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 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 medium 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 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 2020 together with the comparative audited figures for the year ended 31 December 2019. 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 2020

	Notes	**2020** ***RMB'000***	2019 *RMB'000*
Revenue	*2*	**60,560**	76,118
Cost of sales		**(46,803)**	(54,457)
Gross profit		**13,757**	21,661
Other income, gains and losses		**2,477**	155
Impairment of non-financial assets		**(2,500)**	–
Allowance for credit losses on trade receivables		**(461)**	(77)
Distribution and selling expenses		**(4,335)**	(5,265)
Administrative expenses		**(22,678)**	(20,916)
Finance cost on lease liabilities		**(384)**	–
Loss before tax		**(14,124)**	(4,442)
Income tax expense	*3*	**–**	(704)
Loss and total comprehensive expense for the year	*4*	**(14,124)**	(5,146)
Loss and total comprehensive expense for the year attributable to:			
Owners of the Company		**(13,601)**	(5,145)
Non-controlling interests		**(523)**	(1)
		(14,124)	(5,146)
		RMB cents	*RMB cents*
Loss per share	*5*		
— Basic		**(1.64)**	(0.64)
— Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**11,534**	14,770
Intangible assets		**1,044**	1,358
Right-of-use assets		**4,833**	–
Interest in an associate		**–**	–
		17,411	16,128
CURRENT ASSETS			
Inventories		**3,401**	2,970
Trade receivables	*7*	**14,636**	10,634
Prepayments and other receivables	*7*	**5,757**	3,254
Amount due from a related party		**200**	–
Amount due from an associate		**832**	–
Bank and cash balances		**31,366**	41,419
		56,192	58,277
CURRENT LIABILITIES			
Trade payables	*8*	**5,251**	3,478
Other payables	*8*	**3,650**	3,669
Contract liabilities		**–**	156
Leases liabilities		**3,003**	–
Tax payable		**672**	431
		12,576	7,734
NET CURRENT ASSETS		**43,616**	50,543
TOTAL ASSETS LESS CURRENT LIABILITIES		**61,027**	66,671
NON-CURRENT LIABILITIES			
Deferred tax liability		**55**	55
Leases liabilities		**2,646**	–
TOTAL NON-CURRENT LIABILITIES		**2,701**	55
NET ASSETS		**58,326**	66,616
CAPITAL AND RESERVES			
Share capital	*9*	**7,321**	6,890
Reserves		**50,836**	59,724
		58,157	66,614
Non-controlling interests		**169**	2
TOTAL EQUITY		**58,326**	66,616

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

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

(a) Application of new and revised HKFRSs

The Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2020. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 17 Insurance Contracts and the related Amendments	1 January 2023
Amendments to HKFRS 16 Covid-19 Related Rent Concessions	1 June 2020
Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform — Phase 2	1 January 2021
Amendments to HKFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to HKAS 37 Onerous contracts — cost of fulfilling a contract	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of liabilities as current or non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023

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

	2020	2019
	RMB'000	*RMB'000*
Types of products — at point in time recognition:		
Sales of printed products	**22,735**	29,776
Sales of woven labels	**12,441**	15,791
Sales of printed labels	**14,222**	21,215
Others	**10,505**	9,336
Revenue from information technology business	**657**	–
	60,560	76,118

Types of customers

	2020	2019
	RMB'000	*RMB'000*
Garment brand companies	**1,812**	1,790
Sourcing companies designated by garment brand companies	**15,497**	15,572
Garment manufacturers	**42,520**	58,756
Customers of information technology business	**657**	–
Others	**74**	–
	60,560	76,118

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 assessment of segment performance focuses on types of goods or services delivered or provided.

