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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 2023
AND
CANCELLATION OF THE POSITION OF
COMPLIANCE OFFICER**

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**”, and together with its subsidiaries, the “**Group**”, “**we**”, “**our**” or “**us**”) 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 2023 (the “**Year**”) together with the comparative audited figures for the year ended 31 December 2022. 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 2023

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
Revenue	2	66,323	67,251
Cost of sales		(48,582)	(47,502)
Gross profit		17,741	19,749
Other income, gains and losses		877	790
Allowance for credit losses on trade receivables, net		(127)	(41)
Impairment of non-financial assets		(9,937)	–
Distribution and selling expenses		(3,890)	(3,752)
Administrative expenses		(26,041)	(23,281)
Finance cost on lease liabilities		(24)	(126)
Loss before tax		(21,401)	(6,661)
Income tax expense	3	(233)	(89)
Loss and total comprehensive expense for the year	4	(21,634)	(6,750)
Loss and total comprehensive expense for the year attributable to:			
Owners of the Company		(21,634)	(6,743)
Non-controlling interests		–	(7)
		(21,634)	(6,750)
		<i>RMB cents</i>	<i>RMB cents</i>
Loss per share	5		
— Basic		(2.55)	(0.79)
— Diluted		N/A	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		–	9,348
Intangible assets		–	848
Right-of-use assets		–	–
		<u>–</u>	<u>10,196</u>
CURRENT ASSETS			
Inventories		2,177	4,094
Trade receivables	7	12,798	10,787
Prepayments and other receivables	7	5,760	3,825
Amount due from non-controlling interests		–	200
Bank and cash balances		19,725	34,812
		<u>40,460</u>	<u>53,718</u>
CURRENT LIABILITIES			
Trade payables	8	4,051	6,538
Other payables and accruals	8	4,773	6,259
Contract liabilities		1,380	52
Leases liabilities		479	–
Tax payable		1,103	870
		<u>11,786</u>	<u>13,719</u>
NET CURRENT ASSETS		<u>28,674</u>	<u>39,999</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>28,674</u>	<u>50,195</u>
NON-CURRENT LIABILITIES			
Deferred tax liability		55	55
Lease liabilities		247	–
TOTAL NON-CURRENT LIABILITIES		<u>302</u>	<u>55</u>
NET ASSETS		<u>28,372</u>	<u>50,140</u>
CAPITAL AND RESERVES			
Share capital	9	7,321	7,321
Reserves		21,051	42,685
		<u>28,372</u>	<u>50,006</u>
Non-controlling interests		–	134
TOTAL EQUITY		<u>28,372</u>	<u>50,140</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountant (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	<i>Insurance Contracts</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform — Pillar Two Model Rules</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>

The application of 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 standard, amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 January 2023. The new standard, amendments to standards and interpretation include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA
Amendments to HKFRS 16 — Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (Revised)	1 January 2024
Amendments to HKAS 1 — Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 7 and HKFRS 7 — Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21 — Lack of Exchangeability	1 January 2025

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Types of products — Timing of revenue recognition		
— at a point in time		
Sales of printed products	25,319	25,887
Sales of woven labels	10,739	11,321
Sales of printed labels	15,763	17,207
Others	14,502	12,836
	<u>66,323</u>	<u>67,251</u>

Types of customers

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Garment brand companies	4,899	2,623
Sourcing companies designated by garment brand companies	19,792	21,511
Garment manufacturers	41,632	43,117
	<u>66,323</u>	<u>67,251</u>

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

Geographical information

The Group's revenue from operations are located in the PRC. Most of the Group's non-current assets and capital expenditure are located or utilised in the PRC.

Information about major customers

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Customer A	<u>19,792</u>	<u>21,511</u>

3. INCOME TAX EXPENSE

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current tax:		
Provision for the year	<u>233</u>	<u>89</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 2023 (2022: Nil).

The Group is subject to the PRC Enterprise Income Tax (the "PRC EIT") at a rate of 25% (2022: 25%) and dividend withholding tax at a rate of 5% (2022: 5%) for the year ended 31 December 2023, except 新天倫服裝配料(惠州)有限公司 which qualified as High and New Technology Enterprises and is entitled to the preferential tax rate of 15% for the years ended 31 December 2023 and 2022.

