

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Reach New Holdings Limited
新達控股有限公司

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

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2020**

**CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG
LIMITED (THE “STOCK EXCHANGE”)**

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

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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 and its subsidiaries (collectively the “**Group**”). 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.*

HIGHLIGHTS

- The Group recorded an unaudited revenue of approximately RMB9.7 million for the three months ended 31 March 2020 (three months ended 31 March 2019: approximately RMB19.5 million), representing a decrease of approximately 50.3% over the same period of 2019.
- The unaudited loss of the Group for the three months ended 31 March 2020 amounted to approximately RMB2.3 million (three months ended 31 March 2019: unaudited loss of approximately RMB2.0 million).
- The basic loss per share for the three months ended 31 March 2020 was RMB0.28 cent (three months ended 31 March 2019: basic loss per share of RMB0.25 cent).
- The board of Directors resolved not to declare an interim dividend for the three months ended 31 March 2020 (three months ended 31 March 2019: nil).

FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2020

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated financial results of the Group for the three months ended 31 March 2020, together with the comparative unaudited figures for the corresponding period in 2019, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2020

		Three months ended 31 March	
		2020	2019
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	9,677	19,467
Cost of sales		<u>(7,091)</u>	<u>(13,824)</u>
Gross profit		2,586	5,643
Other income and gains		1,058	62
Distribution and selling expenses		(854)	(1,133)
Administrative expenses		(4,975)	(6,608)
Finance cost	5	<u>(90)</u>	<u>–</u>
Loss before tax		(2,275)	(2,036)
Income tax expenses	6	<u>–</u>	<u>–</u>
Loss and total comprehensive income for the period		<u>(2,275)</u>	<u>(2,036)</u>
Loss and total comprehensive income for the period attributed to:			
Owners of the Company		(2,275)	(2,036)
Non-controlling interests		–	–
Loss per share,			
— Basic and diluted (RMB cents)	8	<u>(0.28)</u>	<u>(0.25)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020

	Attributable to owners of the Company					Non-controlling interest	Total equity
	Share capital	Share premium	Other reserve	Accumulated profits	Total		
	RMB'000	RMB'000	RMB'000 (Note)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020 (Audited)	6,890	36,775	14,145	8,804	66,614	2	66,616
Loss and total comprehensive expense for the period	—	—	—	(2,275)	(2,275)	—	(2,275)
At 31 March 2020 (Unaudited)	<u>6,890</u>	<u>36,775</u>	<u>14,145</u>	<u>6,529</u>	<u>64,339</u>	<u>2</u>	<u>64,341</u>
At 1 January 2019 (Audited)	6,890	36,775	14,145	13,949	71,759	—	71,759
Loss and total comprehensive expense for the period	—	—	—	(2,036)	(2,036)	—	(2,036)
At 31 March 2019 (Unaudited)	<u>6,890</u>	<u>36,775</u>	<u>14,145</u>	<u>11,913</u>	<u>69,723</u>	<u>—</u>	<u>69,723</u>

Note: As part of the group reorganisation for the listing of the Company's shares on GEM of the Stock Exchange, there were a series of restructuring within the Group which mainly involved interspersing investment holding entities between the operating subsidiaries and investment holding companies. The difference between the Company's share capital and the combined paid-in capital of 新天倫服裝配料(惠州)有限公司 and 新達科技(惠州)有限公司 (formerly known as 新天倫服裝輔料(惠州)有限公司), the indirect wholly-owned subsidiaries of the Company established in the People's Republic of China ("PRC"), was credited to other reserve on 30 November 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2020

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 22 January 2016. Its registered office is located at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands. The address of its headquarters and principal place of business in the PRC is located at Sun Tin Lun Industrial Centre, No. 6 Taihao Road, Sandong Digital Industrial Park, Sandong Town, Huizhou City, Guangdong Province, China. The ordinary shares of the Company (the “**Shares**”) have been listed on GEM of the Stock Exchange since 21 July 2017 (the “**Listing**”). Its parent Company is Neo Concept Holdings Limited (“**Neo Concept**”), a private company incorporated in the British Virgin Islands (“**BVI**”). Its ultimate controlling party is Mr. Lam Cheung Chuen (“**Mr. Lam**”), who is also the chairman and a non-executive Director of the Company.

The Company is an investment holding company. The Group is principally engaged in the provision of labelling solution and production and supply of garment accessories in the PRC.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2020 have been prepared in accordance with accounting principles generally accepted in Hong Kong and have complied with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of the GEM Listing Rules.

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2020 have been prepared under the historical cost convention.

The unaudited condensed consolidated financial statements for the three months ended 31 March 2020 have not been audited by the Company’s independent auditor, but have been reviewed by the Company’s audit committee.

