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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 INVESTMENT AGREEMENT FOR CAPITAL INCREASE REGARDING A SUBSIDIARY; DEEMED DISPOSAL AND EXEMPTED CONNECTED TRANSACTION

INTRODUCTION

This announcement is made by Reach New Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis to inform the shareholders of the Company and potential investors of the latest business development of the Group.

THE INVESTMENT AGREEMENT

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that on 22 September 2020, an investment agreement (the “**Investment Agreement**”) was entered into among Reach New Technology (Huizhou) Company Limited* (新達科技(惠州)有限公司) (“**Reach New Technology**”) (formerly known as 新天倫服裝輔料(惠州)有限公司), an indirect wholly-owned subsidiary of the Company established in the People’s Republic of China (the “**PRC**”), Mr. Yan Yiming* (晏藝銘) (“**Mr. Yan**”) and Ningbo Meishan Free Trade Port Zone Yunsilu Equity Investment Fund Partnership (Limited Partnership)* (寧波梅山保稅港區雲絲路股權投資基金合伙企業(有限合伙)) (the “**Investor**”) in relation to the investment in equity interest in Guangzhou Banchengyun Information Technology Co. Ltd.* (廣州半城雲信息科技有限公司) (“**Guangzhou Banchengyun**”), a company established in the PRC with limited liability on 10 April 2020 and a non-wholly owned subsidiary of the Company prior to the Completion of the Investment Agreement. To the best knowledge and belief of the Directors, the Investor and its ultimate beneficial owners are independent third parties and not connected with the Company.

Under the Investment Agreement, Mr. Yan (who will acquire the interest held by Guangzhou Bancheng Information Technology Co. Ltd.* (廣州半城信息科技有限公司) (“**Guangzhou Bancheng**”), agreed to further contribute additional capital of approximately RMB1.29 million to Guangzhou Banchengyun and the Investor will subscribe for 10% of the equity interest in Guangzhou Banchengyun in the consideration of RMB3 million, while Reach New Technology also agreed to capitalise its shareholders’ loan of approximately RMB2.49 million to the capital account of Guangzhou Banchengyun (the “**Capital Increase**”). Upon completion of the Capital Increase, Guangzhou Banchengyun will be owned as to 63%, 27% and 10% by Mr. Yan, Reach New Technology and the Investor. The registered capital of Guangzhou Banchengyun will be increased to approximately RMB2.83 million upon completion of the Capital Increase.

INFORMATION ABOUT THE SUBSCRIBERS

Mr. Yan

Mr. Yan is a director and a substantial shareholder of Guangzhou Bancheng and therefore a connected person of the Company. Mr. Yan is the key management of Guangzhou Banchengyun, who plays an important role in the development of Guangzhou Banchengyun. After the establishment of Guangzhou Banchengyun, Mr. Yan directly contributed to the relevant technology, know-how and expertise, which have been essential to the business expansion of Guangzhou Banchengyun.

The Investor

The Investor is investment fund in the form of limited partnership registered in the PRC. The Investor has been investing in a number of information technology companies and start-ups in the PRC. To the best knowledge and belief of the Directors after making reasonable enquiries, the Investor is beneficially owned by four PRC individuals, three limited companies established in the PRC and three limited liability partnership registered in the PRC. As confirmed by the Investor, the partners who own the Investor are independent third parties and not connected with the Company.

INFORMATION ABOUT GUANGZHOU BANCHENGYUN

Guangzhou Banchengyun is a company established in the PRC pursuant to a cooperation agreement entered into between Reach New Technology and Guangzhou Bancheng as disclosed in the voluntary announcement of the Company dated 24 April 2020.

Guangzhou Banchengyun was established for the Group to tap into the information technology industry, and Guangzhou Bancheng provides the relevant technology, know-how, expertise and human resources for Guangzhou Banchengyun.

REASONS FOR ENTERING INTO THE INVESTMENT AGREEMENT

Guangzhou Banchengyun is a joint venture company of the Group for development of applications for customers and provision of information technology consultancy services, such as social customer relationship management. As a start-up company, investment from the Investor in Guangzhou Banchengyun would be beneficial for broadening its capital base

for further expansion of its business. Further, the Investor, as an institutional investor in the PRC, would boost the corporate image and increase the publicity of Guangzhou Banchengyun.

Given the importance of the role of Mr. Yan as mentioned above, the Board is of the view that Mr. Yan is an invaluable talent, who is fundamental to the development of the business of Guangzhou Banchengyun. The Company considers retention of Mr. Yan in Guangzhou Banchengyun through the further allotment of equity interest in Guangzhou Banchengyun is beneficial to the future development and management continuity of Guangzhou Banchengyun. The allotment of equity interest in Guangzhou Banchengyun would serve as strong incentive for Mr. Yan to strive for better performance and would encourage his continuing commitment and contribution in Guangzhou Banchengyun.

Although there has been no material return from Guangzhou Banchengyun, Guangzhou Banchengyun intends to continue to invest in the information technology industry. The capital contribution from the Investor and Mr. Yan would help Guangzhou Banchengyun to sustain its operation and expand its business size in the view of increasing its market share in the industry.

Despite the reduction in the Group's equity interest in Guangzhou Banchengyun upon the completion of Capital Increase under the Investment Agreement, the Company considers that the investment from the Investor increases the value of the business of Guangzhou Banchengyun and may attract further investment from other investors. The Company would continue to invest in Guangzhou Banchengyun as and when appropriate and to explore suitable investment opportunities to develop internet and information technology business of the Group by utilising the net proceeds from the listing and the placing according to the announcement of the Company dated 28 April 2020.

DEEMED DISPOSAL, EXEMPTED CONNECTED TRANSACTION AND IMPLICATIONS UNDER THE GEM LISTING RULES

As a result of the Capital Increase, the Company's interest in Guangzhou Banchengyun will decrease from 51% to 27%. Upon completion of the Investment Agreement, Guangzhou Banchengyun will cease to be a subsidiary of the Company and its results will not be consolidated with those of the Group. In view of the above, the Capital Increase constitutes a deemed disposal in the equity interest in Guangzhou Banchengyun under Rule 19.29 of the GEM Listing Rules.

As all the applicable percentage ratios (as defined under the GEM Listing Rules) for the Capital Increase under the Investment Agreement are less than 5%, the Investment Agreement does not constitute a notifiable transaction for the Company under Chapter 19 of the GEM Listing Rules.

As Mr. Yan is a director and a substantial shareholder of Guangzhou Bancheng, Mr. Yan is a connected person of the Company at subsidiary's level. The deemed disposal associated with the Capital Increase under the Investment Agreement constitutes a connected transaction under Chapter 20 of the GEM Listing Rules.

As all of the applicable percentage ratios (as defined under the GEM Listing Rules) for the Capital Increase under the Investment Agreement are less than 5% and the total consideration of the deemed disposal, which is taken as the value of the equity interest issued to Mr. Yan which is in excess of that necessary to maintain the his relative percentage interest in Guangzhou Banchengyun under Rule 19.32 of the GEM Listing Rules, is less than HK\$3 million, the entering into of the Investment Agreement and the transactions contemplated hereunder are exempted from the reporting, announcement and independent shareholders' approval requirements under Rule 20.74 of the GEM Listing Rules.

* *For identification purposes only*

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

Hong Kong, 22 September 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.