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 year ended 31 December 2020

	Labelling Solution	**Information Technology**	**Elimination**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Segment revenue				
External sales	**59,903**	**657**	**–**	**60,560**
Inter-segment sales	**–**	**–**	**–**	**–**
	59,903	**657**	**–**	**60,560**
Segment results	**13,238**	**(1,289)**	**–**	**11,949**
Other income, gains and losses				**940**
Distribution and selling expenses				**(4,335)**
Administrative expenses				**(22,678)**
Loss before taxation				**(14,124)**
Other Segment Information:				
Depreciation of property, plant and equipment	**2,825**	**–**	**–**	**2,825**
Depreciation of right-of-use assets	**2,770**	**263**	**–**	**3,033**
Impairment losses on non-financial assets	**2,500**	**–**	**–**	**2,500**
Allowance for credit losses on trade receivables	**461**	**–**	**–**	**461**
Loss on disposal of property, plant and equipment	**458**	**–**	**–**	**458**
Amortisation of intangible assets	**164**	**–**	**–**	**164**

For the year ended 31 December 2019

	Labelling Solution *RMB'000*	Information Technology *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Segment revenue				
External sales	76,118	–	–	76,118
Inter-segment sales	–	–	–	–
	76,118	–	–	76,118
Segment results	21,584	–	–	21,584
Other income, gains and losses				155
Distribution and selling expenses				(5,265)
Administrative expenses				(20,916)
Loss before taxation				(4,442)

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

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:

	2020 ***RMB'000***	2019 *RMB'000*
Customer A	**15,497**	15,572

3. INCOME TAX EXPENSE

	2020 ***RMB'000***	2019 *RMB'000*
Current tax:		
Provision for the year	**–**	704

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 year ended 31 December 2020 (2019: Nil).

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

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:

	2020	2019
	RMB'000	*RMB'000*
Loss before tax	**(14,124)**	(4,442)
Tax at the PRC EIT rate of 25% (2019: 25%)	**(3,531)**	(1,110)
Tax effect of income not taxable for tax purpose	**(238)**	(122)
Tax effect of expenses not deductible for tax purpose	**740**	1,850
Tax effect of tax losses not recognised	**3,029**	86
Tax expense for the year	**–**	704

4. LOSS FOR THE YEAR

	2020	2019
	RMB'000	*RMB'000*
Loss for the year has been arrived at after charging (crediting):		
Directors' emoluments	**2,551**	3,261
Other staff costs		
— salaries and wages	**21,395**	19,986
— retirement benefits scheme contribution excluding directors	**1,125**	2,366
Total directors and other staff costs	**25,071**	25,613
Allowance for credit losses on trade receivables	**461**	77
Auditor's remuneration	**657**	645
Cost of inventories recognised as cost of sales	**23,964**	27,918
Depreciation on property, plant and equipment	**2,825**	2,867
Depreciation of right of use assets	**3,033**	–
Amortisation of intangible assets	**164**	113
Impairment of non-financial assets	**2,500**	–
Loss on disposal of property, plant and equipment	**458**	328
Exchange loss	**651**	–
Minimum lease payments under operating leases	**–**	2,801

5. LOSS PER SHARE

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

	2020	2019
	RMB'000	*RMB'000*
Loss:		
Loss for the year attributable to owners of the Company for the purpose of calculating basic loss per share	**(13,601)**	(5,145)

	2020	2019
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**831,780,822**	800,000,000

No diluted loss per share is presented for the years ended 31 December 2020 and 2019 as there were no potential ordinary share in issue.

6. DIVIDEND

No dividend in respect of the years ended 31 December 2020 and 2019 were declared and approved by the directors.

7. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**15,912**	11,449
Less: allowance for credit losses	**(1,276)**	(815)
	14,636	10,634
Other receivables	**2,583**	1,150
Prepayments	**3,174**	2,104
	5,757	3,254

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 credit losses presented based on the invoice date at the end of the reporting period:

	2020	2019
	RMB'000	*RMB'000*
Within 90 days	**11,124**	10,219
91–180 days	**3,356**	303
181–365 days	**156**	112
	14,636	10,634

8. TRADE AND OTHER PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**5,251**	3,478
Other payables	**2,894**	2,184
Accrued expenses	**756**	1,485
	3,650	3,669

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:

