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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)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020**

**CHARACTERISTICS OF 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.

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 RMB42.5 million for the nine months ended 30 September 2020 (nine months ended 30 September 2019: approximately RMB58.4 million), representing a decrease of approximately 27.2% over the same period of 2019.
- The unaudited loss of the Group for the nine months ended 30 September 2020 amounted to approximately RMB9.4 million (nine months ended 30 September 2019: unaudited loss of approximately RMB1.8 million).
- The basic loss per share for the nine months ended 30 September 2020 was RMB1.07 cent (nine months ended 30 September 2019: basic loss per share of RMB0.23 cent).
- The board of Directors resolved not to declare an interim dividend for the nine months ended 30 September 2020 (nine months ended 30 September 2019: nil).

FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 nine months ended 30 September 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 and nine months ended 30 September 2020

		Three months ended 30 September		Nine months ended 30 September	
		2020	2019	2020	2019
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	4	17,181	18,314	42,530	58,449
Cost of sales		<u>(14,537)</u>	<u>(12,651)</u>	<u>(34,320)</u>	<u>(40,170)</u>
Gross profit		2,644	5,663	8,210	18,279
Other income and gains		153	630	1,138	674
Deemed gain on disposal of a subsidiary	9	1,537	–	1,537	–
Distribution and selling expenses		(1,070)	(1,438)	(3,073)	(3,722)
Administrative expenses		(6,740)	(4,739)	(16,940)	(16,092)
Finance cost	5	<u>(106)</u>	<u>–</u>	<u>(294)</u>	<u>–</u>
Loss before tax		(3,582)	116	(9,422)	(861)
Income tax expenses	6	<u>–</u>	<u>(277)</u>	<u>–</u>	<u>(957)</u>
Loss and total comprehensive income for the period		<u>(3,582)</u>	<u>(161)</u>	<u>(9,422)</u>	<u>(1,818)</u>
Loss and total comprehensive income for the period attributable to:					
Owners of the Company		(3,565)	(161)	(8,910)	(1,818)
Non-controlling interests		(17)	–	(512)	–
Loss per share,					
— Basic (RMB cents)	8	<u>(0.04)</u>	<u>(0.02)</u>	<u>(1.07)</u>	<u>(0.23)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2020

	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (Note)	Accumulated profits RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
At 1 January 2020 (Audited)	6,890	36,775	14,145	8,804	66,614	2	66,616
Incorporation of subsidiaries	-	-	-	-	-	690	690
Placing of new shares	431	4,435	-	-	4,866	-	4,866
Loss and total comprehensive expense for the period	-	-	-	(8,910)	(8,910)	(512)	(9,422)
At 30 September 2020 (Unaudited)	<u>7,321</u>	<u>41,210</u>	<u>14,145</u>	<u>(106)</u>	<u>62,570</u>	<u>180</u>	<u>62,750</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	-	-	-	(1,818)	(1,818)	-	(1,818)
At 30 September 2019 (Unaudited)	<u>6,890</u>	<u>36,775</u>	<u>14,145</u>	<u>12,131</u>	<u>69,941</u>	<u>-</u>	<u>69,941</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 Reach New Technology (Huizhou) Company Limited* (新達科技(惠州)有限公司) ("**Reach New Technology**") (formerly known as 新天倫服裝輔料(惠州)有限公司), the indirect wholly-owned subsidiaries of the Company established in the People's Republic of China ("**PRC**"), was credited to other reserve on 30 November 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 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 and provision of information technology services in the PRC.

As per the Company’s announcement dated 24 April 2020, 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**”) (the “**Cooperation Agreement**”). Pursuant to the Cooperation Agreement, Guangzhou Banchengyun Information Technology Co. Ltd.* (廣州半城雲信息科技有限公司) (“**Guangzhou Banchengyun**”), in which Reach New Technology holds 51% equity interest and Guangzhou Bancheng holds 49% equity interest, was established in the PRC on 10 April 2020 for the Group to tap into the information technology industry. On 22 September 2020, an investment agreement (the “**Investment Agreement**”) was entered into among Reach New Technology, Mr. Yan Yiming* (晏藝銘) (“**Mr. Yan**”) and Ningbo Meishan Free Trade Port Zone Yunsilu Equity Investment Fund Partnership (Limited Partnership)* (寧波梅山保稅港區雲絲路股權投資基金合夥企業(有限合夥)) (the “**Investor**”) in relation to the capital restructuring and the investment in equity interest in Guangzhou Banchengyun.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 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 nine months ended 30 September 2020 have been prepared under the historical cost convention.