The preparation of the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2020 is in conformity with the HKFRSs requirements in the use of certain critical accounting estimates. The HKFRSs also require the management to exercise their judgements in the process of applying the Group’s accounting policies.

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2020 are presented in Renminbi (“**RMB**”), which is the same functional currency of the Company.

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

For the three months ended 31 March 2020, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. HKFRSs comprise HKFRS; Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the three months ended 31 March 2020 and prior years.

4. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	Three months ended 31 March	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Types of products — at point in time recognition:		
Sales of printed products	3,467	8,191
Sales of woven labels	1,534	4,014
Sales of printed labels	3,204	5,530
Others	1,472	1,732
	<u>9,677</u>	<u>19,467</u>

Types of customers

	Three months ended 31 March	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Garment brand companies	143	236
Sourcing companies designated by garment brand companies	1,168	3,284
Garment manufacturers	8,366	15,947
	<u>9,677</u>	<u>19,467</u>

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 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:

	Three months ended	
	31 March	
	2020	2019
	RMB'000	RMB'000
Customer A	1,168	3,284

5. FINANCE COST

	Three months ended	
	31 March	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on lease liabilities	90	–

6. INCOME TAX EXPENSES

	Three months ended	
	31 March	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
Provision for the period	–	–

The Group is not subject to any income tax in the Cayman Islands and 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 three months ended 31 March 2020 and 2019.

The Group is subject to PRC Enterprise Income Tax (“**PRC EIT**”) at a rate of 25% (2019: 25%) and dividend withholding tax at a rate of 5% for the three months ended 31 March 2020 (2019: 5%).

Current tax provision represents provision for the PRC EIT.

7. DIVIDEND

The Board resolved not to declare an interim dividend for the three months ended 31 March 2020 (31 March 2019: nil).

8. LOSS PER SHARE

	Three months ended 31 March	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss:		
Loss for the purpose of calculating basic loss per Share	<u>(2,275)</u>	<u>(2,036)</u>
	Three months ended 31 March	
	2020	2019
	'000	'000
	(Unaudited)	(Unaudited)
Number of Shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>800,000</u>	<u>800,000</u>

No diluted earnings per share is presented for the three months ended 31 March 2020 and 2019 as there was no potential ordinary Share in issue.

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 customers in the PRC.

During the three months ended 31 March 2020, the Group continued to serve a large number of garment brand companies, sourcing companies designated by the garment brand companies and garment manufacturers in the PRC. The garment industry in the PRC was affected by the outbreak of COVID-19 pandemic (the “**Pandemic**”) in the first quarter of 2020. In the remaining period of 2020, the Directors expect that the garment industry in the PRC will gradually recover. After 31 March 2020, the Company entered into a cooperation agreement with an independent third party to form a joint venture company for the Group to tap into the information technology business for the purpose of diversifying the source of income of the Company. On 28 April 2020, the Company entered into a placing agreement with a placing agent to place up to 50,000,000 new shares for widening the capital base of the Company (the “**Placing**”).

For further information in relation to the cooperation agreement and the Placing, please refer to the paragraph headed “Events after the Reporting Period” in this announcement.

FINANCIAL REVIEW

Revenue

The Group’s revenue, which is principally generated from the direct sales of (i) printed products (e.g. hangtags, price tags and stickers), (ii) woven labels (e.g. woven brand labels, woven size labels and badges), (iii) printed labels (e.g. printed brand labels, printed size labels and care content labels) and (iv) other garment accessories (e.g. tapes, string locks, leather badge, buttons and metal products) was approximately RMB9.7 million for the three months ended 31 March 2020 and RMB19.5 million for the same period in 2019.

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 continuing trade disputes between the PRC and the United States of America (“**USA**”). In addition, the challenging macro-economic environment and the PRC’s slower economic growth, which drove down the demand in garment market. Moreover, the outbreak of the Pandemic caused disruption to the economic and production activities in the PRC, including the production activities of the customers of the Group.

Due to the above mentioned economic atmosphere, the Pandemic and the keen price competition in garment market, some of our customers in the PRC are facing the drop in 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.

The decrease in the Group's revenue was also attributable to the fact that some of our customers shifted their production base to Southeast Asia for the purpose of lowering production cost and to lessen impact of the trade war between the USA and the PRC.

The outbreak of the Pandemic in the first quarterly of 2020 hits the global economy seriously. As per the Company's announcement "Impact of Novel Coronavirus (COVID-19) Epidemic on Business Operations" dated 17 February 2020, the Pandemic caused the Group's factories located in Huizhou of Guangdong Province (the "**Huizhou Factories**") to suspend its operation for around three weeks and production capacity gradually resumed in February and March 2020, which led to a drop in the Group's production capacity and resulted in a drop in the Group's revenue for the three months ended 31 March 2020.

