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Reach New Holdings Limited

新達控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8471)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021
AND
PROPOSED AMENDMENTS TO
THE ARTICLES OF ASSOCIATION**

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. 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 2021 together with the comparative audited figures for the year ended 31 December 2020. 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 2021

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
Revenue	2	74,414	60,560
Cost of sales		(56,479)	(46,803)
Gross profit		17,935	13,757
Other income, gains and losses		5,365	2,477
Impairment of non-financial assets		–	(2,500)
Allowance for credit losses on trade receivables, net		(19)	(461)
Distribution and selling expenses		(3,855)	(4,335)
Administrative expenses		(20,507)	(22,678)
Finance cost on lease liabilities		(246)	(384)
Loss before tax		(1,327)	(14,124)
Income tax expense	3	(109)	–
Loss and total comprehensive expense for the year	4	(1,436)	(14,124)
Loss and total comprehensive expense for the year attributable to:			
Owners of the Company		(1,408)	(13,601)
Non-controlling interests		(28)	(523)
		(1,436)	(14,124)
		RMB cents	<i>RMB cents</i>
Loss per share	5		
— Basic		(0.17)	(1.64)
— Diluted		N/A	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		11,602	11,534
Intangible assets		893	1,044
Right-of-use assets		2,414	4,833
Interest in an associate		–	–
		14,909	17,411
CURRENT ASSETS			
Inventories		3,605	3,401
Trade receivables	7	14,817	14,636
Prepayments and other receivables	7	2,645	5,757
Financial assets at fair value through profit or loss		4,900	–
Amount due from non-controlling interests		200	200
Amount due from an associate		–	832
Bank and cash balances		29,309	31,366
		55,476	56,192
CURRENT LIABILITIES			
Trade payables	8	4,879	5,251
Other payables	8	4,898	3,650
Leases liabilities		2,882	3,003
Tax payable		781	672
		13,440	12,576
NET CURRENT ASSETS		42,036	43,616
TOTAL ASSETS LESS CURRENT LIABILITIES		56,945	61,027
NON-CURRENT LIABILITIES			
Deferred tax liability		55	55
Leases liabilities		–	2,646
TOTAL NON-CURRENT LIABILITIES		55	2,701
NET ASSETS		56,890	58,326
CAPITAL AND RESERVES			
Share capital	9	7,321	7,321
Reserves		49,428	50,836
		56,749	58,157
Non-controlling interests		141	169
TOTAL EQUITY		56,890	58,326

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

(a) Application of new and revised HKFRSs

The Group has applied the following new and 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 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions</i>

In addition, the Group has early applied the Amendments to HKFRS 16, COVID-19- Related Rent Concessions beyond 30 June 2021.

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 2021. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Business Combination — 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	1 January 2023
Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements — Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors — Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 Income Taxes — Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Types of products — Timing of revenue recognition		
— at a point in time		
Sales of printed products	27,375	22,735
Sales of woven labels	21,567	12,441
Sales of printed labels	9,715	14,222
Others	15,757	10,505
Revenue from information technology business	—	657
	<u>74,414</u>	<u>60,560</u>

Types of customers

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Garment brand companies	1,837	1,812
Sourcing companies designated by garment brand companies	20,410	15,497
Garment manufacturers	52,167	42,520
Customers of information technology business	—	657
Others	—	74
	<u>74,414</u>	<u>60,560</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 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 2021

	Labelling Solution RMB’000	Information Technology RMB’000	Total RMB’000
Segment revenue			
External sales	<u>74,414</u>	<u>–</u>	<u>74,414</u>
	<u>74,414</u>	<u>–</u>	<u>74,414</u>
Segment results	<u>17,670</u>	<u>4,900</u>	<u>22,570</u>
Other income, gains and losses			465
Distribution and selling expenses			(3,855)
Administrative expenses			<u>(20,507)</u>
Loss before taxation			<u>(1,327)</u>
Other Segment Information:			
Depreciation of property, plant and equipment	1,333	–	1,333
Depreciation of right-of-use assets	2,259	–	2,259
Allowance for credit losses on trade receivables, net	19	–	19
Finance cost on lease liabilities	246	–	246

