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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the "**Directors**" or individually, a "**Director**") of Reach New Holdings Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

ANNUAL RESULTS

The board of Directors (the "**Board**") is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2019 together with the comparative audited figures for the year ended 31 December 2018. The financial information has been approved by the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** *RMB'000*	2018 *RMB'000*
Revenue	*2*	**76,118**	98,939
Cost of sales		**(54,457)**	(69,621)
Gross profit		**21,661**	29,318
Other income, gains and losses		**155**	1,269
Distribution and selling expenses		**(5,265)**	(4,989)
Administrative expenses		**(20,993)**	(26,521)
Loss before tax		**(4,442)**	(923)
Income tax expense	*3*	**(704)**	(1,861)
Loss and total comprehensive income for the year	*4*	**(5,146)**	(2,784)
Loss and total comprehensive income for the year attributable to:			
Owners of the Company		**(5,145)**	(2,784)
Non-controlling interests		**(1)**	–
		(5,146)	(2,784)
Loss per share, basic and diluted (RMB cents)	*5*	**(0.64)**	(0.35)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**14,770**	18,719
Intangible assets		**1,358**	351
Deposit for acquisition of intangible assets		**–**	1,110
		16,128	20,180
CURRENT ASSETS			
Inventories		**2,970**	4,153
Trade receivables	*7*	**10,634**	14,107
Prepayments and other receivables	*7*	**3,254**	2,235
Bank and cash balances		**41,419**	41,723
		58,277	62,218
CURRENT LIABILITIES			
Trade payables	*8*	**3,478**	4,825
Other payables	*8*	**3,669**	5,134
Contract liabilities		**156**	236
Tax payable		**431**	389
		7,734	10,584
NET CURRENT ASSETS		**50,543**	51,634
TOTAL ASSETS LESS CURRENT LIABILITIES		**66,671**	71,814
NON-CURRENT LIABILITY			
Deferred tax liability		**55**	55
NET ASSETS		**66,616**	71,759
CAPITAL AND RESERVES			
Share capital	*9*	**6,890**	6,890
Reserves		**59,724**	64,869
		66,614	71,759
Non-controlling interests		**2**	–
TOTAL EQUITY		**66,616**	71,759

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

1. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The HKICPA has issued a new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16	Lease
HK(IFRIC) 23	Uncertainty over income tax treatments
Amendments to HKFRS 9	Financial Instruments: Prepayments Features with Negative Compensation
Amendments to HKAS 19	Employee Benefits
Amendments to HKFRS 3	Business Combinations
Amendments to HKAS 12	Income Taxes
Amendments to HKAS 28	Long-term Interests in Associate and Joint Ventures
Amendments to HKAS 23	Borrowing Costs

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, HK(SIC) 15 Operating Leases — Incentives and HK(SIC) 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact or leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in a similar economic environment. Specifically, discount rate for certain leases of leasehold lands and properties was determined on a portfolio basis;

(iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;

(iv) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(v) relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

The following table reconciles the operating lease commitments as disclosed in note 23 to the consolidated financial statements as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	2,800
Less: commitments relating to lease exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(2,800)
Lease liabilities recognised as at 1 January 2019	–

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018.

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

(c) Impact of the financial results and cash flows of the Group

Under the recognition exemption and practical expedients of the initial application of HKFRS 16, the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019. Therefore, the Group's results and cash flows had no impact as compared to the results and cash flows if HKAS 17 had been applied during the year.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform	1 January 2020

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

2. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	2019	2018
	RMB'000	*RMB'000*
Types of products — at point in time recognition:		
Sales of printed products	**29,776**	43,821
Sales of woven labels	**15,791**	21,461
Sales of printed labels	**21,215**	24,238
Others	**9,336**	9,419
	76,118	98,939

Types of customers

	2019	2018
	RMB'000	*RMB'000*
Garment brand companies	**1,790**	2,110
Sourcing companies designated by garment brand companies	**15,572**	19,301
Garment manufacturers	**58,756**	77,528
	76,118	98,939

The Group sells garment accessories directly to customers and revenue is recognised when control of the goods has transferred, being when the goods have been shipped from the warehouse (delivery). Following delivery, customers have full discretion over the manner of distribution and price to sell the goods, have the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 90 days upon delivery.