	2020	2019
	RMB'000	*RMB'000*
Within 90 days	**4,730**	3,379
91–180 days	**383**	70
181–365 days	**79**	16
Over 1 year	**59**	13
	5,251	3,478

9. SHARE CAPITAL

	Number of shares	*HK$*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	2,000,000,000	20,000,000
Issued and fully paid:		
At 1 January 2019, 31 December 2019 and 1 January 2020	800,000,000	8,000,000
Placing of shares *(Note)*	50,000,000	500,000
At 31 December 2020	850,000,000	8,500,000

	2020 *RMB'000*	2019 *RMB'000*
Shown in the consolidated financial statements as	**7,321**	6,890

Note:

On 13 May 2020, 50,000,000 Shares of HK$0.01 each of the Company were issued at a price of HK$0.113 per share by way of placing. The proceeds of HK$500,000 (equivalent to RMB431,000) representing the par value of the shares of the Company were credited to the Company's share capital. The remaining proceeds of HK$5,150,000 (equivalent to RMB5,144,000), before issuing expenses, were credited to share premium account. The new shares rank pari passu with the existing shares in all respects.

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 externally imposed capital requirements for the Group that in order to maintain its listing on the Stock Exchange is to have a public float of at least 25% of the shares of the Company throughout the year. Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float of at least 25% throughout the year ended 31 December 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 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 faced by the Group will continue to be affected by the overall development of the garment accessory market in the PRC as well as factors affecting the increasing 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 drivers 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 maximise the shareholders' value in the long run.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020, the Group recorded revenue of approximately RMB60.6 million, a decrease of approximately 20.4% comparing with that of approximately RMB76.1 million for the year ended 31 December 2019. A breakdown on revenue of the Group by product types for 2020 and the comparative figures in 2019 is summarised as below:

	For the year ended 31 December			
Product types	**2020**		2019	
	RMB'000	***%***	*RMB'000*	*%*
Printed products	**22,735**	**37.5**	29,776	39.1
Woven labels	**12,441**	**20.5**	15,791	20.7
Printed labels	**14,222**	**23.5**	21,215	27.9
Others *(note)*	**10,505**	**17.4**	9,336	12.3
Revenue from information technology business	**657**	**1.1**	–	–
	60,560	**100**	76,118	100

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

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 Group and its customers, 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 frictions between the PRC and the USA; (iii) 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 frictions 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 the Group customers in the PRC are facing drop in garment sales order, and the Group's product is in positive correlation with the Group customers' garment sales order and hence, the Group's revenue decreased.

The global outbreak of the Pandemic during 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 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 year ended 31 December 2020.

The Group will put more resources and effort in marketing by 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 year ended 31 December 2020, the Group's gross profit decreased by approximately 36.4% from approximately RMB21.7 million for the year ended 31 December 2019 to approximately RMB13.8 million for the year ended 31 December 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 year ended 31 December 2020, the cost of sales in relation to the information segment was approximately RMB3.5 million.

During the year ended 31 December 2020, the Group's revenue decreased by 20.4% while the cost of sales decreased by 14.1% as compared that of the previous year, as a result, the Group's gross profit margin decreases from approximately 28.5% for the year ended 31 December 2019 to approximately 22.7% for the year ended 31 December 2020.

Other income, gains and losses

During the year ended 31 December 2020, the Group recorded an other income of approximately RMB2.5 million which mainly comprise of the government subsidies as the relief measures to counter the negative impact brought by the outbreak of the Pandemic amounting to approximately RMB1.2 million and deemed gain on disposal of a subsidiary amounting to approximately RMB1.5 million.

Distribution and selling expenses

Distribution and selling expenses decreased to approximately RMB4.3 million for the year ended 31 December 2020 from approximately RMB5.3 million for the year ended 31 December 2019. Despite the drop of revenue during the year, 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 the Group's advantages 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 RMB22.7 million for the year ended 31 December 2020 from approximately RMB21.0 million for the year ended 31 December 2019, which was mainly due to approximately RMB1.4 million administration cost incurred by the information technology business during the year ended 31 December 2020 and the exchange loss of approximately RMB0.7 million incurred during the year. 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 RMB0.7 million for the year ended 31 December 2019 to nil for the year ended 31 December 2020. The decrease was mainly due to the decrease in profit before tax for a PRC subsidiary.