For the year ended 31 December 2020

	Labelling Solution RMB'000	Information Technology RMB'000	Total RMB'000
Segment revenue			
External sales	59,903	657	60,560
	<u>59,903</u>	<u>657</u>	<u>60,560</u>
Segment results	<u>13,238</u>	<u>(1,289)</u>	<u>11,949</u>
Other income, gains and losses			940
Distribution and selling expenses			(4,335)
Administrative expenses			<u>(22,678)</u>
Loss before taxation			<u>(14,124)</u>
Other Segment Information:			
Depreciation of property, plant and equipment	1,207	–	1,207
Depreciation of right-of-use assets	2,609	263	2,872
Impairment losses on non-financial assets	2,500	–	2,500
Allowance for credit losses on trade receivables	461	–	461
Finance cost on lease liabilities	361	23	384

The accounting policies of the operating segments are the same as the Group's accounting policies. 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. 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:

	2021 RMB'000	2020 RMB'000
Customer A	<u>20,194</u>	<u>15,497</u>

3. INCOME TAX EXPENSE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax:		
Provision for the year	<u>109</u>	<u>–</u>

The Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands 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 2021 (2020: Nil).

The Group is subject to the PRC Enterprise Income Tax (the “**PRC EIT**”) at a rate of 25% (2020: 25%) and dividend withholding tax at a rate of 5% (2020: 5%) for the year ended 31 December 2021, except 新天倫服裝配料 which qualified as High and New Technology Enterprises and entitled to the preferential tax rate of 15% for the year ended 31 December 2021.

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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Loss before tax	<u>(1,327)</u>	<u>(14,124)</u>
Tax at the PRC EIT rate of 25% (2020: 25%)	(332)	(3,531)
Effect of preferential tax benefits on assessable profits of a subsidiary incorporated in the PRC	(124)	–
Tax effect of income not taxable for tax purpose	(1,360)	(238)
Tax effect of expenses not deductible for tax purpose	93	740
Tax effect of tax losses not recognised	<u>1,832</u>	<u>3,029</u>
Tax expense for the year	<u>109</u>	<u>–</u>

4. LOSS FOR THE YEAR

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Loss for the year has been arrived at after charging:		
Directors' emoluments	2,699	2,551
Other staff costs		
— salaries and wages	16,942	21,395
— retirement benefits scheme contribution excluding directors	2,112	1,125
Total directors and other staff costs	<u>21,753</u>	<u>25,071</u>
Allowance for credit losses on trade receivables, net	19	461
Auditor's remuneration	731	657
Cost of inventories recognised as cost of sales	48,791	36,632
Depreciation on property, plant and equipment	2,793	2,825
Depreciation of right-of-use assets	2,419	3,033
Amortisation of intangible assets	151	164
Impairment of non-financial assets	–	2,500
Loss on disposal of property, plant and equipment	167	458
Exchange loss, net	<u>148</u>	<u>651</u>

Cost of inventories recognised as cost of sales includes staff costs, depreciation on property, plant and equipment and right-of-use assets of approximately RMB12,540,000 (2020: RMB12,668,000) which are included in the amounts disclosed separately.

5. LOSS PER SHARE

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Loss:		
Loss for the year attributable to owners of the Company for the purpose of calculating basic loss per share	<u>(1,408)</u>	<u>(13,601)</u>
	2021	2020
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>850,000,000</u>	<u>831,780,822</u>

No diluted loss per share is presented for the years ended 31 December 2021 and 2020 as there were no potential ordinary share in issue.

6. DIVIDEND

No dividend in respect of the years ended 31 December 2021 and 2020 were declared and approved by the directors.

7. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	15,934	15,912
Less: allowance for credit losses	<u>(1,117)</u>	<u>(1,276)</u>
	<u>14,817</u>	<u>14,636</u>
Other receivables	1,075	2,583
Prepayments	<u>1,570</u>	<u>3,174</u>
	<u>2,645</u>	<u>5,757</u>

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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 90 days	10,650	11,124
91–180 days	3,987	3,356
181–365 days	<u>180</u>	<u>156</u>
	<u>14,817</u>	<u>14,636</u>

8. TRADE AND OTHER PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	<u>4,879</u>	<u>5,251</u>
Other payables	2,413	2,894
Receipt in advance (<i>Note</i>)	489	–
Accrued expenses	<u>1,996</u>	<u>756</u>
	<u>4,898</u>	<u>3,650</u>

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:

	2021	2020
	RMB'000	RMB'000
Within 90 days	4,624	4,730
91–180 days	96	383
181–365 days	45	79
Over 1 year	114	59
	<u>4,879</u>	<u>5,251</u>

Note: It represents the receipt in advance for the disposal of equity interest in Dongdong Laike (defined at page 16).

On 3 December 2021, Smart Trend Enterprises Company Limited (the “**Vendor**”), an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong, as vendor, entered into a sale and purchase agreement (the “**Agreement**”) with New Huge Technology Limited (the “**Purchaser**”), a company incorporated in Hong Kong with limited liability and an independent third party of the Company and its connected persons, as purchaser, under which the Vendor agreed to sell and the Purchaser agreed to purchase 19.23% equity interest in Dongdong Laike, representing the entire equity interest in Dongdong Laike held by the Group as at 31 December 2021, at the consideration of HK\$6 million (the “**Disposal**”). The Disposal was completed on 20 March 2022.

9. SHARE CAPITAL

	<i>Number of shares</i>	<i>HK\$</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	<u>2,000,000,000</u>	<u>20,000,000</u>
Issued and fully paid:		
At 1 January 2020	800,000,000	8,000,000
<i>Placing of shares (Note)</i>	<u>50,000,000</u>	<u>500,000</u>
At 31 December 2020, 1 January 2021 and 31 December 2021	<u>850,000,000</u>	<u>8,500,000</u>
	2021	2020
	RMB'000	RMB'000
Shown in the consolidated financial statements as RMB	<u>7,321</u>	<u>7,321</u>

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 RMB4,713,000), 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 2021.

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 mainly 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 such as 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 2021 (the “Year”), the Group recorded revenue of approximately RMB74.4 million, representing an increase of approximately 22.8% comparing with that of approximately RMB60.6 million for the year ended 31 December 2020. A breakdown on revenue of the Group by product types for 2021 and the comparative figures in 2020 is summarised as below:

Product types	For the year ended 31 December			
	2021		2020	
	RMB'000	%	RMB'000	%
Printed products	27,375	36.8	22,735	37.5
Woven labels	21,567	29.0	12,441	20.5
Printed labels	9,715	13.0	14,222	23.5
Others (<i>note</i>)	15,757	21.2	10,505	17.4
Revenue from information technology business	–	–	657	1.1
	<u>74,414</u>	<u>100</u>	<u>60,560</u>	<u>100</u>

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

The increase in the Group’s revenue was mainly attributable to the easing off of the COVID-19 pandemic (the “**Pandemic**”) in the PRC, which caused the production activities of the Group and its customers, which engage in the garment manufacturing to gradually recover and the Group had put more resources and effort in view of expansion in other garment accessories trading business which led to the increase in trade volume of other garment accessories.

In order to secure a sustained growth in the future, 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 2021, the Group's gross profit increase by approximately 29.7% from approximately RMB13.8 million for the year ended 31 December 2020 to approximately RMB17.9 million for the year ended 31 December 2021. 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 2021, the Group's revenue increased by 22.8% while the cost of sales increased by 20.7% as compared that of the previous year, as a result, the Group's gross profit margin increases from approximately 22.7% for the year ended 31 December 2020 to approximately 24.1% for the year ended 31 December 2021.

Other income, gains and losses

During the year ended 31 December 2021, the Group recorded an other income, gains and losses of approximately RMB5.4 million which is mainly attributable to the gain on deemed disposal of an associate amounting to approximately RMB4.9 million.

Distribution and selling expenses

Distribution and selling expenses decreased to approximately RMB3.9 million for the year ended 31 December 2021 from approximately RMB4.3 million for the year ended 31 December 2020.

