ASIAN CITRUS HOLDINGS LIMITED

亞洲果業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 73)

Executive Director:
Ms. Li Ziying

Non-executive Director:
Mr. James Francis Bittl

Independent Non-executive Directors:
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Hong Kong

17 July 2026

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the Announcement and the announcement of the Company dated 3 July 2026 in relation to, among other things, the Rights Issue.

The purpose of this circular is to provide you with, among other things, (i) further details of 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 SGM.

* *For identification purposes only*

1. PROPOSED RIGHTS ISSUE

The Board proposes to implement the Rights Issue on the basis of three (3) Rights Shares for every one (1) Share held by the Qualifying Shareholders at the close of business on the Record Date.

Issue Statistics

Basis of the Rights Issue	:	Three (3) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK$1.38 per Rights Share
Net subscription price per Rights Shares	:	Approximately HK$1.31 per Rights Share (on the basis that all Rights Shares will be taken up)
Number of Shares in issue	:	14,900,529 Shares
Number of Rights Shares to be issued under the Rights Issue	:	Up to 44,701,587 Rights Shares (assuming there is no change in the number of issued Shares on or before the Record Date)
Total number of Shares in issue immediately upon completion of the Rights Issue	:	Up to 59,602,116 Shares (assuming there is no change in the number of issued Shares on or before the Record Date)
Gross proceeds from the Rights Issue	:	Up to approximately HK$61.7 million (assuming there is no change in the number of issued Shares on or before the Record Date)

As at the Latest Practicable Date, the Company does not have any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares. The Company has no intention to issue or grant any Shares, convertible securities, warranties and/or options on or before the Record Date.

Assuming no Shares are issued or repurchased on or before the Record Date and assuming all Rights Shares will be taken up, 44,701,587 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) 300% of the total number of issued Shares as at the Latest Practicable Date; and (ii) 75% of the total number of issued existing Shares as enlarged immediately upon completion of the Rights Issue.

The theoretical dilution effect of 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 7.27B of the Listing Rules.

Subscription Price

The Subscription Price of HK$1.38 per Rights Share is payable by a Qualifying Shareholder in full upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, or where a transferee of nil-paid Rights Shares subscribes for the Rights Shares.

Each Qualifying Shareholder will be entitled to subscribe for the Rights Shares at the same Subscription Price in proportion to the Qualifying Shareholder's shareholding in the Company held on the Record Date.

The Subscription Price represents:

(i) a discount of approximately 31.34% to the closing price of HK$2.01 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 28.13% to the closing price of HK$1.92 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 31.82% to the average closing prices of approximately HK$2.024 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day;

(iv) a discount of approximately 30.55% to the average closing prices of approximately HK$1.987 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately prior to the Last Trading Day;

(v) a discount of approximately 84.15% to the audited consolidated net asset value per Share of approximately HK$8.709 (based on the latest published audited consolidated net asset value of approximately RMB112,348,000 (equivalent to HK$129,761,940 based on exchange rate of RMB1 to HK$1.155) as at 30 June 2025 and the total number of issued Shares as at the Latest Practicable Date);

(vi) a discount of approximately 8.91% to the theoretical ex-rights price of approximately HK$1.515 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK$1.92 per Share as quoted on the Stock Exchange on the Last Trading Day; and

(vii) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 23.86% represented by the theoretical diluted price of approximately HK$1.541 per Share to the benchmarked price of approximately HK$2.024 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK$1.920 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the Last Trading Day of approximately HK$2.024 per Share).

The net Subscription Price per Rights Share (after deducting the relevant expenses) will be approximately HK$1.31 per Right Share.

The Subscription Price was determined by the Company with reference to the factors below,

(i) the size of the Rights Issue — to successfully achieve the Group's fundraising target and considering both the total volume of Rights Shares to be issued and the trading volume of the Group over the three full months prior to the Last Trading Day. The trading liquidity of the Shares remained thin and at a relatively low level during the three-month period from March 2026 to May 2026 as the average daily trading volume per month fluctuated between approximately 1,391 Shares and 12,121 Shares, representing an immaterial percentage of the total number of issued Shares. Thus, the Subscription Price was set at discount to effectively lowers the entry barrier for existing Shareholders, creating an attractive proposition that encourages their full participation, preserves their equity stakes and minimizes passive dilution.

(ii) the market price of the Shares under the prevailing market conditions — the Board factored in the volatile market sentiment in the Hong Kong capital market. Given that investors' overall willingness to conduct capital market transactions has become notably risk-averse, the Board believes that setting the Subscription Price at discount to the recent market price of the Share serves as a buffer for existing Shareholders against market price volatility, thereby enhancing the marketability of the Rights Issue.

(iii) the latest business performance and financial position of the Group — the Board also weighted its operational realities. Ongoing operational losses and a tight cash runway have limited the Group's capability to internally fund new commercial opportunities. The Group has explored alternative debt financing channels by approaching two financial institutions. However, the Group's loan requests were turned down due to its loss-making position. Moreover, the Directors consider that relying on debt financing under such adverse market conditions would impose an unnecessary strain on the Group's future cash flows, which may hinder the Group's long-term development. The Group possesses limited leverage to secure debt financing under favorable commercial terms, that equity financing via a discounted Rights Issue is therefore considered as a viable path to shore up capital without incurring heavy debt-servicing burdens.

(iv) the reasons for and benefits of the Rights Issue as discussed in the section headed "Use of Proceeds and Reasons for and Benefits of the Rights Issue" in this letter — which mentioned the proceeds will be strategically deployed to drive the Group's operational development which may allow the Group to expand its market reach, serving a wider customer base and ultimately amplifying its long-term commercial value and driving sustainable returns for the Company and the Shareholders as a whole.

Having considered the factors as detailed above, including (i) the pricing discounts against recent market closing prices and the net asset value per Shares, to successfully achieve the fundraising target and by lowering entry barrier as well as providing safety buffer against market volatility to encourage Shareholders to participate in the Rights Issue and maintain their shareholdings; (ii) the strategic benefits of the immediate use of proceeds; and (iii) the significant dilution effect of 23.86% is balanced by the opportunity for Qualifying Shareholders to maintain their pro-rata stakes, the ability to trade nil-paid rights, and the implementation of the Compensatory Arrangements to structurally safeguard the economic interests of Non-Qualifying Shareholders, the Directors are of the view that the terms of the Rights Issue, including the Subscription Price and its underlying rationale, are fair and reasonable, on normal commercial terms, and are in the interests of the Company and the Shareholders as a whole.

Conditions of the Rights Issue

The Rights Issue is conditional upon:

(a) the passing of the resolution for approving the Rights Issue at the SGM by no later than the Posting Date;

(b) the grant (or agreement to grant) by the Listing Committee of the Stock Exchange (and such grant not having withdrawn or revoked) of the listing of and permission to deal in all the Rights Shares (in their nil-paid and fully-paid forms);

(c) the delivery of the Prospectus Documents to the Stock Exchange for authorization and the registration with the Registrar of Companies in Hong Kong respectively one copy of the Prospectus Documents each duly signed by two Directors (or by their agents duly authorized in writing) as having been approved by resolutions of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) not later than the Posting Date;

(d) the publication of the Prospectus on the website of the Stock Exchange and the posting of the Prospectus Documents to Qualifying Shareholders on the Posting Date;

(e) compliance with the requirements under the applicable laws and regulations of Hong Kong;

(f) if necessary, the obtaining of the consent or permission from the Bermuda Monetary Authority in respect of the issue of the Rights Shares pursuant to the Rights Issue; and

(g) the Placing Agreement not being terminated on or before the Latest Time for Termination.

All conditions set out above cannot be waived by any party. If any of the above conditions is not satisfied at or prior to the respective time stipulated therein, the Rights Issue will not proceed.

As at the Latest Practicable Date, save for conditions (e) and (g), all the other conditions have not been fulfilled.

As the proposed Rights Issue is subject to the above conditions, it may or may not proceed.

Basis of provisional allotment

The Rights Shares will be allotted on the basis of three (3) Rights Shares for every one (1) Share held by the Qualifying Shareholders as at the close of business on the Record Date. There will be no excess application arrangements in relation to the Rights Issue.

