal value of the Rights Shares	:	up to HK$44,136,000
Number of Shares in issue immediately upon completion of the Rights Issue	:	up to 294,240,000 Shares
Maximum amount of gross proceeds raised from the Rights Issue (before expenses)	:	up to approximately HK$44.1 million
Maximum amount of net proceeds raised from the Rights Issue	:	up to approximately HK$43.1 million

As at the Latest Practicable Date, the Group had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into the Shares. Assuming no change in the number of Shares in issue on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 220,680,000 Rights Shares to be issued under the Rights Issue represent (i) 300% of the total number of issued Shares as at the Latest Practicable Date; and (ii) 75% of the total number of issued Shares as enlarged by the allotment and issue of the Rights Shares.

The Company has no intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

Non-underwritten basis

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event that the Rights Issue is not fully subscribed, any Unsubscribed Rights Shares together with the ES Unsold Rights Shares will be placed to independent Placees under the Compensatory Arrangements. Any Unsubscribed Rights Shares and ES Unsold Rights Shares which are not placed under the

Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is also no statutory requirement regarding minimum subscription level in respect of the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, Shareholders who apply to take up all or part of their entitlements under the PALs may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 10.26(2) of the GEM Listing Rules.

Subscription Price

The Subscription Price is of HK$0.2 per Rights Share, payable in full by the Qualifying Shareholders upon acceptance of the relevant provisional allotment of Rights Shares or when a transferee of nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares.

The Subscription Price represents:

(i) a discount of 25.9% to the closing price of HK$0.27 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of 27.3% to the average closing price of HK$0.275 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;

(iii) a discount of 8.3% to the theoretical ex-rights price of HK$0.2175 per Share based on the closing price of HK$0.27 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iv) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of 20.5% represented by the theoretical diluted price of HK$0.21875 per Share to the benchmarked price (as defined under Rule 10.44A of the GEM Listing Rules) of HK$0.275 per Share;

(v) a discount of 69.2% to the unaudited net asset value per Share of HK$0.649 (based on the unaudited consolidated net asset value of the Group of approximately HK$47.7 million as at 30 June 2026 and 73,560,000 Shares in issue as at the Latest Practicable Date); and

(vi) a discount of 19.4% to the closing price of HK$0.248 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of Rights Shares will be approximately HK$0.195 per Rights Share (assuming no change in the number of Shares in issue on or before the Record Date).

The Subscription Price was determined with reference to (i) the market price of the Shares under the prevailing market conditions; (ii) the prevailing market conditions of the capital market in Hong Kong; (iii) the latest business performance and financial position of the Group; and (iv) the reasons for and benefits of the Rights Issue as discussed in the section headed "Reasons for and benefits of the Rights Issue and use of proceeds" in this Circular.

The Board has noted the relatively large discount mentioned in (v) above. Nevertheless, given the pre-emptive nature of the Rights Issue and taking into account of the fact that the Shares were traded at a discount to the net asset value attributable to the Shareholders per Share for the three months preceding the Last Trading Day ranging from approximately 19.9% to 59.2%, with an average of approximately 45.2%, the Board is of the view that the net asset value per Share may not be a meaningful reference to determine the Subscription Price.

The Directors consider that the discount of the Subscription Price would encourage Shareholders to participate in the Rights Issue and accordingly maintain their shareholdings in the Company and participate in the future growth and development of the Group. After taking into consideration the reasons for the Rights Issue as stated in the section headed "Reasons for and benefits of the Rights Issue and use of proceeds" below, the Board (excluding the members of the Independent Board Committee whose opinion will be rendered after considering the advice from the Independent Financial Adviser) considers that the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Basis of provisional allotment

The basis of the provisional allotment shall be three (3) Rights Shares for every one Share held by the Qualifying Shareholders as at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Prospectus Documents.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing a PAL and lodging the same with a remittance for the Rights Shares being applied for with the Share Registrar on or before the Latest Time for Acceptance.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company and not be an Excluded Shareholder on the Record Date. In order to be registered as a member of the Company on the Record Date, Shareholders must lodge the relevant documents for transfer of Shares (with the relevant share certificates) with the Share Registrar at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:30 p.m. on Tuesday, 1 December 2026.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. For Shareholders whose Shares are held by a nominee (or held in CCASS) and would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Share Registrar for registration no later than 4:30 p.m. on Tuesday, 1 December 2026.

It is expected that the last day of dealings in the Shares on a cum-rights basis is Friday, 27 November 2026 and the Shares will be dealt with on an ex-rights basis from Monday, 30 November 2026.

Subject to the fulfilment of certain conditions of the Rights Issue, the Company will despatch the Prospectus Documents containing, among other matters, details of the Rights Issue, to the Qualifying Shareholders on the Prospectus Posting Date.

Qualifying Shareholders who take up their pro-rata entitlement in full will not suffer any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements).

Qualifying Shareholders who do not fully take up the Rights Shares to which they are entitled and Excluded Shareholders should note that their proportionate shareholdings in the Company will be diluted.

Rights of Overseas Shareholders

If, at the close of business on the Record Date, a Shareholder's address on the Company's register of members is in a place outside Hong Kong, such Shareholder may not be eligible to take part in the Rights Issue. The Prospectus Documents to be despatched in connection with the Rights Issue will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong.

As at the Latest Practicable Date, according to the register of members of the Company, there were two Overseas Shareholders with registered addresses in the PRC, holding in aggregate 1,375,000 Shares, representing approximately 1.87% of the issued share capital of the Company.

The Board notes the requirements specified in Rule 17.41(1) of the GEM Listing Rules and will make enquiries in the relevant jurisdictions as to the feasibility of extending the Rights Issue to the Overseas Shareholders (if any). If, after making such enquiries, the Board is of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirements of the relevant regulatory body or stock exchange in that place, not to offer the Rights Shares to the relevant Overseas Shareholders, no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, such Overseas Shareholders will become Excluded Shareholders and the Rights Issue will not be extended to them. The Company will, to the extent permitted under the relevant laws and regulations and reasonably practicable, send the Prospectus to the Excluded Shareholders for information purposes only but will not send any PAL to them.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and before the last day for dealing in the nil-paid Rights Shares, if a premium (net of expenses) can be obtained. Any net proceeds of sale thereof, after deduction of expenses, will be paid in Hong Kong dollars to the Excluded Shareholders pro rata to their respective entitlements as at the close of business on the Record Date, provided that if any of such persons would be entitled to a sum not exceeding HK$100, such sum will be retained by the Company for its own benefit.

Any such ES Unsold Rights Shares to which such Excluded Shareholders would otherwise have been entitled will be placed by the Placing Agent to the Placees at the price at least equal to the Subscription Price under the Placing.

Overseas Shareholders should note that they may or may not be eligible to take part in the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 17.41(1) of the Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects among themselves and with the Shares in issue at the time. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid by the Company after the date of allotment and issue of the fully-paid Rights Shares.

Fractional entitlement to the Rights Shares

The Company will not provisionally allot fractions of Rights Shares in nil-paid form to the Qualifying Shareholders. All fractions of Rights Shares will be aggregated (and rounded down to the nearest whole number of a Share) and all nil-paid Rights Shares arising from such aggregation will be sold in the market for the benefit of the Company if a premium (net of expenses) can be achieved.

Procedures in respect of the Unsubscribed Rights Shares and the ES Unsold Rights Shares and the Compensatory Arrangements

According to Rule 10.31(1)(b) of the GEM Listing Rule, the Company will make Compensatory Arrangements to dispose of the Unsubscribed Rights Shares and the ES Unsold Rights Shares (i.e. Placing Shares) by offering the Placing Shares to independent placees for the benefit of the relevant No Action Shareholders and Excluded Shareholders. As the Compensatory Arrangements are in place, there will be no excess application arrangements in relation to the Rights Issue.

Accordingly, on 4 September 2026 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Company has appointed the Placing Agent to place the Placing Shares during the Placing Period to Placee(s) who and whose ultimate beneficial owner(s) are Independent Third

Party(ies) on a best efforts basis. Any premium over the Subscription Price that is realised will be paid to the No Action Shareholders and the Excluded Shareholders on a pro-rata basis. Any Placing Shares which are not placed under the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Net Gain (if any but rounded down to the nearest cent) will be paid (without interest) on a pro-rata basis to the relevant No Action Shareholders and Excluded Shareholders as set out below:

(i) for No Action Shareholders, the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for; and

(ii) for Excluded Shareholders, the relevant Excluded Shareholders whose name and address appeared on the register of members of the Company on the Record Date with reference to their shareholdings in the Company on the Record Date.

If and to the extent in respect of any Net Gain, any No Action Shareholders or Excluded Shareholders become entitled on the basis described above to an amount of (i) more than HK$100, the entire amount will be paid to the relevant No Action Shareholders or Excluded Shareholders in Hong Kong Dollars only; or (ii) HK$100 or less, such amount will be retained by the Company for its own benefit.

Shareholders are reminded that Net Gain may or may not be realised and, accordingly, the No Action Shareholders and the Excluded Shareholders may or may not receive any Net Gain.

PLACING AGREEMENT

On 4 September 2026 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed as agent of the Company (either by itself or through its sub-placing agents) to procure independent Placees, on a best effort basis, to subscribe for the Placing Shares. Details of the Placing are as follows:

Date	:	4 September 2026
Parties	:	(i) the Company, as issuer; and (ii) the Placing Agent
Placing Agent	:	Ruibang Securities Limited was appointed as the Placing Agent to procure, on a best effort basis, Placees to subscribe for the Placing Shares during the Placing Period. The Placing Agent confirmed that it and its ultimate beneficial owner(s) are Independent Third Parties.

Placing Period	:	A period commencing from the first Business Day after the date of announcement of the number of Unsubscribed Rights Shares and the ES Unsold Rights Shares, which is expected to be Monday, 28 December 2026, and ending at the 6:00 p.m. on Monday, 4 January 2027.
Fees and expenses	:	Subject to completion of the Placing, the Company shall pay to the Placing Agent a placing commission of 1.4% of the actual gross proceeds from the subscription of the Placing Shares (i.e. amount which is equal to the placing price multiplied by the Placing Shares that are successfully placed by the Placing Agent) and reimbursed for the expenses in relation to the Placing, which the Placing Agent is authorized to deduct from the payment to be made by the Placing Agent to the Company at completion of the Placing.
Placing price of the Placing Shares	:	The placing price of the Placing Shares shall be not less than the Subscription Price. The final price shall be determined by the Placing Agent based on the demand for and the market conditions of the Placing Shares during the placing.
Placees	:	The Placing Shares shall only be offered to institutional, corporate or individual investor(s) who and whose ultimate beneficial owner(s) shall be Independent Third Parties, such that: (i) the Placing will not have any implication under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing; and (ii) the Placing will not result in the Company incapable of complying with the public float requirements under the GEM Listing Rules immediately following the Placing.
Ranking of the Unsubscribed Rights Shares and ES Unsold Rights Shares	:	The placed Placing Shares (when allotted, issued and fully-paid, if any) shall rank *pari passu* in all respects among themselves and with the existing Shares in issue as at the date of completion of the Rights Issue.

Termination : The Placing Period shall end at 6:00 p.m. on Monday, 4 January 2027 or any other date by mutual agreement between the Placing Agent and the Company.

The Placing Agent may terminate the Placing Agreement by notice in writing given to the Company at any time prior to Wednesday, 6 January 2027 (or any other date any mutually agreed between the Company and the Placing Agent) upon the occurrence of the following events which, in the reasonable opinion of the Placing Agent, to be material in the context of the Placing or has or may have a material adverse effect on the business or financial conditions or prospects of the Group or the success of the Placing or the full placement of all of the Placing Shares or has or may otherwise make it inappropriate, inadvisable or inexpedient to proceed with the Placing on the terms and in the manner contemplated in the Placing Agreement if there develops, occurs or comes into force:

(i) the Company fails to comply with its material obligations under the Placing Agreement;

(ii) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date of the Placing Agreement) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or which may result in a change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the Placing Agent's reasonable opinion would materially and adversely affect the success of the Placing; or

(iii) any of the warranties of the Company under the Placing Agreement is not, or has ceased to be, true, accurate and not misleading in material respect by reference to the facts subsisting at the time.

If notice of termination is given by the Placing Agent, the Placing Agreement shall be terminated and be of no further effect and neither party shall be under any liability to the other party in respect of the Placing Agreement save for any antecedent breach under the Placing Agreement prior to such termination.

Conditions precedent	:	The Placing is subject to and conditional upon: (i) passing by the Independent Shareholders at the general meeting of the Company of the necessary resolution(s) to approve the Rights Issue; (ii) the GEM Listing Committee having granted the listing of, and permission to deal in, the Rights Shares; and (iii) the Company having obtained all necessary consents and approvals for allotting and issuing the Rights Shares. None of the above conditions are capable of being waived.
Placing Completion Date	:	Wednesday, 6 January 2027 or such other date as the Company and the Placing Agent may agree in writing.

The terms of the Placing Agreement (including the placing fee) were determined after arm's length negotiation between the Placing Agent and the Company with reference to the size of the Rights Issue, and the market conditions. The Board considers the terms of the Placing for the Placing Shares (including the commission payable) are on normal commercial terms and are fair and reasonable.

As explained above, the Placing Shares will be placed by the Placing Agent to independent Placees on a best effort basis for the benefits of the No Action Shareholders and Excluded Shareholders. If all or any of the Placing Shares are successfully placed, any premium over the Subscription Price will be distributed to the relevant No Action Shareholders and Excluded Shareholders.

Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the ES Unsold Rights Shares; and (ii) a compensatory mechanism for No Action Shareholders and the Excluded Shareholders, the Board considers that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders.

Application for listing of the Rights Shares

The Company will apply to the GEM Listing Committee for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue. The nil-paid and fully-paid Rights Shares shall have the same board lot size as the Shares, i.e. 10,000 Shares in one board lot. No part of the share capital of the Company is listed or dealt in or on which listing or permission to deal in is being or is proposed to be sought on any other stock exchange.

Eligibility for admission into CCASS

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Stamp duty and other applicable fees

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to payment of stamp duty, Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

Taxation

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Overseas Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

Share certificates and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, (i) share certificates for all fully paid Rights Shares and (ii) refund cheques in respect of wholly or partially unsuccessful applications for Rights Shares (if any) are expected to be posted to those entitled thereto by ordinary post to their registered address, at their own risks, on or before Monday, 11 January 2027.

Conditions of the Rights Issue

The Rights Issue is conditional upon:

(i) the Increase in Authorised Share Capital becoming effective;

(ii) the passing by the Independent Shareholders at the EGM of the resolution to approve the Rights Issue by no later than the Prospectus Posting Date;

(iii) the GEM Listing Committee granting or agreeing to grant and not having withdrawn or revoked the listing of, and permission to deal in, all the Rights Shares (in their nil-paid and fully-paid forms);

(iv) the delivery to the Stock Exchange and filing and registration with the Registrar of Companies in Hong Kong no later than the Prospectus Posting Date of Prospectus Documents in compliance with the Companies (WUMP) Ordinance and otherwise complying with the requirements of the Companies (WUMP) Ordinance, the Companies Ordinance and the GEM Listing Rules;

(v) the posting of the Prospectus Documents to Qualifying Shareholders; and

(vi) the Placing Agreement not being terminated.

None of the above conditions can be waived. The Company shall use its reasonable endeavours to procure the fulfilment of the conditions above (to the extent it is within its power to do so) and shall do all the things required to be done by it pursuant to the Prospectus Documents or otherwise reasonably necessary to give effect to the Rights Issue. If any of the conditions referred to above are not fulfilled at or before the Latest Time for Termination, the Rights Issue will not proceed.

As at the Latest Practicable Date, none of the above conditions has been fulfilled.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 2 December 2026 to Tuesday, 8 December 2026 (both dates inclusive) for the purpose of determining entitlements to the Rights Issue. No transfer of Shares will be registered during the above book closure period.

REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS

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 its customers in the PRC.

One of the subsidiaries of the Company has obtained a money lending licence in Hong Kong to open up a new business of money lending in Hong Kong. Developing the new business of money lending in Hong Kong represents a step of the Company to actively explore new business opportunities with a view to diversify the income stream of the Group.

The maximum net proceeds from the Rights Issue after deducting the expenses are estimated to be approximately HK$43.1 million (assuming no change in the number of Shares in issue on or before the Record Date). The Company intends to apply the net proceeds from the Rights Issue as to (i) approximately HK$16.9 million (or approximately 39.2%) will be

used for construction, renovation and development of Production Facilities of the functional garment of the Group in Nanyang City, Henan Province of the PRC; (ii) approximately HK$8.3 million (or approximately 19.3%) will be used for acquisition of the machineries and equipment for the Production Facilities for manufacturing functional garment; (iii) approximately HK$6.0 million (or approximately 13.9%) will be used for the start-up capital of the Production Facilities, including employment of new employees and workers and purchasing raw materials for functional garment; (iv) approximately HK$7.6 million (or approximately 17.6%) will be used for capital injection to the money lending business as the loan principal; and (v) approximately HK$4.3 million (or approximately 10.0%) will be used for general working capital of the Group.

In addition, the Directors are of the view that (i) the interest rates for debt financing may remain high in the medium term; and (ii) it is difficult and time consuming for the Group to liaise with banks to obtain new/additional loan facilities for the Group as banks in Hong Kong or in the PRC have become more prudent in lending amid the worsened prospects of the Hong Kong and global economy, the Rights Issue could enhance the Group's cash flow position to accommodate the liquidity needs for the Group's business operations and development without increasing its gearing ratio and finance costs.

As the Rights Issue will be on a non-underwritten basis, the actual amount of the net proceeds cannot be ascertained at this moment. In the event that the Rights Issue is undersubscribed, the above use of proceeds will be adjusted by the Company accordingly and the net proceeds from the Rights Issue are expected to be utilised with proportional reductions in the same usage scenarios as above.

The Board considers it is prudent to finance the Group's long term growth by long term financing, preferably in the form of equity which will not increase the Group's finance costs. The Directors have also considered other fund-raising alternatives available before resolving to the Rights Issue, including but not limited to debt financing, placing and open offer. Debt financing will result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations. In addition, debt financing may not be achievable on favourable terms in a timely manner. As for placing of new Shares, it is relatively smaller in scale as compared to fund raising through rights issue and it would lead to immediate dilution in the shareholding interest of the existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, which is not the intention of the Company. As for open offer, while it is similar to a rights issue, offering qualifying shareholders to participate, it does not allow free trading of rights entitlements in the open market unlike a rights issue, which would allow Shareholders to have more flexibility in dealing with the Shares and the nil-paid rights attaching thereto.