The unaudited condensed consolidated financial statements for the nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2020 and prior years.

4. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	Nine months ended 30 September	
	2020	2019
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Types of products — at point in time recognition:		
Sales of printed products	15,642	23,655
Sales of woven labels	8,287	16,320
Sales of printed labels	10,708	11,925
Others	7,236	6,549
Revenue from information technology business	657	—
	<u>42,530</u>	<u>58,449</u>

Types of customers

	Nine months ended 30 September	
	2020	2019
	<i>RMB’000</i>	<i>RMB’000</i>
Garment brand companies	1,273	1,417
Sourcing companies designated by garment brand companies	9,195	12,068
Garment manufacturers	31,405	44,964
Customers of information technology business	657	—
	<u>42,530</u>	<u>58,449</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, they also have the primary responsibility to sell and bear the risk of obsolescence and loss in relation to the goods. The normal credit term is 30 to 90 days upon delivery. The Group also provides information technology services to customers and revenue is recognised when it satisfies a performance obligation by transferring control over a product or service to a customer.

Operating segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the chief operating decision maker (the “CODM”), being the executive Directors of the Company, for the purposes of allocating resources and assessing performance.

Specifically, the Group's reportable and operating segments under HKFRS 8 "Operating Segments" are as follows:

- (i) Labelling Solution – production and supply of garment accessories
- (ii) Information Technology – development of applications and provision of information technology consultancy services

The CODM makes decisions according to the operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Segment revenue and results

The following is an analysis of the Group's results by operating segments:

For the nine months ended 30 September 2020 (unaudited)

	Labelling Solution RMB'000	Information Technology RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue				
External sales	41,873	657	–	42,530
Inter-segment sales	–	–	–	–
	<u>41,873</u>	<u>657</u>	<u>–</u>	<u>42,530</u>
Segment results	<u>11,013</u>	<u>(2,803)</u>	<u>–</u>	8,210
Other income and gain				1,138
Deemed gain on disposal of a subsidiary				1,537
Distribution and selling expenses				(3,073)
Administrative expenses				(16,940)
Finance costs				(294)
Loss before taxation				<u>(9,422)</u>

For the nine months ended 30 September 2019 (unaudited)

	Labelling Solution RMB'000	Information Technology RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue				
External sales	58,449	–	–	58,449
Inter-segment sales	–	–	–	–
	<u>58,449</u>	<u>–</u>	<u>–</u>	<u>58,449</u>
Segment results	<u>18,279</u>	<u>–</u>	<u>–</u>	<u>18,279</u>
Other gains and losses				674
Distribution and selling expenses				(3,722)
Administrative expenses				(16,092)
Finance costs				–
Loss before taxation				<u>(861)</u>

Segment results mainly represent profit earned (loss incurred) by each segment without allocation of other income, other gains and losses, certain administrative expenses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Geographical information

Revenue by geographical location

The Group's 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:

	Nine months ended 30 September	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	<u>9,195</u>	<u>12,068</u>

5. FINANCE COST

	Nine months ended 30 September	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on lease liabilities	<u>(294)</u>	<u>–</u>

6. INCOME TAX EXPENSES

Nine months ended 30 September	
2020	2019
<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited)	(Unaudited)

Current tax:

Provision for the period

–	957
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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 nine months ended 30 September 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 nine months ended 30 September 2020.

Current tax provision represents provision for PRC EIT.

7. DIVIDEND

The Board resolved not to declare an interim dividend for the nine months ended 30 September 2020 (30 September 2019: nil).

8. LOSS PER SHARE

Nine months ended 30 September	
2020	2019
<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited)	(Unaudited)

Loss for the purpose of calculating basic loss per Share

Loss for the period attributable to owners of the Company

<u>(8,910)</u>	<u>(1,818)</u>
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Nine months ended 30 September	
2020	2019
(Unaudited)	(Unaudited)

Number of Shares:

Weighted average number of Shares for the purpose of
calculating basic loss per Share

<u>831,780,822</u>	<u>800,000,000</u>
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No diluted earnings per share is presented for the nine months ended 30 September 2020 and 2019 as there was no potential ordinary Share in issue.

9. DEEMED DISPOSAL OF A SUBSIDIARY

On 22 September 2020, the Investment Agreement was entered into among Reach New Technology, Mr. Yan and the Investor in relation to the investment in equity interest in Guangzhou Banchengyun, a company established in the PRC with limited liability on 10 April 2020 and a non-wholly owned subsidiary of the company prior to the completion of the Investment Agreement.