Administrative expenses

Administrative expenses decreased to approximately RMB20.5 million for the year ended 31 December 2021 from approximately RMB22.7 million for the year ended 31 December 2020, which was mainly due to the cost control measures implemented by the Group during the year ended 31 December 2021 and the absence of administrative cost incurred by the information technology business during the year ended 31 December 2021 while there was approximately RMB1.4 million administration cost incurred by the information technology business during the year ended 31 December 2020. The drop of headcount of the Group's administrative staff members together with streamlining workflow contributed to the decrease in the Group's administrative expenses. Administrative expenses consist primarily of staff costs and benefits, depreciation (excluding depreciation for plant and machinery), office expenses and other general administrative expenses.

Income Tax expense

Income tax expense of the Group increased from nil for the year ended 31 December 2020 to approximately RMB0.1 million for the year ended 31 December 2021. The increase was mainly due to the increase in profit before tax for a PRC subsidiary.

Loss for the year

As a result of the foregoing, the Group's loss for the year was approximately RMB1.4 million for the year ended 31 December 2021, as compared to loss for the year of approximately RMB14.1 million for the year ended 31 December 2020. The drop in loss is mainly attributable to (i) the increase in revenue and gross profit margin during the year ended 31 December 2021 when comparing with previous year, the reasons of which have been explained in the paragraphs above; and (ii) the gain on deemed disposal of an associate of the Group, namely Guangzhou Dongdong Laike (Guangzhou) Information Technology Co., Ltd* 咚咚來客(廣州)資訊技術有限公司 (formerly known as Guangzhou Banchengyun Information Technology Co. Ltd. 廣州半城雲信息科技(惠州)有限公司) (“**Dongdong Laike**”) of RMB4.9 millions was recorded during the year ended 31 December 2021.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group had total assets of approximately RMB70.4 million (2020: approximately RMB73.6 million), which was financed by total liabilities and shareholders' equity (comprising share capital, reserves and non-controlling interest) of approximately RMB13.5 million (2020: approximately RMB15.3 million) and approximately RMB56.9 million (2020: approximately RMB58.3 million), respectively.

The Group maintained sufficient working capital as at 31 December 2021 with bank and cash balances of approximately RMB29.3 million (2020: approximately RMB31.4 million). The Board 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 2021 was nil (2020: nil) as the Group had no outstanding loans and borrowings nor bank overdrafts as at 31 December 2021. 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 performing 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 2021, the Group did not pledge any assets (2020: 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 2021, the Group's cash and bank deposits, were mainly 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 2021, the Directors considered the Group's foreign exchange risk to be insignificant. During the year ended 31 December 2021, the Group did not use any financial instruments for hedging purposes.

CAPITAL STRUCTURE

Details of changes in the Company's share capital are set out in Note 9 to this announcement. There has been no changes in the share capital structure of the Company during 2021.

As at 31 December 2021, the number of its issued ordinary Shares was 850,000,000 of HK\$0.01 each.

COMMITMENTS

As at 31 December 2021, the Group did not have any significant capital commitments (31 December 2020: nil).

SEGMENTAL INFORMATION

Segmental information is presented for the Group as disclosed on note 2 to the consolidated financial statements 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 2021.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 3 December 2021, Smart Trend Enterprises Company Limited, an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong, as vendor, entered into a sale and purchase agreement with New Huge Technology Limited, a company incorporated in Hong Kong with limited liability and an independent third party of the Company and its connected persons, as purchaser, under which the Vendor agreed to sell and the Purchaser agreed to purchase 19.23% equity interest in Dongdong Laike, representing the entire equity interest in Dongdong Laike held by the Group as at 3 December 2021, at the consideration of HK\$6 million. The Disposal did not constitute any notifiable transaction under the GEM Listing Rules as all applicable percentage ratios (as defined under the GEM Listing Rules) were below 5%.

The Disposal would be subject to the internal reorganisation to be undertaken by the Group that the equity interest in Dongdong Laike held by the Group would be transferred internally to the newly incorporated corporate vehicles held by the Vendor before completion of the Disposal. On 20 March 2022, the Disposal was completed and the Group ceased to hold any interest in Dongdong Laike.

