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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)

PLACING OF NEW SHARES UNDER GENERAL MANDATE CHANGE IN USE OF PROCEEDS FROM THE LISTING

Placing Agent



MOUETTE SECURITIES COMPANY LIMITED

THE PLACING

On 28 April 2020 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent. Pursuant to the Placing Agreement, the Company has conditionally agreed to allot and issue, and the Placing Agent has conditionally agreed to place, on a best effort basis, up to 50,000,000 new Shares to not less than six Placees at the Placing Price of HK\$0.113 per Placing Share. The Placees and (where appropriate) their respective ultimate beneficial owner(s) shall be Independent Third Parties. The Placing Shares will be issued under the General Mandate.

The Placing Shares represent (i) 6.25% of the existing issued share capital of the Company, and (ii) approximately 5.88% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares.

The Placing is conditional upon the Stock Exchange granting the listing of, and permission to deal in, the Placing Shares.

Shareholders and potential investors should note that the Placing is subject to the fulfilment of the condition under the Placing Agreement as set out in the section headed “Condition of the Placing”. As the Placing may or may not proceed to Completion, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

CHANGE IN USE OF PROCEEDS FROM THE LISTING

Reference is made to the Prospectus, the Annual Report 2019 and the Voluntary Announcement. As disclosed in the Voluntary Announcement, given the negative impact brought by the outbreak of COVID-19 pandemic to the global economy and the continuous trade frictions between the PRC and the United States, which adversely affects the international trade of garment, 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. Together with the proceeds from the Placing, the Board intended to reallocate the Unutilised Net Proceeds to invest in both the garment trading business as well as the information technology industry for the long term business development of the Group.

THE PLACING AGREEMENT

On 28 April 2020 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent.

Date

28 April 2020 (after trading hours)

Issuer

The Company

Placing Agent

Mouette Securities Company Limited

The Placing Agent has conditionally agreed to place, on a best effort basis, up to 50,000,000 new Shares to not less than six Placees at the Placing Price of HK\$0.113 per Placing Share.

The Placing Agent will receive a placing commission of 2%, on a successful basis, of the aggregate amount equal to the Placing Price multiplied by the Placing Shares placed by the Placing Agent. Having considered the size and the terms of the Placing and the recent market sentiment, the Directors are of the view that the placing commission of 2% for the Placing is fair and reasonable.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

Placees

The Placing Agent will, on a best effort basis, place the Placing Shares to not less than six Placees who and whose ultimate beneficial owners (where appropriate) shall be Independent Third Parties. It is expected that none of the Placees will become a substantial shareholder of the Company immediately after the Placing.

Placing Shares

The Placing Shares represent:

- i. 6.25% of the existing issued share capital of the Company as at the date of this announcement; and
- ii. approximately 5.88% of the issued share capital of the Company as enlarged by the allotment and issue of all the Placing Shares.

Based on the closing price of the Shares of HK\$0.125 per Share on 28 April 2020, the date of the Placing Agreement, the Placing Shares have a market value of HK\$6.25 million. The Placing Shares have an aggregate nominal value of HK\$500,000.

The Placing Shares will rank, upon issue, *pari passu* in all respect with the Shares in issue on the date of allotment and issue of the Placing Shares.

Placing Price

The Placing Price of HK\$0.113 per Placing Share represents:

- i. a discount of 9.6% to the closing price of HK\$0.125 per Share as quoted on the Stock Exchange on 28 April 2020, being the date of the Placing Agreement; and
- ii. a discount of approximately 15.7% to the average closing price of HK\$0.134 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately prior to the date of the Placing Agreement.

The Placing Price was determined after arm's length negotiations between the Company and the Placing Agent with reference to, among other matters, the prevailing market price of the Shares and the recent market condition. The Directors consider that the terms of the Placing Agreement (including the Placing Price and the placing commission) are fair and reasonable based on the current market conditions and the Placing is in the interests of the Company and the Shareholders as a whole.

Placing Period

From 29 April 2020 to 20 May 2020 (both dates inclusive)

Conditions of the Placing

The Placing is conditional upon the fulfilment of the following conditions:

- i. the passing by the Board of resolutions to approve the Placing Agreement and the transactions contemplated hereunder; and
- ii. the Listing Committee of the Stock Exchange granting or agreeing to grant a listing of, and permission to deal in, the Placing Shares.