Information reported to the chief executive officer of the Group, being the chief operating decision maker ("**CODM**") regularly review revenue analysis by major products as set out in the revenue analysis above for the purpose of resource allocation and assessment of performance. However, other than revenue analysis, no operating results and other discrete consolidated financial statements is regularly reviewed by the CODM for the purpose of resource allocation and assessment of performance of respective businesses which generate different types of revenue. The CODM reviews the operating results of the Group as a whole to make decisions about resource allocation and for performance assessment. The operation of the Group constitutes one single operating and reportable segment under HKFRS 8 "*Operating Segments*" and accordingly no separate segment information is presented.

Geographical information

The Group's revenue from operations are located in the People's Republic of China ("**PRC**"). Most of the Group's non-current assets and capital expenditure are located or utilised in the PRC.

Information about major customers

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

	2019	2018
	RMB'000	*RMB'000*
Customer A	**15,572**	20,197

3. INCOME TAX EXPENSE

	2019	2018
	RMB'000	*RMB'000*
Current tax:		
Provision for the year	**704**	1,822
Underprovision in prior years	**–**	39
	704	1,861

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

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits derived from or earned in Hong Kong for the year ended 31 December 2019 (2018: Nil).

The Group is subject to the PRC Enterprise Income Tax (the "**PRC EIT**") at a rate of 25% (2018: 25%) and dividend withholding tax at a rate of 5% (2018: 5%) for the year ended 31 December 2019.

Current tax provision represents provision for the PRC EIT.

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

	2019	2018
	RMB'000	*RMB'000*
Loss before tax	**(4,442)**	(923)
Tax at the PRC EIT rate of 25% (2018: 25%)	**(1,110)**	(231)
Tax effect of income not taxable for tax purpose	**(122)**	(283)
Tax effect of expenses not deductible for tax purpose	**1,850**	2,261
Tax effect of tax losses not recognised	**86**	75
Underprovision in prior years	**–**	39
Tax expense for the year	**704**	1,861

4. LOSS FOR THE YEAR

	2019 *RMB'000*	2018 *RMB'000*
Loss for the year has been arrived at after charging (crediting):		
Directors' emoluments	**3,261**	3,336
Other staff costs		
— salaries and wages	**19,986**	27,131
— retirement benefits scheme contribution excluding directors	**2,366**	2,790
Total directors and other staff costs	**25,613**	33,257
Allowance for credit losses on trade receivables	**77**	193
Auditor's remuneration	**645**	922
Cost of inventories recognised as cost of sales	**27,918**	40,280
Depreciation on property, plant and equipment	**2,867**	3,578
Amortisation of intangible assets	**113**	31
Loss on disposal of property, plant and equipment	**328**	31
Minimum lease payments under operating leases	**2,801**	2,786
Reversal of allowance for inventories (included in cost of sales)	**–**	(60)

5. LOSS PER SHARE

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

	2019 *RMB'000*	2018 *RMB'000*
Loss:		
Loss for the year attributable to owners of the Company for the purpose of calculating basic loss per share	**(5,145)**	(2,784)

	2019 *'000*	2018 *'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**800,000**	800,000

No diluted loss per share is presented for the years ended 31 December 2019 and 2018 as there were no potential ordinary share in issue.

6. DIVIDEND

No dividend in respect of the years ended 31 December 2019 and 2018 were declared and approved by the Directors.

7. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**11,449**	14,845
Less: allowance for credit losses	**(815)**	(738)
	10,634	14,107
Other receivables	**1,150**	1,568
Prepayments	**2,104**	667
	3,254	2,235

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

	2019	2018
	RMB'000	*RMB'000*
Within 90 days	**10,219**	13,538
91–180 days	**303**	326
181–365 days	**112**	243
	10,634	14,107

Details of impairment assessment of trade and other receivables for the years ended 31 December 2019 and 2018 are set out in note 6(b) to the consolidated financial statements.

8. TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables	**3,478**	4,825
Other payables	**2,184**	3,336
Accrued expenses	**1,485**	1,798
	3,669	5,134

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

	2019	2018
	RMB'000	*RMB'000*
Within 90 days	**3,379**	4,505
91–180 days	**70**	150
181–365 days	**16**	27
Over 1 year	**13**	143
	3,478	4,825

9. SHARE CAPITAL

	Number of shares	***HK$***
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	2,000,000,000	20,000,000
Issued and fully paid:		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	800,000,000	8,000,000

	2019	2018
	RMB'000	*RMB'000*
Shown in the consolidated financial statements as	**6,890**	6,890

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

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

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

The Group reviews a report from the share registrars weekly on substantial share interest showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2019, 25% (2018: 25%) of the shares were in public hands.