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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Loss before tax	<u>(21,401)</u>	<u>(6,661)</u>
Tax at the PRC EIT rate of 25% (2022: 25%)	(5,349)	(1,665)
Effect of preferential tax benefits on assessable profits of a subsidiary incorporated in the PRC	–	(102)
Tax effect of income not taxable for tax purpose	–	(108)
Tax effect of deductible temporary differences not recognised	2,484	–
Tax effect of expenses not deductible for tax purpose	3,028	1,913
Tax effect of tax losses not recognised	<u>70</u>	<u>51</u>
Tax expense for the year	<u>233</u>	<u>89</u>

4. LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Loss and total comprehensive expense for the year has been arrived at after charging:		
Directors' emoluments	2,624	2,885
Other staff costs excluding directors		
— salaries and wages	19,049	16,580
— retirement benefits scheme contribution	3,042	2,391
	<u>24,715</u>	<u>21,856</u>
Total directors and other staff costs		
Allowance for credit losses on trade receivables, net	127	41
Auditor's remuneration	569	756
Cost of inventories recognised as cost of sales	44,723	43,348
Depreciation on property, plant and equipment	1,668	2,912
Depreciation of right-of-use assets	262	2,414
Amortisation of intangible assets	152	149
Loss on disposal of property, plant and equipment	391	522
Loss on deregistration of a subsidiary	231	—
Impairment of non-financial assets	9,937	—
Exchange loss, net	111	10

Cost of inventories recognised as cost of sales includes staff costs, depreciation on property, plant and equipment and right-of-use assets of approximately RMB15,858,000 (2022: RMB13,830,000) 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:

	2023 <i>RMB'000</i>	2022 <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>(21,634)</u>	<u>(6,743)</u>
	2023	2022
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>850,000,000</u>	<u>850,000,000</u>

No diluted loss per share is presented for the years ended 31 December 2023 and 2022 as there were no dilutive potential ordinary share in issue.

6. DIVIDEND

No dividend in respect of the years ended 31 December 2023 and 2022 was declared and approved by the Directors.

7. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables	14,083	11,945
Less: allowance for credit losses	<u>(1,285)</u>	<u>(1,158)</u>
	<u>12,798</u>	<u>10,787</u>
Other receivables	4,732	2,959
Prepayments	<u>1,028</u>	<u>866</u>
	<u>5,760</u>	<u>3,825</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 customers. Limits and scoring attributed to customers 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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 90 days	12,756	7,560
91–180 days	25	3,190
181–365 days	<u>17</u>	<u>37</u>
	<u>12,798</u>	<u>10,787</u>

8. TRADE AND OTHER PAYABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payables	<u>4,051</u>	<u>6,538</u>
Other payables	1,783	3,885
Accrued expenses	<u>2,990</u>	<u>2,374</u>
	<u>4,773</u>	<u>6,259</u>

The credit period on trade payables ranges 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:

	2023	2022
	RMB'000	RMB'000
Within 90 days	3,979	5,531
91–180 days	54	776
181–365 days	4	35
Over 1 year	14	196
	<u>4,051</u>	<u>6,538</u>

9. SHARE CAPITAL

	Number of shares	HK\$
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	<u>2,000,000,000</u>	<u>20,000,000</u>
Issued and fully paid:		
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	<u>850,000,000</u>	<u>8,500,000</u>
	2023	2022
	RMB'000	RMB'000
Shown in the consolidated financial statements as RMB	<u>7,321</u>	<u>7,321</u>

The Group's objective when managing capital is 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 2023.

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. In order to diversify the business and income stream, the Group has expanded its business operations into production and trading of functional garment in the PRC. The Group is also exploring other business opportunities for maximising the return to Shareholders in the long run.

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 market in the PRC as well as factors such as the increasing costs of labour and materials. The Directors are of the view that regarding further development of garment market in the PRC, shortening of fashion cycle and the multifunction of labels remain to be the key drivers for the growth of the PRC garment accessories industry. After year ended 31 December 2023, the Group undertook a placing under general mandate for raising funds to develop functional garment manufacturing business. In addition, the Group will continue to explore new business opportunities to strengthen the Group's income streams, including, but not limited to, sales of garment products through different channels.