The subscription ratio was determined by the Board after balancing the Group's expected capital requirement as elaborated in the section headed "Use of Proceeds and Reasons for and Benefits of the Rights Issue" against necessity of an attractive and accessible price entry as elaborated in the section headed "Subscription Price" of the Board Letter. To increase the acceptance of the Rights Issue in order to achieve the targeted amount of proceeds to be raised, the Subscription Price had to be set at an attractive discount, and any lower volume of Shares (i.e. two (2) to one (1)) would not meet the Group's fundraising target. Whereas, higher ratios (i.e. four (4) to one (1)) would enlarge the total share base and allow sizeable amounts of proceeds to be raised but would result in larger potential dilution impact on existing Shareholders should they do not or cannot take up their provisional allotments. Accordingly, the Board is of the view that alternative price/size ratio may either be insufficient to fulfill the Group's needs in expansion or may result in a potential bigger dilutions impact. After weighted the potential trade-offs, the Board is of the view that the subscription ratio under the Rights Issue is appropriate, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

Status of the Rights Shares

The Rights Shares (when allotted, fully paid or credited as fully paid and issued) will rank pari passu in all respects among themselves and with the existing Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the 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 fully paid Rights Shares.

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, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

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 as at the close of business on the Record Date and not be a Non-Qualifying Shareholder.

Subject to the passing of the resolution to approve the Rights Issue by the Independent Shareholders at the SGM and the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Despatch Date and will despatch the Prospectus only (without the PAL) to the Non-Qualifying Shareholders for their information only.

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 and are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date.

In order to be registered as members of the Company prior to the close of business on the Record Date, all transfers of the existing Shares (together with the relevant share certificate(s) and/or the instrument(s) of transfer) must be lodged with the Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on Tuesday, 11 August 2026 (Hong Kong time).

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

Closure of register of members

The register of members of the Company will be closed from Wednesday, 12 August 2026 to Tuesday, 18 August 2026 (both days inclusive) for determining the Shareholders' entitlements to the Rights Issue.

No transfer of the Shares will be registered during the above book closure periods.

Non-underwritten basis

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event that the Rights Issue is not fully subscribed, any Unsubscribed Rights Shares and the NQS Unsold Rights Shares will be placed to independent placees on a best effort basis by the Placing Agent under the

Compensatory Arrangements. Any Unsubscribed Rights Shares and NQS 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 are no statutory requirements regarding the minimum subscription levels in respect of the Rights Issue. As the Rights Issue will proceed on a non-underwritten basis, any Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s) 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 the part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance with the note to Rule 7.19(5)(b) of the Listing Rules.

Save for the Undertaking, the Company has not received any information or other undertakings from any Shareholders of their intention to take up or not to take up the securities of the Company to be offered to them under the Rights Issue as at the Latest Practicable Date.

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 issued in connection with the Rights Issue will not be registered or filed under the securities law of any jurisdiction other than Hong Kong. For the avoidance of doubt, Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

As at the Latest Practicable Date, there were in aggregate 601,249 Shares held by Overseas Shareholders, representing approximately 4.04% of the issued share capital of the Company. Based on latest Shareholders information available from the Registrar, their registered addresses located in England and Wales, Northern Ireland, Ireland, Jersey, Guernsey, Isle of Man, Gibraltar, the PRC, Australia, Malaysia, Costa Rica, Romania, Belgium, United Arab Emirates, Portugal, Barbados and Cayman Islands.

The Company will comply with Rule 13.36(2)(a) of the Listing Rules and make enquiries regarding the feasibility of extending the Rights Issue to Overseas Shareholders under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges, present on the Record Date. If it is in the opinion of the Board that it would be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place to exclude such Overseas Shareholders from the Rights Issue, no Rights Share (whether in nil paid or fully-paid form) will be offered to such Overseas Shareholders. The basis for excluding the Non-Qualifying Shareholders from the Rights Issue will be set out in the Prospectus. The Company will send the Prospectus to the Non-Qualifying Shareholders for their information only but will not send any PAL to them. For the avoidance of doubt, the Non-Qualifying Shareholders may vote at the SGM unless such person is not an Independent Shareholder (in which case they shall abstain).

The Company will continue to ascertain whether there are any other Overseas Shareholders (other than the aforesaid) as at the Record Date and, if applicable, will make further enquiries with legal advisers in other overseas jurisdictions regarding the feasibility of extending the Rights Issue to such Overseas Shareholder (if any) as at the Record Date.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form, to be sold in the market in their nil-paid form as soon as practicable after dealing in nil-paid Rights Shares commence and before dealing in the nil-paid Rights Shares end, if a premium (net of expenses) can be obtained. The proceeds from such sale, less expenses, of more than HK$100 will be paid on pro-rata basis to the relevant Non-Qualifying Shareholders. In view of administrative costs, the Company will retain individual amounts of HK$100 or less for its own benefit.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue subject to the results of the enquiries made by the Company pursuant to Rule 13.36(2)(a) of the Listing Rules. The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.

Application for the Rights Shares

The PALs relating to the Rights Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares as shown therein by completing such form(s) and lodging the same with separate remittance for the Rights Shares being applied for with the Registrar by the Latest Time for Acceptance.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Tuesday, 22 September 2026. Those entitled, except HKSCC Nominees Limited, will receive one share certificate for all the Rights Shares in fully-paid form, allotted and issued thereto. Refund cheques are expected to be posted on or before Tuesday, 22 September 2026 by ordinary post, at the respective Shareholders' own risk, to their registered addresses if the Rights Issue is terminated.

No fractional entitlements to the Rights Shares

On the basis of provisional allotment of three (3) Rights Shares for every one (1) existing Share held, no fractional entitlement to Rights Shares shall arise.

Odd lots arrangement

In order to facilitate the trading of odd lots (if any), the Company has appointed the Placing Agent to stand in the market to match the purchase and sale of odd lots of the Shares at the relevant market price, on a best effort basis during the period from Wednesday, 23 September 2026 to Wednesday, 14 October 2026 (both days inclusive).

Shareholders of odd lots of the Shares who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up to a full board lot may contact Kam Fai Securities Co., Limited at 21/F Champion Building, 287–291 Des Voeux Road Central, Hong Kong or at telephone number (852) 2522 6218 during office hours (i.e. 9:00 a.m. to 4:00 p.m.) of such period. Shareholders should note that matching of the sale and purchase of odd lots of the Shares is on a best effort basis and successful matching of the sale and purchase of such odd lots is not guaranteed.

Application for listing of the Rights Shares

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares in both nil-paid and fully-paid forms and the Placing Shares to be issued and allotted pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

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, and the Placing Shares 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, and the Placing Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of the dealings in the Rights Shares in both their nil-paid and fully-paid forms, and the Placing Shares or such other dates as may be determined by HKSCC.

Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Stamp duty and other applicable fees

Dealing in the Rights Shares in both their nil-paid and fully-paid forms and the Placing Shares which are registered in the register of members of the Company in Hong Kong will be in the board lots of 1,000 Rights Shares and will be subject to the 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 the Placing Shares and, regarding Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

Compensatory Arrangements

The Company will make arrangements described in Rule 7.21(1)(b) of the Listing Rules to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the rights. There will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 7.21(1)(a) of the Listing Rules.

The Company has therefore appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the Latest Time for Acceptance to independent placees on a best effort basis, and any premium over the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related expenses/fees), that is realized from the Placing will be paid to the No Action Shareholders. The Placing Agent will, on a best effort basis, procure, by not later than 6:00 p.m. on Thursday, 17 September 2026, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares at a price not less than the Subscription Price. Any unsold Unsubscribed Rights Shares and the NQS Unsold Rights Shares under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Net Gain (if any) will be paid on a pro-rata basis (on the basis of all Unsubscribed Rights Shares and NQS Unsold Rights Shares) to the No Action Shareholders (but rounded down to the nearest cent) as set out below:

(i) where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL (unless that person is covered by (iii) below);

(ii) where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS (unless that person is covered by (iii) below);

(iii) if the Rights Issue is extended to the Overseas Shareholders and where an entitlement to the Rights Shares was not taken up by such Overseas Shareholders, to those Overseas Shareholders.

It is proposed that Net Gain to any of the No Action Shareholder(s) mentioned in (i) to (iii) above which is in an amount of HK$100 or more will be paid to them in Hong Kong Dollars only and the Company will retain individual amounts of less than HK$100 for its own benefit.

PLACING AGREEMENT

On 15 June 2026 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement. Details of the Placing are as follows:

Date	:	15 June 2026 (after trading hours)
Issuer	:	The Company
Placing Agent	:	Kam Fai Securities Co., Limited was appointed as the Placing Agent to procure, on a best effort basis, placees to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares. It is a corporation licensed to engage in type 1 (dealing in securities) regulated activity under the SFO. The Placing Agent has confirmed that: (a) it and its ultimate beneficial owner(s) are Independent Third Parties; and (b) as at the Latest Practicable Date, neither the Placing Agent nor any of its associates hold any Shares.