It is considered that the Rights Issue would give the Qualifying Shareholders an equal opportunity to participate in the growth of the Group. Given it is pre-emptive in nature, it allows Qualifying Shareholders to maintain their proportional shareholdings in the Company through participation in the Rights Issue. The Rights Issue also allows the Qualifying Shareholders to (a) increase their respective shareholding interests in the Company by acquiring additional rights entitlement in the open market (subject to the availability); or (b) reduce their respective shareholding interests in the Company by disposing of their rights entitlements in the open market (subject to the market demand). Further, the Rights Issue will enable the Group to strengthen its capital base and to enhance its financial position without

increasing its debt or finance costs. Accordingly, the Board (including the members of the Independent Board Committee) considers that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

CHANGE IN SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company, assuming no further change in the number of issued Shares before completion of the Rights Issue other than the allotment and issue of the Rights Shares, (i) as at the Latest Practicable Date; (ii) immediately upon completion of Rights Issue assuming full acceptance of Rights Shares by existing Shareholders; and (iii) immediately upon completion of Rights Issue assuming nil acceptance of Rights Shares by Qualifying Shareholders and all the Placing Shares having been placed by Placing Agent:

Name of Shareholders	**As at the Latest Practicable Date**		**Immediately upon completion of Rights Issue assuming full acceptance of Rights Shares by existing Shareholders**		**Immediately upon completion of Rights Issue assuming nil acceptance of Rights Shares by Qualifying Shareholders and all the Placing Shares having been placed by Placing Agent**	
	Number of Shares	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*
Mr. Li Rongsheng	4,500,000	6.12%	18,000,000	6.12%	4,500,000	1.53%
Ms. Sha Xuanyi	6,620,000	9.00%	26,480,000	9.00%	6,620,000	2.25%
Public Shareholders						
Independent Placees	—	—	—	—	220,680,000	75%
Other public Shareholders	62,440,000	84.88%	249,760,000	84.88%	62,440,000	21.22%
	73,560,000	100.00%	294,240,000	100.00%	294,240,000	100.00%

As at the date of this circular, the Company does not hold any treasury Shares (as defined under the GEM Listing Rules) and the Company has no intention to undertake any repurchase of Shares from the Latest Practicable Date until the completion of the Rights Issue.

EQUITY FUNDRAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has conducted the following equity fund raising activity during the twelve months immediately preceding the date of the Announcement:

Date of Announcement	Event	Net proceeds raised (Approximately)	Proposed use of proceeds		Actual use of proceeds as at the Latest Practicable Date
5 May 2026	May 2026 Placing	HK$4.7 million	(i)	approximately HK$2.6 million for development and expansion of the money lending business of the Group in Hong Kong	Approximately HK$0.4 million for development and expansion of the money lending business of the Group in Hong Kong
			(ii)	approximately HK$1.0 million for salary and staff costs for the lending business	The allocated net proceeds remain unutilised
			(iii)	approximately HK$0.3 million for development of IT application for the lending business	The allocated net proceeds remain unutilised
			(iv)	remaining balance of approximately HK$0.8 million for upfront setup costs and marketing costs for the lending business	HK$0.2 million for upfront setup costs and marketing costs for the lending business

Save as disclosed above, the Company has not conducted any equity fund raising activities during the past twelve months immediately preceding the date of the Announcement.

USE OF PROCEEDS FROM PREVIOUS PLACINGS

The Board has carefully assessed the Group's liquidity position and considers that, notwithstanding the bank and cash balances of approximately RMB18.0 million as at 30 June 2026, the Company has funding needs to conduct the Rights Issue. In reaching this view, the Board has taken into account, among other things, the following factors:

1. a substantial portion of the Group's existing cash balances has been allocated and reserved for the specific intended uses of the unutilised net proceeds from previous placings. As at 30 June 2026, the unutilised net proceeds from previous placings amount to approximately HK$17.3 million; and

2. the Company is required to retain sufficient working capital to support its operation and business development.

As at the Latest Practicable Date, the aggregate unutilised net proceeds from the placings completed from 2020 until the Latest Practicable Date (the "**Previous Placings**") amounted to approximately HK$17.3 million. Details are set out below:

Intended use of the net proceeds from the Previous Placings	**Date of completion of the placing**	**Unutilised net proceeds as at the Latest Practicable Date** *(HK$'million)*	**Expected timeline for the intended use**	**Reasons for delay in application of the net proceeds**
Investment in information technology companies or projects	13 May 2020	5.0	December 2027	The Company has been proactively identifying suitable information technology companies or projects for potential investment. The Company sourced and reviewed potential targets through agency consultants, business contacts and market referrals. However, after preliminary due diligence and commercial evaluation, the Board considered that the potential targets identified to date did not demonstrate satisfactory commercial prospects, investment returns or strategic value to the Group. Accordingly, the Company decided not to proceed with such investments in order to avoid applying the proceeds to investments which may not be in the interests of the Company and its shareholders as a whole. The Company will continue to identify suitable information technology companies or projects which meet the Group's investment criteria.

Intended use of the net proceeds from the Previous Placings	Date of completion of the placing	Unutilised net proceeds as at the Latest Practicable Date *(HK$'million)*	Expected timeline for the intended use	Reasons for delay in application of the net proceeds
Acquisition of machineries for manufacture and processing of functional garment	18 January 2024	2.3	December 2027	The Company has been negotiating with machinery suppliers in Henan Province, the PRC, in relation to the proposed acquisition of machineries for the manufacture and processing of functional garment. The delay was mainly due to the additional time required for the Company to assess the production capacity, technical specifications, compatibility, pricing and suitability of the relevant machineries for the Group's planned functional garment production. As the selection of machineries would affect the production efficiency, product quality and subsequent procurement of raw materials, the Group took a longer time to finalise the potential acquisition of the relevant machineries and equipment until the relevant technical and commercial assessment being completed.
Purchasing raw materials and semi-finished products for further processing at the Group's production plant	18 January 2024	1.5	December 2027	As the Company has not yet finalised the proposed acquisition of the relevant machineries, it has not proceeded with the bulk purchase of raw materials and semi-finished products. Accordingly, the Company will proceed with the purchase of raw materials and semi-finished products after the relevant machinery acquisition plan has been finalised.
Marketing and developing online sales channels of the functional garment	2 May 2024	2.2	December 2027	The Company has been identifying and evaluating suitable online sales channels and live-streaming platforms for advertisement and marketing of functional garments. And similar to the above, the utilisation of these proceeds depends on commercialisation of production of the functional garment.

Intended use of the net proceeds from the Previous Placings	Date of completion of the placing	Unutilised net proceeds as at the Latest Practicable Date *(HK$'million)*	Expected timeline for the intended use	Reasons for delay in application of the net proceeds
Investment and development of production facilities as the base for research and development and manufacturing of the functional garment	11 June 2025	2.2	December 2027	The Company has been developing its production facilities for research and development and manufacturing of the functional garment. The Company will continue to apply the proceeds progressively as the development of the functional garment business advances.
(i) development and expansion of the money lending business (i.e., as the initial lending capital and/or loan principal for the operation of the proposed money lending business) of the Group in Hong Kong; (ii) salary and staff costs for the lending business; (iii) development of IT application for the lending business; and (iv) upfront setup costs and marketing costs for the lending business.	27 May 2026	4.1	December 2026	N/A
Total		**17.3**		

Development of the Functional Garment Business

Business Plan of Functional Garment Business

Since 2024, the Group has expanded its business into production and trading of functional garment in the PRC, which includes bed sheets, pillowcases and clothes, which employs mugwort (艾草) as part of the raw material in the fabrics, with mugwort believed to have the function of calming one's mind and enhancing blood circulation in Chinese medicine theory. Since 2024, the Group has commenced in business-to-consumer ("**B-to-C**") business of functional garment by cooperating with e-commerce platforms and social media platforms. As the Company considers the business of functional garment of the Group will further develop, it has been the Group's plan to expand its production capacity and capabilities of functional garment by developing the Production Facilities in order to cater for the future increase in business. The Production Facilities are designed to manufacture and produce fabric, textile and garment products from mugwort, which includes bedding, such as bed sheets, blankets, pillowcases, and apparel items such as clothes, scarf and shawl, etc.

In order to develop the functional garment business, on 18 December 2025, the Group signed an equity transfer agreement with an independent third party 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**"), a company established in the PRC with limited liability. Hengda Yongjin was the owner of the land of the Production Facilities. By acquiring 24% equity interest in Hengda Yongjin, the Group gained partial control over the production facilities of Hengda Yongjin for the long term development of functional garment business of the Group.

As at the Latest Practicable Date, the Group has taken possession of the factory premises of the Production Facilities. The remodelling and renovation work of the Production Facilities is currently subject to the building and construction approvals from the relevant government authority, which caused a delay in the application of the net proceeds from previous fund-raising activities allocated for such purpose. The Company does not expect any material impediments for obtaining the building and construction approvals. As such, after careful consideration by the Board, the business plan and implementation timetable of the functional garment business is as follows:

Business Plan/Implementation steps			Expected Timeline	Dependencies and concurrent activities
Investment and development of production facilities as the base for research and development and manufacturing of the functional garment	(1)	Finalise the renovation design and obtain approvals required for the use of the Production Facilities	By June 2027	Renovation design, contractor selection and machinery technical assessment may proceed concurrently. Construction and renovation works requiring approval will commence only after the relevant approvals for the use of Production Facilities have been obtained. The approval process for such works has been delayed by adjustments to the planning framework applicable to the park in which the Production Facilities are located. Completion of these adjustments to the planning framework is a prerequisite for obtaining the approvals required for the construction and renovation of the Production Facilities. The Company understands that these planning adjustments have been approved at the provincial level, while the related local approvals remain outstanding. The Company expects the approvals required for the construction and renovation of the Production Facilities to be obtained by June 2027.

Business Plan/Implementation steps			Expected Timeline	Dependencies and concurrent activities
	(2)	Complete the remodelling and renovation of the Production Facilities, including the relevant building services and workshop infrastructure	By September 2027	Subject to obtaining the approvals required for the use of Production Facilities. Machinery specification assessment, supplier selection and ordering may proceed concurrently with renovation.
	(3)	Potential further acquisition of 27% equity interest in Hengda Yongjin for expanding the Production Facilities	By December 2027	Preliminary assessment, due diligence and negotiations may proceed concurrently with the development of the Production Facilities. Any further acquisition will be subject to satisfactory due diligence, the acquisition terms, availability of funding and satisfaction of any applicable regulatory requirements.
Acquisition of machineries for manufacture and processing of functional garment	(1)	Finalise machinery specifications, select suppliers and place orders for machinery and equipment for the manufacture and processing of functional garments	By June 2027	May proceed concurrently with remodelling and renovation of the Production Facilities
	(2)	Complete machinery acquisition, delivery, installation, testing and commissioning	July–December 2027	Delivery and installation will be coordinated with completion of the relevant production areas and supporting infrastructure. Installation will commence only when those areas and infrastructure are ready. Testing and commissioning must be completed before trial production.
Recruit and train production personnel			September–November 2027	Recruitment may proceed concurrently with machinery installation. Training will be coordinated with machinery testing and commissioning and the trial-production schedule.

Business Plan/Implementation steps			Expected Timeline	Dependencies and concurrent activities
Purchasing raw materials and semi-finished products for further processing at the Group's production plant			October–December 2027	Procurement will follow confirmation of machinery specifications and material compatibility and will be coordinated with the commissioning and trial-production schedule. Bulk procurement for commercial production will be aligned with the expected production requirements.
Marketing and developing online sales channels of the functional garment			October–December 2027	Selection of online-sales channels and live-streaming platforms, preparation of promotional materials and development of sales arrangements may proceed concurrently with machinery commissioning and trial-production preparations. The commercial launch will be coordinated with product availability.
Complete trial production and commence commercial production	(1)	Trial production	November–December 2027	Trial production is subject to machinery commissioning, availability of trained personnel and suitable raw materials. Commercial production will commence after satisfactory trial production.
	(2)	Commence commercial production	first half of financial year 2028	

Expected Capital Expenditure of Functional Garment Business

The Directors estimated that total expected capital expenditure required for the establishment and development of the functional garment business is approximately HK$56.1 million, details of which are set out as follows:

		Investment and development of production facilities as the base for research and development and manufacturing of the functional garment	**Acquisition of machineries for manufacture and processing of functional garment**	**Purchasing raw materials and semi-finished products for further processing at the Group's production plant**	**Marketing and developing online sales channels of the functional garment**
(1)	Jan 2024 Placing	3.1	2.3	1.5	—
(2)	May 2024 Placing	—	—	—	3.0
(3)	June 2025 Placing	15.0	—	—	—
(4)	**Total proceeds from Previous Placings**	**18.1**	**2.3**	**1.5**	**3.0**
(5)	**Proceeds from the proposed Rights Issue**	**16.9**	**8.3**	**6.0**	**—**
Total expected capital expenditure ((4) + (5))		**35.0**	**10.6**	**7.5**	**3.0**
(6)	Proceeds utilised as at the Latest Practicable Date	(15.9)	—	—	(0.8)

Note:

All amounts are in HK$ million.

Total expected capital expenditure for investment and development of production facilities as the base for research and development and manufacturing of the functional garment is in the amount of approximately HK$35.0 million. The breakdown of the details is set out below:

Items	**Amount** *(HK$ million)*
Construction, renovation and development of the Production Facilities	6.1
Acquisition of 24% equity interest in Hengda Yongjin in 2025 *(Note 1)*	13.6
Potential further acquisition of 27% equity interest in Hengda Yongjin *(Note 2)*	15.3
Total	**35.0**

Notes:

1. The total consideration of the acquisition of 24% equity interest in Hengda Yongjin was RMB11.6 million, equivalent to approximately HK$13.6 million based on the exchange rate of RMB1 = HK$1.17.

2. The estimated consideration is calculated on a pro rata basis by reference to the consideration for the previous acquisition of a 24% equity interest in Hengda Yongjin.

STATUS OF THE MONEY LENDING BUSINESS

As disclosed in the Company's annual report for the year ended 31 December 2025, the Group is principally engaged in the production and supply of garment accessories, provision of labelling solutions and provision of information technology services. The Group has also expanded into the production and trading of functional garments in the PRC.

The Board notes that the Group's traditional garment accessories business continued to face challenging market conditions during the year ended 31 December 2025, including keen price competition, increasing operating costs, cost reduction measures adopted by customers, trade protectionism and intensifying trade frictions between the PRC and the United States. 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, and its gross profit decreased by approximately 21.6% from approximately RMB25.5 million to approximately RMB20.0 million. The Group also recorded a loss for the year of approximately RMB13.9 million for the year ended 31 December 2025.

In light of the above, as disclosed in the Company's announcement dated 19 May 2026 the Board considered it prudent for the Group to explore suitable new business opportunities to diversify its revenue sources and reduce reliance on its existing principal businesses. This is consistent with the Group's disclosed business strategy of exploring other business opportunities for broadening its income streams and maximising returns to shareholders in the long run.

The Board considers that the money lending business may, if operated on a prudent and properly controlled basis, provide the Group with an additional source of interest income and recurring cash flow. The Board also considers that the relevant experience of certain Directors in the banking, financial services and related sectors would be beneficial to the Company in assessing and developing the proposed money lending business.

In this connection, Must Win, the wholly-owned indirect subsidiary of the Company, has obtained a money lenders licence under the Money Lenders Ordinance (Cap. 163 of the Laws of Hong Kong) on 7 May 2026.

The Group, through Must Win, currently intends to offer unsecured loans, secured loans excluding mortgage loans, and property mortgage loans. The target customers will include individual and corporate borrowers in Hong Kong. The target individual borrowers will mainly comprise high-income professionals, executives and business owners in the financial and technology sectors, with annual income generally ranging from approximately HK$300,000 to HK$3,000,000 depending on the type of loan product, while the target corporate borrowers will mainly comprise small and medium-sized enterprises in the technology, media and professional services sectors. The expected interest rates of the loans will range from approximately 10% to 30%, depending on the type of loan product and the risk assessment of the relevant borrower.

The Group intends to source customers primarily through referrals from its shareholders and their respective business networks, while all loan applications, regardless of the source of referral, will be subject to Must Win's independent credit assessment and approval procedures.

Latest Business Status of Must Win

As at the Latest Practicable Date, Must Win has commenced its business for carrying on money lending business in accordance with the proposed use of proceeds set out in the supplemental announcement of the Company dated 19 May 2026.

Ms. Sha Xuanyi ("**Ms. Sha**"), executive Director and the chairlady of the Company, and Mr. Kok Bing Ching ("**Mr. Kok**"), a non-executive Director, have been assigned to manage Must Win. Mr. Kok now serves as the chief executive officer of Must Win. Together with a chief financial officer, who will be assigned from a subsidiary of the Group, three additional business staff members have also been recruited. Must Win is developing the functions of its information technology application system. It is conducting preliminary research and refinement work in relation to application requirements, customer records, privacy data management, repayment monitoring and other functions. Must Win also developed its internal mechanism for conducting business in a prudent and properly controlled manner. Accordingly, as at the Latest Practicable Date, HK$2.1 million of general working capital raised in the May 2026 Placing is being utilised as planned. However, as time is required for staff recruitment, account opening and the development of the information technology system, as at the Latest Practicable Date, no loans have yet been advanced to any borrowers.

Must Win has nevertheless collected expressions of interest from nine individual customers and three corporate customers. It expects to select suitable customers from these expressions of interest by the end of 2026 and commence individual and corporate lending business.

Internal Control of Money Lending Business

Although the money lending business is not directly related to the Group's existing principal garment business, the Board considers that it may, if operated on a prudent and properly controlled basis, provide the Group with an additional source of interest income and recurring cash flow. The Board also considers that the relevant experience of certain Directors in the banking, financial services and related sectors, would be beneficial to the Company in assessing and developing the proposed money lending business.

The Company will continue to fulfill all conditions of the money lenders licence. Interest rates will comply with Money Lenders Ordinance of Hong Kong. In particular, the following internal control measures have been implemented for the carrying out the money lending business:

Credit Approval Process

For secured loans, the staff members who are responsible for credit assessment will obtain basic information such as the applicant's name, contact details, background information, desired loan amount and purpose of the loan, and the particulars of the property proposed to be mortgaged. The staff members will also obtain two or more preliminary estimates of valuations of the property from independent professional property valuers or banks either verbally or through internet or email. The staff members will perform a preliminary review and verification of the application materials. The Directors will then review the application and determine the amount of loan and the interest rate based on the applicant's information and the valuation of the property in accordance with the internal credit policies and guidelines.

For unsecured revolving loan applications, credit approval procedures similar to secured loans above will be adopted. Credit reports of the applicant will be retrieved from credit assessment database service providers, such as "TransUnion". Based on the credit reports, the staff members will then prepare a written recommendation for review and approval by the Directors. Each facility will require the Directors' written approval before it is granted. The Directors will determine the facility limit, interest rate, tenor and repayment terms based on the applicant's information and the internal credit policies and guidelines.

For unsecured instalment loans such as debt consolidation loans and personal loans granted by the credit department, the credit assessment staff members will obtain basic information such as the applicant's name, contact details, background information, credit report, desired loan amount and purpose of the loan, etc from the applicant. The credit assessment staff members will perform a preliminary review and verification of the application materials. The Directors will then review the application and determine the amount of loan, interest rate and loan period based on the applicant's information and the internal credit policies and guidelines.

Ongoing monitoring of loan recoverability and loan collection

A system is in place to identify and monitor overdue loan accounts. The directors and credit assessment staff members closely monitor the overall performance of the loans outstanding by checking systematically generated reports, and regularly review the whole collection performance of overdue assets. The collection department, which will be established by Must Win, is responsible for loan collection and it seeks management's opinion for further actions when necessary. The collection department will contact the customer by phone if the account is overdue, and at the same time, notice of overdue payment will be issued to the customer. If the respective receivables have not been repaid in time, the collection department will engage external debt collection agents to collect the debt or instruct lawyer to commence legal actions for debt collection. For secured loans, the collection department will instruct lawyer to commence legal actions for taking possession of the mortgaged property.

Background of Ms. Sha and Mr. Kok as Management of Must Win

In terms of expertise, Ms. Sha, has substantial experience in the banking industry. She worked at China Merchants Bank in Shenzhen, the PRC, from February 1993 to January 2014. During her tenure with China Merchants Bank, Ms. Sha held various positions in branch operations and business functions, and her last position was general manager of the sales department of China Merchants Bank's Qianhai branch. Through her long-standing experience in the banking industry, the Board considers that Ms. Sha has acquired relevant knowledge and experience in lending operations, credit-related business and financial risk management.