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 three months ended 31 March 2020, the cost of sales of the Group decreased by approximately 48.7% or approximately RMB6.7 million as compared with the corresponding period in 2019, which was generally in line with the drop in revenue during the three months ended 31 March 2020.

During the three months ended 31 March 2020, the Group's revenue decreased by approximately 50.3% while the cost of sales decreased by approximately 48.7% as compared with that of the corresponding period in 2019, as a result, the Group's gross profit margin decreased from approximately 29.0% for the three months ended 31 March 2019 to approximately 26.7% for the three months ended 31 March 2020.

Other income and gains

During the three months ended 31 March 2020, the Group recorded other income and gains of approximately RMB1.1 million comparing with other income and gains of approximately RMB0.1 million for the three months ended 31 March 2019. The increase was mainly attributable to the approximately RMB0.8 million subsidy of unemployment security allowance received from the government of the PRC.

Distribution and selling expenses

Distribution and selling expenses decreased to approximately RMB0.9 million for the three months ended 31 March 2020 from approximately RMB1.1 million for the three months ended 31 March 2019.

Administrative expenses

Administrative expenses decreased to approximately RMB5.0 million for the three months ended 31 March 2020 from approximately RMB6.6 million for the three months ended 31 March 2019, which was mainly due to cost cutting exercise implemented during the period. The drop of headcount of our administration staff numbers 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.

Loss for the period

The Group's unaudited loss was approximately RMB2.2 million for the three months ended 31 March 2020, as compared to unaudited loss of approximately RMB2.0 million for the three months ended 31 March 2019. The increase in loss was mainly due to the decrease in revenue and drop in gross profit margin during the three months ended 31 March 2020 when comparing with that of the same period in previous year.

EVENTS AFTER THE REPORTING PERIOD

On 24 April 2020, Reach New Technology (Huizhou) Company Limited* (新達科技(惠州)有限公司) (“**Reach New Technology**”), a wholly owned subsidiary of the Company, entered into a cooperation agreement with Guangzhou Bancheng Information Technology Co. Ltd.* (廣州半城信息科技有限公司) (“**Guangzhou Bancheng**”), pursuant to which Guangzhou Banchengyun Information Technology Co. Ltd.* (廣州半城雲信息科技有限公司) (“**Guangzhou Banchengyun**”), a new company established in the PRC, in which Reach New Technology would hold 51% equity interest and Guangzhou Bancheng would hold 49% equity interest, was established for the Group to tap into the information technology industry. For further information in relation to the cooperation agreement, please refer to the announcement of the Company dated 24 April 2020.

On 28 April 2020, the Company announced that the Company as the issuer entered into a placing agreement with Mouettee Securities Company Limited as the placing agent (the “**Placing Agent**”), pursuant to which the Company conditionally agreed to issue and the Placing Agent agreed to place, on a best effort basis, up to 50,000,000 new Shares to not less than six independent placees at the placing price of HK\$0.113 per placing Share. For further information in relation to the Placing, please refer to the announcement of the Company dated 28 April 2020.

Save as disclosed above, the Board is not aware of any material events after the reporting report which requires disclosure.

SHARE OPTION SCHEME

A share option scheme was adopted and approved by the then sole shareholder of the Company on 24 June 2017 (the “**Share Option Scheme**”). The terms of the Share Option Scheme are in accordance with Chapter 23 of the GEM Listing Rules. The principal terms of the Share Option Scheme were summarised in the paragraph headed “D. Share Option Scheme” in Appendix IV to the prospectus of the Company dated 30 June 2017 (the “**Prospectus**”). No share options have been granted pursuant to the Share Option Scheme since its adoption and up to the date of this announcement.

DIVIDEND

The Board resolved not to declare an interim dividend for the three months ended 31 March 2020 (three months ended 31 March 2019: nil).

USE OF PROCEEDS AND BUSINESS OBJECTIVES

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 as stated in the Prospectus and the actual utilisation of the net proceeds from the Listing and up to 31 March 2020 is set out below:

	Total planned amount to be used <i>HK\$'million</i>	Planned use of proceed up to 31 December 2019 <i>HK\$'million</i>	Actual amount utilized up to 31 March 2020 <i>HK\$'million</i>	Unutilised balance as at 31 March 2020 <i>HK\$'million</i>
Use of net proceeds				
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	2.2	3.1
Expansion on our sales and marketing department	3.0	3.0	1.0	2.0
General working capital	3.3	3.3	3.3	–
Total	37.6	37.6	12.9	24.7

As at 31 March 2020, there was a delay in utilisation of the use of proceeds from the Listing than the expected timeline as disclosed in the prospectus of the Company dated 30 June 2017 (the “**Prospectus**”). The delay in the use of proceeds is mainly attributable to the fact that: (i) the Group purchased a preowned four-colour offset printing machines with inline UV coating capabilities at a substantial discount to the purchase price of new machine, which resulted in approximately HK\$15.2 million net proceeds remaining; and (ii) a delay in the expansion plan in enhancing the heat transfer printing production facilities due to a decrease in demand for heat printing as a result of the escalating trade tension between the PRC and the USA, which adversely affected the international trade of garment, and further worsened after the outbreak of the Pandemic, which caused a negative impact to the garment industry in the PRC.