Under the Investment Agreement, Mr. Yan (who will acquire the interest held by Guangzhou Bancheng), agreed to further contribute additional capital of approximately RMB1.29 million to Guangzhou Banchengyun while Reach New Technology also agreed to capitalise its shareholders' loan of approximately RMB2.49 million to the capital account of Guangzhou Banchengyun (the “**Capital Restructuring**”) and the Investor agreed to subscribe for 10% equity interest in Guangzhou Banchengyun in the consideration of RMB3 million (the “**Investment**”). Upon completion of the Capital Restructuring and the Investment, Guangzhou Banchengyun would be owned as to 63%, 27% and 10% by Mr. Yan, Reach New Technology and the Investor. The registered capital of Guangzhou Banchengyun would be increased to approximately RMB2.83 million.

As at 27 September 2020, the Capital Restructuring was completed and Guangzhou Banchengyun was owned as 70% and 30% by Mr. Yan and Reach New Technology and the deemed gain on disposal of Guangzhou Banchengyun is approximately RMB1.5 million. Guangzhou Banchengyun ceased to be a subsidiary of the Company and its results will not be consolidated with those of the Group. As at 23 October 2020, the Investment was also completed.

As a result of the Investment Agreement, Guangzhou Banchengyun ceased to be a subsidiary of the Company and since the operation of Guangzhou Banchengyun is insignificant to the Group, no discontinued operation for the period ended 30 September 2020 is presented. Guangzhou Banchengyun became an associate of the Company as the Group was regard as having significant influence over Guangzhou Banchengyun, and is accounted for in the condensed consolidated financial statements using equity-accounting method since the date of completion of the Investment Agreement.

The disposal of Guangzhou Banchengyun did not contribute significantly to the Group's cash flows or operating results. For further information as to the Capital Restructuring and the Investment, please refer to the announcement of the Company dated 22 September 2020.

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's products can be categorised into three main types being (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.

During the nine months ended 30 September 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.

As per the Company's announcement dated 22 September 2020, the Investment Agreement was entered into among Reach New Technology, an indirect wholly-owned subsidiary of the Company established in the PRC, Mr. Yan and the Investor in relation to the investment in equity interest in Guangzhou Banchengyun, a company established in the PRC with limited liability on 10 April 2020 and a non-wholly owned subsidiary of the Company prior to the completion of the Investment Agreement. For further information in relation to the Investment Agreement, please refer to Note 9 to the condensed consolidated financial statement 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 RMB42.5 million for the nine months ended 30 September 2020 and approximately RMB58.4 million for the same period in 2019.

The decrease in the Group's revenue was mainly attributable to (i) the outbreak of the COVID-19 pandemic (the "**Pandemic**"), which caused disruption to the economic and production activities in the PRC, including the production activities of the customers of the Group, which engage in the garment manufacturing; (ii) 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**"); (iii) the challenging macro-economic environment and the PRC's slower economic growth, which drove down the demand in garment market; (iv) the keen price competition in garment market; and (v) some of our customers shifted their production base to Southeast Asia for the purpose of lowering production cost and to lessen the impact of the trade disputes between the PRC and the USA.

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 drop in garment sales order, and the Group's product is in positive correlation with our customers' garment sales order and hence, the Group's revenue decreased.

The global outbreak of the Pandemic during the nine months ended 30 September 2020 caused a serious hit to the global economy. 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 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 nine months ended 30 September 2020.

In addition, as the operation of the information technology segment of the Group started in April 2020, it is still at the start-up stage and some products are still currently under development and have not yet launched to the market. During the nine months ended 30 September 2020, revenue from the information technology segment was approximately RMB0.7 million and a loss attributable to the owners of the Company of approximately RMB4.5 million was incurred.

The significant drop in revenue coupled with the loss incurred from the information technology segment contributed to the increase in the loss attributable to the owners of the Company for the nine months ended 30 September 2020.

The Group will put more resources and effort in attracting potential customers in the PRC and at the same time exploring the expansion of the customer base of the Group to PRC and foreign garment brand companies in order to increase sales and enhance its profitability. In addition, the Group will continue to explore new business opportunities to diversify income streams, including sales of garment products through different channels.

Cost of sales and gross profit

During the nine months ended 30 September 2020, the Group's gross profit decreased by approximately 55.2% from approximately RMB18.3 million for the nine months ended 30 September 2019 to approximately RMB8.2 million for the nine months ended 30 September 2020. 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 nine months ended 30 September 2020, the cost of sales in relation to the information segment was approximately RMB3.5 million.