As for Mr. Kok, he has relevant academic background and professional experience in information engineering, financial technology and related sectors. Mr. Kok graduated from The Chinese University of Hong Kong in 2010 with a Bachelor of Engineering degree in Information Engineering. In December 2018, Mr. Kok obtained an Executive Certificate in Fintech from The University of Hong Kong School of Professional and Continuing Education. Mr. Kok has over 11 years of experience in financial technology, blockchain and the virtual asset market. From September 2014 to December 2017, Mr. Kok served as 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 subsequently served as vice president of Loto Interactive Limited (樂透互娛有限公司), currently known as Crypto Flow Technology Limited (加冪科技有限公司) (stock code: 8198) (the "**Crypto Flow**"), from January 2018 to December 2022, where he was primarily responsible for the operations of blockchain and big data businesses in Hong Kong and the PRC. During his tenure with Crypto Flow, Mr. Kok also served as the manager of Might Winner Limited, an indirect wholly-owned subsidiary of that group which obtained a money lenders licence under the Money Lenders Ordinance in January 2020 and operated a money lending business in Hong Kong. In such capacity, Mr. Kok gained direct exposure to the operation and management of a licensed money lending business.

Having considered the above, the Board is of the view that Ms. Sha and Mr. Kok possess relevant experience in the banking, financial services, credit-related and financial technology sectors, which would be beneficial to the Company in developing its proposed money lending business.

Funding of the Money Lending Business

For the first year of commencement of business of Must Win, from June 2026 to June 2027, the Company targets to develop the loan portfolio to HK$20 million, subject to the actual availability of funding, market demand, credit assessment results and the Group's internal resources. HK$2.1 million of previously raised funds would be used as operating funds; HK$2.6 million of previously raised funds would be used for the loan portfolio and was obtained from the May 2026 Placing; HK$7.6 million will be obtained from the Rights Issue if completed successfully and the remainder of the funds from internally generated funds.

For the second year, from July 2027 to July 2028, the Company targets to develop the loan portfolio to HK$30 million, which will be funded by the internal resources of the Company. However, such target is subject to the actual availability of funding, market demand, credit assessment results and the Group's internal resources.

GEM LISTING RULES IMPLICATION

As the Rights Issue will increase the number of the issued Shares by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on approval by the Independent Shareholders in a general meeting by a resolution on which all controlling Shareholders and their associates or, where there is no controlling Shareholder, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue.

As such, Ms. Sha Xuanyi, Mr. Li Rongsheng and their respective associates shall abstain from voting in favour of the resolution(s) to approve the Rights Issue and the transactions contemplated thereunder at the EGM. As at the Latest Practicable Date, (1) Ms. Sha Xuanyi, who is the chairlady and an executive Director of the Company, holds 6,620,000 Shares, representing approximately 9.0% of the existing issued share capital of the Company; and (2) Mr. Li Rongsheng who is the chief executive officer and an executive Director of the Company, holds 4,500,000 Shares, representing approximately 6.12% of the existing issued share capital of the Company.

The Rights Issue does not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

Subject to the fulfilment of the conditions of the Rights Issue, the Company will despatch the Prospectus Documents containing, among other matters, details of the Rights Issue, to the Qualifying Shareholders on the Prospectus Posting Date.

BOOK CLOSURE FOR DETERMINING ENTITLEMENT TO VOTE AT THE EGM

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 20 November 2026 to Thursday, 26 November 2026, both days inclusive, in order to determine the identity of the members of the Company who are entitled to attend and vote at the EGM. All transfers of shares accompanied by the relevant

share certificates and transfer forms must be lodged with the Company's Hong Kong share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Thursday, 19 November 2026.

EGM

The EGM will be convened and held at Room 2502, 25th Floor, South Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong on Thursday, 26 November 2026 at 11:00 a.m. for the purpose of considering and, if thought fit, approving the Increase in Authorised Share Capital and the Rights Issue.

The notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular.

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The resolution(s) proposed to be approved at the EGM will be taken by poll and an announcement on the results of the EGM will be made by the Company thereafter.

A form of proxy for use at the EGM is enclosed herewith. Whether or not you are able to attend the EGM, you are requested to complete, sign and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is subject to fulfilment of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the section headed "Proposed Rights Issue — Conditions of the Rights Issue" in the Letter from the Board of this circular.

Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or the nil-paid rights is advised to exercise caution when dealing in the Shares and/or the nil-paid rights.

The Rights Issue will proceed on a non-underwritten basis irrespective of the acceptance of the provisionally allotted Rights Shares. Any person who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional advisor(s). Any Shareholder or other person dealing in the Shares or in the nil-paid rights up to the time at which the Rights Issue becomes unconditional will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

RECOMMENDATION

The Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. Zhu Honghai, Mr. Lin Kin-Chin and Mr. Liu Mingxiao, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the EGM. Draco Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Your attention is drawn to the letter from the Independent Board Committee set out on page 39 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from the Independent Financial Adviser set out on pages 40 to 81 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) consider that the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM.

ADDITIONAL INFORMATION

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

Yours faithfully,
By Order of the Board
Reach New Holdings Limited
Sha Xuanyi
Chairlady and Executive Director

Reach New Holdings Limited
新達控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8471)

4 November 2026

To the Independent Shareholders

Dear Sir/Madam

PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY ONE (1) SHARE HELD ON THE RECORD DATE

We refer to the circular of the Company dated 4 November 2026 (the "**Circular**") of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and, in the interests of the Company and the Shareholders as a whole.

Draco Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of its advice together with the principal factors taken into consideration in arriving thereat, are set out in its letter on pages 40 to 81 of this circular.

Having taken into account the terms of the Rights Issue and the advice from the Independent Financial Adviser, we are of the opinion that the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Rights Issue.

Yours faithfully
For and on behalf of the
Independent Board Committee

Zhu Honghai	**Lin Kin-Chin**	**Liu Mingxiao**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of the letter from Draco Capital Limited setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

龍盛資本有限公司
Draco Capital Limited

5/F, Shun On Commercial Building
112–114 Des Voeux Road Central
Central, Hong Kong

4 November 2026

To the Independent Board Committee and the Independent Shareholders of Reach New Holdings Limited

Dear Sir or Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY ONE (1) SHARE HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS

INTRODUCTION

We refer to our appointment as the independent financial adviser (the "**Independent Financial Adviser**") to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular of the Company dated 4 November 2026 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 4 September 2026 (after trading hours of the Stock Exchange), the Company announced (the "**Announcement**") that, among other things, the Board proposed to implement the Rights Issue on the basis of three (3) Rights Shares for every one (1) Share held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK$0.20 per Rights Share, to raise gross proceeds of up to approximately HK$44.1 million (before expenses) by way of the issue of up to 220,680,000 Rights Shares on a non-underwritten basis, assuming no change in the number of Shares in issue on or before the Record Date. On the same day, the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent has agreed to procure, on a best effort basis, Placees to subscribe for the Unsubscribed Rights Shares and the ES Unsold Rights Shares under the Compensatory Arrangements.

In order to facilitate the Rights Issue, the Board also proposed to increase the authorised share capital of the Company from HK$20,000,000 divided into 100,000,000 Shares of HK$0.20 each to HK$200,000,000 divided into 1,000,000,000 Shares of HK$0.20 each (the "**Increase in Authorised Share Capital**"). The Increase in Authorised Share Capital becoming effective is one of the conditions of the Rights Issue. Our advice set out in this letter is confined to the Rights Issue and the transactions contemplated thereunder (including the Placing Agreement and the Compensatory Arrangements).

GEM LISTING RULES IMPLICATIONS

As the Rights Issue will increase the number of issued Shares by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on approval by the Independent Shareholders at a general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the Latest Practicable Date, the Company had no controlling Shareholder (as defined under the GEM Listing Rules). Accordingly, (i) Ms. Sha Xuanyi ("**Ms. Sha**"), the chairlady of the Board and an executive Director, who held 6,620,000 Shares, representing approximately 9.00% of the total number of issued Shares; and (ii) Mr. Li Rongsheng ("**Mr. Li**"), the chief executive officer of the Company and an executive Director, who held 4,500,000 Shares, representing approximately 6.12% of the total number of issued Shares, and their respective associates shall abstain from voting in favour of the resolution(s) to approve the Rights Issue and the transactions contemplated thereunder at the EGM. Save as disclosed above, as at the Latest Practicable Date, none of the other Directors (excluding the independent non-executive Directors) or the chief executive of the Company or their respective associates held any Shares.

The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Zhu Honghai, Mr. Lin Kin-Chin and Mr. Liu Mingxiao, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM. We, Draco Capital Limited, have been appointed as the Independent Financial Adviser, with the approval of the Independent Board Committee, to advise the Independent Board Committee and the Independent Shareholders in the same regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, and during the period from the time immediately after we executed our engagement letter with the Company or the time we commenced work as the Independent Financial Adviser to the Company, whichever is earlier (the "**IFA Obligation Commencement Time**", as defined under Rule 17.96 of the GEM Listing Rules), up to the Latest Practicable Date, we were not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates, and did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We are not aware of any

relationships or interests between us and the Company or any other parties that could reasonably be regarded as a hindrance to our independence as defined under Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue.

Apart from the normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. During the past two years immediately preceding the IFA Obligation Commencement Time, there was no engagement between the Group and us. None of the circumstances set out in Rule 17.96 of the GEM Listing Rules existed as at the IFA Obligation Commencement Time and up to the Latest Practicable Date, and we will remain independent up to the end of our engagement. We are also not aware of the existence of or change in any circumstances that could affect our independence. Accordingly, we consider that we are eligible to give independent advice on the Rights Issue and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied upon the accuracy of the information and representations contained in the Circular and the information provided to us by the Company, the Directors and the management of the Company (the "**Management**"). We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the Management, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration and that there are no other facts not contained in the Circular, the omission of which would make any such statement contained in the Circular misleading. The Shareholders will be notified of any material changes to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM as soon as possible.

We have no reason to believe that any information and representations relied on by us in forming our opinion are untrue, inaccurate or misleading, nor are we aware of any omission of any material facts that would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and the Management.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter.

We have not considered the taxation and regulatory implications on the Group or the Independent Shareholders as a result of the Rights Issue, since these depend on their individual circumstances. The Independent Shareholders who are in any doubt should consult their own professional advisers. We will not accept responsibility for any tax effect on or liability of any person resulting from his, her or its acceptance or non-acceptance of the Rights Issue.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. In rendering our opinion, we have researched, analysed and relied on, among other things, (i) the annual report of the Company for the year ended 31 December 2025 (the "**2025 Annual Report**"); (ii) the interim report of the Company for the six months ended 30 June 2026 (the "**2026 Interim Report**"); (iii) the Announcement and the other announcements of the Company published during the Review Period (as defined below); (iv) the Placing Agreement; (v) the monthly return of the Company for the month ended 31 August 2026 published on 1 September 2026; (vi) the second amended and restated memorandum and articles of association of the Company adopted by a special resolution passed on 18 June 2026 (the "**Articles of Association**"); (vii) the historical closing prices and trading volumes of the Shares as quoted on the Stock Exchange; (viii) the announcements of the Comparables (as defined below) published on the website of the Stock Exchange; (ix) the statistics and industry information published by the relevant government authorities and third party sources as referred to in this letter; and (x) the information set out in the Circular. We have also discussed with the Management the business, financial position and future plans of the Group and the reasons for the Rights Issue, and have reviewed the supporting information provided by the Management in respect of the business plans of the functional garment business and the Money Lending Business as further described in this letter. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Rights Issue, as referred to in Rule 17.92 of the GEM Listing Rules (including the notes thereto).

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Rights Issue and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

1. Background Information of the Group

Principal Business of the Group

The Company is an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM of the Stock Exchange (Stock Code: 8471). With reference to the 2025 Annual Report, the Group is principally engaged

in the production and supply of garment accessories, the provision of labelling solutions and the provision of information technology services, and has also expanded into the production and trading of functional garments in the PRC.

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, namely (i) printed products (such as hangtags, price tags and stickers); (ii) woven labels (such as woven brand labels, woven size labels and badges); and (iii) printed labels (such as 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 badges, buttons and metal products, to its customers in the PRC, which mainly include garment brand companies, sourcing companies designated by garment brand companies and garment manufacturers in the PRC.

In order to diversify its business and income streams, the Group has expanded its business operations into the production and trading of functional garments in the PRC. Pursuant to an equity transfer agreement dated 18 December 2025, the Group acquired 24% of the 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**"), a company established in the PRC whose operation is located in Nanyang, Henan Province, the PRC. As stated in the 2026 Interim Report, the investment strategy of the Group in Hengda Yongjin is that Hengda Yongjin possesses a suitable production plant for functional garments, which will be used by the Group as its production plant. The Group also re-entered the information technology segment through the acquisition of 90% of the equity interest in Shenzhen Guanshengtong Technology Company Ltd.* (深圳市冠晟通科技有限公司) ("**Guanshengtong**") pursuant to an equity transfer agreement dated 23 December 2024. Guanshengtong is an information technology company focusing on blockchain technology, application security, big data security, cloud security, Internet of Things security, industrial control security and industrial internet security.

Furthermore, on 7 May 2026, Must Win, an indirect wholly-owned subsidiary of the Company, obtained a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) (the "**Money Lenders Ordinance**"), and the Group has since then commenced its money lending business in Hong Kong (the "**Money Lending Business**"). As stated in the Board Letter, the development of the Money Lending Business represents a step of the Company to actively explore new business opportunities with a view to diversifying the income stream of the Group.

On 23 June 2026, the share consolidation of every twenty (20) issued and unissued shares of HK$0.01 each of the Company into one (1) Share of HK$0.20 each became effective (the "**Share Consolidation**"). Following the Share Consolidation, the number of issued Shares was adjusted from 1,471,200,000 to 73,560,000.

Financial Information of the Group

Summary of Financial Performance

Set out below is a summary of the consolidated financial results of the Group for each of the two years ended 31 December 2024 ("**FY2024**") and 31 December 2025 ("**FY2025**") as extracted from the 2025 Annual Report, and for each of the six months ended 30 June 2025 ("**1H2025**") and 30 June 2026 ("**1H2026**") as extracted from the 2026 Interim Report:

	FY2024	**FY2025**	**1H2025**	**1H2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(unaudited)*	*(unaudited)*
Revenue	91,706	80,376	37,841	43,629
Gross profit	25,499	20,016	11,046	12,682
Gross profit margin	27.8%	24.9%	29.2%	29.1%
Loss for the year/period	(8,258)	(13,914)	(5,211)	(3,106)
Loss for the year/period attributable to owners of the Company	(8,258)	(13,892)	(5,302)	(3,102)

FY2025 Compared with FY2024

With reference to the 2025 Annual Report, the revenue of the Group decreased by approximately 12.3% from approximately RMB91.7 million for FY2024 to approximately RMB80.4 million for FY2025. The decrease was mainly attributable to the decrease in sales of other products such as tapes, string locks, leather badges, buttons, metal products and raw materials, the revenue of which decreased from approximately RMB31.9 million for FY2024 to approximately RMB23.1 million for FY2025. As stated in the 2025 Annual Report, the garment accessories market of the PRC faced numerous challenges during 2025, and the business of the Group was affected by the keen price competition in the market, the pressure of increasing operating costs, the continuous cost reduction measures taken by the customers of the Group, and the intensifying trade frictions between the PRC and the United States.

The gross profit of the Group decreased by approximately 21.6% from approximately RMB25.5 million for FY2024 to approximately RMB20.0 million for FY2025, and the gross profit margin decreased from approximately 27.8% to approximately 24.9%, primarily due to the shift in product mix. The distribution and selling expenses of the Group remained relatively stable at approximately RMB4.6 million for FY2025 (FY2024: approximately RMB4.5 million), while the administrative expenses decreased slightly from approximately RMB29.3 million for FY2024 to approximately RMB28.5 million for FY2025, mainly due to the decrease in staff costs and benefits.

As a result of the foregoing, the loss of the Group increased from approximately RMB8.3 million for FY2024 to approximately RMB13.9 million for FY2025. We note that the 2025 Annual Report describes the change as a "decrease in loss" which is "mainly attributable to the decrease in gross profit". Based on the audited figures, the loss of the Group in fact increased by approximately RMB5.7 million, and such increase was mainly attributable to the decrease in gross profit of approximately RMB5.5 million as discussed above.

1H2026 Compared with 1H2025

With reference to the 2026 Interim Report, the revenue of the Group increased by approximately 15.3% from approximately RMB37.8 million for 1H2025 to approximately RMB43.6 million for 1H2026. As the cost of sales increased proportionately, the gross profit of the Group increased by approximately 15.3% from approximately RMB11.0 million for 1H2025 to approximately RMB12.7 million for 1H2026, and the gross profit margin remained relatively stable at approximately 29.1% (1H2025: approximately 29.2%). The distribution and selling expenses and the administrative expenses of the Group remained relatively stable at approximately RMB2.2 million and RMB14.0 million, respectively, for 1H2026.

As a result, the unaudited loss of the Group narrowed from approximately RMB5.2 million for 1H2025 to approximately RMB3.1 million for 1H2026. Notwithstanding the improvement, we note that the Group has continued to record losses and recorded net cash used in operating activities of approximately RMB3.4 million for 1H2026.

Financial Position

Set out below is a summary of the consolidated financial position of the Group as at 31 December 2024, 31 December 2025 and 30 June 2026 as extracted from the 2025 Annual Report and the 2026 Interim Report:

	As at 31 December 2024	**As at 31 December 2025**	**As at 30 June 2026**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(unaudited)*
Bank and cash balances	21,062	18,047	17,952
Current assets	49,472	49,206	43,291
Current liabilities	15,448	22,937	16,197
Net current assets	34,024	26,269	27,094
Net assets	34,803	39,805	40,796
Equity attributable to owners of the Company	34,803	39,817	40,843
Current ratio (times) *(Note 1)*	3.20	2.15	2.67
Gearing ratio *(Note 2)*	4.0%	2.9%	2.5%

Notes:

1. The current ratio is calculated by dividing the current assets by the current liabilities of the Group.

2. The gearing ratio is as disclosed in the 2025 Annual Report and the 2026 Interim Report, being the total borrowings of the Group divided by the total equity or the equity attributable to owners of the Company, as the case may be.

As at 30 June 2026, the Group had bank and cash balances of approximately RMB18.0 million (equivalent to approximately HK$21.0 million), net current assets of approximately RMB27.1 million and net assets of approximately RMB40.8 million. The current ratio of the Group was approximately 2.67 times and the gearing ratio was approximately 2.5%. As at 30 June 2026, the Group also held the 24% equity interest in Hengda Yongjin as a financial asset at fair value through profit or loss with a fair value of approximately RMB11.6 million, representing approximately 19.4% of the total assets of the Group.

Although the Group maintained bank and cash balances of approximately RMB18.0 million as at 30 June 2026, we note from the Board Letter that a substantial portion of the existing cash balances of the Group has been allocated and reserved for the specific intended uses of the unutilised net proceeds from the Previous Placings (as defined in the Circular) of approximately HK$17.3 million in aggregate, the details of which are discussed in the paragraph headed ''Previous Fund Raising Activities and Utilisation of Proceeds'' below, and that the Company is required to retain sufficient working capital to support its operation and business development. In addition, the Group recorded net cash used in operating activities of approximately RMB3.4 million for 1H2026. As advised by the Management, the remaining internal resources of the Group are mainly required for the working capital of its existing garment accessories business and are not sufficient to fund the development plans of the Group as described below.