10. OPERATING LEASE COMMITMENTS

As lessee

As at 31 December 2019, the Group had no commitment for future minimum lease payments under non-cancellable operating leases in respect of premises for factory and office.

As at 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises for factory and office which fall due as follows:

	2018		
	Premises owned by a related party *RMB'000*	Premises owned by independent third party *RMB'000*	Total *RMB'000*
Within one year	2,726	49	2,775
In the second to fifth year inclusive	–	25	25
	2,726	74	2,800

Operating lease payments represent rentals payable to a related party and independent third parties by the Group for certain of its premises. Leases are negotiated for terms ranging from one to three years (2018: one to three years) and rentals are fixed over the terms of the leases.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is an established labelling solution provider and a one-stop garment accessories manufacturer and supplier based in the PRC. The Group mainly engages in the production of three types of products, which are (i) printed products (e.g. hangtags, price tags and stickers), (ii) woven labels (e.g. woven brand labels, woven size labels and badges) and (iii) printed labels (e.g. printed brand labels, printed size labels and care content labels). The Group also sources and sells other garment accessories, such as tapes, hanging tablets, string locks, leather badge, buttons and metal products, to the customers in the PRC. The Group's customers include (i) garment brand companies, (ii) sourcing companies designated by garment brand companies and (iii) garment manufacturers in the PRC.

Looking forward, the Directors consider that the future opportunities and challenges facing the Group will continue to be affected by the development of the garment accessory market in the PRC as well as factors affecting the labour costs and material costs. The Directors are of the view that further development of garment market in the PRC, shortening of garment updating cycle and the multifunction of labels remains to be the key driver for the growth of the PRC garment accessories industry.

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

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2019, the Group recorded revenue of approximately RMB76.1 million, a decrease of approximately 23.1% comparing with that of approximately RMB98.9 million for the year ended 31 December 2018. A breakdown on revenue of the Group by product types for 2019 and 2018 is summarised as below:

	For the year ended 31 December			
Product types	**2019**		2018	
	RMB'000	***%***	*RMB'000*	*%*
Printed products	**29,776**	**39.1**	43,821	44.3
Woven labels	**15,791**	**20.7**	21,461	21.7
Printed labels	**21,215**	**27.9**	24,238	24.5
Others *(note)*	**9,336**	**12.3**	9,419	9.5
	76,118	**100**	98,939	100.0

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

The decrease in the Group's revenue was mainly due to the continuous cost reduction measures taken by the Group's customers given the advent of trade protectionism and intensifying trade disputes between the PRC and the United States of America ("**USA**"). In addition, a potential decline in the macro-economic situation in the PRC starting in the second quarter of 2019 also drove down the demand.

Due to the above mentioned economic atmosphere and the keen price competition in garment market, some of our customers in the PRC are facing the drop of garment sales order, and the Group's product is in correlation relationship with our customers garment sales order and hence, the Group's revenue decreased.

Moreover, some of our customers shift their production base to the South East Asia for the purpose of lower production cost and to lesser impact to the trade war between the USA and the PRC, and hence, the Group's sales decreased.

The Group will put more resources and effort in exploring the potential customers in the PRC and at the same time to explore the potential PRC and foreign garment brand companies in order to expand the sales and enhance its profitability. In addition, the Group will continue to explore new business opportunities to strengthen our income stream, including sales of garment products through different channels.

Cost of sales and gross profit

The Group's cost of sales primarily consists of material costs, direct labour costs, subcontracting costs, rental and rates, depreciation on machinery and utilities. During the year ended 31 December 2019, the cost of sales of the Group decreased by approximately 21.8% and approximately RMB15.2 million as compared with the corresponding period in 2018, which was generally in line with the drop of revenue during the year.

During the year ended 31 December 2019, the Group's revenue decreased by approximately 23.1% while the cost of sales decreased by approximately 21.8% as compared with that of the previous year, as a result, the Group's gross profit margin decreased from approximately 29.6% for the year ended 31 December 2018 to approximately 28.5% for the year ended 31 December 2019.

Other income, gains and losses

During the year ended 31 December 2019, the Group recorded an other income of approximately RMB0.2 million comparing with an other income of approximately RMB1.3 million for the year ended 31 December 2018.