For further details as to the Disposal, please refer to the announcement of the Company dated 3 December 2021. 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 2021.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any material contingent liabilities (2020: Nil).

EMPLOYMENTS AND REMUNERATION POLICIES

As at 31 December 2021, the Group employed a total of 220 employees (2020: 219 employees) in mainland China and Hong Kong. The staff costs, including Directors' emoluments, of the Group were approximately RMB21.8 million for the year ended 31 December 2021 (2020: approximately RMB25.1 million). Directors' emoluments for the year ended 31 December 2021 amounted to approximately RMB2.7 million (2020: approximately RMB2.6 million) which included emoluments of the independent non-executive Directors for a total amount of approximately RMB0.4 million (2020: 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 2021.

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 cause lock-down, travel restrictions and suspension of work in the PRC, Hong Kong 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 be exposed to environmental liabilities; and
- (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 2021 is set out in the section headed “Five Years’ Financial Summary” of the annual report, which will be published according to the GEM Listing Rules.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As the operation and production of the Group is mainly located in the PRC, 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 “Environmental, Social And Governance Report” of the annual report, which will be published according to the GEM Listing Rules.

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 2021.

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 2021, no material complaint was received from the customers or the suppliers and there was no disputed debts or unsettled debts.

During the year ended 31 December 2021, there was no material dispute with the Group's employees and no dispute on salary payments. 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 this announcement, there is no circumstance or any event relating to employees, customers and suppliers which will have a significant impact on the Group's business and operation.

EVENTS AFTER THE REPORTING PERIOD

The outburst of COVID-19 Pandemic has brought additional uncertainties in the global macroeconomic situation which may affect the Group's financial performance. However, since the outbreak continues to evolve and all the industries globally are facing a challenging situation, 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.

On 20 March 2022, the Disposal was completed and the details are set out in the Group's announcement dated 3 December 2021.

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. On 28 April 2020, the Board resolved to change the use of the unutilised portion of the Net Proceeds, details of which are more particularly disclosed in the Company’s announcement dated 28 April 2020. The unutilised Net Proceeds have been and will be applied according to the disclosure in the Prospectus and the announcement of the Company dated 28 April 2020.

An analysis of the utilisation of the Net Proceeds as at 31 December 2021 is set out below:

Intended Use of Net Proceeds	Revised planned application of the Net Proceeds <i>HK\$'million</i>	Utilised Net Proceeds as at 31 December 2021 <i>HK\$'million</i>	Unutilised balance as at 31 December 2021 <i>HK\$'million</i>	Expected timeline for the intended use
Upgrading the production facilities and digital printing technology of the Group	7.9	7.9	–	–
Developing the capability of applying RFID technology to the products of the Group	3.0	0.5	2.5	December 2022
Enhancing the heat transfer printing production facilities of the Group	4.1	4.1	–	–
Upgrading the information technology systems of the Group	5.3	3.4	1.9	December 2022
Expansion of the sales and marketing department of the Group	3.0	1.8	1.2	December 2022
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	24.8	12.8	

There has been delay in the application of the Net Proceeds for developing the capability of applying RFID technology to the products and expansion of sales and marketing department of the Group. The reasons for the delay in application were that the garment industry was disrupted by the outbreak of the Pandemic since early 2020 and there has been gradual recovery. As such, the Directors considered that the expansion plans of the Group should be postponed, with reference to the pace of gradual recovery of the garment industry. However, the Company will apply the unutilised portion of the Net Proceeds as and when appropriate according to the manner as disclosed in the Prospectus and the announcement of the Company dated 28 April 2020. All the unutilised balance of the Net Proceeds have been placed in licenced banks in Hong Kong or the PRC as at 31 December 2021.

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 places 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 (the “**Placing Proceeds**”). As disclosed in the announcement of the Company dated 3 December 2021, the Group entered into a sale and purchase agreement to dispose of the equity interest of Dongdong Laike. As such, on 3 December 2021, the Board resolved to change the use of the unutilised portion of the net Placing Proceeds to be utilised for investment in other information technology companies or projects which may be identified by the Group as suitable targets in the future.