Placing fee and expenses	:	The higher of HK$100,000 or 1% of the gross proceeds from the subscription of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares successfully procured by the Placing Agent and reimbursement for the expenses in relation to the Placing (including but not limited to all the costs and out-of-pocket expenses relating to the Placing actually, reasonably and properly incurred by the Placing Agent with the prior consent of the Company), which the Placing Agent is authorised to deduct from the payment to be made by the Placing Agent to the Company at the completion of the Placing.
Placing price of the Unsubscribed Rights Shares and/or and the NQS Unsold Rights Shares (as the case may be)	:	The final price determination will be dependent on the demand for and market conditions of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares. The placing price of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares (as the case may be) shall not be less than the Subscription Price.
Placees	:	The Unsubscribed Rights Shares and the NQS Unsold Rights Shares are expected to be placed to the placees who and whose ultimate beneficial owner(s) are Independent Third Parties, and not a party acting in concert with Mr. Kung within the meanings of the Takeovers Code. The Placing shall not trigger any implications 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.
Ranking of Unsubscribed Rights Shares and the NQS Unsold Rights Shares	:	The Unsubscribed Rights Shares and the NQS Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank pari passu in all respects among themselves and with the Shares then in issue.
Conditions precedent	:	The obligations of the Placing Agent under the Placing Agreement are conditional upon the following conditions being fulfilled: (a) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms (subject to any customary conditions) and such approval not having been withdrawn or revoked;

(b) the passing of all necessary resolutions for approving the Rights Issue at the SGM;

(c) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained; and

(d) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the Completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion of the Placing Agreement.

Save for condition (d) which may be waived by either party by notice in writing to the other party, none of the above conditions is capable of being waived.

In the event that the above condition precedents have not been fulfilled or waived (as the case may be) on or before the Latest Time for Termination, all rights, obligations and liabilities of the parties thereunder in relation to the Placing shall cease and determine and none of the parties shall have any claim against the other in respect of the Placing save for any antecedent breach and/or any rights or obligations which may accrue under the Placing Agreement prior to such termination.

Termination : The Placing Agent may terminate the Placing Agreement without any liability to the Company, by giving notice in writing to the Company at any time prior to the Latest Time for Termination upon the occurrence of the following events which, in the reasonable opinion of the Placing Agent, has or may have an adverse material effect on the business or financial conditions of the Group taken as a whole or the success of the Placing or otherwise makes 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 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, industry, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or 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 affect the success of the Placing; or

(ii) the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which in the Placing Agent's absolution opinion, would affect the success of the Placing; or

(iii) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group and if in the Placing Agent's reasonable opinion any such new law or change may affect the business or financial prospects of the Group and/or the success of the Placing; or

(iv) any litigation or claim being instigated against any member of the Group or its senior management, which has or may have material adverse effect on the business or financial position of the Group and which in the Placing Agent's reasonable opinion would affect the success of the Placing; or

(v) any breach of any of the representations and warranties given by the Company as set out in the Placing Agreement having come to the knowledge of the Placing Agent or any event having occurred or any matter having arisen on or after the date of the Placing Agreement and prior to the completion date of the Rights Issue which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in a material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or

(vi) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed.

The engagement between the Company and the Placing Agent for the placing of the Unsubscribed Rights Shares and/or and the NQS Unsold Rights Shares was determined after arm's length negotiations between the Placing Agent and the Company and is on normal commercial terms with reference to (i) the existing financial position of the Group, under which the Board took into account the Group has a tight cash position with approximately RMB7.6 million as at 31 December 2025; (ii) the size of the Rights Issue, where the Board noted that, based on the current subscription ratio size of the Rights Issue, the Board has explored the possibility of appointing three other independent securities houses to act as placing agents for the transaction, but all of them have declined such that the current terms offered by the Placing Agent represented the best available terms to the Company; and (iii) and the prevailing market conditions, where the Board considered that although the market remains volatile, the underlying execution risk is inherently mitigated by the best-effort nature of the arrangement.

In determining the placing fee under the Placing Agreement, the Directors have reviewed a list of recent rights issue transactions announced by other Hong Kong listed companies. The selection criteria for the comparable transactions were as follows: (i) rights issues announced by Hong Kong listed companies during the two-month period immediately preceding the date of the Placing Agreement; and (ii) placings conducted on a non-best effort basis with compensatory arrangements with the terms announced in the respective announcements.

Based on the above criteria, the Directors have identified an exhaustive list of thirteen comparable transactions. The average and median placing fees of these comparables are approximately 1.82% and 1.50%, respectively. In addition, among the comparables, there were two transactions with a minimum fee floor of HK$300,000, which carried placing fees of 2.20% and 1.50% respectively. Though the announcements and prospectuses of the two comparable transactions did not explicitly disclose the reasons for adopting a minimum fee floor, the Group considers that such arrangement was agreed primarily to secure a lower overall commission rate of 1%. After taking into account the minimum fee floor, the effective cost remains more favourable when compared to the 1.5% and 2.2% commission rates in those transactions. This structure also reflects the Group's circumstances, as it was unable to obtain more favourable financing terms from other financial institutions.

Taking into account the above commercial factors, with the minimum floor payment payable to the Placing Agent lowered than two recent comparables, the protective effect of the Compensatory Arrangements in optimizing and increasing the net proceeds of the Rights Issue in the event of under-subscription, and the current market sentiment where no other securities house is willing to act as placing agent for this transaction, the Board considers that the terms of the Placing (including the placing fee payable) are on normal commercial terms and are fair and reasonable.

UNDERTAKING

As at the Latest Practicable Date, Mr. Kung is beneficially interested in 4,449,485 Shares, representing approximately 29.86% of the issued Shares.

Mr. Kung has irrevocably and unconditionally undertaken to the Company that (i) he will not dispose of any of the 4,449,485 Shares comprising the current shareholding in the Company owned by himself, and such Shares will remain beneficially owned by him up to and including the Record Date; (ii) he will lodge his acceptance of the 13,348,455 Rights Shares, which will be the number of Rights Shares provisionally allotted to him in nil-paid form under the Rights Issue, with the Registrar or the Company, with payment in full therefor, by no later than the Latest Time for Acceptance or otherwise in accordance with the instructions set out in the Prospectus Documents; and (iii) in the event of an under-subscription of the Rights Shares, the Company has the power and authority Scale Down his assured entitlement under the Rights issue to a level which does not trigger an obligation to make a general offer under the Takeovers Code immediately after completion of the Rights Issue. The Scale Down will be applied pursuant to the note of Rule 7.19(5)(b) of the Listing Rules, when the rights issue is not fully underwritten and on the basis that if the issue is not fully taken up, the application of the Shareholder for his/her/its assured entitlement under the Rights Issue can 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.

CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) under the following two scenarios arising from different acceptance ratios of the Rights Issue (for illustrative purpose only), assuming there is no change in the number of Shares in issue since the Latest Practicable Date:

(a) assuming full acceptance by the Qualifying Shareholders and there is no Non-Qualifying Shareholders ("**Scenario I**");

(b) assuming full acceptance by the Qualifying Shareholders and all Overseas Shareholders are determined as Non-Qualifying Shareholders so that all of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares having been placed by Placing Agent ("**Scenario II**");

(c) assuming nil acceptance by the Qualifying Shareholders of Rights Shares (except Mr. Kung's subscription for Committed Shares pursuant to the Undertaking) and all Oversea Shareholders are determined as Non-Qualifying Shareholders so that all of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares having been placed by Placing Agent ("**Scenario III**"); and

(d) assuming nil acceptance by the Qualifying Shareholders of the Rights Shares (except Mr. Kung's subscription for Committed Shares pursuant to the Undertaking) and with none of the Unsubscribed Rights Shares or the NQS Unsold Rights Shares having been placed by Placing Agent so the Company exercised the Scale-Down ("**Scenario IV**").

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue							
			Scenario I		Scenario II		Scenario III		Scenario IV	
	No of Shares	*Approximate %*	*No of Shares*	*Approximate %*	*No of Shares*	*Approximate %*	*No of Shares*	*Approximate %*	*No of Shares*	*Approximate %*
Mr. Kung *(Note 1)*	4,449,485	29.86%	17,797,940	29.86%	17,797,940	29.86%	17,797,940	29.86%	4,477,485	29.99%
Mr. Xu Guodian	1,381,215	9.27%	5,524,860	9.27%	5,524,860	9.27%	1,381,215	2.32%	1,381,215	9.25%
Changjiang Tyling *(Note 2)*	896,261	6.01%	3,585,044	6.01%	3,585,044	6.01%	896,261	1.50%	896,261	6.00%
Independent Placees *(Note 3)*	—	—	—	—	1,803,747	3.03%	31,353,132	52.60%	—	—
Oversea Shareholders	601,249	4.04%	2,404,996	4.04%	601,249	1.01%	601,249	1.01%	601,249	4.03%
Other public Shareholders	7,572,319	50.82%	30,289,276	50.82%	30,289,276	50.82%	7,572,319	12.70%	7,572,319	50.72%
TOTAL	**14,900,529**	**100.00%**	**59,602,116**	**100.00%**	**59,602,116**	**100.00%**	**59,602,116**	**100.00%**	**14,928,529**	**100.00%**

Notes:

1. Mr. Kung is the spouse of Ms. Li Ziying (who is the Executive Director of the Company). Ms. Li Ziying is deemed to be interested in the 4,449,485 shares held by Mr. Kung by virtue of the SFO. In the event of an under-subscription of the Rights Issue, pursuant to the note of Rule 7.19(5)(b) of the Listing Rules, which sets out that an issuer may provide for shareholders to apply on the basis that, if the issue is not fully taken up, their application can be "scaled" down to a level which does not trigger an obligation to make a general offer after completion of the Rights Issue and the Placing (i.e. Mr. Kung's shareholding cannot be increased to be more than 30% after the completion of the Rights Issue as illustrated in Scenario IV).