Distribution and selling expenses

Distribution and selling expenses increased to approximately RMB5.3 million for the year ended 31 December 2019 from approximately RMB5.0 million for the year ended 31 December 2018. Despite the drop of revenue during the year, the Group keep on putting resources and effort in sales and marketing to explore potential customers in the PRC market targeting to gain market share in keen competition.

Administrative expenses

Administrative expenses decreased to approximately RMB21.0 million for the year ended 31 December 2019 from approximately RMB26.5 million for the year ended 31 December 2018, which was mainly due to cost cutting exercise implemented during the period. The drop of headcount of our administration staffs together with streaming workflow helped to decrease our administrative expenses. Administrative expenses consist primarily of staff costs and benefits, depreciation (excluding depreciation for plant and machinery), office expenses and other general administrative expenses.

Income tax expense

Income tax expense of the Group decreased from approximately RMB1.9 million for the year ended 31 December 2018 to approximately RMB0.7 million for the year ended 31 December 2019. The decrease was mainly due to the decrease in profit before tax for a PRC subsidiary.

Loss for the year

As a result of the foregoing, the loss for the year ended 31 December 2019 amounted to approximately RMB5.1 million, comparing with loss of approximately RMB2.8 million for the year ended 31 December 2018.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group had total assets of approximately RMB74.4 million (2018: approximately RMB82.4 million), which was financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately RMB7.8 million (2018: approximately RMB10.6 million) and approximately RMB66.6 million (2018: approximately RMB71.8 million), respectively.

The Group maintained sufficient working capital as at 31 December 2019 with bank and cash balances of approximately RMB41.4 million (2018: approximately RMB41.7 million). The Board will continue to follow a prudent treasury policy in managing its bank and cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business.

GEARING RATIO

The gearing ratio of the Group as at 31 December 2019 was nil (2018: nil) as the Group had no outstanding loans and borrowings nor bank overdrafts as at 31 December 2019.

TREASURY POLICIES

The Group has adopted a prudence financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Year. The Group strives to reduce exposure to credit risk by performance ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

PLEDGE OF ASSETS

As at 31 December 2019, the Group did not pledge any assets (2018: nil) as securities for any facilities granted to the Group.

FOREIGN EXCHANGE EXPOSURE

The business operations of the Group's subsidiaries were conducted mainly in the PRC with revenues and expenses of the Group's subsidiaries denominated mainly in RMB. As at 31 December 2019, the Group's cash and bank deposits, were denominated in RMB and HKD. Any significant exchange rate fluctuations of HKD against RMB as the functional currency may have a financial impact to the Group.

As at 31 December 2019, the Directors considered the Group's foreign exchange risk to be insignificant. During the year ended 31 December 2019, the Group did not use any financial instruments for hedging purposes.

CAPITAL STRUCTURE

The Shares were successfully listed on GEM of the Stock Exchange on 21 July 2017. There has been no change in the capital structure of the Group since then. The share capital of the Group comprises ordinary Shares only.

As at 31 December 2019, the Company's issued share capital was HK$8,000,000 and the number of its issued ordinary Shares was 800,000,000 of HK$0.01 each.

DIVIDEND

No dividend in respect of the year ended 31 December 2019 (31 December 2018: nil) were declared and approved by the directors.

COMMITMENTS

The operating lease commitments of the Group were primarily related to the leases of its premises for factory and office. The Group's operating lease commitments amounted to nil as at 31 December 2019 (2018: approximately RMB2.8 million).

SEGMENTAL INFORMATION

Segmental information is presented for the Group as disclosed on note 2 of this announcement.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 30 June 2017 (the "**Prospectus**") and this announcement, the Group did not have any plan for material investments or capital assets as of 31 December 2019.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the financial year ended 31 December 2019, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any material contingent liabilities (2018: Nil).

EMPLOYMENTS AND REMUNERATION POLICIES

As at 31 December 2019, the Group employed a total of 254 employees (2018: 302 employees) in mainland China and Hong Kong. The staff costs, including Directors' emoluments, of the Group were approximately RMB25.6 million for the year ended 31 December 2019 (2018: approximately RMB33.3 million). Directors' emoluments for the year ended 31 December 2019 amounted to approximately RMB3.3 million (2018: approximately RMB3.3 million) which included emoluments of the independent non-executive Directors for a total amount of approximately RMB0.5 million (2018: approximately RMB0.5 million).