Prospects of the Group

As stated in the 2026 Interim Report, 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 the further development of the garment market in the PRC, the shortening of fashion cycles and the multifunction of labels remain the key drivers for the growth of the PRC garment accessories industry. In order to deal with the challenging market conditions, the Group will continue to undertake cost control measures and broaden its customer base and product offerings, and will explore other garment and textile businesses and other business opportunities, including the functional garment business and the Money Lending Business, with a view to diversifying its revenue sources and reducing its reliance on its existing principal business.

The PRC Garment and Functional Apparel Market

According to the statistics of the National Bureau of Statistics of the PRC as summarised by China Textile Leader, the garment industry in the PRC continued to face a challenging operating environment in 2025. The garment output of enterprises above designated size decreased by approximately 3.44% and the industrial value added of such enterprises decreased by approximately 3.0% as compared with 2024, while the exports of apparel and clothing accessories of the PRC decreased by approximately 5.0% to approximately US$151.18 billion. On the other hand, the retail sales of apparel by enterprises above designated size increased by approximately 2.8% to approximately RMB1.1 trillion in 2025, indicating that domestic consumption of apparel has remained resilient notwithstanding the pressure on the export market.

Source: China Textile Leader, "Economic Operation of China's Garment Industry in 2025" (https://www.texleader.com.cn/en/news-35400.html)

Within the apparel sector, outdoor and functional apparel has been one of the faster growing segments in the PRC, driven by the increasing popularity of outdoor and sports activities and the rising consumer demand for garments with functional attributes such as water resistance, wind resistance, thermal insulation and breathability. According to the annual development report of the sporting goods industry of the PRC for 2025 published by the China Sporting Goods Federation, the sales of outdoor, mountaineering, camping and travel products in the PRC amounted to approximately RMB142.4 billion in 2025, representing a year on year increase of approximately 22.2%, and such products have become a major driver of the growth in sports consumption in the PRC. We note that the growth in the outdoor and functional apparel segment contrasts with the general decline in garment output, which is in line with the strategy of the Group to diversify from its traditional garment accessories business into the production of functional garments.

Source: Xinhuanet, "需求多元升級戶外經濟引領消費新浪潮" dated 29 May 2026 (originally published by 中國商報), citing the "中國體育用品業年度發展報告 (2025)" published by the China Sporting Goods Federation (https://www.news.cn/fashion/20260529/4e603836b23f454bb2a485857a9861f1/c.html)

In particular, we note from the Board Letter that the functional garment products of the Group employ mugwort (艾草) as part of the raw materials of the fabrics, and that the Production Facilities, which are located in Nanyang City, Henan Province, the PRC, are designed to manufacture fabric, textile and garment products from mugwort, including bedding and apparel items. According to the information published on the website of the People's Government of Wolong District, Nanyang City, the annual output value of the mugwort industry of Nanyang City reached approximately RMB22 billion in 2025, and mugwort products from Nanyang City accounted for approximately 70% of the national market. There were more than 3,000 registered organisations engaged in the cultivation, processing, distribution and services of mugwort in Nanyang City, and their mugwort products covered six major areas, including medical and healthcare products, home textiles and daily chemical products, which are widely sold through major e-commerce platforms. We consider that the location of the Production Facilities in Nanyang City would allow the Group to have ready access to the supply of mugwort raw materials and to the established industrial chain and sales channels for mugwort products.

Source: People's Government of Wolong District, Nanyang City, "艾承仲景香滿南陽艾草串起產業鏈" (https://www.wolong.gov.cn/2026/06-04/1409776.html)

The Money Lending Market in Hong Kong

The money lending business in Hong Kong is regulated under the Money Lenders Ordinance, pursuant to which any person carrying on business as a money lender in Hong Kong must obtain a money lenders licence granted by the Licensing Court, with the Registrar of Money Lenders of the Companies Registry maintaining the register of money lenders. With effect from 30 December 2022, the statutory interest rate cap for lending under the Money Lenders Ordinance was lowered from 60% to 48% per annum, and the threshold of extortionate rate was lowered from 48% to 36% per annum. According to the statistics published by the Companies Registry, the number of licensed money lenders in Hong Kong decreased from 2,395 as at the end of 2020 to 2,015 as at the end of 2025 and further to 1,943 as at the end of August 2026, while 155 new money lenders licences were granted by the Licensing Court in 2025.

Sources:

1. *Companies Registry, "Number of Licensed Money Lenders" (https://www.cr.gov.hk/en/services/money-lenders/statistics/Number.htm);*

2. *Companies Registry, press release dated 16 January 2026 (https://www.info.gov.hk/gia/general/202601/16/P2026011500410.htm);*

3. *Companies Registry, "Amendments to the Statutory Interest Rate Cap take effect from 30 December 2022" (https://www.cr.gov.hk/en/about/news/highlights.htm)*

Based on the above, we note that the money lending market in Hong Kong is highly fragmented and competitive, with close to 2,000 licensed money lenders, and has been undergoing consolidation in recent years under a tightened regulatory environment. Nevertheless, licensed money lenders continue to serve as an alternative source of financing for individuals and small and medium sized enterprises which may not readily obtain financing from banks. Having considered that (i) the Money Lending Business is at an early stage of development; (ii) the Group intends to target high income professionals, executives, business owners and small and medium sized enterprises in specific sectors; and (iii) all loan applications will be subject to the independent credit assessment and approval procedures of Must Win, we consider that the Money Lending Business may provide the Group with an additional source of interest income, although its success will depend on the ability of the Group to implement effective credit assessment and risk management procedures.

Our View on the Prospects of the Group

Having considered the continuing losses of the Group, the decrease in revenue for FY2025, the modest recovery in revenue for 1H2026 and the development plans of the Group, we concur with the Directors that the Group requires additional financial resources to implement its business diversification strategy while maintaining sufficient working capital for its existing operations.

2. Reasons for and Benefits of the Rights Issue and Use of Proceeds

Use of Proceeds

As disclosed in the Board Letter, the maximum gross proceeds from the Rights Issue will be approximately HK$44.1 million and the maximum net proceeds from the Rights Issue, after deducting the estimated expenses of approximately HK$1.0 million, are estimated to be approximately HK$43.1 million (assuming no change in the number of Shares in issue on or before the Record Date), representing a net price of approximately HK$0.195 per Rights Share. The Company intends to apply the net proceeds from the Rights Issue as follows:

(1) approximately HK$16.9 million (or approximately 39.2%) for the construction, renovation and development of the production facilities of the functional garment of the Group in Nanyang City, Henan Province, the PRC (the "**Production Facilities**");

(2) approximately HK$8.3 million (or approximately 19.3%) for the acquisition of machinery and equipment for the Production Facilities for manufacturing functional garment;

(3) approximately HK$6.0 million (or approximately 13.9%) for the start-up capital of the Production Facilities, including the employment of new employees and workers and the purchase of raw materials for functional garment;

(4) approximately HK$7.6 million (or approximately 17.6%) for capital injection into the Money Lending Business as loan principal; and

(5) approximately HK$4.3 million (or approximately 10.0%) for the general working capital of the Group.

As the Rights Issue will proceed on a non-underwritten basis, the actual amount of the net proceeds cannot be ascertained at this stage. In the event that the Rights Issue is undersubscribed, the net proceeds will be utilised with proportional reductions in the same usage scenarios as set out above.

The Production Facilities

In aggregate, approximately HK$31.2 million, or approximately 72.4% of the maximum net proceeds, is intended to be applied to the Production Facilities. As advised by the Management, the Group intends to develop the Production Facilities in Nanyang City, Henan Province, the PRC, in connection with the production plant possessed by Hengda Yongjin which the Group considers suitable for functional garment production, with a view to establishing its own manufacturing base for the research and development, manufacturing and processing of functional garments. The establishment of the Production Facilities will enable the Group to transform its functional garment business from the

trading of products to the in-house production of products, so as to have better control over the product quality, production costs and delivery schedules, and to capture a higher value in the value chain of the functional garment business.

As disclosed in the Board Letter, since 2024, the Group has engaged in the production and trading of functional garments, including bed sheets, pillowcases and clothes, which employ mugwort as part of the raw materials of the fabrics, and has commenced the sale of functional garments to consumers through cooperation with e-commerce platforms and social media platforms. The Production Facilities are designed to manufacture and produce fabric, textile and garment products from mugwort, including bedding such as bed sheets, blankets and pillowcases, and apparel items such as clothes, scarves and shawls. As further disclosed in the Board Letter, Hengda Yongjin was the owner of the land of the Production Facilities and, by acquiring the 24% equity interest in Hengda Yongjin, the Group gained partial control over the production facilities of Hengda Yongjin for the long term development of its functional garment business. As at the Latest Practicable Date, the Group had taken possession of the factory premises of the Production Facilities, while the remodelling and renovation works of the Production Facilities remained subject to the building and construction approvals from the relevant government authority, which has caused a delay in the application of the net proceeds from the Previous Placings allocated for such purpose.

As further advised by the Management, (i) the portion of the net proceeds of approximately HK$16.9 million allocated to the construction, renovation and development of the Production Facilities is expected to be applied as to approximately HK$15.3 million to the potential further acquisition of 27% of the equity interest in Hengda Yongjin and as to approximately HK$1.6 million to the related professional fees and contingencies, while the unutilised net proceeds from the Previous Placings of approximately HK$2.2 million allocated to the investment and development of production facilities are expected to be applied to the remaining remodelling and renovation works of the Production Facilities, including, among other things, the renovation and fitting out of the production workshops, warehouses, and research and development and quality inspection areas, and the installation and upgrading of the electrical, ventilation, drainage and fire safety systems of the plant premises; (ii) the portion of approximately HK$8.3 million allocated to machinery and equipment is expected to be applied to the acquisition of production lines and equipment for the industrial ageing and processing of mugwort, being the key raw material of the functional garment products of the Group; and (iii) the portion of approximately HK$6.0 million allocated to the start-up capital is expected to be applied to the recruitment and training of production workers, technicians and management personnel and the initial procurement of mugwort and other raw materials and semi-finished products.

We note that the Group has been developing its functional garment business since 2024 and has earmarked part of the net proceeds from the Previous Placings for the acquisition of machinery, the purchase of raw materials and semi-finished products, the development of online sales channels and the investment and development of production facilities for functional garments, of which approximately HK$8.2 million in aggregate remained unutilised as at the Latest Practicable Date. As disclosed in the Board Letter, the

delay in the utilisation of such proceeds was mainly due to (i) the additional time required for the Company to assess the production capacity, technical specifications, compatibility, pricing and suitability of the relevant machinery, which in turn affected the procurement of raw materials and the commercialisation of the functional garment products; and (ii) the remodelling and renovation works of the Production Facilities being subject to the building and construction approvals from the relevant government authority. As advised by the Management, the unutilised proceeds from the Previous Placings were determined with reference to the initial scale of the functional garment business contemplated at the time of the relevant placings, and are not sufficient to fund the establishment of the Production Facilities with the scale now planned by the Group. The Management further advised that such unutilised proceeds will continue to be applied for their respective intended purposes, and will be applied in conjunction with the net proceeds from the Rights Issue to the development of the functional garment business. Our assessment of the expected scale of business, the estimated capital expenditure, the business plan and timeline and the funding need of the functional garment business is set out below.

In assessing the expected scale of business and the estimated total capital expenditure of the functional garment business, we have reviewed the business plan, the implementation timetable and the breakdown of the expected capital expenditure as set out in the Board Letter, and discussed with the Management the bases and assumptions adopted. We have also obtained and reviewed the supporting documents and information provided by the Company, including the equity transfer agreement dated 18 December 2025 in relation to the acquisition of the 24% equity interest in Hengda Yongjin, the valuation report on the equity interest in Hengda Yongjin as at 30 November 2025 prepared by a PRC asset appraisal firm (the "**Valuation Report**"), the construction budget for the external works of the Production Facilities (the "**Construction Budget**"), the bases of the estimated capital expenditure and the planned production capacity and staffing of the Production Facilities, the application form for the completion acceptance filing and the first registration of real estate of the buildings of the Production Facilities, and the cash flow forecast of the Group prepared by the Management (the "**Cash Flow Forecast**").

As disclosed in the Board Letter, the total expected capital expenditure of the functional garment business is estimated to be approximately HK$56.1 million, comprising approximately HK$35.0 million for the investment and development of the Production Facilities (including the acquisition of the 24% equity interest in Hengda Yongjin, the construction and renovation works and the potential further acquisition of 27% of the equity interest in Hengda Yongjin), approximately HK$10.6 million for machinery, approximately HK$7.5 million for raw materials, semi-finished products and start-up capital, and approximately HK$3.0 million for marketing and online sales channels. As approximately HK$16.7 million had been utilised as at the Latest Practicable Date, the remaining capital expenditure of approximately HK$39.4 million is expected to be funded as to approximately HK$8.2 million by the unutilised net proceeds from the Previous Placings and as to approximately HK$31.2 million by the net proceeds from the Rights Issue.

Based on our review, we note that:

(i) the consideration of RMB11.6 million for the acquisition of the 24% equity interest in Hengda Yongjin is in line with the corresponding share of the appraised value under the Valuation Report;

(ii) the estimated consideration of approximately HK$15.3 million for the potential further acquisition of 27% of the equity interest in Hengda Yongjin was estimated on a pro rata basis with reference to the consideration for the 24% equity interest and is also consistent with the Valuation Report, although the actual consideration is expected to be determined with reference to an updated valuation at the relevant time; and

(iii) as advised by the Management, upon completion of the potential further acquisition, the equity interest of the Group in Hengda Yongjin, being the owner of the land of the Production Facilities, would increase to 51%, which would enable the Group to have greater control over the Production Facilities.

Based on the information provided by the Company, we further note that:

(1) the estimated cost of approximately HK$6.1 million for the construction, renovation and development of the Production Facilities mainly comprises the costs for the leasing and setting up of the production plant and the recruitment of staff, the rental deposit to secure the use of the entire site of the Production Facilities and the professional fees and contingencies for the potential further acquisition, which were estimated with reference to, among other things, the lease terms agreed with Hengda Yongjin and the local staff costs, and the external works of the Production Facilities under the Construction Budget amount to approximately RMB2.15 million (equivalent to approximately HK$2.5 million);

(2) the estimated cost of machinery of approximately HK$10.6 million was determined with reference to the recommendations on the products and equipment and the intended turnkey cooperation arrangement with a cooperation partner of the Group, including the industrial mugwort ageing equipment of approximately HK$8.3 million, the technology and equipment of which are proprietary to the cooperation partner, and which is intended to shorten the ageing period and reduce the cost of aged mugwort;

(3) the estimated amount for raw materials, semi-finished products and start-up capital of approximately HK$7.5 million was determined with reference to the local purchase prices of mugwort, the area of the plant and the processing capacity of the ageing equipment, and the portion of approximately HK$6.0 million to be funded by the Rights Issue is mainly intended for the purchase and storage of mugwort harvested in May for ageing in the first year;

(4) the Production Facilities are planned to have a storage capacity of approximately 1,200 tonnes for the ageing of mugwort, together with production lines for the processing of mugwort, and are expected to require a workforce of approximately 35 staff upon full operation; and

(5) the estimated amount for marketing and online sales channels of approximately HK$3.0 million was determined with reference to the market prices for advertising, platform deposits and listing fees, live streaming hosts and equipment.

The above estimates represent the estimates of the Management and are subject to finalisation, including upon the finalisation of the machinery specifications by June 2027.

We consider that the expected scale of business and the estimated total capital expenditure of the functional garment business are reasonable and justifiable, having considered that:

(a) approximately HK$16.7 million of the estimated total capital expenditure had already been incurred, mainly for the acquisition of the 24% equity interest in Hengda Yongjin;

(b) the considerations for the acquisition and the potential further acquisition of the equity interest in Hengda Yongjin are supported by the Valuation Report, and the other estimated amounts were determined with reference to the lease terms, the Construction Budget, the cooperation arrangement with the cooperation partner, the local prices of mugwort and the planned capacity of the Production Facilities; and

(c) the Production Facilities, located in Nanyang City, a major production base of mugwort products in the PRC, will enable the Group to undertake the in-house production of a wider range of mugwort products.

Nevertheless, the Independent Shareholders should note that commercial production has not yet commenced, certain of the estimated amounts are preliminary and subject to finalisation, and the potential further acquisition may or may not proceed, in which case the Company will reassess the use of the relevant portion of the net proceeds and comply with the applicable requirements under the GEM Listing Rules.

In respect of the business plan and timeline of the functional garment business, we note from the Board Letter that the implementation of the business plan is expected to proceed in the following sequence:

(i) the finalisation of the renovation design and the obtaining of the approvals required for the use of the Production Facilities by June 2027;

(ii) the completion of the remodelling and renovation of the Production Facilities, including the relevant building services and workshop infrastructure, by September 2027;

(iii) the finalisation of the machinery specifications and the placing of orders for the machinery and equipment by June 2027, and the delivery, installation, testing and commissioning of the machinery during July to December 2027;

(iv) the recruitment and training of production personnel during September to November 2027;

(v) the purchase of raw materials and semi-finished products and the marketing and development of online sales channels during October to December 2027;

(vi) the trial production during November to December 2027 and the commencement of commercial production in the first half of the financial year 2028; and

(vii) the potential further acquisition of 27% of the equity interest in Hengda Yongjin by December 2027.

As disclosed in the Board Letter, the construction and renovation works requiring approval will commence only after the relevant approvals for the use of the Production Facilities have been obtained. The approval process for such works has been delayed by adjustments to the planning framework applicable to the park in which the Production Facilities are located, the completion of which is a prerequisite for obtaining the approvals required for the construction and renovation of the Production Facilities. The Company understands that such planning adjustments have been approved at the provincial level, while the related local approvals remain outstanding, and the Company expects the approvals required for the construction and renovation of the Production Facilities to be obtained by June 2027. The Company does not expect any material impediments for obtaining the building and construction approvals.

Based on our discussion with the Management and our review of the relevant application form dated 16 August 2026 in relation to the completion acceptance filing and the first registration of real estate of the existing buildings of the Production Facilities, we also note that such buildings were constructed with the relevant planning and construction permits, and that the pre-acceptance of the construction works was completed in June 2026. We further note that the works which do not require approval, such as the renovation design, the selection of contractors and the assessment and ordering of machinery, will proceed concurrently with the approval process, while the subsequent steps are sequenced according to the readiness of the production areas and the commissioning of the machinery. Having considered the above, including that the planning adjustments have been approved at the provincial level, and the period of approximately eight months from the Latest Practicable Date allowed in the business plan for obtaining the relevant approvals, we consider that the business plan and timeline of the functional garment business are reasonable and justifiable. Nevertheless, as the timing of the approvals, including the related local approvals for the planning adjustments, is beyond the control of the Group, any delay in obtaining such approvals may postpone the subsequent implementation steps and the utilisation of the net proceeds from the Rights Issue.

In respect of the funding need, we note that:

(a) the unutilised net proceeds from the Previous Placings of approximately HK$8.2 million allocated to the functional garment business have been earmarked for specific purposes and represent only approximately 20.8% of the remaining capital expenditure of approximately HK$39.4 million;

(b) the bank and cash balances of the Group as at 30 June 2026 exceeded the unutilised net proceeds from the Previous Placings by only approximately HK$3.7 million, and the existing businesses of the Group are expected to continue to record net operating cash outflows in 2026 and 2027 based on the Cash Flow Forecast; and

(c) the net proceeds from the Rights Issue are expected to be received in January 2027, while the substantive capital commitments of the functional garment business, including the ordering of machinery, the commencement of the renovation works and the potential further acquisition, are expected to arise progressively during 2027.