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 in respect of 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, with an aim to enhance the Group's profitability and maximise the shareholders' value in the long run.

FINANCIAL REVIEW

Revenue

For the Year, the Group recorded revenue of approximately RMB66.3 million, representing a decrease of approximately 1.5% comparing with that of approximately RMB67.3 million for the year ended 31 December 2022. A breakdown on revenue of the Group by product types for 2023 and the comparative figures in 2022 is summarised as below:

Product types	For the year ended 31 December			
	2023		2022	
	RMB'000	%	RMB'000	%
Printed products	25,319	38.2	25,887	38.5
Woven labels	10,739	16.2	11,321	16.8
Printed labels	15,763	23.8	17,207	25.6
Others (<i>note</i>)	14,502	21.8	12,836	19.1
	<u>66,323</u>	<u>100</u>	<u>67,251</u>	<u>100</u>

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

The Group will put more resources and effort in marketing to attract 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 has expanded into other garment and textile business, such as production and trading of functional garment, and has been exploring other business opportunities to diversify income streams.

Cost of sales and gross profit

During the year ended 31 December 2023, the Group's gross profit decreased by approximately 10.2% from approximately RMB19.7 million for the year ended 31 December 2022 to approximately RMB17.7 million for the year ended 31 December 2023. 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 2023, the Group's revenue decreased by 1.5% while the cost of sales increased by 2.3% as compared with that of the previous year primarily due to the increase in unit direct manufacturing cost. As a result, the Group's gross profit margin decreased approximately by 2.6 percentage points from approximately 29.3% for the year ended 31 December 2022 to approximately 26.7% for the year ended 31 December 2023.

Other income, gains and losses

During the year ended 31 December 2023, the Group's other income, gains and losses slightly increased by approximately RMB0.1 million from approximately RMB0.8 million for the year ended 31 December 2022 to approximately RMB0.9 million for the year ended 31 December 2023.

Distribution and selling expenses

Distribution and selling expenses increased slightly to approximately RMB3.9 million for the year ended 31 December 2023 from approximately RMB3.8 million for the year ended 31 December 2022.

Administrative expenses

Administrative expenses increased to approximately RMB26.0 million for the year ended 31 December 2023 from approximately RMB23.3 million for the year ended 31 December 2022, which was mainly due to the addition of administrative employees and engagement of professional service during the year ended 31 December 2023 comparing with those of last year. Administrative expenses consist primarily of staff costs and benefits, depreciation (excluding depreciation on property, plant and equipment), office expenses and other general administrative expenses.

Impairment of non-financial assets

For the year ended 31 December 2023, the Group recorded a one time impairment of non-financial assets of RMB9.9 million, which was primarily impairment on property, plant and equipment, intangible assets and right of use assets (for the year ended 31 December 2022: nil).

Income tax expense

Income tax expense of the Group was approximately RMB0.2 million for the year ended 31 December 2023 (for the year ended 31 December 2022: approximately RMB0.1 million).

Loss for the year

As a result of the foregoing, the Group's loss for the year was approximately RMB21.6 million for the year ended 31 December 2023, as compared with that of approximately RMB6.8 million for the year ended 31 December 2022. The increase in loss is mainly attributable to (i) the impairment of non-financial assets of approximately RMB9.9 million (2022: Nil), (ii) the increase in administrative expenses during the year ended 31 December 2023; and (iii) the decrease in gross profit margin.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the Group had total assets of approximately RMB40.5 million (2022: approximately RMB63.9 million), which was financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately RMB12.1 million (2022: approximately RMB13.8 million) and approximately RMB28.4 million (2022: approximately RMB50.1 million), respectively.

The Group maintained sufficient working capital as at 31 December 2023 with bank and cash balances of approximately RMB19.7 million (2022: approximately RMB34.8 million). The Board adopts 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 2023 was nil (2022: nil) as the Group had no outstanding loans and borrowings nor bank overdrafts as at 31 December 2023. 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 adopted an investment policy to utilise the idle cash or other financial resources of the Group to generate reasonable return to the Group with acceptable and controllable risks associated with the investments placed by the Group. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of our 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 our funding requirements from time to time.