In the event that the condition to the Placing is not fulfilled on or before the Long Stop Date, the Placing Agreement shall terminate and all rights, obligations and liabilities of the parties under the Placing Agreement in relation to the Placing shall cease and terminate. The Placing Agent shall be released from all obligations pursuant to this Agreement and none of the parties shall have any claim against the others in respect of the Placing save for any antecedent breach. Neither the Company nor the Placing Agent shall have any right to damages for any costs and expenses that it may have incurred in connection with or arising out of the Placing Agreement.

Application for the listing of the Placing Shares

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

Completion of the Placing

Completion shall take place on the third (3rd) Business Day after the fulfilment of all the above conditions or such other date as the Company and the Placing Agent may agree in writing.

General Mandate to issue the Placing Shares

The Placing Shares will be issued under the General Mandate pursuant to which the Company is authorised to allot and issue up to 160,000,000 Shares. As at the date of this announcement, the General Mandate has not been utilised. Accordingly, the allotment and issue of the Placing Shares is not subject to the approval of the Shareholders.

The 50,000,000 Placing Shares constitute 31.25% of the General Mandate and, upon completion of the Placing, 110,000,000 Shares, representing 68.75% of the General Mandate will remain unutilised.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholdings in the Company as at the date of this announcement and immediately after Completion are set out as follows:

Shareholders	As at the date of this announcement		Immediately after the Completion	
	Number of Shares	%	Number of Shares	%
Neo Concept Holdings Limited ^(Note)	600,000,000	75.0	600,000,000	70.6
Public Shareholders				
— Placees	—	—	50,000,000	5.9
— Other public Shareholders	<u>200,000,000</u>	<u>25.0</u>	<u>200,000,000</u>	<u>23.5</u>
Total	<u>800,000,000</u>	<u>100.0</u>	<u>850,000,000</u>	<u>100.0</u>

Note: Neo Concept Holdings Limited is wholly and beneficially owned by Mr. Lam Cheung Chuen, a non-executive Director and the Chairman of the Board. By virtue of the SFO, Mr. Lam Cheung Chuen is deemed to be interested in all the Shares held by Neo Concept Holdings Limited. Mr. Lam Cheung Chuen is also the spouse of Ms. Wong Ching Yuk, who will also be deemed to be interested in the same number of Shares held by Mr. Lam Cheung Chuen.

CAPITAL-RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any fund raising activities in the past twelve months immediately preceding the date of this announcement.

USE OF PROCEEDS FROM 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 expected to be HK\$5.65 million and approximately HK\$5.41 million, respectively. The net proceeds raised per Placing Share is approximately HK\$0.108.

It is expected that approximately HK\$5.41 million, representing the entire amount of the net proceeds from the Placing, will be used for the working capital in Guangzhou Banchengyun in connection with the Group's development in the information technology industry. The principal activity of Guangzhou Banchengyun is provision of online and offline e-commerce solutions, which is also known as software as a service (SaaS), and provision of cloud-based commerce and marketing solutions for small and medium-sized businesses in the PRC.

REASONS FOR THE PLACING

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.

As disclosed in the Voluntary Announcement, given the negative impact brought by the outbreak of COVID-19 pandemic to the global economy, the continuous trade frictions between the PRC and the United States, which adversely affects the international trade of garment, keen competition from Southeast Asian countries and rising labour cost in the PRC, 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 Directors are of the view that it is beneficial for the Group to tap into the information technology industry, which is one of the most trending industries in the PRC, with a focus on the development of applications for customers, provision of information technology consultancy services, provision of online and offline e-commerce solutions, which is also known as software as a service (SaaS), and provision of cloud-based commerce and marketing solutions for small and medium-sized businesses in the PRC. The Board considers that the cooperation with Guangzhou Bancheng will offer a good opportunity for the Group to tap into the information technology sector with an aim to diversify its business and income stream so as to create sustainable and long term development and growth of the Group.

In light of the above reasons, the Directors consider that the Placing offers a good opportunity to raise additional funds for the Company's business development by investing in Guangzhou Banchengyun, as well as by broadening the Shareholders' and capital base of the Company.