2. Changjiang Tyling is 50% owned by Mr. Ng and 50% owned by an Independent Third Party. Mr. Ng (who is also a director of Changjiang Tyling) is deemed to be interested in the 896,261 Shares held by Changjiang Tyling by virtue of the SFO.

3. As it is not expected that any of the individual Placees will become a substantial Shareholder immediately after completion of the Placing, the Unsubscribed Rights Shares and the NQS Unsold Rights Shares will form part of the public float of the Company.

4. The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.

The Shareholders and the public investors of the Company should note that the above shareholding changes are for illustrative purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue and the Placing are subject to various factors, including the results of the acceptance of the Rights Issue. The public float requirements under Rule 13.32B of the Listing Rules shall be maintained by the Company at all times, and the Company will take all appropriate steps to ensure that sufficient public float shall be at all times in compliance with the Listing Rules.

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

As at the Latest Practicable Date, the Company is an investment holding company and the Group is principally engaged in (i) the Plantation Business-planting, cultivation and sales of agricultural produce in the PRC; (ii) the Fruit Distribution Business-distribution of fruits in the PRC; (iii) the distribution and installation of air-conditioners in the PRC; and (iv) the sales and distribution of consumables and others products.

As set out below, aside for the repayment of the Group's liabilities to improve its financial position, the Net Proceeds will be allocated to expand the Group's business portfolio, support its agricultural operations, and secure long-term sustainable growth for the Group. The Net Proceeds will be primarily used to invest in the Group's development, including the procurement of raw materials, farming consumables and temperature-controlled equipment and cold-chain solutions. The temperature-controlled equipment and cold-chain solutions are designed to extend the shelf life of chilled food and perishable products while significantly reducing the risk of spoilage and wastage, which, among other benefits, can directly enhance the Group's operations in plantation, cultivation and sales and distribution. Concurrently, these assets and initiatives can serve as independent storage units, thereby reducing additional storage fees. The Directors are of the view that this enhanced capability will enable the Group to serve a wider customer base requiring specialized preservation, storage and distribution of perishable products, thereby amplifying the value of the Group's operational development and driving long-term sustainable returns for the Company and the Shareholders as a whole.

The Group's Plantation Business is carried out at Hepu Plantation located in Guangxi. The agricultural produce of the Groups is primarily passion fruits. With the aim to improve the Plantation Business's competitiveness, based on the results of internal feasibility study, the Group has been exploring different categories of fruits for the Plantation Business. The Group has identified crispy honey kumquats as the pilot product for product diversification purposes.

For Fruit Distribution Business, the Group mainly sources various fruits directly from its suppliers, including fruit distributors and farmers, based on the anticipated market demand and customer needs, identified through continuous monitoring, studying and evaluation of the market demand across different fruits categories and distribute to its customers, which are mainly fruit distributors and fruit retailers. Principal products of the Fruit Distribution Business varied years from years depending on the then market conditions, including but not limited to, market demand, quality as well as profitability. In the previous years, principal fruits distributed by the Group included winter jujube, pear, blueberry and watermelon, and value-added services mainly include (i) ensuring a stable supply fruits by identifying cost-effective fruit producing areas, entering into agreements with local suppliers in advance with a view to secure fruit supplies in a cost effective manner; (ii) responsible for arranging logistics and delivery services; (iii) arranging quality inspection agencies to test the fruits according to customers' requirements; and (iv) coordinating the handling of sub-standard fruits. The Company and its major customers, most of them are procured primarily through long term relationships developed with the Group over time, supplemented by referrals and recommendations from business, are located in Guangdong Province, including Shenzhen, have established a strong relationship built on trust and have consistently demonstrated its competence in delivering high-quality services and products. Such strong relationship is sustained by consistent product quality, on time delivery, competitive pricing, responsive communication and after sales support. The Group's long term relationship customers are counterparties with whom the Group has maintained recurring business over time. In respect of the supply, with a view to source the respective types of products from those who provide the best available quality fruits during each specific harvest period, the Company does not enter into any long-term contracts with its suppliers so as to maintain flexibility and ability to choose fruits with the required quality standard as well as in a position to negotiate at a price with a reasonable margin acceptable by the Group without the obligation to buy from any particular supplier.

Attributable to fierce market competition, the Group will cautiously consider and continuously evaluate the selection of suitable type(s) and quantities of the selected fruits to be purchased from multiple suppliers for the subject season, taking into account various factors, such as the changing customers' preference towards different type of fruits, and demand and supply in the market at the material time as well as price of the relevant fruits. It is the strategy of the Fruit Distribution Business to sources the types of products from suppliers that provide the best available quality during each specific harvest period, and decide the mix of fruit product taking into consideration the market competition and profitability of the respective type of fruit products.

To insulate its business models against the inherent operational vulnerabilities, the Group intends to optimize and improve its existing operations, logistics and post-harvest management arrangements through the procurement and phased deployment of advanced passive cold storage solutions as described below,

(i) In respect of the Plantation Business — upon harvest, fresh produce will be immediately transitioned into the cabinets at localized fulfillment centers. Unlike traditional refrigerated units whose forced-air fans accelerate moisture loss and rapid decay, these cabinets utilize a fan-less, passive cooling design that releases cooling evenly. This creates a constant temperature and high-humidity environment that halts the natural ripening process immediately post-harvest. This extended preservation lifecycle grants the Group the strategic leverage to cultivate and store anti-seasonal fruits and time-lagged agricultural produces. Instead of being forced into fire-sales during peak harvest gluts, the Group can optimize its logistical distribution timelines and command premium, stable wholesale prices with institutional B2B buyers and potentially drive up profit margins.

(ii) In respect of the Fruit Distribution Business — Functioning interchangeably as freshness boxes, intermodal shipping containers and mobile cold storages, these cabinets will be utilized to seamlessly facilitate multi-modal transport directly from third-party orchards to the final destination without the need to unload the cargo. Logistic management will be notably improved as the Group can implement a seamless, containerized journey where cargo is never unloaded. For high-value, delicate tropical fruits, maintaining an entirely unbroken cold chain across land, sea and transshipment hubs can drastically minimize the potential cargo damage and product loss, reducing the estimated loss rate to under 5%. By leveraging the advanced capabilities of the new passive cold storage solutions — specifically the ability to maintain premium fruit quality over extended transit distances and ensure a completely unbroken cold chain — the Group is well-positioned to significantly diversify and expand its customer base. This technological upgrade unlocks the capacity to reliably service high-end retail chains, e-commerce platforms, and tier-one regional wholesalers across a wider geographical footprint in the PRC, thereby driving transaction volumes and attracting institutional buyers who demand the highest standards of fresh product preservation.

The Group's business plan for improving its existing plantation and Fruit Distribution Businesses relies on a highly flexible, non-capital-intensive deployment matrix. Rather than investing heavily in traditional, fixed brick-and-mortar cold storage facilities — which incur extensive construction timelines and rigid civil infrastructure costs — the Group plans to adopt advanced, new-energy passive cold storage solutions and benefit from equipment versatility. The deployment will comprise multi-specification passive cold storage boxes and cabinets (including micro, standard, and large-scale mobile passive units) with an estimated useful life up to 20 years. These units require less storage-related fees and can be dynamically deployed or relocated based on harvest seasonal demand.

For the purpose of illustration, flowcharts setting out the Fruit Distribution Business model before and after the adoption of temperature-controlled cabinets are provided below. (The Plantation Business operates under a similar model, except that the fruits are cultivated and harvested by the Group itself instead of being sourced from third-party suppliers.) It should be noted that as the nature, scope and complexity of each type of fruits and customers may involve different value-added services, the product and services provided by the Group may differ from order to order.