During the nine months ended 30 September 2020, the Group's revenue decreased by 27.2% while the cost of sales decreased by 14.6% as compared with the corresponding period, as a result, the Group's gross profit margin decrease from approximately 31.3% for the nine months ended 30 September 2019 to approximately 19.3% for the nine months ended 30 September 2020.

Distribution and selling expenses

Distribution and selling expenses decreased to approximately RMB3.1 million for the nine months ended 30 September 2020 from approximately RMB3.7 million for the nine months ended 30 September 2019. Despite the drop of revenue during the reporting period, the Group kept putting resources and effort in sales and marketing to explore potential customers in the PRC market targeting to gain market share and maintain our margin in keen competition. This results in the disproportionate decrease of our distribution cost compared to our drop in revenue.

Administrative expenses

Administrative expenses increased to approximately RMB16.9 million for the nine months ended 30 September 2020 from approximately RMB16.1 million for the nine months ended 30 September 2019, which was mainly due to approximately RMB1.4 million administration cost incurred by the information technology business during the nine months ended 30 September 2020. 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 RMB9.4 million for the nine months ended 30 September 2020, as compared to unaudited loss of approximately RMB1.8 million for the nine months ended 30 September 2019. The loss was mainly due to: (i) the significant drop in revenue; (ii) the initial expenses invested in the development of the information technology segment of the Group as mentioned above; and (iii) the loss incurred from the information technology segment during the reporting period, when comparing with that of the same period in previous year, despite our cost cutting in other areas such as distribution and selling expenses and administrative expenses and deemed gain on disposal of a subsidiary recorded.

EVENT AFTER REPORTING PERIOD

Save as the completion of the Investment under the Investment Agreement on 23 October 2020 as disclosed above, the Board was not aware of any material events after the reporting period that have to be disclosed.

SHARE OPTION SCHEME

A share option scheme was adopted and approved by the then sole shareholder of the Company on 24 June 2017 (the “**Share Option Scheme**”) and will remain in force for 10 years after its adoption. 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 are summarised in the paragraph headed “D. Share Option Scheme” in Appendix IV to the Prospectus. Details of the share options (the “**Option(s)**”) movements during the nine months ended 30 September 2020 under the Share Option Scheme are as follows:

Name of participants	Date of grant	Exercise price per Share (HK\$)	Number of Options granted	Validity period of the Options	Options outstanding as at 1 January 2020	Options granted during the nine months ended 30 September 2020	Options exercised during the nine months ended 30 September 2020	Options cancelled/ lapsed during the nine months ended 30 September 2020	Options outstanding as at 30 September 2020
Employee									
An individual	18 May 2020	0.38	3,000,000	18 May 2020 – 17 May 2030 (<i>Note</i>)	-	3,000,000	-	(3,000,000)	-
Total			<u>3,000,000</u>		<u>-</u>	<u>3,000,000</u>	<u>-</u>	<u>(3,000,000)</u>	<u>-</u>

Note: 50% of the Options will be vested on 18 May 2021; and the remaining 50% of the Options will be vested on 18 May 2022. Vested Options shall be exercisable until the expiry of the validity period. The grant of Options is not subject to the fulfilment of performance targets.

On 18 May 2020, the Company announced that a total of 80,000,000 Options under the Share Option Scheme were granted to an employee of the Group and conditionally granted to two Directors and one director of a subsidiary of the Group, and the Company proposed to refresh the share option scheme mandate. On 13 July 2020, the Company held an EGM and resolutions approving the grant of Options to two Directors and one director of a subsidiary and refreshment of the share option scheme mandate were not passed. As such, the proposed conditional grant of Options to two Directors and one director of a subsidiary of the Company was cancelled. The proposed refreshment of the share option scheme mandate was also cancelled.

For further information in relation to the Options granted on 18 May 2020, please refer to the announcement of the Company dated 18 May 2020, the circular of the Company dated 24 June 2020 and the EGM poll results announcement of the Company dated 13 July 2020.

In July 2020, the 3,000,000 Options granted to an employee of the Group was not accepted by the employee and as such, the 3,000,000 Options granted was cancelled.

Save as disclosed above, no Option under the Share Option Scheme has been granted, cancelled or lapsed during the nine months ended 30 September 2020.

DIVIDEND

The Board resolved not to declare an interim dividend for the nine months ended 30 September 2020 (nine months ended 30 September 2019: nil).

USE OF PROCEEDS FROM THE LISTING AND BUSINESS OBJECTIVES

The net proceeds from the Listing, after deducting listing-related expenses, were approximately HK\$37.6 million (equivalent to approximately RMB32.7 million) (the “**Net Proceeds**”). After the Listing, part of these proceeds have been applied for the purposes in accordance with the future plans and use of proceeds as set out in the Prospectus.