PLEDGE OF ASSETS

As at 31 December 2023, the Group did not pledge any assets (2022: 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 2023, 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 2023, the Directors considered the Group's foreign exchange risk to be insignificant. During the year ended 31 December 2023, 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 the consolidated financial statements of the Group in this announcement. There has been no changes in the share capital structure of the Company during the year ended 31 December 2023.

As at 31 December 2023, the number of its issued ordinary Shares was 850,000,000 of HK\$0.01 each.

On 18 January 2024, the Company completed placing of 100,000,000 Shares under generate mandate and the number of its issued ordinary Shares increased to 950,000,000.

DIVIDEND

No dividend in respect of the year ended 31 December 2023 (2022: nil) were declared by the Board.

COMMITMENTS

As at 31 December 2023, the Group did not have any significant capital commitments (2022: 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 2023.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the financial year ended 31 December 2023, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any material contingent liabilities (2022: nil).

EMPLOYMENTS AND REMUNERATION POLICIES

As at 31 December 2023, the Group employed a total of 232 employees (2022: 216 employees) in mainland China and Hong Kong. The staff costs, including Directors’ emoluments, of the Group were approximately RMB24.7 million for the year ended 31 December 2023 (2022: approximately RMB21.9 million). Directors’ emoluments for the year ended 31 December 2023 amounted to approximately RMB2.6 million (2022: approximately RMB2.9 million) which included emoluments of the independent non-executive Directors for a total amount of approximately RMB0.6 million (2022: approximately RMB0.4 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 2023.

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 exposed to environmental liabilities;
- (viii) The Group may be subject to potential labour disputes and labour strikes; and
- (ix) The future expansion plans of the Group, such as production and trading of functional garment, are subject to uncertainties and risks.

For other risks and uncertainties being faced by 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 2023 is set out in the section headed "Five Years' Financial Summary" of the 2023 annual report, which will be issued 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 adopt 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 2023 annual report, which will be issued 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 2023.

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 2023, 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 2023, there was no material dispute with the Group's employees and no dispute on salary payments and other labour dispute. 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 and 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

On 2 January 2024, the Company announced that a placing agreement was signed between the Company as issuer and Ruibang Securities Limited as placing agent. On 18 January 2024, the Company completed placing of 100,000,000 Shares under generate mandate and raised gross proceeds of HK\$8.0 million. In addition, the Group has expanded into production and trading of functional garment, and explored other business opportunities. Save as disclosed, there was no other significant subsequent events happened to the Group after 31 December 2023 and up to the date of this announcement.

USE OF PROCEEDS FROM THE LISTING AND BUSINESS OBJECTIVES

The net proceeds from the listing of the shares on GEM of the Stock Exchange on 21 July 2017 ("**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 brought forward from 31 December 2022 was in the amount of HK\$11.4 million. 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 2023 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 2023 <i>HK\$'million</i>	Net proceeds utilised during the year <i>HK\$'million</i>	Unutilised balance as at 31 December 2023 <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	0.7	–	2.3	December 2024
Enhancing the heat transfer printing production facilities of the Group	4.1	4.1	–	–	–
Upgrading the information technology systems of the Group	5.3	5.3	1.1	–	–
Expansion of the sales and marketing department of the Group	3.0	2.6	0.4	0.4	December 2024
General working capital	3.3	3.3	–	–	–
Developing garment trading business	8.0	0.8	–	7.2	December 2024
Developing the internet and information technology business	3.0	3.0	–	–	–
Total	<u>37.6</u>	<u>27.7</u>	<u>1.5</u>	<u>9.9</u>	

There has been delay in the application of the Net Proceeds for developing the capability of applying RFID technology to the products, expansion of sales and marketing department of the Group and development of garment trading business. The reasons for the delay in application were that the garment industry was disrupted by the outbreak of the pandemic since early 2020, which caused a delay in the previous and subsequent application schedule of the Net Proceeds. With the control of the pandemic and drop of anti-pandemic measures in the PRC and the rest of the world, 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 2023.