The Directors (including the independent non-executive Directors) consider that the terms of the Placing Agreement are fair and reasonable, on normal and commercial terms and the Placing is in the interest of the Company and the Shareholders as a whole.

Shareholders and potential investors should note that the Placing is subject to the fulfilment of the condition under the Placing Agreement as set out in the section headed "Condition of the Placing". As the Placing may or may not proceed to Completion, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

CHANGE IN USE OF PROCEEDS FROM THE LISTING

Reference is made to the Prospectus, the Annual Report 2019 and the Voluntary Announcement. The Net Proceeds from the Listing, after deducting listing-related expenses, were approximately HK\$37.6 million.

As disclosed in the Annual Report 2019, the analysis of the planned usage of the Net Proceeds up to 31 December 2019 as stated in the section headed “Future Plans and Use of Proceeds” of the Prospectus and the actual utilisation of net proceeds from the Listing and up to 31 December 2019 is as follows:

Use of Net Proceeds	Total planned amount to be used <i>HK\$'million</i>	Planned use of proceed up to 31 December 2019 <i>HK\$'million</i>	Actual amount utilised up to 31 December 2019 <i>HK\$'million</i>	Actual balance as at 31 December 2019 <i>HK\$'million</i>
Upgrading the production facilities and digital printing technology of the Group	17.0	17.0	1.8	15.2
Developing the capability of applying RFID technology to the products of the Group	3.0	3.0	0.5	2.5
Enhancing the heat transfer printing production facilities of the Group	6.0	6.0	4.1	1.9
Upgrading the information technology systems of the Group	5.3	5.3	2.1	3.2
Expansion of the sales and marketing department of the Group	3.0	3.0	0.9	2.1
General working capital	3.3	—	3.3	—
	<u>37.6</u>	<u>34.3</u>	<u>12.7</u>	<u>24.9</u>
Total	<u>37.6</u>	<u>34.3</u>	<u>12.7</u>	<u>24.9</u>

As at the date of this announcement, the Group has utilised approximately HK\$12.9 million, representing approximately 34.3% of the Net Proceeds. The Unutilised Net Proceeds up to the date of this announcement amounted to HK\$24.7 million. On 28 April 2020, the Board having considered the business environment and development of the Group, resolved to change the use of the Unutilised Net Proceeds that HK\$8 million will be utilised for development of garment trading business and HK\$3 million will be used for development of the internet and information technology consultancy services in Guangzhou Banchengyun, while the total Net Proceeds allocated to upgrading the production facilities and digital printing technology will be reduced by HK\$9.1 million and enhancing the heat transfer printing production facilities will be reduced by HK\$1.9 million. The planned usage of the Net Proceeds in accordance with the Prospectus, the actual use of the Net Proceeds up to the date of this announcement, and the proposed application of the Unutilised Net Proceeds are set out below:

Intended Use of Net Proceeds	Total planned amount to be used <i>HK\$'million</i>	Utilised Net Proceeds as at the date of this announcement <i>HK\$'million</i>	Unutilised Net Proceeds as at the date of this announcement <i>HK\$'million</i>	Revised application of the Unutilised Net Proceeds <i>HK\$'million</i>
Upgrading the production facilities and digital printing technology of the Group	17.0	1.8	15.2	6.1
Developing the capability of applying RFID technology to the products of the Group	3.0	0.5	2.5	2.5
Enhancing the heat transfer printing production facilities of the Group	6.0	4.1	1.9	—
Upgrading the information technology systems of the Group	5.3	2.2	3.1	3.1
Expansion of the sales and marketing department of the Group	3.0	1.0	2.0	2.0
General working capital	3.3	3.3	—	—
Developing garment trading business	—	—	—	8.0
Developing the internet and information technology business	—	—	—	3.0
	<u>37.6</u>	<u>12.9</u>	<u>24.7</u>	<u>24.7</u>
Total	<u>37.6</u>	<u>12.9</u>	<u>24.7</u>	<u>24.7</u>

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS FROM THE LISTING

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

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

The Directors consider that as the Group is positioned as a one-stop garment accessories manufacturer and supplier, the commencement of the PRC domestic garment trading business as a downstream expansion of the Group would create a value chain advantage for the Group, which is expected to drive the sustainable business growth and carry synergistic effect to its core business segments. The Group may also continue to utilise its connections with customers and suppliers in the PRC. The commencement of garment trading business is expected to utilised HK\$8.0 million from the Unutilised Net Proceeds. The commencement of the garment trading business can also diversify the income stream of the Group, which will be in the interest of the Company and the Shareholders as a whole.