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

SIGNIFICANT INVESTMENTS HELD

The Group did not hold any significant investments during the year ended 31 December 2019.

PRINCIPAL RISKS AND UNCERTAINTIES

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

(i) The Group has not entered into long-term contracts with the customers of the Group and it is difficult for the Group to forecast future order quantities;

(ii) Increases in the prices of raw materials may materially and adversely affect the Group's business, financial condition and results of operations;

(iii) The Group may experience a shortage of labour or our labour costs may continue to increase;

(iv) The Group faces intense competition in the garment accessories industry in the PRC;

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

(vi) The Group may exposed to environmental liabilities; and

(vii) The Group may be subject to potential labour disputes and labour strikes.

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

KEY PERFORMANCE INDICATORS

The key financial performance indicators of the Group for the year ended 31 December 2019 is set out in the section headed "Five Years' Financial Summary" of the annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group's operations are subject to certain environment requirements pursuant to the laws in the PRC, including primarily those in relation to prevention and reduction of pollution, water pollution control and waste disposal control.

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

For further information in relation to the environmental policies and performance of the Group, please refer to the section headed "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT" of the annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

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

KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group maintains good relationship with its customers. The sales personnel and merchandisers make regular phone calls to the customers and visit them overseas periodically. If there is any complaint from customers, it will be reported to the management and immediate remedial action will be taken.

The Group also maintains a good relationship with its suppliers. During the year ended 31 December 2019, no complaint was received from the suppliers and there was no disputed debts or unsettled debts and all the debts are settled on or before due dates or a latest date as mutually agreed.

During the year ended 31 December 2019, there was no dispute on salary payments and all accrued remunerations were settled on or before their respective due dates, as stipulated under individual employee's employment contract. The Group also ensures that all the employees are reasonably remunerated by regular review the policies on salary increment, promotion, bonus, allowances and all other related benefits.

In view of the above and as at the date of the annual report, there is no circumstance or any event which will have a significant impact on the Group's business and on which the Group's success depends.

EVENTS AFTER THE REPORTING PERIOD

As per the Company's announcement for "CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG" dated 31 December 2019, the principal place of business of the Company in Hong Kong will be changed to Room 203, 2nd Floor, K83, 83 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong with effect from 1 January 2020.

As per the Company's announcement for "IMPACT OF NOVEL CORONAVIRUS (COVID-19) EPIDEMIC ON BUSINESS OPERATIONS" dated 17 February 2020, since the outbreak of the novel coronavirus (COVID-19) epidemic (the "**Epidemic**"), a number of provinces and municipalities in the PRC have taken emergency public health measures and various actions to prevent the spread of the Epidemic, including imposing restriction on the work resumption date after the Chinese New Year Holidays.

The Group's factories located in Huizhou of Guangdong Province (the "**Huizhou Factories**") have, after around three weeks' production halt, resumed production on 17 February 2020 after the Chinese New Year Holidays and the suspension period prescribed by the relevant government authority. However, due to the suspension or limited service of transportation facilities in certain area, certain workers are unable to return to the Huizhou Factories as planned, which result in a temporarily drop in the production capacity of the Huizhou Factories.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 31 December 2019 is set out below:

Business objectives	Actual business progress up to 31 December 2019
Upgrading production facilities and digital printing technology	The Group will upgrade the production, facilities and digital printing technology according to the implementation plan as set out in the Prospectus.
Developing the capability of applying RFID technology to the products of the Group	The Group will develop the capability of applying RFID technology to the products of the Group according to the implementation plan as set out in the Prospectus.
Enhancing the heat transfer printing production facilities	The Group has enhanced its heat transfer printing production facilities by acquiring certain relevant machines and hiring additional staff for heat transfer printing production.
Upgrading the information technology system	The Group will upgrade the information technology system according to the implementation plan as set out in the Prospectus.
Expanding the sales and marketing department	The Group will expand the sales and marketing departments according to the implementation plan as set out in the Prospectus.

USE OF PROCEEDS

The net proceeds from the Listing, after deducting listing-related expenses, were approximately HK$37.6 million. After the Listing, a part of these proceeds have been applied for the purposes in accordance with the future plans and use of proceeds as set out in the Prospectus.