USE OF NET PROCEEDS FROM THE PLACING

FY2020 Placing

As per the Company's announcements dated 28 April 2020 and 13 May 2020, 50,000,000 Shares (the "FY2020 Placing Shares") were successfully placed to nine independent placees at the placing price of HK\$0.113 per FY2020 Placing Share under general mandate (the "FY2020 Placing"). The gross proceeds and the net proceeds (after deducting the placing fee and other related expenses incurred in the FY2020 Placing) from the FY2020 Placing are HK\$5.65 million and approximately HK\$5.41 million, respectively (the "FY2020 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 FY2020 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.

The unutilised FY2020 Placing Proceeds brought forward from 31 December 2022 was in the amount of HK\$5.1 million. An analysis of the unutilisation of the net proceeds from the FY2020 Placing as at 31 December 2023 is set out below:

	Revised total	Utilised net	Net proceeds	Unutilised net	Expected
Intended use of the net proceeds from the FY2020 Placing	planned	proceeds from	from the	proceeds from	timeline
	amount	the FY2020	FY2020	the FY2020	for the
	HK\$'million	Placing as at	Placing	Placing as at	intended use
		31 December	utilised during	31 December	
		2023	the year	2023	
		HK\$'million	HK\$'million	HK\$'million	
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	5.1	-	-	5.1	December 2024

The Company will apply the unutilised portion of the FY2020 Placing Proceeds according to the announcements of the Company dated 13 May 2020 and 3 December 2021. During the year ended 31 December 2023, the Company has yet to identify any suitable target for the use of the FY2020 Placing Proceeds. The Company will continue to identify suitable acquisition target as soon as practicable. The Company will make further announcement(s) as to update on the use of the FY2020 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 2023 is set out below:

Business objectives	Actual business progress up to 31 December 2023
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 has upgraded 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 has developed the internet and information technology business

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 C1 (formerly Appendix 15) of the GEM Listing Rules. During the year ended 31 December 2023, to the best knowledge of the Board, the Company has complied with all 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 2023. The Company was not aware of any non-compliance with the Model Code by the Directors during the year ended 31 December 2023.

REVIEW BY 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 code provisions D.3.3 and D.3.7 of the CG Code. The Audit Committee consists of three members, namely Mr. Liu Mingxiao, Mr. Lin Kin-Chin and Mr. Zhu Honghai, all being independent non-executive Directors. Mr. Liu Mingxiao 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 2023. The Audit Committee is of the opinion that the audited consolidated financial statements of the Group for the year ended 31 December 2023 comply with the applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

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 resolved not to declare any final dividend for the year ended 31 December 2023. No dividend in respect of the year ended 31 December 2023 (2022: 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 2023.

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 ended 31 December 2023.

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 annual general meeting of the Company (the “2024 AGM”) will be held on Friday, 10 May 2024, the notice of which shall be sent to the shareholders of the Company in accordance with the articles of association of the Company, 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 2024 AGM, the register of members of the Company will be closed from Tuesday, 7 May 2024 to Friday, 10 May 2024, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 6 May 2024.

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 2024 AGM. The Company has not changed its external auditor during the year ended 31 December 2023 and up to the date of this announcement.

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 2023 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 Stock Exchange's website at www.hkexnews.hk. The 2023 annual report of the Company will be issued and made available on the above websites according to the GEM Listing Rules by April 2024.

CANCELLATION OF THE POSITION OF COMPLIANCE OFFICER

After the amendments to the GEM Listing Rules which took effect from 1 January 2024, the Company is no longer required to appoint a compliance officer under the GEM Listing Rules. As such, the Board has resolved to cancel the position of compliance officer with immediate effect.

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

Hong Kong, 25 March 2024

As at the date of this announcement, the executive Directors are Ms. Sha Xuanyi (Chairlady), Mr. Lam Kai Yuen, Mr. Lam Kai Cheong and Mr. Li Rongsheng (Chief Executive Officer); and the independent non-executive Directors are Mr. Liu Mingxiao, Mr. Zhu Honghai and Mr. Lin Kin-Chin.

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 Stock Exchange's website at www.hkexnews.hk on the "Latest Company Information" page for at least 7 days from the date of its posting and on the website of the Company at www.sthl.com.hk.