As discussed in the paragraphs under “Reasons for the Placing”, the Board considered it is to be in the interest of the Company and its shareholders to diversify its business and look for new business opportunities. The Board intended reallocate HK\$3.0 million from the Unutilised Net Proceeds to development of the internet and information technology business in Guangzhou Banchengyun.

Further, the Board considers it is the right timing to tap into information technology industry, which is one of the most trending industries in the PRC, when opportunities arise. As disclosed in the Voluntary Announcement, the Board considers that cooperation with Guangzhou Bancheng will offer good development opportunity for the Group to tap into the information technology industry, since Guangzhou Bancheng will provide the relevant technology, know-how, expertise and human resources for the new business.

Having considered the above, the Directors are of the view that the Unutilised Net Proceeds originally allocated for the upgrade and enhancement of digital printing and heat transfer printing facilities can be better utilised to enable the Group to diversify its business and broaden its earning base for the long term development of the Group. The Board also considered that the above business ventures will lay the foundation for future expansion of the Group.

The Board is also of the view that the change in the use of Net Proceeds will be more favourable to the long term business development of the Group and is in the best interest of the Company and its shareholders as a whole.

DEFINITIONS

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

“Annual Report 2019”	the annual report of the Group for the year ended 31 December 2019;
“Board”	the board of Directors;
“Business Day(s)”	means a day (other than a Saturday or Sunday or days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks in Hong Kong are open for general banking business;
“Company”	Reach New Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and its shares are listed on GEM (Stock Code: 8471);
“Completion”	completion of the Placing;
“Connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules;
“Cooperation Agreement”	the agreement dated 24 April 2020 entered into between Reach New Technology and Guangzhou Bancheng in relation to the establishment of 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;
“General Mandate”	means the general mandate granted by the Shareholders to the Directors pursuant to the resolution passed on 6 May 2019 to allot, issue and deal with additional Shares not exceeding 20% of the issued share capital of the Company then existing, which was 160,000,000 Shares;

“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;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Independent Third Parties”	third parties who are independent of, and not connected with, the Company and its connected persons (as defined in the GEM Listing Rules);
“Listing”	the listing of the shares of the Company on GEM of the Stock Exchange;
“Long Stop Date”	means 22 May 2020, or such later date as may be agreed by the Company and the Placing Agent in writing;
“Net Proceeds”	the actual net proceeds from the Listing, after deducting listing-related expenses, which amounted to approximately HK\$37.6 million;
“Placee(s)”	means any person or entity whom the Placing Agent or its agent(s) has procured to subscribe for any of the Placing Shares pursuant to the Placing Agreement;
“Placing”	the offer by way of private placing by the Company, the placing of 50,000,000 Placing Shares, through the Placing Agent, pursuant to the Placing Agreement;
“Placing Agent”	Mouette Securities Company Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities;
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 28 April 2020 in relation to the Placing;
“Placing Price”	HK\$0.113 per Placing Share;
“Placing Shares”	a total of 50,000,000 new Shares to be allotted and issued by the Company pursuant to the Placing Agreement;
“RMB”	Renminbi, the lawful currency of the PRC;

“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;
“Prospectus”	the prospectus issued by the Company dated 30 June 2017 in relation to the Listing;
“SFO”	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time;
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of the Company which are listed and traded on GEM of the Stock Exchange (stock code: 8471);
“Shareholder(s)”	holder(s) of Share(s);
“substantial shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Unutilised Net Proceeds”	the amount of Net Proceeds from the Listing which remains unutilised up to the date of this announcement;
“Voluntary Announcement”	the voluntary announcement of the Company dated 24 April 2020 relation to the Cooperation Agreement with Guangzhou Bancheng; and
“%”	per cent.

* *For identification purposes only*

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

Hong Kong, 28 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.