As advised by the Management, the Company needs certainty of funding before entering into binding commitments with contractors, machinery suppliers and the relevant vendor. We also note that the Rights Issue requires approximately four months to complete and, in light of the downward trend of the Closing Price, deferring the fund raising may expose the Company to the risk of being unable to raise funds on comparable terms.

Accordingly, although the net proceeds from the Rights Issue will not be fully applied immediately upon receipt and the renovation works remain subject to the relevant approvals, we consider that the Company has a funding need for the functional garment business which is expected to arise in the course of 2027 and cannot be met by its existing resources, and that securing the required funding through the Rights Issue now is commercially justifiable, fair and reasonable and in the interests of the Company and the Shareholders as a whole. As advised by the Management, pending such application, the net proceeds will be placed as short term deposits with licensed banks in Hong Kong and/or the PRC.

Having considered (i) the growth of the outdoor and functional apparel segment in the PRC and the established mugwort industry in Nanyang City as discussed in the paragraph headed ''The PRC Garment and Functional Apparel Market'' above; (ii) the strategy of the Group to diversify from its traditional garment accessories business, which has been affected by keen price competition and trade frictions, into functional garments, which is a related business in which the Group may leverage its experience and customer network in the garment industry; (iii) the capital intensive nature of the establishment of production facilities as compared with the limited internal resources of the Group; and (iv) our assessment of the expected scale of business, the estimated capital expenditure, the business plan and timeline and the funding need of the functional garment business as discussed above, we consider that the application of the net proceeds to the Production Facilities is justifiable.

The Money Lending Business

Approximately HK$7.6 million, or approximately 17.6% of the maximum net proceeds, is intended to be applied as loan principal of the Money Lending Business. As disclosed in the Board Letter and as announced by the Company on 19 May 2026, in light of the challenging market conditions faced by the traditional garment accessories business of the Group, the Board considered it prudent for the Group to explore suitable new business opportunities to diversify its revenue sources and reduce its reliance on its existing principal businesses. The Board considers that the Money Lending Business may, if operated on a prudent and properly controlled basis, provide the Group with an additional source of interest income and recurring cash flow, and that the relevant experience of certain Directors in the banking, financial services and related sectors would be beneficial to the Company in assessing and developing the Money Lending Business.

As disclosed in the Board Letter, the Group, through Must Win, intends to offer unsecured loans, secured loans (excluding mortgage loans) and property mortgage loans to individual and corporate borrowers in Hong Kong. The target individual borrowers will mainly comprise high income professionals, executives and business owners in the financial and technology sectors with annual income generally ranging from approximately HK$300,000 to HK$3,000,000, depending on the type of loan product, while the target corporate borrowers will mainly comprise small and medium sized enterprises in the technology, media and professional services sectors. The expected interest rates of the loans will range from approximately 10% to 30% per annum, depending on the type of loan product and the risk assessment of the relevant borrower, which is below the statutory interest rate cap of 48% per annum under the Money Lenders Ordinance. The Group intends to source customers primarily through referrals from its shareholders and their respective business networks, and all loan applications, regardless of the source of referral, will be subject to the independent credit assessment and approval procedures of Must Win.

As disclosed in the Board Letter, the Company targets to develop the loan portfolio of the Money Lending Business to approximately HK$20 million in the first year of business of Must Win from June 2026 to June 2027, and to approximately HK$30 million in the second year from July 2027 to July 2028, subject to the actual availability of funding, market demand, credit assessment results and the internal resources of the Group. We note that, of the net proceeds from the May 2026 Placing, approximately HK$2.6 million was allocated to the development and expansion of the Money Lending Business, of which approximately HK$0.4 million had been utilised as at the date of the Announcement. Together with the net proceeds of approximately HK$7.6 million to be allocated from the Rights Issue, the funds available for the loan principal of the Money Lending Business would amount to approximately HK$9.8 million, which is still below the expected loan portfolio of approximately HK$20 million in the first year. As advised by the Management, the remaining funding requirement is expected to be met by the internal resources of the Group and the recycling of the loan repayments and interest income from the Money Lending Business. Our assessment of the expected loan portfolio and the funding need of the Money Lending Business is set out below.

As disclosed in the Board Letter, as at the Latest Practicable Date, Must Win had commenced its business for carrying on the Money Lending Business. Ms. Sha and Mr. Kok Bing Ching ("**Mr. Kok**"), a non-executive Director, have been assigned to manage Must Win, with Mr. Kok serving as its chief executive officer, and three business staff members have been recruited, while a chief financial officer will be assigned from a subsidiary of the Group. Must Win is developing the functions of its information technology application system, including the application requirements, customer records, privacy data management and repayment monitoring functions, and has developed its internal mechanism for conducting its business in a prudent and properly controlled manner. As time is required for staff recruitment, account opening and the development of the information technology system, no loans had been advanced to any borrowers as at the Latest Practicable Date. Nevertheless, Must Win has collected expressions of interest from nine individual customers and three corporate customers, and expects to select suitable customers from such expressions of interest and to commence its individual and corporate lending business by the end of 2026.

In assessing the expected loan portfolio, we have discussed with the Management the business plan of the Money Lending Business and reviewed the business plan of Must Win dated November 2025 submitted in connection with its application for the money lenders licence (the "**Must Win Business Plan**"). We have also obtained and reviewed the summary of the expressions of interest collected by Must Win, the expected loan amount ranges of its loan products, its lending timetable for the first year and the development plan of its information technology system. We note that the target loan portfolio of approximately HK$20 million in the first year and approximately HK$30 million in the second year is consistent with the Must Win Business Plan, under which approximately 75% of the loan portfolio in the first year is expected to comprise secured loans and property mortgage loans, and all loan applications will be subject to credit assessment, including a minimum debt coverage ratio of 1.5 times.

Given that the Money Lending Business has no operating track record, lending has yet to commence and the intended loan amounts under the expressions of interest collected to date represent only a portion of the target, we consider the target to be relatively demanding. Nevertheless, we consider that the expected loan portfolio is a reasonable business target and that the amount of the net proceeds allocated to the Money Lending Business is reasonable, having considered that:

(i) the target is consistent with the Must Win Business Plan and is expressly subject to the availability of funding, market demand and credit assessment results;

(ii) Must Win has identified 12 prospective customers through the referral networks of its shareholders, comprising nine individual customers and three corporate customers with intended loan amounts ranging from approximately HK$50,000 to HK$1.2 million, which fall within the expected loan amount ranges of the relevant loan products;

(iii) Ms. Sha and Mr. Kok have relevant experience as disclosed in the Board Letter; and

(iv) more importantly, the funds available for loan principal of approximately HK$9.8 million, including the net proceeds of approximately HK$7.6 million from the Rights Issue, represent less than half of the target, such that such net proceeds could be fully deployed even if the actual loan portfolio falls considerably short of the target.

In respect of the funding need, we note that:

(a) the information technology system of Must Win is scheduled to be officially launched in December 2026, and Must Win expects to advance loans at an average of approximately HK$3.5 million per month during the first half of 2027, which broadly coincides with the expected receipt of the net proceeds from the Rights Issue;

(b) as a licensed money lender, Must Win is not permitted to take deposits from the public and its lending capacity depends on the capital available to it; and

(c) the unutilised loan principal from the May Share Placing of approximately HK$2.2 million would not be sufficient to fund even one month of lending based on the expected lending pace, while the internal resources of the Group are limited.

On such basis, we consider that the funding need of the Money Lending Business is expected to arise upon the commencement of its lending business, and concur with the Directors that the allocation of the net proceeds to the Money Lending Business now is justifiable. Nevertheless, the Independent Shareholders should note that the Money Lending Business has no operating track record and there is no assurance that Must Win will commence lending as scheduled or achieve its expected loan portfolio.

Previous Fund Raising Activities and Utilisation of Proceeds

As disclosed in the Board Letter, save for the May 2026 Placing (as defined in the Circular), being the placing of 245,200,000 new shares of the Company (before the Share Consolidation) at the placing price of HK$0.02 per placing share under the general mandate through the Placing Agent, which was announced on 5 May 2026 and completed on 27 May 2026 with net proceeds of approximately HK$4.7 million, the Company had not conducted any equity fund raising activities during the twelve months immediately preceding the date of the Announcement. The net proceeds from the May 2026 Placing were intended to be applied as to (i) approximately HK$2.6 million for the development and expansion of the Money Lending Business; (ii) approximately HK$1.0 million for the salary and staff costs of the Money Lending Business; (iii) approximately HK$0.3 million

for the development of an information technology application for the Money Lending Business; and (iv) approximately HK$0.8 million for the upfront set up costs and marketing costs of the Money Lending Business. As at the date of the Announcement, approximately HK$0.6 million had been utilised and the remaining balance of approximately HK$4.1 million had not yet been utilised.

As further disclosed in the Board Letter, as at the Latest Practicable Date, the aggregate unutilised net proceeds from the Previous Placings, being the placings completed by the Company from 2020 up to the Latest Practicable Date, amounted to approximately HK$17.3 million, the details of which are set out below:

Intended use of the net proceeds	**Date of completion of the placing**	**Unutilised net proceeds as at the Latest Practicable Date** *(HK$ million)*	**Expected timeline for utilisation**
Investment in information technology companies or projects	13 May 2020	5.0	December 2027
Acquisition of machinery for the manufacture and processing of functional garment	18 January 2024	2.3	December 2027
Purchase of raw materials and semi-finished products for further processing at the production plant of the Group	18 January 2024	1.5	December 2027
Marketing and development of online sales channels of functional garment	2 May 2024	2.2	December 2027
Investment and development of production facilities as the base for research and development and manufacturing of functional garment	11 June 2025	2.2	December 2027
Development and expansion of the Money Lending Business and the related staff, information technology, set up and marketing costs (i.e. the May 2026 Placing)	27 May 2026	4.1	December 2026
Total		**17.3**	

As disclosed in the Board Letter, the delay in the utilisation of the proceeds from the Previous Placings was mainly attributable to the following: (i) in respect of the investment in information technology companies or projects, the potential targets identified to date did not demonstrate satisfactory commercial prospects, investment returns or strategic value to the Group after preliminary due diligence and commercial evaluation, and the Company decided not to proceed with such investments; (ii) in respect of the acquisition of machinery, additional time was required for the Company to complete the technical and commercial assessment of the relevant machinery; (iii) in respect of the purchase of raw materials and semi-finished products, the bulk purchase will only proceed after the machinery acquisition plan has been finalised; and (iv) in respect of the online sales channels, the utilisation depends on the commercialisation of the production of functional garments.

We note from the Board Letter that a substantial portion of the existing cash balances of the Group has been allocated and reserved for the intended uses of the unutilised net proceeds from the Previous Placings, which are different from, or complementary to, the intended uses of the net proceeds from the Rights Issue. In particular, the net proceeds from the Rights Issue will be applied to the establishment of the Production Facilities with a scale larger than that contemplated at the time of the Previous Placings and to the loan principal of the Money Lending Business, while the unutilised net proceeds from the May 2026 Placing will mainly be applied to the initial loan principal and the operating costs of the Money Lending Business. As advised by the Management, the Company has no intention to change the intended use of the unutilised net proceeds from the Previous Placings as at the Latest Practicable Date. On such basis, we consider that the Rights Issue is not a duplication of the previous fund raising exercises of the Company. Nevertheless, the Independent Shareholders should note the delay in the utilisation of certain proceeds from the Previous Placings, and that the Company intends to apply them by December 2026 or December 2027, as the case may be.

Our View on the Reasons for the Rights Issue

As stated in the Board Letter, the Directors are of the view that (i) the interest rates for debt financing may remain high in the medium term; and (ii) it is difficult and time consuming for the Group to obtain new or additional loan facilities as banks in Hong Kong and the PRC have become more prudent in lending amid the worsened prospects of the Hong Kong and global economy. The Rights Issue would enhance the cash flow position of the Group to accommodate its liquidity needs for business operations and development without increasing its gearing ratio and finance costs. The Board also considers it prudent to finance the long term growth of the Group by long term financing, preferably in the form of equity which will not increase the finance costs of the Group.

Having considered (i) the continuing losses and the operating cash outflow of the Group as discussed above, which limit the ability of the Group to fund its development plans from internal resources; (ii) the business diversification strategy of the Group into the functional garment business and the Money Lending Business; (iii) the existing cash resources of the Group being substantially reserved for the intended uses of the unutilised

proceeds from the Previous Placings and for the working capital of the Group; and (iv) that the Rights Issue will allow the Group to strengthen its capital base without incurring additional interest burden, we concur with the Directors that the Rights Issue is in the interests of the Company and the Shareholders as a whole, and that the intended use of proceeds is fair and reasonable.

3. Other Financing Alternatives

As set out in the Board Letter, the Directors have considered other fund raising alternatives before resolving to proceed with the Rights Issue, including but not limited to debt financing, placing of new Shares and open offer.

The Directors consider that debt financing will result in additional interest burden and a higher gearing ratio of the Group and subject the Group to repayment obligations, and may not be achievable on favourable terms in a timely manner. Having considered the loss making position of the Group, we concur with the Directors that it may be difficult for the Group to obtain sizeable debt financing on acceptable terms and that debt financing would increase the finance costs of the Group.

As for the placing of new Shares, the Directors consider that it is relatively smaller in scale as compared with fund raising through a rights issue and would lead to an immediate dilution of the shareholding interests of the existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company. We note that the general mandate of the Company would only allow the issue of up to 20% of the issued Shares, which would not be sufficient to raise the required amount of funds at the prevailing market price of the Shares. As for an open offer, while it is similar to a rights issue in offering the qualifying shareholders to participate, it does not allow the trading of the rights entitlements in the open market.

We concur with the Directors that the Rights Issue, being pre-emptive in nature, allows the Qualifying Shareholders to maintain their proportionate shareholding interests in the Company and to participate in the future development of the Group, while offering the Qualifying Shareholders who do not wish to take up their entitlements the flexibility to dispose of their nil-paid rights in the market (subject to availability and market demand). Having considered the above, we are of the view that the Rights Issue is an appropriate means of fund raising for the Group and is in the interests of the Company and the Shareholders as a whole.

4. Principal Terms of the Rights Issue

Summary of the Principal Terms

Set out below is a summary of the principal terms of the Rights Issue, further details of which are set out in the Board Letter:

Basis of the Rights Issue	:	Three (3) Rights Shares for every one (1) Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK$0.20 per Rights Share
Net price per Rights Share (i.e. the Subscription Price less the costs and expenses incurred in the Rights Issue)	:	Approximately HK$0.195 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	73,560,000 Shares
Number of Rights Shares to be issued	:	Up to 220,680,000 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date)
Aggregate nominal value of the Rights Shares	:	Up to HK$44,136,000
Number of Shares in issue upon completion of the Rights Issue	:	Up to 294,240,000 Shares
Maximum gross proceeds	:	Up to approximately HK$44.1 million (before expenses)
Maximum net proceeds	:	Up to approximately HK$43.1 million
Right of excess applications	:	None
Underwriting	:	The Rights Issue will proceed on a non-underwritten basis
Placing Agent	:	Ruibang Securities Limited

As at the Latest Practicable Date, the Company had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares, and did not hold any treasury Shares. The Company has no intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

Assuming no change in the number of Shares in issue on or before the Record Date, the maximum of 220,680,000 Rights Shares to be issued pursuant to the Rights Issue represent (i) 300.0% of the total number of issued Shares as at the Latest Practicable Date; and (ii) 75.0% of the total number of issued Shares as enlarged by the allotment and issue of the Rights Shares.

Non-underwritten Basis

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event that the Rights Issue is not fully subscribed, any Unsubscribed Rights Shares together with the ES Unsold Rights Shares will be placed to independent Placees under the Compensatory Arrangements. Any Unsubscribed Rights Shares and ES Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, the Shareholders who apply to take up all or part of their entitlements under the PALs may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the application of any Shareholder (except for HKSCC Nominees Limited) for his, her or its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on the part of the relevant Shareholder to make a general offer under the Takeovers Code, in accordance with the note to Rule 10.26(2) of the GEM Listing Rules.

Based on our review of the Comparables (as defined below), 29 out of the 31 Comparables were conducted on a non-underwritten basis. We therefore consider that the non-underwritten basis of the Rights Issue is in line with the prevailing market practice. We also consider that, in the absence of an underwriter, the Company would not be required to bear any underwriting commission, and the Compensatory Arrangements provide a mechanism for the Unsubscribed Rights Shares and the ES Unsold Rights Shares to be placed for the benefit of the No Action Shareholders and the Excluded Shareholders.

Assessment of the Subscription Price

The Subscription Price

The Subscription Price of HK$0.20 per Rights Share is payable in full by the Qualifying Shareholders upon acceptance of the relevant provisional allotment of the Rights Shares or when a transferee of nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares. The Subscription Price represents:

(i) a discount of approximately 25.9% to the closing price of HK$0.27 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 27.3% to the average closing price of approximately HK$0.275 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 8.3% to the theoretical ex-rights price of approximately HK$0.2175 per Share based on the closing price of HK$0.27 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iv) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 20.5%, represented by the theoretical diluted price of approximately HK$0.21875 per Share to the benchmarked price (as defined under Rule 10.44A of the GEM Listing Rules) of approximately HK$0.275 per Share; and

(v) a discount of approximately 69.2% to the unaudited consolidated net asset value per Share of approximately HK$0.649 (based on the unaudited consolidated net asset value of the Group of approximately HK$47.7 million as at 30 June 2026 and 73,560,000 Shares in issue as at the date of the Announcement).

As disclosed in the Board Letter, the Subscription Price was determined with reference to (i) the market price of the Shares under the prevailing market conditions; (ii) the prevailing market conditions of the capital market in Hong Kong; (iii) the latest business performance and financial position of the Group; and (iv) the reasons for and benefits of the Rights Issue as discussed in the section headed ''Reasons for and Benefits of the Rights Issue and Use of Proceeds'' in the Board Letter. The Directors consider that the discount of the Subscription Price would encourage the Shareholders to participate in the Rights Issue and accordingly maintain their shareholdings in the Company and participate in the future growth and development of the Group.

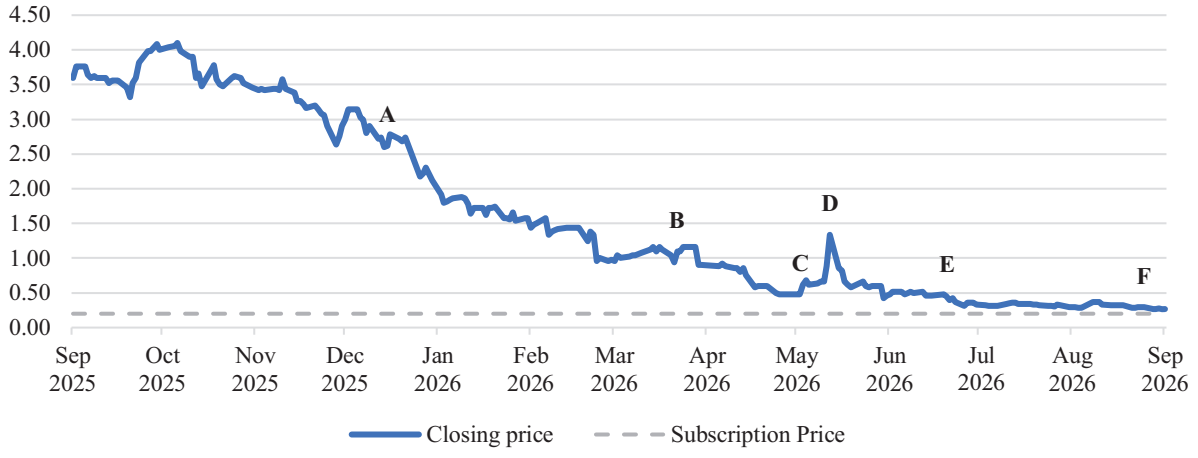
The Board has noted the relatively large discount of the Subscription Price to the net asset value per Share. Nevertheless, given the pre-emptive nature of the Rights Issue and taking into account that the Shares were traded at a discount to the net asset value attributable to the Shareholders per Share ranging from approximately 19.9% to 59.2%, with an average of approximately 45.2%, for the three months preceding the Last Trading Day, the Board is of the view that the net asset value per Share may not be a meaningful reference for determining the Subscription Price.