Loss for the year

The information technology segment incurred a loss attributable to the owners of the Company of approximately RMB1.3 million for the year ended 31 December 2020. The Group also record impairment losses on non-financial assets amounting to RMB2.5 million. The significant drop in revenue coupled with the loss incurred from the information technology segment and the impairment losses on non-financial assets contributed to the increase in the loss attributable to the owners of the Company for the year ended 31 December 2020.

As a result of the foregoing, the loss for the year ended 31 December 2020 amounted to approximately RMB14.1 million, comparing with loss of approximately RMB5.1 million for the year ended 31 December 2019.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Group had total assets of approximately RMB73.6 million (2019: approximately RMB74.4 million), which was financed by total liabilities and shareholders' equity (comprising share capital, reserves and non-controlling interests) of approximately RMB15.3 million (2019: approximately RMB7.8 million) and approximately RMB58.3 million (2019: approximately RMB66.6 million), respectively.

The Group maintained sufficient working capital as at 31 December 2020 with bank and cash balances of approximately RMB31.4 million (2019: approximately RMB41.4 million). The Board of Directors will continue to follow a prudent treasury policy in managing its 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 2020 was nil (2019: nil) as the Group had no outstanding loans and borrowings nor bank overdrafts as at 31 December 2020. The gearing ratio is calculated based on the total obligation under bank borrowings and overdrafts divided by total equity at the end of the year and multiplied by 100%.

TREASURY POLICIES

The Group has adopted a prudent 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 2020, the Group did not pledge any assets (2019: 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 2020, the Group's cash and bank deposits, were denominated in RMB and Hong Kong Dollar ("**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 2020, the Directors considered the Group's foreign exchange risk to be insignificant. During the year ended 31 December 2020, the Group did not use any financial instruments for hedging purposes.

CAPITAL STRUCTURE

Placing under general mandate completed on 13 May 2020

On 28 April 2020, the Company entered into a placing agreement with Mouette Securities Company Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as placing agent (the "**Placing Agent**"), whereby the Company agreed to issue and the Placing Agent agreed to place up to 50,000,000 new shares under general mandate to not less than six placees at the placing price of HK$0.113 per placing share. The Placing was completed on 13 May 2020 and the Placing Agent successfully placed an aggregate of 50,000,000 placing shares, representing (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 issue of 50,000,000 placing shares to not less than six independent Placees at the Placing Price of HK$0.113 per placing Share. The gross proceeds and the net proceeds (after deducting the placing fee and other related expenses incurred in the Placing) from the Placing were HK$5.65 million and approximately HK$5.41 million, respectively. For further information in relation to the Placing, please refer to the announcements of the Company dated 28 April 2020 and 13 May 2020.

Other than the Placing completed on 13 May 2020, there has been no changes in the share capital structure of the Company during 2020.

As at 31 December 2020, the Company's issued share capital was HK$8,500,000 and the number of its issued ordinary Shares was 850,000,000 of HK$0.01 each.

COMMITMENTS

As at 31 December 2020, the Group did not have any significant capital commitments (31 December 2019: nil).

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 in this announcement, the Group did not have any plan for material investments or capital assets as of 31 December 2020.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 24 April 2020, 新達科技(惠州)有限公司 (Reach New Technology (Huizhou) Company Limited*) ("**Reach New Technology**"), a wholly-owned subsidiary of the Company incorporated in the PRC, entered into a cooperation agreement with 廣州半城信息科技有限公司 (Guangzhou Bancheng Information Technology Co. Ltd.*) ("**Guangzhou Bancheng**"), whereby 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.

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 investment in equity interest in Guangzhou Banchengyun Information Technology Co. Ltd.