As per the Company’s announcement “Placing of New Shares under General Mandate and Change in Use of Proceeds from the Listing” dated 28 April 2020 (the “**Change in UOP Announcement**”), the Board, having considered the business environment and development of the Group, resolved to change the use of the unutilised Net Proceeds that HK\$8.0 million would be utilised for development of garment trading business and HK\$3.0 million would be used for development of the internet and information technology consultancy services in Guangzhou Banchengyun, while the total Net Proceeds allocated to upgrading the production facilities and digital printing technology would be reduced by HK\$9.1 million and enhancing the heat transfer printing production facilities would be reduced by HK\$1.9 million. For further information and the reasons for the change in the use of the Net Proceeds, please refer to the Change in UOP Announcement.

An analysis of the utilisation of the Net Proceeds after the change in use of proceeds as at 30 September 2020 is set out below:

Intended Use of Net Proceeds	Revised planned application of the Net Proceeds HK\$'million	Utilised Net Proceeds as at 30 September 2020 HK\$'million	Unutilised balance as at 30 September 2020 HK\$'million	Expected timeline for the intended use
Upgrading the production facilities and digital printing technology of the Group	7.9	1.8	6.1	December 2021
Developing the capability of applying RFID technology to the products of the Group	3.0	0.5	2.5	December 2021
Enhancing the heat transfer printing production facilities of the Group	4.1	4.1	–	–
Upgrading the information technology systems of the Group	5.3	2.4	2.9	December 2022
Expansion of the sales and marketing department of the Group	3.0	1.2	1.8	December 2021
General working capital	3.3	3.3	–	–
Developing garment trading business	8.0	–	8.0	December 2022
Developing the internet and information technology business	3.0	3.0	–	–
Total	37.6	16.3	21.3	

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 balance of the net proceeds have been placed in licenced banks in Hong Kong or the PRC as at 30 September 2020.

USE OF NET PROCEEDS FROM THE PLACING

As per the Company's announcements dated 28 April 2020 and 13 May 2020, 50,000,000 Shares (the "**Placing Shares**") were successfully placed to nine independent placees at the placing price of HK\$0.113 per Placing Share under general mandate (the "**Placing**"). The gross proceeds and the net proceeds (after deducting the placing fee and other related expenses incurred in the Placing) from the Placing are HK\$5.65 million and approximately HK\$5.41 million, respectively. It is expected that approximately HK\$5.41 million, representing the entire amount of the net proceeds from the Placing, will be used for the working capital in Guangzhou Banchengyun, a non-wholly owned subsidiary of the Group, in connection with the Group's development in the information technology business. The 50,000,000 placing Shares represent (i) 6.25% of the issued share capital of the Company immediately before the Placing and (ii) approximately 5.88% of the issued share capital of the Company as enlarged by the Placing.

An analysis of the unutilisation of the net proceeds from the Placing as at 30 September 2020 is set out below:

Intended use of the net proceeds from the Placing	Total planned amount <i>HK\$'million</i>	Utilised net proceeds from the Placing as at 30 September 2020 <i>HK\$'million</i>	Unutilised net proceeds from the Placing as at 30 September 2020 <i>HK\$'million</i>	Expected timeline for the intended use
Working capital in Guangzhou Banchengyun in connection with the Group's development in the information technology industry	5.41	0.3	5.11	December 2021

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 30 September 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 (<i>Note</i>)	600,000,000 (Long position)	70.6%

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 30 September 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 30 September 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)	70.6%
Ms. Wong Ching Yuk	Interest of spouse (<i>Note</i>)	600,000,000 (Long position)	70.6%

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 30 September 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

During the nine months ended 30 September 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any Shares.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct (the “**Model Code**”) 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 in the Model Code by the Directors during the nine months ended 30 September 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**”). 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 nine months ended 30 September 2020 and up to the date of this announcement.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the Prospectus, 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 nine months ended 30 September 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 nine months ended 30 September 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; and review the continuing connected transactions 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 financial information in this announcement has not been reviewed or audited by the auditor of the Company. The Audit Committee has reviewed this announcement, including the unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 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.

PUBLICATION OF THE THIRD QUARTERLY REPORT

The quarterly report for the nine months ended 30 September 2020 will be dispatched to shareholders of the Company and published on the Company’s website at www.sthl.com.hk and the website of the Stock Exchange at www.hkexnews.hk according to the GEM Listing Rules.

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

Hong Kong, 9 November 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