We further note that the Subscription Price is equal to the par value of HK$0.20 per Share following the Share Consolidation and, pursuant to Article 11(a) of the Articles of Association, no Shares shall be issued at a discount, such that the Subscription Price could not be set below the par value of HK$0.20 per Share.

Comparison with Historical Closing Prices of the Shares

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the daily closing prices and trading volumes of the Shares as quoted on the Stock Exchange during the period from 4 September 2025 up to and including the Last Trading Day (the "**Review Period**"), being a period of approximately one year prior to and including the Last Trading Day, and compared them with the Subscription Price. We consider that the Review Period is adequate and representative to illustrate the recent price movement of the Shares for conducting a reasonable comparison between the historical closing prices of the Shares and the Subscription Price, as the Share prices prior to the Announcement reflect the market value of the Shares without the potential effect of the Rights Issue. The historical closing prices of the Shares prior to 23 June 2026 have been adjusted for the effect of the Share Consolidation. The chart below illustrates the daily closing price per Share (the "**Closing Price**") as compared with the Subscription Price during the Review Period:

Share price performance compared to the Subscription Price



Source: website of the Stock Exchange

Notes:

1. Event A: publication of the announcement of the Company dated 18 December 2025 in relation to a discloseable transaction regarding the acquisition of the equity interest in Hengda Yongjin.

2. Event B: publication of the annual results announcement of the Company for FY2025 on 25 March 2026.

3. Event C: publication of the announcement of the Company dated 5 May 2026 in relation to the May 2026 Placing.

4. Event D: publication of the announcement of the Company dated 15 May 2026 in relation to the proposed Share Consolidation.

5. Event E: the Share Consolidation became effective on 23 June 2026.

6. Event F: publication of the interim results announcement of the Company for 1H2026 on 28 August 2026.

As shown in the chart above, during the Review Period, the Closing Price ranged from HK$0.265 per Share recorded on 3 September 2026 (the "**Lowest Closing Price**") to HK$4.10 per Share recorded on 9 October 2025 (the "**Highest Closing Price**"), with an average of approximately HK$1.638 per Share (the "**Average Closing Price**"). The Shares were traded above the Subscription Price throughout the Review Period. The Subscription Price represents (i) a discount of approximately 24.53% to the Lowest Closing Price; (ii) a discount of approximately 95.12% to the Highest Closing Price; and (iii) a discount of approximately 87.79% to the Average Closing Price.

We note that the Closing Price exhibited a general downward trend during the Review Period, decreasing from HK$3.60 per Share on 4 September 2025 to HK$0.27 per Share on the Last Trading Day. The Closing Price declined steadily from October 2025 to April 2026 and, save for a temporary surge to HK$1.34 per Share on 15 May 2026 after the publication of the announcement in relation to the proposed Share Consolidation, continued to decrease thereafter. From 23 June 2026, being the date on which the Share Consolidation became effective, up to and including the Last Trading Day, the Closing Price ranged from HK$0.265 to HK$0.455 per Share with an average of approximately HK$0.325 per Share, to which the Subscription Price represents a discount of approximately 38.48%. As advised by the Management, save for the events set out in the notes to the chart above, the Management is not aware of any specific reasons for the movements of the Closing Price during the Review Period, and considers that such movements may reflect the general market sentiment towards small capitalisation stocks listed on GEM and the financial performance of the Group.

Having considered the continuous downward trend of the Closing Price during the Review Period and that the Subscription Price is set at a discount to the recent Closing Price, which is in line with the market practice as discussed in the paragraph headed "Comparison with Recent Rights Issue Transactions" below, we consider that the discount of the Subscription Price to the historical Closing Price is justifiable in order to encourage the Qualifying Shareholders to participate in the Rights Issue.

Historical Trading Liquidity of the Shares

The table below sets out the total trading volume of the Shares, the number of trading days and the average daily trading volume of the Shares for each month or period during the Review Period, together with the percentage of the average daily trading volume to the total number of issued Shares:

Month/period	**Total trading volume** *(Shares)*	**Number of trading days**	**Average daily trading volume** *(Note 1)* *(Shares)*	**Percentage of the average daily trading volume to the total number of issued Shares** *(Note 2)* *(%)*
2025				
September (from 4 September 2025)	1,358,500	19	71,500	0.1166
October	886,500	20	44,325	0.0723
November	237,500	20	11,875	0.0194
December	655,500	21	31,214	0.0509
2026				
January	2,387,000	21	113,667	0.1854
February	4,616,000	17	271,529	0.4430
March	546,500	22	24,841	0.0405
April	5,841,500	19	307,447	0.5015
May	10,094,000	19	531,263	0.7222
June	10,935,000	21	520,714	0.7079
July	828,000	22	37,636	0.0512
August	1,000,000	21	47,619	0.0647
September (up to the Last Trading Day)	308,500	4	77,125	0.1048

Source: website of the Stock Exchange

Notes:

1. The average daily trading volume is calculated by dividing the total trading volume of the Shares for the month or period by the number of trading days during the month or period, excluding any trading day on which trading in the Shares was suspended for the whole day. The trading volumes prior to 23 June 2026 have been adjusted for the effect of the Share Consolidation.

2. Based on the total number of issued Shares at the end of each month or period, being 61,300,000 Shares (as adjusted for the Share Consolidation) from September 2025 to April 2026 and 73,560,000 Shares from May 2026 onwards, following the completion of the May 2026 Placing on 27 May 2026.

As shown in the table above, the average daily trading volume of the Shares during the Review Period ranged from approximately 11,875 Shares in November 2025 to approximately 531,263 Shares in May 2026, representing approximately 0.0194% to approximately 0.7222% of the total number of issued Shares at the end of the relevant month. The average daily trading volume was below 0.1% of the total number of issued Shares in 6 out of the 13 months or periods during the Review Period, and there were 21 trading days on which no Shares were traded, including the Last Trading Day.

Given the thin trading liquidity of the Shares during the Review Period, it would be difficult for the Shareholders to acquire a substantial block of the Shares in the open market without exerting a significant impact on the price of the Shares. In such circumstances, the Rights Issue offers the Qualifying Shareholders an opportunity to increase or maintain their shareholding interests in the Company at a discount to the prevailing market price, and we consider that it is reasonable for the Subscription Price to be set at a discount to the prevailing market price in order to enhance the attractiveness of the Rights Issue.

Comparison with Recent Rights Issue Transactions

In order to further assess the fairness and reasonableness of the Subscription Price and the other principal terms of the Rights Issue, we have, to the best of our knowledge and as far as we are aware, conducted an exhaustive search on the website of the Stock Exchange for rights issue transactions announced by companies listed on the Main Board and GEM of the Stock Exchange during the period of approximately four months prior to and including the date of the Announcement, being from 5 May 2026 up to and including 4 September 2026 (the "**Comparison Period**"). Based on our research, we have identified an exhaustive list of 31 rights issue transactions (the "**Comparables**") which satisfied the aforesaid criteria, after excluding two rights issue transactions which were announced during the Comparison Period but subsequently terminated prior to the Latest Practicable Date.

We consider that the Comparison Period of approximately four months is adequate to capture the recent market conditions and sentiment in respect of rights issue transactions in Hong Kong, and has generated a reasonable and meaningful sample size of 31 Comparables for our analysis. Although the Comparables may involve companies with different principal businesses, market capitalisations, financial performance and funding needs from those of the Company, and the terms of their rights issues may have been determined under different circumstances, we consider that the Comparables are fair and representative samples as (i) all the Comparables and the Company are listed on the Stock Exchange; (ii) our analysis is mainly concerned with the principal terms of the rights issues and we are not aware of any established evidence showing a correlation between the scale or the business of the issuer and the principal terms of its rights issue; and (iii) the Comparables were exhaustively included without any artificial selection or filtering on our part, and therefore represent a true and fair view of the recent market practice of rights issue transactions conducted by companies listed in Hong Kong.

It should be noted that the subject companies constituting the Comparables may have different principal activities, market capitalisations, profitability and financial positions as compared with those of the Company, and the circumstances leading to the subject companies to proceed with their rights issues may also be different from those of the Company. The comparison is therefore for reference only. The following table sets out the relevant details of the Comparables:

Company name	Stock code	Date of announcement	Basis of entitlement	(Discount)/ premium of subscription price (to)/ over the closing price on the last trading day %	(Discount)/ premium of subscription price (to)/ over the average closing price of the last five consecutive trading days %	(Discount)/ premium of subscription price (to)/ over the consolidated net asset value per share *(Note 2)* %	Theoretical dilution effect *(Note 3)* %	Potential maximum dilution of shareholding *(Note 4)* %	Excess application	Fully underwritten	Placing commission *(Note 5)*
Citychamp Watch & Jewellery Group Limited	256	5 May 2026	1 for 3	31.60	28.20	(88.90)	Nil	25.00	No	No	1.50% (minimum HK$300,000)
MTT Group Holdings Limited	2350	12 May 2026	2 for 5	(64.29)	(65.01)	1.85	18.65	28.57	No	No	2.20% (minimum HK$300,000)
V & V Technology Holdings Limited	8113	13 May 2026	1 for 2	1.12	5.88	(29.91)	Nil	33.33	Yes	No	N/A
MOG Digitech Holdings Limited	1942	21 May 2026	1 for 2	(54.55)	(56.95)	(90.05)	18.98	33.33	No	No	1.00%
Harbour Digital Asset Capital Limited	913	26 May 2026	3 for 2	(19.10)	(20.90)	(84.40)	12.80	60.00	No	No	3.00%
FDB Holdings Limited	1826	29 May 2026	1 for 2	(20.60)	(1.20)	N/A	6.90	33.33	No	No	3.50%
Gaodi Holdings Limited	1676	5 Jun 2026	1 for 2	(12.44)	(12.44)	(51.90)	4.31	33.33	No	No	0.75%
Asian Citrus Holdings Limited	73	15 Jun 2026	3 for 1	(28.13)	(31.82)	(81.98)	23.86	75.00	No	No	1.00% (minimum HK$100,000)
CMON Limited	1792	18 Jun 2026	3 for 1	(14.74)	(19.80)	N/A	15.79	75.00	No	No	2.50%
China Wood International Holding Co., Limited	1822	18 Jun 2026	1 for 1	(43.80)	(44.84)	5.48	22.42	50.00	No	No	1.50%
Imperium Technology Group Limited	776	23 Jun 2026	1 for 2	(66.67)	(67.24)	N/A	22.34	33.33	No	No	3.00%
Biosysen Limited	1355	24 Jun 2026	1 for 2	(51.43)	(50.29)	N/A	17.14	33.33	No	No	1.50%
Hong Kong Entertainment International Holdings Limited	8291	9 Jul 2026	3 for 1	(4.76)	(4.76)	N/A	3.57	75.00	No	No	3.00%
Guoen Holdings Limited	8121	10 Jul 2026	4 for 1	(24.21)	(27.27)	(72.52)	22.40	80.00	No	No	4.00%
KPM Holding Limited	8027	13 Jul 2026	2 for 1	(13.80)	(16.40)	(65.50)	11.10	66.67	No	No	3.00%
Capital Industrial Financial Services Group Limited	730	14 Jul 2026	1 for 1	0.81	(1.26)	(65.82)	1.10	50.00	No	No	2.00%
Flowing Cloud Technology Ltd	6610	15 Jul 2026	4 for 1	(24.05)	(24.24)	(93.66)	19.39	80.00	No	No	1.00% (minimum HK$2,000,000)

Company name	Stock code	Date of announcement	Basis of entitlement	(Discount)/ premium of subscription price (to)/ over the closing price on the last trading day %	(Discount)/ premium of subscription price (to)/ over the average closing price of the last five consecutive trading days %	(Discount)/ premium of subscription price (to)/ over the consolidated net asset value per share *(Note 2)* %	Theoretical dilution effect *(Note 3)* %	Potential maximum dilution of shareholding *(Note 4)* %	Excess application	Fully underwritten	Placing commission *(Note 5)*
Pine Technology Holdings Limited	1079	16 Jul 2026	1 for 2	(41.18)	(42.31)	141.16	14.32	33.33	Yes	No	N/A
Universal Health International Group Holding Limited	2211	17 Jul 2026	4 for 1	(4.76)	(7.19)	(87.95)	5.75	80.00	No	No	3.00%
King International Investment Limited	928	23 Jul 2026	2 for 1	(31.51)	(25.60)	(61.16)	13.29	66.67	No	No	1.50%
Yuk Wing Group Holding Limited	1536	24 Jul 2026	3 for 1	(27.01)	(28.06)	(68.45)	21.99	75.00	No	No	1.00%
Easyhold Group Holdings Limited	1703	29 Jul 2026	1 for 1	(48.98)	(47.03)	261.84	24.49	50.00	No	No	1.50%
Zhejiang United Investment Holdings Group Limited	8366	29 Jul 2026	1 for 1	(14.29)	(14.29)	N/A	7.14	50.00	No	No *(Note 6)*	2.00% (minimum HK$100,000)
Zhengwei Group Holdings Company Limited	2147	3 Aug 2026	6 for 1	(28.57)	(28.57)	(92.87)	24.49	85.71	No	No	1.50%
Alpha Professional Holdings Limited	948	12 Aug 2026	1 for 1	(19.68)	(10.71)	203.03	9.64	50.00	Yes	No	N/A
Palinda Group Holdings Limited	8179	14 Aug 2026	1 for 2	(50.00)	(50.00)	(97.20)	16.67	33.33	No	No	1.50%
Asia-Pac Financial Investment Company Limited	8193	14 Aug 2026	2 for 1	20.50	22.00	(54.30)	Nil	66.67	No	No	3.00%
AI Energy Engineering Holdings Limited	1751	17 Aug 2026	2 for 5	(7.80)	(8.32)	1,525.00	2.71	28.57	No	No	3.00% (minimum HK$250,000)
Litian Pictures Holdings Limited	9958	27 Aug 2026	4 for 1	(22.13)	(22.76)	N/A	18.21	80.00	No	No	1.00%
Hong Kong Robotics Group Holding Limited	370	27 Aug 2026	1 for 2	(22.20)	(19.50)	(4.50)	7.41	33.33	Yes	Yes	N/A *(Note 7)*
China Environmental Technology Holdings Limited	646	1 Sep 2026	6 for 1	(21.61)	(21.34)	N/A	18.52	85.71	No	No	3.00%
Maximum				**31.60**	**28.20**	**1,525.00**	**24.49**	**85.71**			**4.00%**
Minimum				**(66.67)**	**(67.24)**	**(97.20)**	**0.00**	**25.00**			**0.75%**
Average				**(23.49)**	**(23.03)**	**41.19**	**13.08**	**54.31**			**2.09%**
Median				**(22.13)**	**(21.34)**	**(65.50)**	**14.32**	**50.00**			**2.00%**
The Company	**8471**	**4 Sep 2026**	**3 for 1**	**(25.90)**	**(27.30)**	**(69.20)**	**20.50**	**75.00**	**No**	**No**	**1.40%**

Source: website of the Stock Exchange

Notes:

1. The information in the table above has been extracted from the relevant announcements of the Comparables published on the website of the Stock Exchange. Where the relevant issuer had implemented a capital reorganisation or share consolidation in connection with the rights issue, the figures are based on the adjusted prices as disclosed in the relevant announcement.

2. The consolidated net asset value per share is based on the latest published consolidated net asset value attributable to the shareholders of the subject company and the number of shares in issue as disclosed in the relevant announcement. Where such comparison was not disclosed in the relevant announcement, the figure has been calculated by us based on the latest published financial statements of the subject company. "N/A" denotes that the subject company recorded consolidated net liabilities. The figures for the Company are based on the Announcement.

3. The theoretical dilution effect is calculated in accordance with Rule 7.27B of the Rules Governing the Listing of Securities on the Stock Exchange or Rule 10.44A of the GEM Listing Rules, as disclosed in the relevant announcement. "Nil" denotes that the subscription price was set at a premium to the benchmarked price and there was no theoretical dilution effect.

4. The potential maximum dilution of shareholding is calculated as the number of rights shares to be issued under the basis of entitlement divided by the total number of shares as enlarged by the rights shares, multiplied by 100%.

5. "N/A" denotes that the subject rights issue did not involve any placing of the unsubscribed rights shares. The average and the median of the placing commission are calculated based on the Comparables with placing arrangements.

6. The rights issue of Zhejiang United Investment Holdings Group Limited was partially underwritten.

7. The rights issue of Hong Kong Robotics Group Holding Limited was fully underwritten with an underwriting commission of approximately 7.07%, and no placing arrangement was adopted.

As illustrated in the table above, we note that 27 out of the 31 Comparables set the subscription price of their rights issues at a discount to the closing price of their shares on the last trading day, and 28 out of the 31 Comparables set the subscription price at a discount to the average closing price of their shares for the last five consecutive trading days. This indicates that it is a common market practice for listed issuers to set the subscription price of a rights issue at a discount to the prevailing market price of their shares in order to enhance the attractiveness of the rights issue and to encourage the shareholders to participate.

The subscription prices of the Comparables ranged from a discount of approximately 66.67% to a premium of approximately 31.60% to the closing price of their shares on the respective last trading day, with an average and a median of discount of approximately 23.49% and discount of approximately 22.13%, respectively. The discount of approximately 25.9% of the Subscription Price to the closing price of the Shares on the Last Trading Day falls within the range of the Comparables and is slightly deeper than the average and the median of the Comparables, but is considerably narrower than the maximum discount of the Comparables. We also note that 12 out of the 31 Comparables set their subscription prices at a discount equal to or deeper than that of the Rights Issue.

The subscription prices of the Comparables ranged from a discount of approximately 67.24% to a premium of approximately 28.20% to the average closing price of their shares for the last five consecutive trading days, with an average and a median of discount of approximately 23.03% and discount of approximately 21.34%, respectively. The discount of approximately 27.3% of the Subscription Price to the average closing price of the Shares for the five consecutive trading days up to and including the Last Trading Day falls within the range of the Comparables, although it is deeper than the average and the median of the Comparables.

Of the 23 Comparables which recorded consolidated net assets attributable to their shareholders, 17 set the subscription price of their rights issues at a discount to the consolidated net asset value per share. The subscription prices of such Comparables ranged from a discount of approximately 97.20% to a premium of approximately 1,525.00% to their consolidated net asset value per share, with an average of premium of approximately 41.19% and a median of discount of approximately 65.50%. As the average is distorted by 4 Comparables with a premium of over 100%, we have also considered the 19 Comparables excluding such outliers, the subscription prices of which ranged from a discount of approximately 97.20% to a premium of approximately 5.48% to their consolidated net asset value per share, with an average and a median of discount of approximately 62.30% and discount of approximately 68.45%, respectively. The discount of approximately 69.2% of the Subscription Price to the unaudited consolidated net asset value per Share falls within the range of the Comparables and is close to the median of the Comparables (excluding the outliers). Taking into account that (i) the Shares had been consistently traded at a discount to the net asset value per Share prior to the Last Trading Day; and (ii) it is not uncommon for the subscription prices of rights issues to be set at a substantial discount to the net asset value per share, we concur with the Board that the net asset value per Share is of limited reference value in determining the Subscription Price.