Flow Chart

1. Market Demand Forecast and Understand Customer Needs	At the initial stage, the Group will determine the types and specifications of fruits to be purchased. The Group's staffs continuously monitor, study and evaluate market demand for various fruits and maintain regular communication with existing customers to understand their needs and preferences. They also closely track market price movements, supply and demand dynamics of relevant fruits, and formulate appropriate sales strategies accordingly.
2. Understand Estimated Yield, Secure Supply and Fruit Types	Subsequently, the Group will send its staff to liaise with suppliers regarding the types and volumes of fruits expected to be ordered. The staff will visit orchard bases and maintain ongoing communication with both existing and potential suppliers to obtain information on estimated yields, including quality and quantity. In addition, the Group regularly engages with farmers and farms (i.e., suppliers) to assess and align available supplies with prevailing market demand for different types of fruits.
3. Harvest and On-site Inspection	During the harvest period, the Group's staff will inspect the fruits to ensure they meet the prescribed standards in terms of quality and quantity.
4. Purchasing Plans and Sales	Following the harvest, the Group's staff will further negotiate with the suppliers to finalise and confirm the details of the purchase, including fruit varieties, quantities, delivery timetable, price, payment terms, and logistics arrangements. After the purchase orders with the suppliers have been confirmed, the staff will liaise with customers to determine the details of the sales, including fruit varieties, quantities, delivery timetable, price, payment terms, and logistics arrangements.
5. Logistics and Delivery	For the logistics arrangement, the staff will collaborate with suppliers to arrange delivery services, which will be provided by either suppliers themselves or external vendors. Upon customers' request, the Group may engage qualified independent testing agencies to conduct quality inspections in accordance with the customers' specific requirements to ensure that the fruits meet the required standards. The Group may also assist customers by providing optimal packing solutions designed to preserve fruit quality and prevent damage during transit. Upon customers' request, the Group will design customized packaging solutions and may also help in recommending and providing appropriate packaging materials tailored to the characteristics of different fruit types, such as size, weight, and fragility.
6. Customer Acceptance and Handling Non-Compliant Products	In the event of non-compliant fruits being reported by customers, the Group will promptly assess the issue to identify the root cause and implement appropriate remedial measures to resolve the problem.

Following the adoption of temperature-controlled cabinets, while the core business model of the Fruit Distribution Business is not expected to change materially, the Group expects to derive numerous benefits and improvements in its operations as follows:

1. Market Demand Forecast and Understand Customer Needs

Exposing to more potential customers

At the initial stage, the Group will be able to offer a significantly wider selection of fruits. While the Group's staff will continue to monitor, study and evaluate market demand for various fruits and maintain regular communication with existing customers to understand their needs and preferences, the enhanced preservation capability will enable the Group to meet a broader range of customer demands that it previously could not fulfil. Sales strategies will also be adjusted accordingly, with greater emphasis on the Group's ability to provide a wider fruit selection, higher volume, and superior quality.

2. Understand Estimated Yield, Secure Supply and Fruit Types

Enriching supplier network; and Strengthening bargaining power

During this stage, the Group's staffs will liaise with suppliers regarding the types and volumes of fruits to be ordered, while maintaining regular engagement with farmers and farms (i.e., suppliers) to better assess and align available supplies with prevailing market demand for different types of fruits. Leveraging the wider fruit selection and improved quality preservation as earlier mentioned, the Group can engage with a larger number of suppliers and secure higher purchase volumes from them. This will not only enrich and diversify the Group's supplier base, but also strengthen its bargaining power during negotiations. With more established and broader relationships with suppliers, it is expected that the Group may also enjoy better priority access to high-quality fruit supplies.

3. Harvest and On-site Inspection

During the harvest period, the Group's staff will inspect the fruits to ensure they meet the prescribed standards in terms of quality and quantity. Save for a potential increase in workload arising from the expanded fruit selection, no material change is expected in the harvest and inspection stage.

4. Purchasing Plans and Sales

Increased in purchased volumes as a result of improved logistics arrangements

Following the harvest, when the Group's staffs further negotiate with the suppliers to finalise and confirm the details of the purchase, it is expected that the Group will increase its purchased quantities and enjoy greater flexibility in delivery schedules, while price and payment terms are expected to remain broadly similar.

5. Logistics and Delivery (with new logistic arrangements)

Preservation of fruit quality during delivery; Reduction in spoilage and waste; Expansion of customer network; and Increase profit and profit margins

In determining the sales details with customers, including fruit varieties, quantities, delivery timetable, price, payment terms, and logistics arrangements, customers may arrange for the transportation of the purchased fruits themselves.

They may choose to utilise the Group's temperature-controlled cabinets or handle del ivery independent ly. The enhanced preservation capability is expected to reduce spoilage and waste while enabling the Group to expand its customer network by serving clients in farther locations. These enhanced services are expected to strengthen customer demand for the Group's products by enabling the Group to reach new customers in locations that were previously inaccessible.

Furthermore, by adopting temperature-controlled cabinets for storing fruits (and potentially other agricultural products as the Group expands its offerings), both the Group and its customers will be better positioned to conduct off-season sales. This will help avoid peak seasons, during which the oversupply of seasonal fruits typically suppresses profit margins.

Collectively, the above enhancements are expected to materially improve the performance of the Group's businesses through higher sales volume and purchase orders, a larger customer base, increased profits, and better profit margins.

6. Customer Acceptance and Handling Non-Compliant Products

Reduced non-compliant rate; Increased customers' confidence; and Enhanced corporate image and brand value

The frequency of non-compliant fruits being reported by customers is expected to be low. This will strengthen customers' confidence in the Group, leading to more repeat orders. Higher satisfaction among existing customers will further enhance the Group's reputation and help attract new customers. Since the Group's customers are also from referrals, increased satisfaction of existing customers will help further enrich the reputation of the Group which help attract new customers.

An improved corporate image and brand value is also expected to bring benefits beyond immediate sales growth. These include facilitating market expansion, enhancing overall stakeholder confi-dence, attracting investors, and supporting future fund-raising exercises, all of which will con-tribute to the Group's long-term sustainable growth.

As illustrated above, with the adoption of advanced temperature-controlled cabinets, the Group can now, among other advantages, offer a significantly wider selection of fruits. This enables higher estimated fruit yield and increased overall supply volume, while also allowing the Group to reach a broader and more diverse customer base.

These cabinets, with their built-in internal temperature control function, can effectively control the storage costs. The harvested fruit volume is expected to be more closely equal the ready-for-sale quantity upon reaching the customer's designated location. The improved quality maintenance allows the Company to increase selling prices, supported by superior fruit quality, thereby boosting sales and profit margins.

Moreover, the enhanced capabilities enable off-season fruit sales and help avoid over-supply problems. These cabinets provide superior storage conditions throughout the entire logistics process, effectively minimizing spoilage and physical damages. The Group may extend its reach to further regions and support multi-stop deliveries. Even unsold products can now be stored longer without rotting.

It is believed that, upon delivery, these solutions significantly may reduce non-compliant goods and refunds, thereby increasing customers' confidence, encouraging more purchasing orders, and generating referrals for future business. The improved reliability and quality also encourage more suppliers to cooperate with the Company.

Had the passive temperature-controlled cabinets been successfully adopted and deployed by the Group, it will be well-positioned its agricultural logistic pipeline to cover a broader matrix of products, which include but are not limited to, lychees and Chinese bayberries. Most of the crops typically require continuous chilled storage so as to prevent them from rapid heat-induced fermentation, enzymatic browning, and structural collapse under suboptimal temperature during summer transit. Similarly, the advanced insulation and thermal-regulation capabilities of the passive temperature-controlled cabinets may enable the Group to capture market opportunities for winter agricultural products. The Group aims to capture the opportunities for logistics operations to safeguard delicate winter crops-such as sweet potatoes and garlic sprouts and subtropical fruits like bananas and dragon fruit. These products face significant winter wastage risks due to chilling injury, freezing, and cellular breakdown, and utilizing the customized cabinets may provide a stable, heated baseline that preserves product integrity and eliminates frost damage during cross-provincial transit into freezing climates.

The table below, for illustrative purposes only, sets out a summary of the comprehensive quantitative and qualitative analysis — detailing the expected operational metrics, key underlying assumptions, and targeted financial and strategic benefits supporting the Group's temperature-controlled equipment expansion upon completion of the Rights Issue. Shareholders should note that the target post-expansion metrics and expected benefits set out in the table are illustrative operational targets and benchmarks based on the industry, preliminary discussions with suppliers, and the technical specifications provided by the equipment manufacturers. These metrics do not constitute a profit forecast, guarantee, or absolute prediction of future performance.