Under the Investment Agreement, Mr. Yan (who acquired the interest held by Guangzhou Bancheng), agreed to further contribute additional capital of approximately RMB1.29 million to Guangzhou Banchengyun and the Investor subscribed for 10% of the equity interest in Guangzhou Banchengyun in the consideration of RMB3 million, 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 Increase**"). Upon completion of the Capital Increase, Guangzhou Banchengyun was owned as to 63%, 27% and 10% by Mr. Yan, Reach New Technology and the Investor. As a result of the Capital Increase, the Group's interest in Guangzhou Banchengyun decreased from 51% to 27% and constituted a deemed disposal in the equity interest in Guangzhou Banchengyun under Rule 19.29 of the GEM Listing Rules and Guangzhou Banchengyun ceased to be a subsidiary of the Company.

For further details as to the investment in Guangzhou Banchengyun, please refer to the announcements of the Company dated 24 April 2020, 22 September 2020 and 28 December 2020. Save as disclosed above, the Group did not have any material acquisitions or disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2020.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any material contingent liabilities (2019: Nil).

* *unofficial translation for reference only*

EMPLOYMENTS AND REMUNERATION POLICIES

As at 31 December 2020, the Group employed a total of 219 employees (2019: 254 employees) in mainland China and Hong Kong. The staff costs, including Directors' emoluments, of the Group were approximately RMB25.1 million for the year ended 31 December 2020 (2019: approximately RMB25.6 million). Directors' emoluments for the year ended 31 December 2020 amounted to approximately RMB2.6 million (2019: approximately RMB3.3 million) which included emoluments of the independent non-executive Directors for a total amount of approximately RMB0.5 million (2019: 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 prevailing market salary level 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 2020.

PRINCIPAL RISKS AND UNCERTAINTIES

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

(i) The Group's business may be seriously affected by the Pandemic or other public health incident, which may came lock-down, travel restrictions and suspension of work in the PRC and other locations;

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

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

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

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

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

(vii) The Group may exposed to environmental liabilities;

(viii) 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 2020 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 ended 31 December 2020.

KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

To the best knowledge and belief of the Directors, 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 to address the complaint made by the customer.

To the best knowledge and belief of the Directors, the Group also maintains a good relationship with its suppliers. During the year ended 31 December 2020, no material complaint was received from the suppliers and there was no disputed debts or unsettled debts.

During the year ended 31 December 2020, 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 with reference to the individual performance, work experience and prevailing salary levels in the market.

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 operation.

EVENTS AFTER THE REPORTING PERIOD

The outburst of COVID-19 has brought additional uncertainties in the global macroeconomic situation which may affect the Group's financial performance. However, since the outburst is a fluid and challenging situation facing all the industries globally, the degree of impact could not be reasonably estimated at this stage. The Group will closely monitor the development of the outburst and assess its impact on the financial position and operating results of the Group. The Group does not have other significant subsequent events.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus and revised by the announcement dated 28 April 2020 "Placing of new shares under general mandate change in use of proceeds from the Listing" against the Group's actual business progress up to 31 December 2020 is set out below:

Business objectives	**Actual business progress up to 31 December 2020**
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 announcement.
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 announcement.
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 announcement.
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 announcement.

Business objectives	Actual business progress up to 31 December 2020
Developing garment trading business	The Group will develop the garment trading business according to the implementation plan set out in the announcement.
Developing the internet and information technology business	The Group will develop the internet and information technology business according to the implementation plan set out in the announcement.

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 entitled "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.

As disclosed in the Prospectus, the Group intended to purchase two four-colour offset printing machines with inline UV coating capabilities and two production lines of heat transfer printing by using parts of the Net Proceeds. Instead of purchasing new machines, 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, while the machine was in good working order and carried similar specifications and production capacity comparing with those of the new machines. After purchasing the preowned four-colour offset printing machine, there is approximately HK$15.2 million Net Proceeds remaining, which is previously allocated for upgrading the production facilities and digital printing technology. Out of the HK$15.2 million Net Proceeds, the Directors consider HK$9.1 million can be reallocated to other items while the remaining HK$6.1 million will continue to be allocated for upgrading the production facilities and digital printing technology.