As disclosed in the announcement of the Company dated 28 April 2020, the Company announced that there would be a change in use of proceeds from the Listing. The Company would reallocate (i) HK\$8 million from the unutilised portion of the net proceeds to develop the business of garment trading and (ii) HK\$3 million from the unutilised portion of the net proceeds to develop internet and information technology business in Guangzhou Banchengyun. The Company expected that the commencement of the garment trading business and development of the internet and information technology business can diversify the income stream of the Group. It is expected that net proceeds allocated to the development of the businesses of garment trading and internet and information technology will be fully utilised by 31 December 2021. For further information in relation to the change in use of proceeds from the Listing, please refer to the Company’s announcement dated 28 April 2020.

DISCLOSURE OF INTERESTS

A. INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)) which would have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or which would be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein; or pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, required to be notified to the Company and the Stock Exchange, are as follows:

(1) Interests in the Company

Name of Director	Capacity/nature of interest	Number of Shares	Percentage of interest in the Company
Mr. Lam	Interest in controlled corporation (Note)	600,000,000 (Long position)	75%

Note: The 600,000,000 Shares are held by Neo Concept, which is wholly and beneficially owned by Mr. Lam. By virtue of the SFO, Mr. Lam is deemed to be interested in all the Shares held by Neo Concept.

(2) Interests in Associated Corporations of the Company

Name of Director	Name of associated corporation	Nature of interest	Number of shares in associated corporation	Percentage of shareholding in associated corporation
Mr. Lam	Neo Concept	Beneficial owner	100 (Long position)	100%

Save as disclosed above, as at 31 March 2020, none of the Directors and chief executive of the Company has registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, required to be notified to the Company and the Stock Exchange.

B. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

So far as it is known to the Directors, as at 31 March 2020, the following persons, not being a Director or chief executive of the Company, had or deemed or taken to have an interest or short position in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which were required to be recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/nature of interest	Number of shares	Percentage of interest in the Company
Neo Concept	Beneficial owner	600,000,000 (Long position)	75%
Ms. Wong Ching Yuk	Interest of spouse (<i>Note</i>)	600,000,000 (Long position)	75%

Note: Ms. Wong Ching Yuk is the spouse of Mr. Lam. Accordingly, by virtue of the SFO, she is deemed to be interested in all the Shares in which Mr. Lam is interested.

Save as disclosed above, as at 31 March 2020, the Directors are not aware of any interests or short positions owned by any parties (other than a Director or chief executive of the Company) in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any Shares during the three months ended 31 March 2020 and up to the date of this announcement.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealing as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all the Directors, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the three months ended 31 March 2020 and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules ("**CG Code**"). The Shares has been listed on GEM of the Stock Exchange since 21 July 2017. Upon the Listing, the Board and the management of the Company are committed to maintaining and achieving a high standard of corporate governance practices with an emphasis on a quality Board, an effective accountability system and a healthy corporate culture in order to safeguard the interests of the Shareholders and enhance the business growth of the Group. The Company has complied with the CG Code in all material respects during the three months ended 31 March 2020 and up to the date of this announcement.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the Prospectus or in this announcement, no Director had a material interest in any contract of significance to the business of the Group, to which the Company or any of its subsidiaries was a party during the three months ended 31 March 2020.

COMPETING INTERESTS

To the best the Directors' knowledge, none of the controlling shareholders of the Company, the Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business, or had any other conflict of interest with the Group, during the three months ended 31 March 2020.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established on 24 June 2017. The terms of reference in compliance with paragraph C3.3 of the CG Code have been adopted for the Audit Committee. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of external auditor; review the financial statements and give advice in respect of financial reporting; oversee financial reporting system, risk management and internal control systems of the Company.

The Audit Committee currently consists of three members, namely Mr. Ho Yuk Hay (chairman of the Audit Committee), Mr. Moy Yee Wo, Matthew and Mrs. So Chan Wai Hang, all being independent non-executive Directors. No member of the Audit Committee is a member of the former or existing independent auditor of the Company. The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2020 and is of the opinion that the preparation of such statements comply with the applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

By order of the Board
Reach New Holdings Limited
Lam Kai Yuen
Chief Executive Officer and Executive Director

Hong Kong, 11 May 2020

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

This announcement will be published 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 publication. This announcement will also be published on the Company's website at www.sthl.com.hk.

* For identification purpose only