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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)

VOLUNTARY ANNOUNCEMENT COOPERATION AGREEMENT WITH GUANGZHOU BANCHENG

This announcement is made by the Company on a voluntary basis to inform the shareholders of the Company and investors of certain business development of the Group.

The Board is pleased to announce that on 24 April 2020, Reach New Technology, a wholly owned subsidiary of the Company, entered into the Cooperation Agreement with Guangzhou Bancheng. Pursuant to the Cooperation Agreement, Guangzhou Banchengyun, a new company established in the PRC, in which Reach New Technology will hold 51% equity interest and Guangzhou Bancheng will hold 49% equity interest, was established for the Group to tap into the information technology industry. The total initial investment amount for the Group in Guangzhou Banchengyun is RMB510,000.

THE COOPERATION AGREEMENT

The principal terms of the Cooperation Agreement are set out below:

Date:

24 April 2020

Parties:

1. Reach New Technology; and
2. Guangzhou Bancheng

The Cooperation:

Guangzhou Banchengyun, the new company established in the PRC, was established, for the Group to tap into the information technology industry. Reach New Technology will hold 51% equity interest and Guangzhou Bancheng will hold 49% equity interest in Guangzhou Banchengyun, respectively. The registered capital of Guangzhou Banchengyun is RMB1 million, to which Reach New Technology will contribute RMB510,000 by cash and Guangzhou Bancheng will contribute RMB490,000 by cash. Guangzhou Banchengyun will become an indirect subsidiary of the Company and the financial results of Guangzhou Banchengyun will be consolidated into the Group's financial results.

Business Scope:

Subject to the approval of the relevant authorities in the PRC, Guangzhou Banchengyun will mainly engage in development of applications for customers and provision of information technology consultancy services, such as social customer relationship management, to customers.

Composition of the board of directors of Guangzhou Banchengyun:

The board of directors of Guangzhou Banchengyun will comprise four directors, out of which Reach New Technology and Guangzhou Bancheng shall respectively nominate two directors, while Guangzhou Bancheng shall have the right to nominate the chairman of the board out of its two nominated directors. The nominated directors will be appointed by the shareholders of Guangzhou Banchengyun in a shareholders' meeting.

REASONS FOR AND BENEFITS OF ENTERING INTO THE COOPERATION AGREEMENT

As the garment manufacturing industry in the PRC is facing keen competition from Southeast Asian countries, rising labour cost, the escalating trade frictions between the PRC and the United States which affects the international trade of garment adversely, and the negative impact brought by the outbreak of COVID-19 pandemic to the global economy, the Board considers it to be in the interest of the Company and its shareholders to diversify its business and look for new business opportunities. The Board considers that the cooperation with Guangzhou Bancheng will offer good development opportunity for the Group to tap into the information technology industry, which is one of the most trending industries in the PRC.

The Board also considers that the terms of the Cooperation Agreement are beneficial to the Company and its shareholders as a whole. While the Group may continue to utilise its connections with customers and suppliers in the PRC, Guangzhou Bancheng will provide the relevant technology, know-how, expertise and human resources for the new business.

GENERAL INFORMATION

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 its customers in the PRC. The shares of the Company has been listed on GEM since 20 July 2017.

Guangzhou Bancheng is a company established in the PRC with limited liability on 10 January 2019. It principally engages in application development, sales and maintenance services and provision of information technology consultancy services, such as social customer relationship management, to customers.

To the best of the knowledge and information of the Directors, having made all reasonable enquiries, Guangzhou Bancheng and its ultimate beneficial owners are independent third parties of the Company and its connected persons (as defined under the GEM Listing Rules).

Definitions

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	the board of Directors
“Company”	Reach New Holdings Limited, a company incorporated in the Cayman Islands with limited liability and its shares are listed on GEM (Stock Code: 8471)
“Cooperation Agreement”	the agreement dated 24 April 2020 entered into between Reach New Technology and Guangzhou Bancheng in relation to establishing Guangzhou Banchengyun
“Directors”	the directors of the Company
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Guangzhou Bancheng”	廣州半城信息科技有限公司 (Guangzhou Bancheng Information Technology Co. Ltd.*), a company established in the PRC with limited liability on 10 January 2019
“Guangzhou Banchengyun”	廣州半城雲信息科技有限公司 (Guangzhou Banchengyun Information Technology Co. Ltd.*), a company established in the PRC with limited liability on 10 April 2020
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan

“Reach New Technology”	新達科技(惠州)有限公司 (Reach New Technology (Huizhou) Company Limited*) (formerly known as 新天倫 服裝輔料(惠州)有限公司(STL Apparel Accessories (HZ) Co., Ltd.*)), a company established in the PRC with limited liability on 29 April 2007 and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

* For identification purposes only

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

Hong Kong, 24 April 2020

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

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