The theoretical dilution effects of the Comparables ranged from nil to approximately 24.49%, with an average and a median of approximately 13.08% and 14.32%, respectively. The theoretical dilution effect of the Rights Issue of approximately 20.5% is within the range of the Comparables, and 7 out of the 31 Comparables recorded a theoretical dilution effect higher than that of the Rights Issue. While the theoretical dilution effect of the Rights Issue is above the average and the median of the Comparables, we consider that it is justifiable having regard to the factors discussed below. As the theoretical dilution effect of the Rights Issue is below 25%, it is in compliance with Rule 10.44A of the GEM Listing Rules.

In assessing the theoretical dilution effect of the Rights Issue, we note that the discount of approximately 27.3% of the Subscription Price to the benchmarked price, being the average closing price of the Shares for the five consecutive trading days up to and including the Last Trading Day, falls within the range of the Comparables, and 11 out of the 31 Comparables set their subscription prices at a discount to the average closing price of their shares for the last five consecutive trading days deeper than that of the Rights Issue. Accordingly, the discount of the Subscription Price is not unusually deep as compared with the recent market practice. In addition, the Subscription Price is equal to the par value of the Shares, and the Board has confirmed that the Subscription Price was

determined after taking into account, among other things, the capital needs of the Company, the par value of the Shares, the prevailing market conditions, the willingness of the Shareholders to participate in the Rights Issue and the feasibility of the successful completion of the Rights Issue.

In respect of the discount of the Subscription Price, we note that:

(i) the Closing Price exhibited a continuous downward trend during the Review Period, and decreased by approximately 40.7% from HK$0.455 per Share on 23 June 2026, being the date on which the Share Consolidation became effective, to HK$0.27 per Share on the Last Trading Day;

(ii) there is a period of approximately three months between the Last Trading Day and the Latest Time for Acceptance, during which the market price of the Shares may fluctuate, and a narrower discount would increase the risk of the market price of the Shares falling to or below the Subscription Price, in which case the Qualifying Shareholders would have little incentive to take up their entitlements;

(iii) as the Rights Issue will proceed on a non-underwritten basis, the amount of funds to be raised depends on the level of acceptance by the Qualifying Shareholders and the outcome of the Compensatory Arrangements, and a meaningful discount is necessary to encourage the Qualifying Shareholders to take up their entitlements; and

(iv) the trading liquidity of the Shares was thin during the Review Period, such that the Qualifying Shareholders could not readily increase their shareholdings through the market.

We therefore consider that the discount of the Subscription Price represents a balance between the need to enhance the attractiveness of the Rights Issue and the need to contain the theoretical dilution effect within the threshold of 25% under Rule 10.44A of the GEM Listing Rules.

We have also considered the actual impact of the theoretical dilution effect on the Qualifying Shareholders. The theoretical dilution effect reflects the theoretical reduction in the market price of the Shares as a result of the issue of the Rights Shares at a discount. The Qualifying Shareholders who take up their entitlements in full will not suffer any dilution in their proportionate shareholding interests and, in theory, the aggregate value of their investment will not be reduced, as the reduction in the market price of the Shares will be offset by the discount at which they subscribe for the Rights Shares. The Qualifying Shareholders who do not wish to take up their entitlements may sell their nil-paid rights in the market, the theoretical value of which is approximately HK$0.0175 per nil-paid Rights Share, being the difference between the theoretical ex-rights price of approximately HK$0.2175 per Share and the Subscription Price, or approximately HK$0.0525 for the three nil-paid Rights Shares attributable to each Share held, which, together with the theoretical ex-rights price, is equivalent to the closing price of HK$0.27 per Share on the Last Trading Day. In addition, the No Action Shareholders

and the Excluded Shareholders may receive the Net Gain (if any) under the Compensatory Arrangements. We also note that the Subscription Price represents a relatively narrow discount of approximately 8.3% to the theoretical ex-rights price of the Shares.

We are of the view that, although the theoretical dilution effect of the Rights Issue is higher than the average and the median of the Comparables, it is justifiable, and is fair and reasonable and in the interests of the Company and the Shareholders as a whole, having considered that:

(a) the theoretical dilution effect of the Rights Issue is within the range of the Comparables and below the threshold of 25% under Rule 10.44A of the GEM Listing Rules;

(b) the discount of the Subscription Price to the benchmarked price is within the range of the Comparables and is not unusually deep as compared with the recent market practice;

(c) the discount of the Subscription Price is necessary to enhance the attractiveness of the non-underwritten Rights Issue in light of the downward trend of the Closing Price, the period up to the Latest Time for Acceptance and the thin trading liquidity of the Shares; and

(d) the Rights Issue is pre-emptive in nature, the Qualifying Shareholders may mitigate the impact of the theoretical dilution effect by taking up their entitlements or disposing of their nil-paid rights, and the No Action Shareholders and the Excluded Shareholders may receive the Net Gain (if any) under the Compensatory Arrangements.

The potential maximum dilution effects on the shareholding of the Comparables ranged from approximately 25.00% to approximately 85.71%, with an average and a median of approximately 54.31% and 50.00%, respectively. The potential maximum dilution effect of the Rights Issue of approximately 75.00% falls within the range of the Comparables, although it is higher than the average and the median of the Comparables, and 10 out of the 31 Comparables had a potential maximum dilution effect of 75.00% or more. The potential dilution effect on the shareholding interests of the Shareholders is further discussed in the section headed ''Potential Dilution Effect on the Shareholding Interests of the Shareholders'' below.

Taking into account that:

(i) the Shares were traded above the Subscription Price throughout the Review Period while the Closing Price exhibited a continuous downward trend;

(ii) the trading liquidity of the Shares was thin during the Review Period;

(iii) the discounts of the Subscription Price to the closing price of the Shares on the Last Trading Day and to the average closing price of the Shares for the last five consecutive trading days fall within the range of the Comparables and are not significantly deeper than the respective averages and medians of the Comparables;

(iv) the theoretical dilution effect and the potential maximum dilution effect of the Rights Issue fall within the ranges of the Comparables, and the theoretical dilution effect, although higher than the average and the median of the Comparables, is justifiable as discussed above;

(v) the Subscription Price is equal to the par value of the Shares; and

(vi) all the Qualifying Shareholders are offered an equal opportunity to subscribe for the Rights Shares at the same Subscription Price in proportion to their shareholdings, we are of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

Absence of Excess Application Arrangement

As disclosed in the Board Letter, as the Compensatory Arrangements are in place as required under Rule 10.31(1)(b) of the GEM Listing Rules, there will be no excess application arrangement in relation to the Rights Issue. Based on our analysis of the Comparables, we note that 27 out of the 31 Comparables did not offer excess application arrangements. We therefore consider that the absence of excess application arrangement is in line with the prevailing market practice. In addition, the Compensatory Arrangements provide a mechanism for the No Action Shareholders and the Excluded Shareholders to receive the Net Gain (if any) from the placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares. As such, we consider that the absence of excess application arrangement is acceptable so far as the Independent Shareholders are concerned.

The Placing Agreement and the Compensatory Arrangements

On 4 September 2026 (after trading hours of the Stock Exchange), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to procure, on a best effort basis, Placees who and whose ultimate beneficial owners are Independent Third Parties to subscribe for the Placing Shares during the Placing Period, which is expected to commence on Monday, 28 December 2026 and end at 6:00 p.m. on Monday, 4 January 2027. The placing price of the Placing Shares shall be not less than the Subscription Price, and the final price shall be determined by the Placing Agent with the agreement of the Company based on the demand for and the market conditions of the Placing Shares during the process of placement.

Any premium over the Subscription Price realised from the placing of the Placing Shares (i.e. the Net Gain) will be paid (without interest) on a pro rata basis to the No Action Shareholders and the Excluded Shareholders, save that any amount of HK$100 or less to which any such Shareholder is entitled will be retained by the Company for its own benefit. We consider that the Compensatory Arrangements provide a fair and reasonable mechanism to protect the interests of the Qualifying Shareholders who do not take up their entitlements and of the Excluded Shareholders, as they may receive the Net Gain (if any) instead of having their entitlements lapse without compensation.

Pursuant to the Placing Agreement, the Company shall pay the Placing Agent a placing commission of 1.4% of the actual gross proceeds from the subscription of the Placing Shares that are successfully placed by the Placing Agent. As set out in the Board Letter, the terms of the Placing Agreement (including the placing commission) were determined after arm's length negotiations between the Placing Agent and the Company with reference to the size of the Rights Issue and the market conditions. Based on our analysis, 27 out of the 31 Comparables adopted placing arrangements for the unsubscribed rights shares, and the placing commissions of such Comparables ranged from approximately 0.75% to approximately 4.00%, with an average and a median of approximately 2.09% and 2.00%, respectively. The placing commission of 1.4% under the Placing Agreement falls within the range of the Comparables and is lower than the average and the median of the Comparables. We are therefore of the view that the terms of the Placing Agreement (including the placing commission) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Our View on the Principal Terms

Having considered the above, we are of the view that the principal terms of the Rights Issue (including the Subscription Price, the absence of excess application arrangement, the non-underwritten basis and the terms of the Placing Agreement) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

5. Potential Dilution Effect on the Shareholding Interests of the Shareholders

Set out below is the shareholding structure of the Company, assuming no change in the number of issued Shares before the completion of the Rights Issue other than the allotment and issue of the Rights Shares, (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by all the Qualifying Shareholders; and (iii) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and all the Placing Shares having been placed by the Placing Agent:

	As at the Latest Practicable Date		**Immediately upon completion of the Rights Issue assuming full acceptance**		**Immediately upon completion of the Rights Issue assuming nil acceptance and all the Placing Shares placed**	
	Number of Shares	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*
Shareholders						
Ms. Sha *(Note 1)*	6,620,000	9.00	26,480,000	9.00	6,620,000	2.25
Mr. Li *(Note 2)*	4,500,000	6.12	18,000,000	6.12	4,500,000	1.53
Public Shareholders						
Independent Placees	Nil	Nil	Nil	Nil	220,680,000	75.00
Other public Shareholders	62,440,000	84.88	249,760,000	84.88	62,440,000	21.22
Total	**73,560,000**	**100.00**	**294,240,000**	**100.00**	**294,240,000**	**100.00**

Notes:

1. Ms. Sha is the chairlady of the Board and an executive Director.

2. Mr. Li is the chief executive officer of the Company and an executive Director.

3. Certain percentage figures included in the table above have been subject to rounding adjustments.

All the Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their full provisional allotments under the Rights Issue, their shareholding interests in the Company will remain unchanged upon completion of the Rights Issue. The Qualifying Shareholders who do not wish to take up their entitlements may, subject to the then prevailing market conditions, consider selling their nil-paid rights in the market, and may receive the Net Gain (if any) under the Compensatory Arrangements.

For those Qualifying Shareholders who do not take up their provisional allotments under the Rights Issue in full, depending on the extent to which they subscribe for the Rights Shares, their shareholding interests in the Company upon completion of the Rights Issue will be diluted by up to a maximum of approximately 75.00%. We note that such potential dilution is significant. Nevertheless, having considered that (i) all the Qualifying Shareholders are offered

an equal opportunity to participate in the enlargement of the capital base of the Company and their shareholding interests will not be diluted if they take up their entitlements in full; (ii) the Qualifying Shareholders have the opportunity to realise their nil-paid rights in the market, subject to availability; (iii) the potential maximum dilution effect of the Rights Issue falls within the range of the Comparables; and (iv) the dilution is inherent in all rights issues and is only applicable to the Qualifying Shareholders who decide not to take up their entitlements, we are of the view that the potential dilution effect on the shareholding interests of the Shareholders is acceptable.

6. Possible Financial Effects of the Rights Issue

Net Tangible Assets

With reference to the 2026 Interim Report, the Group did not record any intangible assets or goodwill as at 30 June 2026, and the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2026 were therefore equivalent to the equity attributable to owners of the Company of approximately RMB40.8 million (equivalent to approximately HK$47.7 million), representing approximately HK$0.649 per Share based on 73,560,000 Shares in issue. For illustrative purposes, assuming full acceptance of the Rights Shares and the receipt of the maximum net proceeds of approximately HK$43.1 million, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company would increase to approximately HK$90.8 million, while the unaudited pro forma adjusted consolidated net tangible assets per Share would decrease to approximately HK$0.309 per Share based on 294,240,000 Shares in issue upon completion of the Rights Issue. The aforesaid figures are subject to the unaudited pro forma financial information of the Group to be prepared by the Company and reported on by the reporting accountant of the Company as set out in Appendix II to the Circular.

The decrease in the net tangible assets per Share is primarily due to the Rights Shares being issued at the Subscription Price, which represents a discount to the unaudited consolidated net tangible assets per Share prior to completion of the Rights Issue. Notwithstanding the decrease in the net tangible assets per Share, the overall net tangible assets of the Group attributable to owners of the Company are expected to increase upon completion of the Rights Issue.

Liquidity and Gearing

As at 30 June 2026, the Group had bank and cash balances of approximately RMB18.0 million, current assets of approximately RMB43.3 million and current liabilities of approximately RMB16.2 million, and the current ratio of the Group was approximately 2.67 times. Upon completion of the Rights Issue, the cash position of the Group is expected to increase by the net proceeds of up to approximately HK$43.1 million (equivalent to approximately RMB36.8 million based on the exchange rate of RMB1 = HK$1.17). For illustrative purposes, the current ratio of the Group would increase to approximately 4.95 times, assuming full acceptance of the Rights Shares and before the application of the net proceeds.

The gearing ratio of the Group, calculated as the total borrowings divided by the equity attributable to owners of the Company, was approximately 2.5% as at 30 June 2026. As the Rights Issue will enlarge the equity base of the Group without incurring any additional borrowings, the gearing ratio of the Group would decrease to approximately 1.3% upon completion of the Rights Issue, assuming full acceptance of the Rights Shares.

Having considered the above, we are of the view that the Rights Issue is expected to have a positive impact on the liquidity and financial position of the Group. It should be noted that the aforesaid analyses are for illustrative purposes only and do not purport to represent the financial position of the Group upon completion of the Rights Issue.

OPINION AND RECOMMENDATION

Having taken into consideration the principal factors and reasons discussed above, in particular:

(i) the Rights Issue will provide the Group with additional funds for the development of the Production Facilities and the Money Lending Business in line with its business diversification strategy, and will strengthen the capital base and liquidity position of the Group, as discussed in the section headed ''Reasons for and Benefits of the Rights Issue and Use of Proceeds'' in this letter;

(ii) having considered the other fund raising alternatives, the Rights Issue is an appropriate means of fund raising for the Group, as discussed in the section headed ''Other Financing Alternatives'' in this letter;

(iii) the Subscription Price and the other principal terms of the Rights Issue (including the terms of the Placing Agreement) are fair and reasonable and are generally in line with the market practice, as discussed in the section headed ''Principal Terms of the Rights Issue'' in this letter; and

(iv) the Rights Issue offers all the Qualifying Shareholders an equal opportunity to maintain their proportionate shareholding interests in the Company and to participate in the future growth of the Group, and the potential maximum dilution effect will only occur to the Qualifying Shareholders who do not take up their entitlements, as discussed in the section headed ''Potential Dilution Effect on the Shareholding Interests of the Shareholders'' in this letter,

we are of the view that the terms of the Rights Issue are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and that the Rights Issue and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we recommend, the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Rights Issue and the transactions contemplated thereunder.

The Independent Shareholders should note that the Rights Issue is conditional upon, among other things, the Increase in Authorised Share Capital becoming effective and the approval of the Rights Issue by the Independent Shareholders at the EGM, and may or may not proceed. The Independent Shareholders who wish to deal in the Shares and/or the nil-paid Rights Shares are advised to exercise caution and consult their own professional advisers.

Yours faithfully,
For and on behalf of
Draco Capital Limited

Kevin Choi	**Leon Au Yeung**
Managing Director	*Director*

Mr. Kevin Choi and Mr. Leon Au Yeung are licensed persons registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and are regarded as responsible officers of Draco Capital Limited. Mr. Kevin Choi and Mr. Leon Au Yeung have over 15 years and 13 years of experience in the corporate finance industry, respectively.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of three years ended 31 December 2023, 2024 and 2025 and the six months ended 30 June 2026, together with the accompanying notes to the financial statements, are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.sthl.com.hk):

Annual report for the year ended 31 December 2023 (pages 70 to 113):
https://www1.hkexnews.hk/listedco/listconews/gem/2024/0417/2024041701412.pdf

Annual report for the year ended 31 December 2024 (pages 73 to 119):
https://www1.hkexnews.hk/listedco/listconews/gem/2025/0416/2025041601545.pdf

Annual report for the year ended 31 December 2025 (pages 81 to 135):
https://www1.hkexnews.hk/listedco/listconews/gem/2026/0427/2026042702744.pdf

Interim report for the six months ended 30 June 2026 (pages 2 to 15):
https://www1.hkexnews.hk/listedco/listconews/gem/2026/0921/2026092101575.pdf

2. INDEBTEDNESS STATEMENT

As at the close of business on 30 September 2026, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had approximately RMB2.38 million outstanding indebtedness as set out below:

(a) Unsecured bank loans of approximately RMB900,000; and

(b) Lease liabilities of approximately RMB1,482,000 relating to right-of-use assets in respect of leased properties which were secured by rental deposits and unguaranteed.

Save as aforesaid and apart from intra-group liabilities, normal trade and wages payables, as at the close of business on 30 September 2026, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, or term loans, bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments or other borrowings, mortgages, charges, guarantees or contingent liabilities.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material change in the financial or trading position of the Group since 31 December 2025, being the date to which the latest published audited financial statements of the Company were made up.

4. WORKING CAPITAL SUFFICIENCY

After taking into account the financial resources available to the Group, including the internally generated funds and the net proceeds from the Rights Issue, the Directors, are of the opinion that the Group will have sufficient working capital for its present requirements for at least the next twelve months from the date of the publication of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As disclosed in the annual report of the Company for the year ended 31 December 2025 and the interim report of the Company for the six months ended 30 June 2026, 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. In order to deal with the challenging market conditions, the Group will continue to undertake cost control measures and broaden customer base and product offerings. The Directors are of the view that further development of garment market in the PRC, shortening of fashion cycle and the multifunction of labels remain to be the key drivers for the growth of the PRC garment accessories industry.

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. The Group has expanded its business operations into production and trading of functional garment in the PRC. In 2025, the Group acquired 90% equity interest in Shenzhen Guanshengtong Technology Company Ltd., 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.

During the six months ended 30 June 2026, the Group expanded into money lending business in Hong Kong. On 7 May 2026, Must Win Finance Company Limited (必盈財務有限公司), an indirect wholly-owned subsidiary of the Company, obtained a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The Group will explore suitable new business opportunities to diversify its revenue sources and reduce reliance on its existing principal businesses.

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.

A. INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The accompanying unaudited pro forma statement of adjusted consolidated net tangible assets (collectively the "**Unaudited Pro Forma Financial Information**") of the Group has been prepared in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") to illustrate the effect of the Rights Issue on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company on 30 June 2026 as if it had taken place on 30 June 2026.

Capitalised terms used herein shall have the same meanings as those defined in this Circular unless the context otherwise requires. The Unaudited Pro Forma Financial Information of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the actual consolidated net tangible assets of the Group had the Rights Issue been completed as at 30 June 2026 or at any future date.