As at the date of the Change in UOP Announcement, the Group utilised HK$4.1 million for purchasing one heat transfer printing production line and hiring additional staff to operate the production line. However, the demand for heat transfer printing was reduced due to the escalating trade frictions between the PRC and the USA, which adversely affected the international trade of garment and further worsened after the outbreak of COVID-19 pandemic, which caused a negative impact to the garment industry in the PRC. The Directors considered that is more beneficial and effective for the Group to reallocate HK$1.9 million to facilitate alternative business needs of the Group.

The Directors consider that as the Group is positioned as a one-stop garment accessories manufacturer and supplier, the commencement of the PRC domestic garment trading business as a downstream expansion of the Group would create a value chain advantage for the Group, which is expected to drive the sustainable business growth and carry synergistic effect to its core business segments. The Group may also continue to utilise its connections with customers and suppliers in the PRC. The commencement of garment trading business is expected to utilised HK$8.0 million from the Unutilised Net Proceeds. The commencement of the garment trading business can also diversify the income stream of the Group, which will be in the interest of the Company and the Shareholders as a whole. In addition, as affected by the outbreak of the Pandemic and the trade frictions between the PRC and the US, the Board considered it would be in the interest of the Company and its shareholders to diversify its business and look for new business opportunities, including the tapping into the information technology business by re-allocating HK$3.0 million to it from the unutilised Net Proceeds. 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 31 December 2020 is set out below:

Intended Use of Net Proceeds	**Revised planned application of the Net Proceeds** *HK$'million*	**Utilised Net Proceeds as at 31 December 2020** *HK$'million*	**Unutilised balance as at 31 December 2020** *HK$'million*	**Expected timeline for the intended use**
Upgrading the production facilities and digital printing technology of the Group	7.9	2.5	5.4	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	2.7	2.6	December 2022
Expansion of the sales and marketing department of the Group	3.0	1.4	1.6	December 2021
General working capital	3.3	3.3	–	–
Developing garment trading business	8.0	0.8	7.2	December 2022
Developing the internet and information technology business	3.0	3.0	–	–
Total	37.6	18.3	19.3	

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 31 December 2020.

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 2020, 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 made specific enquiry to each of the Directors as to the compliance of the Model Code and each of the Director confirmed that they have fully complied with the Model Code during the year ended 31 December 2020. The Company was not aware of any non-compliance with the Model Code by the Directors during the year ended 31 December 2020.

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 2020.

The Audit Committee must comprise a minimum of three members, at least one of whom is an 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 2020 (2019: 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 2020.

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 scheduled to be held on 3 May 2021 ("**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 AGM, the register of members of the Company will be closed from Wednesday, 28 April 2021 to Monday, 3 May 2021, 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 Tuesday, 27 April 2021.

AUDITOR

On 1 November 2019, the Board announced that Deloitte Touche Tohmatsu resigned as the auditor of the Company with effect from 1 November 2019 and the Board further announced that it appointed McMillan Woods (Hong Kong) CPA Limited as the new auditor to fill the casual vacancy following the resignation of Deloitte Touche Tohmatsu.

The consolidated financial statements for the Year have been audited by McMillan Woods (Hong Kong) CPA Limited ("**McMillan Woods**"). McMillan Woods shall retire in the forthcoming AGM and, being eligible, offer themselves for re-appointment. A resolution for the reappointment of McMillan Woods as auditor of the Company will be proposed at the 2021 AGM. The Company has not changed its external auditor during the year ended 31 December 2020 and up to the dated of this announcement.

The audited consolidated financial statements of the Group for the year ended 31 December 2020 have been reviewed by the audit committee of the Board. The audit committee is of the opinion that the audited consolidated financial statements of the Group for the year ended 31 December 2020 comply with the applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

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 2020 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 2020 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
Mr. Lam Kai Yuen
Executive Director

Hong Kong, 22 March 2021

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, for which the Directors 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 of Hong Kong Limited 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.

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.