An analysis of the unutilisation of the net proceeds from the Placing as at 31 December 2021 is set out below:

	Revised total planned amount <i>HK\$’million</i>	Utilised net proceeds from the Placing as at 31 December 2021 <i>HK\$’million</i>	Unutilised net proceeds from the Placing as at 31 December 2021 <i>HK\$’million</i>	Expected timeline for the intended use
Intended use of the net proceeds from the Placing				
Working capital in Dongdong Laike in connection with the Group’s development in the information technology industry	0.3	0.3	–	–
Investment in information technology companies or projects	5.11	–	5.11	December 2023

The Company will apply the unutilised portion of the Placing Proceeds according to the announcements of the company dated 13 May 2020 and 3 December 2021. The Company will make further announcement(s) as to update on the use of the Placing Proceeds as and when appropriate.

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 2021 is set out below:

Business objectives	Actual business progress up to 31 December 2021
Upgrading production facilities and digital printing technology	The Group has upgraded the production, facilities and digital printing technology.
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.
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.

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 2021, 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 2021. The Company was not aware of any non-compliance with the Model Code by the Directors during the year ended 31 December 2021.

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 D.3.3 and D.3.7 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 2021.

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

No dividend in respect of the year ended 31 December 2021 (31 December 2020: nil) were declared by the Board.

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 2021.

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.

GENERAL MEETINGS WITH SHAREHOLDERS

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

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

The forthcoming AGM of the Company (the “2022 AGM”) will be held on Tuesday, 3 May 2022, the notice of which shall be sent to the shareholders of the Company in accordance with the Articles, the GEM Listing Rules and other applicable laws and regulations.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain entitlements to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Wednesday, 27 April 2022 to Tuesday, 3 May 2022, 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, 26 April 2022.

AUDITOR

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 2022 AGM. The Company has not changed its external auditor during the year ended 31 December 2021 and up to the date of this announcement.

The audited consolidated financial statements of the Group for the year ended 31 December 2021 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 2021 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 2021 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 opinion or 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 2021 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.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Board proposes to amend the existing articles of association of the Company (“**Articles**”) in order to bring the Articles in line with the latest legal and regulatory requirements, including the amendments made to Appendix 3 to the GEM Listing Rules which took effect on 1 January 2022.

The proposed amendments to the Articles (“**Proposed Amendments**”) are summarised below:

1. to specify that the Company shall hold an annual general meeting within six months after the end of the Company’s financial year;
2. to provide that all Shareholders shall have the right to (i) speak at a general meeting of the Company; and (ii) vote at a general meeting of the Company, except where a Shareholder is required, by the GEM Listing Rules, or the rules, codes or regulations of any competent regulatory authority, to abstain from voting to approve the matter under consideration;
3. to provide that in addition to the right to convene an extraordinary general meeting on the requisition of one or more Shareholders holding not less than one tenth (1/10th) of the paid up capital of the Company having the right of voting at general meetings, such Shareholder(s) shall also have the right to add resolutions to the meeting agenda of a general meeting;
4. to provide that the branch register of Shareholders in Hong Kong may be closed on terms equivalent to section 632 of the Companies Ordinance (Chapter 622 of the Laws in Hong Kong); and
5. to make other necessary amendments for updating the Articles and better aligning with the wording in the applicable laws of Cayman Islands and the GEM Listing Rules.

The Proposed Amendments are subject to consideration and approval by the Shareholders by way of a special resolution at the 2022 AGM. A circular containing, among other things, particulars relating to Proposed Amendments together with a notice convening the 2022 AGM will be despatched to the shareholders of the Company according to the applicable law, the Articles and the GEM Listing Rules.

By order of the Board
Reach New Holdings Limited
Mr. Lam Kai Yuen
Executive Director

Hong Kong, 25 March 2022

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, Mr. Lam Kai Cheong and Ms. Ma, Huilin; and the independent non-executive Directors are Mrs. So Chan Wai Hang, Mr. Ho Yuk Hay, Mr. Moy Yee Wo, Matthew and Mr. Zhu Honghai.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.

This announcement will remain on the GEM's website at www.hkgem.com on the "Latest Listed 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.