The Unaudited Pro Forma Financial Information of the Group is prepared based on the unaudited consolidated statement of financial position of the Group as at 30 June 2026, as extracted from the published interim report of the Group for the six months ended 30 June 2026, with adjustments described below.

B. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

	Unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2026 *(RMB'000)* *(Note 1)*	**Estimated net proceeds from the Rights Issue** *(RMB'000)* *(Note 2)*	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2026 after completion of the Rights Issue** *(RMB'000)*	**Unaudited consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 30 June 2026 before the completion of the Rights Issue** *(RMB'000)* *(Note 3)*	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 30 June 2026 after completion of the Rights Issue** *(RMB'000)* *(Note 4)*
Based on 220,680,000 Rights Shares to be issued at the subscription price of HK$0.2 per Rights Share	40,843	36,868	77,711	0.56	0.26

Note:

1 The consolidated net tangible assets of the Group attributable to the owners of the Company of approximately RMB40,843,000 as at 30 June 2026 is based on the consolidated net assets of the Group attributable to owners of the Company as at 30 June 2026 of approximately RMB40,843,000, as extracted from the interim report of the Company for the six months ended 30 June 2026.

2 The estimated net proceeds of approximately HK$43,136,000 (equivalent to RMB36,868,000) from the Rights Issue are based on 220,680,000 Rights Shares (assuming no new Shares are allotted and issued pursuant to any exercise of the Share Options and no other change in the share capital of the Company on or before the Record Date) at the Subscription Price of HK$0.2 per Rights Share, after deduction of estimate related expenses (including advisory fees for the professional parties, printing, registration, translation, legal, accounting and documentation charges) payable by the Company and translated from HK$ to RMB based on RMB1 = HK$1.17.

3 The unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2026 per Share of HK$0.56 was based on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2026 of approximately RMB40,843,000 and 73,560,000 Shares in issue as at 30 June 2026.

4 The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share as at 30 June 2026 immediately after the completion of the Rights Issue as if the Rights Shares had been completed on 30 June 2026. The number of shares used for the calculation of the unaudited pro forma adjusted consolidated net tangible assets of the Group per share attributable to the owners of the Company immediately after the completion of the Rights Issue is 294,240,000 shares, which consists of (i) 73,560,000 shares in issue as at 30 June 2026 and (ii) 220,680,000 Rights Shares.

The following is the text of a report, prepared for the purpose of incorporation in this circular and received from the independent reporting accountants, McMillan Woods (Hong Kong) CPA Limited, Certified Public Accountants, in respect of the Unaudited Pro Forma Financial Information of the Group.

C. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP



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

To the directors of Reach New Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Reach New Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 June 2026 and related notes as set out in Section B of Appendix II of the circular issued by the Company dated 4 November 2026 (the "**Circular**") in connection with the proposed rights issue on the basis of three rights share for every one existing share at the subscription price of HK$0.2 per rights share (the "**Rights Issue**"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in Sections A and B of Appendix II of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Rights Issue on the Group's consolidated financial position as at 30 June 2026 as if the Rights Issue had taken place on 30 June 2026. As part of this process, information about the Group's net tangible assets as at 30 June 2026 has been extracted by the directors of the Company from the Group's consolidated statement of financial position as at 30 June 2026, included in the Group's consolidated financial statements for the six months ended 30 June 2026, on which an interim report has been published.

DIRECTORS' RESPONSIBILITY FOR THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

OUR INDEPENDENCE AND QUALITY MANAGEMENT

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

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

REPORTING ACCOUNTANT'S RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Circular," issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in the Circular is solely to illustrate the impact of the Rights Issue on unadjusted financial information of the Group as if the Rights Issue had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 30 June 2026 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors

in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

— The related unaudited pro forma adjustments give appropriate effect to those criteria; and

— The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

OPINION

In our opinion:

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

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

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants

Chan Chun Sing
Audit Engagement Director
Practising Certificate Number: P05537
Hong Kong, 4 November 2026

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular or this circular misleading.

2. SHARE CAPITAL OF THE COMPANY

The authorised and issued share capital of the Company (a) as at the Latest Practicable Date; and (b) immediately after the Increase in Authorised Share Capital and the completion of the Rights Issue (assuming no change in the number of issued Shares from the Latest Practicable Date to completion of the Rights Issue and full acceptance by Qualifying Shareholders) are as follows:

(a) As at the Latest Practicable Date

Authorised:		*HK$*
100,000,000	Shares of HK$0.2 each	20,000,000
Issued and fully paid up:		
73,560,000	Shares of HK$0.2 each	14,712,000

(b) Immediately after the completion of the Rights Issue (assuming no change in the number of issued Shares from the Latest Practicable Date to completion of the Rights Issue and full acceptance by Qualifying Shareholders) and the Increase in Authorised Share Capital becoming effective

Authorised:		*HK$*
1,000,000,000	Shares of HK$0.2 each	200,000,000
Issued and fully paid up:		
73,560,000	Shares of HK$0.2 each	14,712,000
220,680,000	Rights Shares of HK$0.2 each to be allotted and issued under the Rights Issue	44,136,000
294,240,000	Total enlarged number of Shares upon completion of the Rights Issue	58,848,000

All issued Shares rank *pari passu* with each other in all respects including the rights as to voting, dividends and return of capital, and with all the Shares in issue as at the date of allotment and issue of the Rights Shares.

The Rights Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the Rights Shares.

The Company will apply to the GEM Listing Committee for the listing of and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived.

As at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants or other similar rights which confer any right to convert into or subscribe for Shares and there was no capital of any member of the Group which is under option, or agreed conditionally or unconditionally to be put under option.

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests in Shares, underlying Shares and debentures

As at the Latest Practicable Date, 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:

Name of Director	Nature of interest	Number of Shares	Approximate % of the total issued share capital in the Company
Ms. Sha Xuanyi	Beneficial owner	6,620,000 (Long position)	9.00%
Mr. Li Rongsheng	Beneficial owner	4,500,000 (Long position)	6.12%

Save as disclosed above, as at the Latest Practicable Date, 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' interests in Shares and underlying Shares

As at the Latest Practicable Date, so far as is known to the Directors, there was no person (not being a Director or chief executive of the Company or their respective associates) or entities which had, or was deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, deemed to be interested in 10% or more of

the nominal value of any class of share capital, including options in respect of such capital, carrying rights to vote in all circumstances at general meetings of any member of the Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. LITIGATION

As at the Latest Practicable Date, so far as the Directors were aware of, none of the members of the Group was involved in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which was not determinable within one year without payment of compensation, other than statutory compensation.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his respective close associates had any interests in any business apart from the Group's business which competed or might compete, either directly or indirectly, with the business of the Group.

7. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2025 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors had any material interest, directly or indirectly, in any contract or arrangement subsisting which was significant in relation to the business of the Group.

8. RISK FACTORS

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;

(vi) The Group may lose its customers if its customers move their factories from the PRC;

(vii) The Group may be 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.

9. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) of the Group have been entered into by the members of the Group during the period commencing two years preceding the date of this circular and are or may be material:

(i) the Placing Agreement;

(ii) the placing agreement dated 5 May 2026 entered into between the Company, as the issuer and Ruibang Securities Limited, as the placing agent in relation to the placing of up to 245,200,000 shares of the Company, on a best efforts basis, at the placing price of HK$0.02 per placing share. Completion took place on 27 May 2026;

(iii) the equity transfer agreement dated 18 December 2025 entered into between Shenzhen Xinda Functional Textile Co., Ltd.* (深圳市新達科創集團有限公司)("**Shenzhen Xinda**"), an indirect wholly-owned subsidiary of the Company, as the purchaser and Tianjin Zhonghe Seed Co., Ltd.* (天津中禾種業有限公司) as the vendor in relation to the acquisition of 24% of the equity interest in Hengda Yongjin Agricultural High Technology Co., Ltd.* (衡達湧金農業高科技有限公司);

(iv) the placing agreement dated 23 May 2025 entered into between the Company, as the issuer and Ruibang Securities Limited, as the placing agent in relation to the placing of up to 204,000,000 shares of the Company, on a best efforts basis, at the placing price of HK$0.1 per placing share. Completion took place on 11 June 2025; and

(v) the equity transfer agreement dated 23 December 2024 entered into between Shenzhen Xinda as the purchaser and Ms. Lin Fenglan* (林鳳蘭) as the vendor in relation to the acquisition of 90% of the equity interest in Shenzhen Guanshengtong Technology Company Ltd.* (深圳市冠晟通科技有限公司).

* *Unofficial name for identification purpose only*

10. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinions, letters or advice contained in this circular:

Name	Qualifications
McMillan Woods (Hong Kong) CPA Limited	Certified Public Accountants
Draco Capital Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, advice or report, as the case may be, and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts did not have any shareholding, directly or indirectly, in any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of above experts did not have any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2025, being the date to which the latest published audited accounts of the Company were made up.

11. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Board of Directors	*Executive Directors* Ms. Sha Xuanyi *(Chairlady)* Mr. Lam Kai Yuen Mr. Lam Kai Cheong Mr. Li Rongsheng *(Chief Executive Officer)* *Non-executive Director* Mr. Kok Bing Ching *Independent non-executive Directors* Mr. Liu Mingxiao Mr. Zhu Honghai *(Lead independent non-executive Director)* Mr. Lin Kin-Chin *Audit Committee* Mr. Liu Mingxiao *(Chairman)* Mr. Zhu Honghai Mr. Lin Kin-Chin *Remuneration Committee* Mr. Lin Kin-Chin *(Chairman)* Mr. Zhu Honghai Mr. Liu Mingxiao *Nomination Committee* Mr. Zhu Honghai *(Chairman)* Ms. Sha Xuanyi Mr. Lin Kin-Chin Mr. Liu Mingxiao
Registered office	P.O. Box 1350 Regatta Office Park Windward 3 Grand Cayman KY1-1108 Cayman Islands
Principal place of business in Hong Kong	Room 2502, 25th Floor South Tower, Concordia Plaza 1 Science Museum Road Tsim Sha Tsui East Kowloon, Hong Kong

Authorised representatives	Mr. Lam Kai Yuen Ms. Tam Hang Yin
Business Address of the authorised representatives	Room 2502, 25th Floor South Tower, Concordia Plaza 1 Science Museum Road Tsim Sha Tsui East Kowloon, Hong Kong
Company secretary	Ms. Tam Hang Yin
Auditors and reporting accountants	McMillan Woods (Hong Kong) CPA Limited *Certified Public Accountants* 24/F., Siu On Centre 188 Lockhart Road, Wan Chai Hong Kong
Legal adviser to the Company as to Hong Kong laws	ONC Lawyers 19th Floor Three Exchange Square 8 Connaught Place Central Hong Kong
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	Draco Capital Limited 5/F, Shun On Commercial Building 112 & 114 Des Voeux Road Central Central Hong Kong
Placing Agent	Ruibang Securities Limited 9/F Sang Woo Building 227–228 Gloucester Road Wanchai Hong Kong

Principal bankers	Hang Seng Bank Limited 83 Des Voeux Road Central, Hong Kong Bank of China, Huizhou Industrial Park Branch No. 1 Complex Building Huizhou Industrial Park Huizhou City, Guangdong Province PRC Industrial and Commercial Bank of China, Huizhou Xia Jiao Branch No. 13, Xia Jiao Zhong Lu Huicheng Qu Huizhou City, Guangdong Province PRC
Hong Kong share registrar and transfer office	Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Principal share registrar and transfer office in Cayman Islands	Ocorian Trust (Cayman) Limited PO Box 1350 Windward 3 Regatta Office Park Grand Cayman KY1-1108 Cayman Islands
Stock Code	8471
Company Website	www.sthl.com.hk

12. EXPENSES

The expenses in connection with the Rights Issue, including printing, registration, translation, legal and accountancy charges and other related expenses, are estimated to amount to approximately HK$1 million and are payable by the Company.

Accordingly, the gross proceeds from the Rights Issue will be up to approximately HK$44.1 million and the maximum net proceeds (after deducting the estimated expenses) of the Rights Issue are estimated to be approximately HK$43.1 million. The net subscription price per Rights Share is expected to be approximately HK$0.195.

13. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

Chairlady and executive Director

Ms. Sha Xuanyi ("Ms. Sha")

Ms. Sha, 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 ("Mr. Li")

Mr. Li, 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.

* *Unofficial name for identification purpose only*

Mr. Lam Kai Yuen ("Mr. Gabi Lam")

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.

Mr. Lam Kai Cheong ("Mr. Jeffrey Lam")

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 ("Mr. Kok")

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 (加冪科技有限公司)') (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 ("Mr. Lin")

Mr. Lin, 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 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.

Mr. Liu Mingxiao ("Mr. Liu")

Mr. Liu, 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 ("Mr. Zhu")

Mr. Zhu, 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 nomination committee and a member of the audit committee and remuneration 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).

* *Unofficial name for identification purpose only*

Company secretary

Ms. Tam Hang Yin ("**Ms. Tam**") was appointed as the company secretary of the Company on 18 June 2026. Ms. Tam holds a master degree of Science in Information Systems Management from The Hong Kong University of Science and Technology and a bachelor's degree in Business Administration from The Chinese University of Hong Kong. Ms. Tam is a member of the Hong Kong Institute of Certified Public Accountants and an associate of The Hong Kong Chartered Governance Institute. Ms. Tam possesses extensive experience in the area of company secretary, accounting, finance, auditing and internal control.

Business address of the Directors

The business address of the Directors is the same as the principal place of business of the Company in Hong Kong, which is at Room 2502, 25th Floor, South Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong.

14. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Board (the "**Audit Committee**") comprised all of the independent non-executive Directors, namely Mr. Liu Mingxiao (the chairman of the Audit Committee), Mr. Zhu Honghai and Mr. Lin Kin-Chin. The background, directorship and past directorship (if any) of each of the members of the Audit Committee are set out in the section headed "13. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY" in this appendix. The primary duties of the Audit Committee, among others, are (a) to review the Group's annual reports, interim reports and quarterly reports; (b) to discuss and review with the auditor of the Company on the scope and findings of the audit; and (c) to supervise the financial reporting process, risk management and internal control systems of the Group.

15. MISCELLANEOUS

(i) As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.

(ii) As at the Latest Practicable Date, there is no material foreign exchange exposure to the Company. Therefore, no financial instrument was made to hedge such exposures.

(iii) As at the Latest Practicable Date, there was no contracts for the hire or hire purchase of plant to or by any member of the Group for a period of over one year which were substantial in relation to the Group's business.

(iv) This circular has been prepared in both English and Chinese. In the case of any discrepancies, the English text shall prevail over the respective Chinese text.

16. DOCUMENTS ON DISPLAY

Copies of the following documents will be available on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.sthl.com.hk) from the date of this circular up to and including the date of the EGM:

(i) the letter from the Board, the text of which is set out on pages 9 to 38 of this circular;

(ii) the letter from Independent Board Committee, the text of which is set out on page 39 of this circular;

(iii) the letter from the Independent Financial Adviser, the text of which is set out on pages 40 to 81 of this circular;

(iv) the accountant's report on the unaudited pro forma financial information of the Group issued by McMillan Woods (Hong Kong) CPA Limited, the text of which is set out in Appendix II to this circular;

(v) the written consents referred to in the paragraph under the heading "10. EXPERTS AND CONSENTS" in this appendix; and

(vi) the material contracts referenced to in the paragraph under the heading "9. MATERIAL CONTRACTS" in this appendix.

Reach New Holdings Limited
新達控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8471)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of Reach New Holdings Limited (the "**Company**") will be held at Room 2502, 25th Floor, South Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong on Thursday, 26 November 2026 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**:

   (a) the authorised share capital of the Company be and is hereby increased from HK$20,000,000 divided into 100,000,000 Shares of HK$0.2 each to HK$200,000,000 divided into 1,000,000,000 Shares of HK$0.2 each by creating an additional 900,000,000 unissued Shares of HK$0.2 each and to do all things and execute all documents in connection with or incidental to the Increase in Authorised Share Capital;

   (b) the Directors be and are hereby authorised to execute all such documents, instruments and agreements and to do all such acts or things they consider necessary, desirable or expedient to give effect to or in connection with the matters contemplated in and for completion of the Increase in Authorised Share Capital."

2. "**THAT** conditional upon (i) the GEM Listing Committee of The Stock Exchange of Hong Kong Limited granting or agreeing to grant and not having revoked the listing of and permission to deal in the Rights Shares (as defined below); and (ii) the Increase in Authorised Share Capital becoming effective:

   (a) the issue by way of rights of up to 220,680,000 Rights Shares at the Subscription Price of HK$0.2 per Rights Share on the basis of three Rights Shares for one Share held by the Qualifying Shareholders as at the close of business on the Record Date, other than those Excluded Shareholders, and substantially on the terms and conditions set out in the circular of the Company dated 4 November 2026 (a copy of which marked "**A**" is produced to the

meeting and initialled by the chairman of the meeting for the purpose of identification) and such other terms and conditions as may be determined by the Directors, be and is hereby approved;

(b) the Directors are hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro-rata to the Qualifying Shareholders and, in particular, the Board may make such exclusions or other arrangements in relation to the Excluded Shareholders as it may deem necessary or expedient having regard to the legal restrictions under the laws of, or the requirements of the relevant regulatory body or stock exchange in, any territory outside Hong Kong; and

(c) the Directors be and are hereby authorised to take such actions, do all such acts and things and execute all such further documents or deeds as he/they may, in his/their absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to or the completion of any matters relating to the Rights Issue and the transactions contemplated thereunder.''

Unless otherwise defined, the capitalised terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 4 November 2026.

By Order of the Board
Reach New Holdings Limited
Sha Xuanyi
Chairlady and Executive Director

Hong Kong, 4 November 2026

Notes:

1. For the purpose of ascertaining the shareholders of the Company who are entitled to attend and vote at the meeting, the register of members of the Company will be closed from Friday, 20 November 2026 to Thursday, 26 November 2026, both days inclusive. During such period, no share transfers will be effected. In order to qualify for attending and voting at the Meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Thursday, 19 November 2026.

2. Any member of the Company entitled to attend and vote at the Meeting shall be entitled to appoint person as his/her proxy to attend and vote instead of him/her. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a member of the Company. On a poll, votes may be given either personally or by proxy.

3. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorized on its behalf.

4. Where there are joint registered holders of any shares, any one of such persons may vote at the above meeting (or any adjournment thereof), either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the above meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

5. In order to be valid, the instrument appointing a proxy and, if requested by the board of Directors, the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's branch registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

6. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date of its execution, except at an adjourned meeting or on a poll demanded at a meeting or an adjourned meeting in a case where the meeting was originally held within 12 months from such date.

7. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

8. A form of proxy for use by shareholders at the Meeting is enclosed and such form of proxy is also published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.sthl.com.hk.

9. In compliance with the GEM Listing Rules, the resolutions to be proposed at the Meeting convened by this notice will be voted on by way of poll.

As at the date of this notice, the executive Directors are Ms. Sha Xuanyi (Chairlady), Mr. Lam Kai Yuen, Mr. Lam Kai Cheong, and Mr. Li Rongsheng (Chief Executive Officer); the non-executive Director is Mr. Kok Bing Ching; and the independent non-executive Directors are Mr. Liu Mingxiao, Mr. Zhu Honghai and Mr. Lin Kin-Chin.

This notice, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this notice is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this notice misleading.

This notice will remain on the Stock Exchange website at www.hkexnews.hk on the "Latest Company Announcements" page for at least seven days after date of publication and on the website of the Company at www.sthl.com.hk.