Analysis Factors	Operational Constraints	Target Post-Expansion Metrics
Spoilage & Wastage Rates	Comprehensive fruit spoilage and wastage rates range from 10% to 18%, with losses for high-value berry categories peaking at up to 40%.	Projected to drop significantly to below 5% globally across all seasons. Instantly minimizes write-offs of damaged inventory, maximizing the volume of sellable inventory extracted from each harvest cycle.
Sales & Production Volume	Distribution volumes drop during peak winter or extreme summer heat waves due to unsafe transport conditions over long distances.	The peak operating season for seasonal products general together with the annual shipment window spans over 6 months. This enhanced inventory capacity is utilized to lock in supply during off-peak windows and defer shipments to capture premium market pricing. The Group expects that this will unlock new, higher-demand metropolitan markets across the PRC that were previously unreachable due to logistics boundaries. The Group projected increase by around 30% in total transacted volume with stable, year-round delivery capabilities.
Selling Price and Gross Profit Margin	Traditionally, market prices are highly volatile and may subject to notable discounts driven by over-ripe fruit degradation during the summer months and frostbite or discoloration damage during the winter seasons. Consequently, profit margins are heavily compressed by significant asset write-offs from seasonal spoilage and an operational over-reliance on low-margin, bulk wholesale distribution channels.	The Group anticipated an overall expansion from approximately 10% to 20% that will be primarily driven from electricity savings and cost reduction, reduction in cargo damage/spoilage and premium fruit pricing. The core incremental gross profit drivers, including (i) liquidation losses — eliminates the need for low-price fire sales of clearance stock, reduces revenue erosion and optimizes the residual value of inventory; (ii) reduction in capital and operating overhead — removes the requirement for backup generators and ice-making/heating equipment, thereby saving on fuel expenses and manual labour costs; and (iii) logistical efficiency — facilitates bulk centralized procurement alongside phased distribution, minimizing high-frequency logistics overheads and accelerating inventory turnover efficiency. Accordingly, instead of increasing selling prices, the Group expects to preserve pristine, premium-grade quality and sustain higher average selling prices over a prolonged sales lifecycle. This extended preservation capacity allows the Group to strategically lock in high-quality inventory and defer distribution to capture significantly higher gross profit margins through counter-seasonal (off-season) sales, capitalizing on diminished market supply and premium pricing structures during off-peak months.

Analysis Factors	Operational Constraints	Target Post-Expansion Metrics
Logistics & Operating Costs	Dependent on expensive specialized reefer trucks that charge premiums for active heating or cooling configurations.	Utilising innovative technologies and advanced materials, when integrated with photovoltaic (solar) systems under most climatic conditions, the passive controlled-temperature cabinets require no external energy sources during vehicle transit, enabling year-round, constant-temperature refrigeration. The interior employs a windless (static) cooling architecture, which can extend the shelf-life of fruits and vegetables multiple times over, preventing the loss of moisture and nutrients, thereby enabling counter-seasonal storage and sales. Additionally, the Group expects that this technological upgrade will upon the seamless integration and optimized utilization of these assets in the long run, materially reduce the manual labour costs traditionally associated with sorting, clearing and destroying rotten fruit, thereby streamlining overall operating expenditures and enhancing administrative efficiency.
Customer Base Size	Limited to buyers willing to accept seasonal quality fluctuations.	Diversifies the client portfolio away from volatile open-air markets toward long-term high-volume contracts (including medium-to-top-tier brands) as the Group is expected to offer innovative strict cold-chain and warm-chain compliance required by various platforms and high-end chains, positioning as a reliable 365-day supplier.
Supplier Network	Limited to regions with moderate climates or adjacent to active temperature controlled warehouses.	Farmers are incentivized to sign exclusive agreements because the Group's passive temperature-controlled cabinets protect their harvests from immediate post-harvest heat or unexpected winter frosts at the farm gate. Establishing early-stage control over premium upstream agricultural supply lines, locking out traditional competitors. Accordingly, the Group is aiming for an expansion of supplier network to include remote premium growing regions.

Note: the expected financial and strategic benefits set out above are grounded in the following reasonable commercial assumptions:

(i) that climatic conditions in the target provinces remain stable without catastrophic weather events impacting total harvest yields;

(ii) that the passive temperature-controlled cabinets procured monthly during the 2026 execution cycle will achieve an active operational utilization rate, serving as cooling assets during harvest seasons and warming/insulation assets during winter distribution cycles;

(iii) that consumer demand for premium, health-conscious fruit varieties in urban centers remains robust, supporting the projected premium pricing tier;

(iv) that the passive temperature-controlled cabinets consistently meet their technical design specifications, successfully maintaining internal temperatures between -10°C to 20°C for up to 24 hours without grid connectivity, protecting cargo against both external ambient heat and sub-zero winter temperatures.

In terms of an expected timeline, the Board intends that the short-to-medium execution cycle spans from September 2026 to December 2027, with equipment procurement schedules carefully calibrated to align with sequential geographical expansion priorities to Sichuan and Yunnan and subsequently to Guizhou). The Group has engaged in advanced negotiations with the equipment manufacturers, finalized operational deployment strategies, and near-finalized the underlying purchase orders. Key performance milestones have been mapped out (set out below) to integrate these assets into the Group's core businesses to maximize operational efficiency. Accordingly, upon receiving the net proceeds from the Rights Issue, the Group is fully prepared to execute immediate deployment by confirming these near-finalized purchase orders without delay. Concurrently, the Group has initiated advanced commercial discussions with a selective pool of reliable potential customers and suppliers to pre-market its new cold-chain capabilities, while to preserve the Group's first-mover advantage and prevent any premature leakage of its proprietary operational strategies. As at the Latest Practicable Date, the Group has entered into two non-legally binding memoranda of understanding with two parties, entered on 16 June 2026 and 18 June 2026 respectively under which the Group will act as the fruits provider. Party A has been engaged in various supply chain services, including agricultural products and fruit wholesaling, with years of operations primarily in the Guangxi and Guizhou provinces. Party B is also committed to supply chain services, including agricultural products and fruit wholesaling, and has been involved in the wholesaling of durian, cherries, mangoes, lychees, bayberries, and other fruits. The Company is expected (i) to source its fruits and products through a combination of harvesting from its own plantations, its established fruit supplier network under the Fruit Distribution Business, and other reliable suppliers in the PRC and (ii) to leverage its existing customer and supplier relationships to partner with enterprises that operate their own planting bases. These strategic partners will provide access to their upstream orchards and planting farms, further enhancing the Company's sourcing capabilities and stability. Backed by its extensive experience in the Fruit Distribution Business, the Company is well positioned to secure a stable and sufficient supply of high-quality fruits to meet its customers' needs.

The parties have agreed that each of them will adopt the Group's passive temperature-controlled cabinets across their entire product supply chains, with the aim of reducing losses through single-loading/unloading operations and generating additional revenue by improving temperature retention and freshness preservation. A certain number of cabinets (to be mutually agreed) will first be deployed for a trial cooperation phase. Both parties have further agreed that formal cooperation will officially commence after the Group completes its financing, following which binding formal cooperation agreements will be entered into. Should the trial cooperation proceed smoothly, (i) Party A and its partners, who have access to up to 11,000 tonnes of annual production resources from origin areas, have expressed interest in working more closely with the Group to jointly develop businesses in Guangxi, Guizhou, and other regions; and (ii) Party B and its partners, who have access to up to 10,000 tonnes of annual production resources from origin areas, have expressed interest in working more closely with the Group to jointly develop businesses in Yunnan, Sichuan, and other regions. However, due to uncertainties surrounding harvesting schedules and supply cycle instabilities, the parties are currently unable to enter into legally binding definitive written contracts.

The table below sets out the definitive milestones for procurement, delivery, rollout phases, and the commencement of revenue-generating operations:

Period	Phase/Milestone	Expected Operational Activities/Targets
September–December 2026	Purchase and Modification	With the proceeds from the Rights Issue, the Company expects to apply around HK$20.0 million (HK$4.79 million per month) and will order the passive temperature controlled cabinets in rolling batches of 20 units per month to optimize transport logistics and allow technical feedback to be integrated into successive production orders. Procure all foundational spare parts packages and auxiliary operational assets required to maintain the upcoming fleet. Onboard specialized technicians to execute tailored modifications on the cabinets, calibrating to the Company's operational demands. Run comprehensive staff training to ensure all frontline operational workers are fully qualified to manage the cabinets.
January–February 2027	First Delivery	Production completion and physical delivery of the first batch of 20 customized passive cold-chain equipment.
	Rollout phase 1 & Commencement of Operations	Immediate deployment of the entire first batch of delivered equipment across Guangxi and Shaanxi. By leveraging the Group's existing operational infrastructure and mature client base, these equipment will be instantly absorbed to optimize the supply chain efficiency of active fruit distribution lines.