An analysis of the planned usage of net proceeds up to 31 December 2019 as stated in the Prospectus and the actual utilisation of the net proceeds from the Listing and up to 31 December 2019 is set out below:

Use of net proceeds	**Total planned amount to be used** *HK$'million*	**Planned use of proceed up to 31 December 2019** *HK$'million*	**Actual amount utilised up to 31 December 2019** *HK$'million*	**Actual balance as at 31 December 2019** *HK$'million*
Upgrading our production facilities and digital printing technology	17.0	17.0	1.8	15.2
Developing the capability of applying RFID technology to our products	3.0	3.0	0.5	2.5
Enhancing our heat transfer printing production facilities	6.0	6.0	4.1	1.9
Upgrading our information technology systems	5.3	5.3	2.1	3.2
Expansion on our sales and marketing department	3.0	3.0	0.9	2.1
General working capital	3.3	–	3.3	–
Total	37.6	34.3	12.7	24.9

Actual amount of use of proceeds was lower as compared to the planned amount of use of proceeds which was mainly attributable to a longer time is needed for the Directors to identify and to compare the price and specifications of suitable machines, with application of digital printing technology and RFID technology and heat transfer production where the upgrading and developing of production lines are scheduled to be carried out in coming future.

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

All the unutilised balances of the net proceeds have been placed in licensed banks in Hong Kong or PRC as at 31 December 2019.

CORPORATE GOVERNANCE CODE

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

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules. During the year ended 31 December 2019, to the best knowledge of the Board, the Company has complied with the applicable code provisions of the CG Code.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of conduct regarding securities transactions by the Directors as the required standard of dealings set out in Rules 5.46 to 5.67 of the GEM Listing Rules (the "**Model Code**"). The Company has also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the Model Code by the Directors during the year ended 31 December 2019.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") on 24 June 2017 with its written terms of reference in compliance with paragraphs C3.3 and C3.7 of the CG Code. The Audit Committee consists of three members, namely Mr. Ho Yuk Hay, Mr. Moy Yee Wo, Matthew and Mrs. So Chan Wai Hang, all being independent non-executive Directors. Mr. Ho Yuk Hay currently serves as the chairman of the Audit Committee, who has appropriate professional qualifications and experience in accounting matters. The members of the Audit Committee shall comprise non-executive Directors and shall be appointed or removed by the Board. If any member of the Audit Committee ceases to be a Director, he/she will cease to be a member of the Audit Committee automatically. The Audit committee has reviewed the consolidated financial statements for the year ended 31 December 2019.

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

DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 December 2019 (2018: nil).

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the year ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

ANNUAL GENERAL MEETING

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

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

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain entitlements to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Monday, 27 April 2020 to Monday, 4 May 2020, both days inclusive, during which period no transfer of the shares of the Company will be registered. Shareholder of the Company are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 24 April 2020.

AUDITOR

As per the Company's announcement for "CHANGE OF AUDITOR" dated 1 November 2019, Messrs. Deloitte Touche Tohmatsu ("**Deloitte**") has resigned as the auditor of the Company with effect from 1 November 2019, as the Company could not reach a consensus with Deloitte on the audit fee for the year ended 31 December 2019. On the same date, the Company appointed Messrs. McMillan Woods (Hong Kong) CPA Limited ("**McMillan Woods**") (formerly known as Links CPA Limited) as the new auditor of the Company, to fill the casual vacancy following the resignation of Deloitte and to hold office until the conclusion of the next annual general meeting of the Company. The consolidated financial statements for the Year have been audited by McMillan Woods.

SCOPE OF WORK OF MCMILLAN WOODS ON THIS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this preliminary announcement have been agreed by McMillan Woods, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by McMillan Woods in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements and consequently no assurance has been expressed by McMillan Woods on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the Company's website at www.sthl.com.hk and the GEM's website at www.hkgem.com. The 2019 annual report of the Company will be despatched to the shareholders of the Company and available on the above websites according to the GEM Listing Rules.

By order of the Board
Reach New Holdings Limited
Chan Fei Fei
Company Secretary

Hong Kong, 23 March 2020

As at the date of this announcement, the chairman and non-executive Director is Mr. Lam Cheung Chuen; the executive Directors are Mr. Lam Kai Yuen and Mr. Lam Kai Cheong; and the independent non-executive Directors are Mrs. So Chan Wai Hang, Mr. Ho Yuk Hay and Mr. Moy Yee Wo, Matthew.

This announcement will remain on the GEM's website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company at www.sthl.com.hk