Period	Phase/Milestone	Expected Operational Activities/Targets
March 2027	Operational Replenishment	Arrival and immediate integration of the second batch of 20 customized passive cold-chain equipment to reinforce and expand capacity within established distribution loops.
April–May 2027	Rollout Phase 2 & Regional Expansion	Sequential delivery and deployment of the remaining 40 customized passive cold-chain equipment from the 2026 procurement budget. This influx officially initiates the physical business network layout and fruit distribution operations in new target territories, i.e. Sichuan and Yunnan.
May–July 2027	Procurement Phase II	In parallel with active operations in the above-mentioned territories, the Group will launch bulk customized procurement for the next wave of equipment in the amount of around HK$13.5 million, which is expected to be funded via the remaining available Net Proceeds allocated for this dedicated capital expenditure. This is the Group's preliminary plan. Since the temperature-controlled cabinets have not yet been incorporated into the Group's business operations, the remaining proceeds may be utilised earlier than anticipated if the integration is implemented more effectively than expected.
October–December 2027	Rollout Phase III & Full Consolidation	Centralized arrival of the new purchased equipment. Units will be pushed out in targeted waves matching real-time contract volumes and distribution node progress in Sichuan and Yunnan, while simultaneously launching a comprehensive business expansion into other provinces such as Guizhou.

In light of the expected expansion plan and target locations, the Group is poised to achieve strategic point placement by positioning its temperature-controlled assets across three critical nodes of the agricultural supply chain. At the origin pre-cooling hubs, simple structural modifications and temperature controlling components will be deployed directly at the farm gates and plantations to instantly arrest fruit respiration post-harvest, directly preserving the quality of high-value cultivars.

These operations are expected to feed into the logistics and distribution nodes, where warehousing sorting racks and thermal insulation auxiliary materials will be seamlessly integrated into core logistics parks and regional agricultural distribution centers. Finally, at the last-mile demand nodes, the Group's mobile units will act as urban front-distribution centers (front hubs) to seamlessly service high-end retail chains, e-commerce platforms, and regional wholesalers across the PRC.

As the timeline advances into Sichuan, Yunnan, and Guizhou, the mobility of these temperature-controlled assets gives the Group the commercial agility to capture high-end retailers and regional wholesale platforms that mandate continuous temperature preservation — thereby systematically diversifying the Group's revenue portfolio and broadening its market share in the PRC agricultural sector.

It is expected that the potential strategic and financial advantages of this technological rollout could materially enhance the Group's profitability and capital efficiency. This will be reflected in a possible expansion of production and sales volumes resulting from improved cultivation precautions and fruit collection management; higher average selling prices achieved through enhanced quality management; and an increase in both the customer base and transaction volumes due to a higher proportion of premium fruits in the product mix. Mechanically, the equipment feature a passive, energy-storing architecture that maintains targeted temperatures for 12 to 24 hours without power grid connectivity and provides fully adjustable temperature parameters ranging from -10°C to 20°C (and below -18°C). This allows the Group to flexibly shift its storage assets according to seasonal demands and safely deploy battery-swapping supply points in remote production regions, insulating operations against localized power grid blackouts.

In the highly competitive fresh produce market in the PRC, these technological benefits are considered commercially vital to the sustainable operation of both the Fruit Distribution Business and Plantation Businesses, as they not only enhance the Group's profitability in the near term, but also safeguard against future operational uncertainties. Traditional supply chains are often plagued by severe product degradation, which erode profit margins and restrict market access.

To the best knowledge of the Directors, these passive temperature-controlled cabinets have not yet been widely adopted by others in the industry, and carry the following advantages over traditional/existing cabinets:

- Grid-independent and photovoltaic charged
- Notably longer storage time with substantially lower spoilage rate
- Remote monitoring and windless uniform temperature-controlling technology
- Enable anti-seasonal sales
- Significantly lower energy consumption which results in reduced energy costs in logistics arrangements.

The Group's intended transition to this grid-independent, intermodal passive cooling infrastructure represents an essential strategic imperative to protect its biological assets, secure supply consistency, and defend its bottom line against rising costs. Furthermore, by executing this improvement now, the Group secures vital first-mover advantages within the regional agricultural and fruit sector. Establishing an early-stage, technologically superior logistics and storage network allows the Group to set new industry benchmarks for quality and freshness, lock in long-term supply partnerships with remote premium growers, and capture market share from traditional competitors before such advanced solutions become widely adopted across the industry. By offering superior quality preservation, significantly reduced spoilage, extended shelf life, and the ability to serve off-season and distant markets, the Group can differentiate itself from traditional distributors. This technological edge not only enables access to a wider range of products (including more agricultural products), but also strengthens the Group's competitive edge, making it harder for competitors to match and allowing the Group to become significantly more competitive in the market.

Having considered that (i) the procurement of customized passive cold storage units will directly facilitate the Group's expansion plan, where immediate capital deployment is vital to capturing harvest and distribution windows; (ii) procurement contracts must be funded and capitalized without delay to ensure that the first batch of customized equipment is fully manufactured, delivered, and operational before December 2026, thereby enabling immediate rollout and revenue generation; (iii) any deferral of the fundraising exercise would cause the Group to entirely miss this late-2026 market window, consequently disrupting the sequential deployment timeline mapped out for the target provinces in early 2027; (iv) the Group's strategic pivot toward diversifying its Plantation Business — specifically through the introduction of premium, high-value cultivars — mandates the immediate presence of cold-chain infrastructure, as such high-value fruits suffer from rapid post-harvest respiration and severe spoilage rates if not treated immediately; (v) the Group has an urgent commercial need to deploy origin pre-cooling hubs and last-mile front hubs at this juncture to preserve fruit quality and minimize wastage, meaning any delay in the Rights Issue would directly translate to lost of revenue, accelerated product degradation, and a failure to capture market share; and (vi) alternative financing options may result in undue financial burden on the Group and are less commercially reasonable, the Board is of the view that the funding need for the Rights Issue is imminent and is in the best interests of the Company and the Shareholders as a whole.

Allocations of the Net Proceeds

Assuming full subscriptions of the Rights Issue, the Net Proceeds are estimated to be approximately HK$58.5 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 as to:

(i) approximately 57.3% of the Net Proceeds (representing approximately HK$33.5 million assuming full subscriptions) for the procurement of temperature controlled equipment and cold-chain solutions in passive cold storage cabinets. The proceeds will be utilized for the procurement of passive cold storage cabinets and their relevant operational assets and supporting equipment, as well as for associated maintenance, insurance and staff training regarding their operations to enhance the value chain and post-harvest management, in particular on the Group's agricultural and Plantation Businesses. Since the temperature-controlled equipment and cold-chain solutions are designed for both heating and cooling functionalities, the Company expects to deploy them in phases, prioritizing an initial rollout across the Shaanxi and Guangxi areas to capitalize on temperature fluctuations during seasonal transitions, specifically utilizing the cooling capabilities during peak summer temperatures and ensuring temperature maintenance during the winter seasons, to ensure optimal product preservation. It is expected to utilize around HK$20.0 million by the end of 2026. Subsequently, the Group intends to expand its footprint into other regions in the PRC, with an emphasis on the Yunnan, Guizhou and Sichuan regions, and the pace of the remaining rollout will be dependent upon market demand and the operational results of the Group's cultivation, sales, and distribution activities in the next one to two years;

(ii) approximately 18.8% of the Net Proceeds (representing approximately HK$11.0 million assuming full subscriptions) for repayment of loans and accrued interests (repayable via monthly instalments), of which (a) a total allocation of approximately RMB5.27 million will be deployed to fully settle six bank loans carrying interest rates ranging from 3.0% to 11.8% per annum, all of which the maturity falls due between July 2026 and September 2026; (b) an allocation of approximately RMB0.63 million will be applied to repay one bank loan carrying an interest rate of 6.9% per annum, which matures in January 2027; and (c) a total allocation of approximately RMB3.82 million will be directed toward the full settlement of two other bank loans carrying an interest rate of 11.8% per annum, both maturing by end of December 2027;

(iii) approximately 5.1% of the Net Proceeds (representing approximately HK$3.0 million assuming full subscriptions) for the procurement of raw materials and farming consumables to be fully utilized by the fourth quarter of 2027; and

(iv) the remaining balance of approximately 18.8% of the Net Proceeds (representing approximately HK$11.0 million assuming full subscriptions) for general working capital purposes, which comprise staff costs and administrative and recurrent costs (such as audit, legal, regulatory compliance etc.) amounted to around HK$5.0 million and HK$4.7 million, respectively, and office rental amounted to around HK$1.3 million to be fully utilized by 30 June 2027.

The Directors believe that the Rights Issue represents a strategical and commercial opportunity and the Board believes that the aforementioned initiatives will broaden the Group's income streams, secure long-term sustainable growth, and establish a stronger revenue driver for long-term development.

In the event that the Rights Issue is under-subscribed and the Company receives less than the maximum expected net proceeds, the actual net proceeds will be allocated on a prioritized basis. First, up to a maximum of HK$36.5 million will be deployed toward the Group's core business development, specifically for the procurement of temperature-controlled equipment, advanced cold-chain solutions, raw materials, and farming consumables. Then, actual net proceeds up to approximately HK$11.0 million will be allocated to satisfy general working capital demands of the Group. Finally, any remaining actual net proceeds will be allocated toward the outstanding indebtedness of the Group.

The Board expects that, should the actual net proceeds received are less than the expected fundraising amount, the scale in the procurement of temperature controlled equipment and cold-chain solutions will be adjusted accordingly. The Group may conduct further negotiations regarding debt financing requests at a more opportune time, such as following the successful rollout and operation of its phase 1 deployment, i.e. first batch of equipment commenced operations, or upon the emergence of more favorable credit market conditions, so that the shortfall can be funded by the Group's internal resources and/or alternative debt and/or equity financing as and when appropriate which the Board considers to be less optimal, as tapping into internal resources would unnecessarily deplete the Group's cash reserves for daily operations. Whereas, alternative debt or equity financing under current volatile market conditions would impose an unnecessary financial burden on the Group and could result in unpredictable delays to its deployment timeline.

As at the Latest Practicable Date, the Company has no intention (initial or concrete) nor does it otherwise foresee the need to undertake any further equity fundraising in the next 12 months, particularly under the assumption that a sizeable amount of Net Proceeds is obtained from this Rights Issue. In the event that the Rights Shares are not fully taken up, the final allocation of funds will be subject to the actual shortfall amount, and the Company will continuously monitor market conditions and its internal liquidity demands to make operational adjustments accordingly. However, in the event that the Rights Issue is not approved by the Shareholders, no proceeds will be available to the Group, and while less optimal as compared to the Rights Issue, the Company is expected to (i) initiate negotiations with its lending banks to secure loan renewals or extensions; (ii) actively explore alternative fundraising channels, including but not limited to, the issue of securities under the general mandate of the Company, debt issuances, or shareholder loans, carefully balancing the cost of capital against the urgency of the Group's liquidity requirements; and (iii) utilise the Group's internal resources.

While the Board will endeavor to maintain baseline working capital and stabilize existing operations through these combined measures, it notes that such alternatives may incur higher financing costs, cause shareholder dilution without pre-emptive rights, or delay the strategic advantages of the rollout of its passive controlled-temperature cabinets.

As at 31 December 2025, the Company recorded cash and cash equivalents of approximately RMB7.6 million, representing a decrease of approximately 20.1% as compared to approximately RMB9.5 million as at 30 June 2025. This downward trend is further compounded by the fact that the Group recorded consecutive net losses of approximately RMB25.6 million and approximately RMB28.4 million, for the two years ended 30 June 2024 and 2025 respectively. Reference is also made to the placing completed by the Company on 19 April 2021, which raised net proceeds of approximately HK$94.7 million. As at the Latest Practicable Date, there has been no change in the intended use of proceeds as disclosed in the Company's announcement dated 5 January 2024, save for postponing the unutilized HK$2.0 million to be fully utilized by 31 December 2026 on the potential refurbishment of the Group's land and properties. The Company decision to postpone the utilisation of approximately HK$2 million originally earmarked for the potential refurbishment of the Group's land and properties was made to allow sufficient time to assess whether such refurbishment should take into account the Group's overall development plan, particularly following the planned adoption of temperature-controlled cabinets in the logistics process. Taking into account this allocated unutilized portion, the Company's immediately available cash and cash equivalents stand at approximately HK$5.6 million, leaving the Group with minimal financial flexibility. The Directors are of the view that it will become increasingly challenging to the Group's ongoing expansions. Considering that the Group's other current assets have been designated for continuing operations — such as trade receivables and prepayments tied up in the Group's ordinary course of business — the Directors expect that the proceeds from the Rights Issue can provide a financial cushion and liquidity flexibility for the Group, which will support its business development. Failure to capitalize on new fundraising avenues in the Rights Issue would restrict the Group's financial maneuverability and impact its long-term growth prospects.

The Board has considered other alternative means of fund raising, including debt financing, placing and open offer. Prior to resolving to the Rights Issue, the Group sought for debt financing possibilities from two financial institutions. However, the Company has been given to understand that, due to the Group's loss-making position, both financial institutions declined the Group's financing requests and no detailed terms were discussed. The Board considers that raising funds by way of debt financing would compromise the Group's assets flexibility and hinder its development schedule, and debt financing is subject to repayment obligations. It is more favourable for the Group to obtain equity fund raising to expand its business and broaden its income stream than debt financing. The Board notes that debt financing would also result in additional interest burden of the Company and create pressure on its liquidity. As for equity fund raising (such as placing), it will be relatively smaller in scale as compared to fund raising through the Rights Issue, not to mention that placing of shares would lead to dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate. As for open offer, although it is similar to a rights issue in offering qualifying shareholders to participate, it does not allow free trading of rights entitlements in the open market.

In view of the above, the Board considers that as compared to raising fund by other means, raising funds by way of the Rights Issue, which will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company, is fair, cost effective, efficient and beneficial to the Company and its shareholders as a whole. In addition, the Rights Issue provides a good opportunity for the Group to improve its liquidity and strengthen its operating capacity, while offering a participating opportunity to all Qualifying Shareholders in the future development of the Company on equal terms to maintain their shareholding in the Company. Having considered that, the Rights Issue (i) allows the Qualifying Shareholders to maintain their proportional shareholdings in the Company; (ii) allows the Group fulfil its aforementioned needs for financial resources to develop its business and replenish its working capital; and (iii) is more optimal than alternative fundraising solutions as discussed above and there were no favorable results from other financial institutions on its loan requests, the Directors consider that raising capital through the Rights Issue is in the interests of the Company and its shareholders as a whole.

FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST 12 MONTHS

The Company has not conducted any fund-raising activities involving issue of its securities in the 12 months immediately preceding the Latest Practicable Date.

LISTING RULES IMPLICATIONS AND THE SGM

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 7.27B of the Listing Rules.

As the Rights Issue will increase the issued share capital of the Company by more than 50%, under Rules 7.19A and 7.27A of the Listing Rules, the Rights Issue is subject to the approval of the Independent Shareholders at the SGM by way of poll at which any controlling shareholders and their respective 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 our the Rights Issue. As at the Latest Practicable Date, the Company has no controlling shareholder. Mr. Kung, who is the spouse of Ms. Li Ziying, an executive Director, is interested in 4,449,485 Shares, representing approximately 29.86% of the issued share capital of the Company. Accordingly, Mr. Kung and his associates will abstain from voting in favour of the relevant resolution(s) of the Rights Issue at the SGM. Mr. James Francis Bittl, the non-executive Director, is the brother-in-law of Ms. Li Ziying, and as at the Latest Practicable Date, he has no beneficial interest in the Company.

The SGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Rights Issue.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for Mr. Kung, no other Shareholder is required to abstain from voting on the Rights Issue at the SGM.

As at the Latest Practicable Date, save for the Undertaking, the Board has not received any indication from any Shareholders of their intention to take up or not to take up the securities of the Company to be offered to them under the Rights Issue.

Independent Board Committee and the Independent Financial Adviser

The Independent Board Committee comprising the independent non-executive Directors has been established to advise the Independent Shareholders (i) as to whether the terms of the Rights Issue are fair and reasonable and in the interest of the Shareholders as a whole; and (ii) how to vote, taking into account the recommendations of the Independent Financial Adviser.

SBI China Capital Hong Kong Securities Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue.

DESPATCH OF PROSPECTUS DOCUMENT

Subject to the approval of the Rights Issue, the Prospectus Documents setting out details of the Rights Issue will be despatched to the Qualifying Shareholders on the Posting Date. The Prospectus (without the PAL) and a letter to the Non-Qualifying Shareholders (if any) explaining the circumstances in which they are not permitted to participate in the Rights Issue will be despatched to the Non-Qualifying Shareholders (if any) for their information only also on the Posting Date.

RECOMMENDATION

The Independent Board Committee, which comprises all the independent non-executive Directors 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 make recommendations to the Independent Shareholders on how to vote at the SGM. SBI China Capital Hong Kong Securities 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 which contains its recommendation to the Independent Shareholders in relation to the Rights Issue and the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors consider that the terms of the Rights Issue are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM.

ADDITIONAL INFORMATION

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

By order of the Board
Asian Citrus Holdings Limited

Li Ziying
Chairman