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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)

CONNECTED TRANSACTIONS — LEASES

THE LEASES

On 29 November 2019, Good Wealthy Properties Limited (“**Good Wealthy**”) as the Landlord and Smart Trend Enterprises Company Limited (“**Smart Trend**”) as the tenant entered into Tenancy Agreement 1, pursuant to which the Landlord agreed to lease a property to Smart Trend for office use for a term of three years commencing from 1 January 2020 and ending on 31 December 2022 (both days inclusive) which is renewable upon expiry of the lease term.

On 29 November 2019, 史威特服飾(惠州)有限公司 Sweater Garment (Huizhou) Company Limited* (“**Sweater Garment (Huizhou)**”) as the Landlord and 新天倫服裝配料(惠州)有限公司 Sun Tin Lun Garment Accessories (Huizhou) Company Limited* (“**STL Garment Accessories**”) as the tenant entered into Tenancy Agreement 2, pursuant to which the Landlord agreed to lease a property to STL Garment Accessories for factory and office use for a term of three years commencing from 1 January 2020 and ending on 31 December 2022 (both days inclusive) which is renewable upon expiry of the lease term.

On 29 November 2019, Sweater Garment (Huizhou) as the Landlord and 新天倫服裝輔料(惠州)有限公司 Sun Tin Lun Apparel Accessories (Huizhou) Company Limited* (“**STL Apparel Accessories**”) as the tenant entered into Tenancy Agreement 3, pursuant to which the Landlord agreed to lease the property to STL Apparel Accessories for warehouse and office use for a term of three years commencing from 1 January 2020 and ending on 31 December 2022 (both days inclusive) which is renewable upon expiry of the lease term.

* For identification purpose only

LISTING RULES IMPLICATIONS

As at the date of this announcement, Good Wealthy, being the Landlord under Tenancy Agreement 1, is indirectly owned as to 60% by the Mr. Lam Cheung Chuen (“**Mr. Lam**”), who is the Chairman of the Board, non-executive Director and a Controlling Shareholder, thus a connected person of the Company under the Listing Rules. Mr. Huang Yasan and Mr. Huang Qingxi, being the brother and cousin of the spouse of Mr. Lam, respectively, are also our connected persons. Each of them indirectly holds 20% of the issued share capital of Good Wealthy, respectively. Accordingly, the entering into the Tenancy Agreement 1 constituted connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

As at the date of this announcement, Sweater Garment (Huizhou), being the Landlord under Tenancy Agreement 2 and Tenancy Agreement 3, which is owned as to 100% by Sweater Garment (HK) Limited. Sweater Garment (HK) Limited is beneficially owned as to 60% by Mr. Lam, the non-executive Director and Controlling Shareholder of the Company. Therefore, Sweater Garment (Huizhou) is a subsidiary of a majority-controlled company (as defined under the GEM Listing Rules) of Mr. Lam and the connected person of the Group under Rule 20.07(4) of the GEM Listing Rules. Mr. Huang Yasan and Mr. Huang Qingxi, being the brother and cousin of the spouse of Mr. Lam, respectively, are also our connected persons. Each of them holds 20% of the issued share capital of Sweater Garment (HK) Limited, respectively. Accordingly, the entering into of each of the Tenancy Agreement 2 and the Tenancy Agreement 3 constituted connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

Pursuant to HKFRS 16, the Company (as tenant) shall recognise the Leases under the Tenancy Agreement 1, the Tenancy Agreement 2 and the Tenancy Agreement 3 as right-of-use asset in the consolidated statement of financial position of the Company. Accordingly, the entering into of the Leases will be regarded as an acquisition of capital asset for the purpose of the GEM Listing Rules. As at the date of the Leases, the value of the right-of-use asset recognised under the Leases is approximately RMB8,072,000.

Pursuant to Rule 20.79 of the GEM Listing Rules, the transactions contemplated under the Leases are required to be aggregated for the purpose of calculating the percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules). Since the highest applicable percentage ratio relating to the value of the right-of-use asset under the Leases is less than 25% and the total consideration is less than HK\$10,000,000, the transactions contemplated under the Leases are therefore only subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

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Tenancy Agreement 1

On 29 November 2019, Good Wealthy as the Landlord and Smart Trend as the tenant entered into Tenancy Agreement 1, pursuant to which the Landlord agreed to lease a property to Smart Trend for office use for a term of three years commencing from 1 January 2020 and ending on 31 December 2022 (both days inclusive) which is renewable upon expiry of the lease term. The key terms of the Tenancy Agreement 1 are summarised as below:

Date	:	29 November 2019
Landlord	:	Good Wealthy
Tenant	:	Smart Trend
Premises	:	Portions of Room 203, 2nd floors, K83, 83 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong
Gross floor area	:	approximately 270 square feet
Lease term	:	Three years, commencing from 1 January 2020 and expiring on 31 December 2022 (both days inclusive)
Use	:	Office use
Monthly rent	:	HK\$8,100.00 per month (inclusive of government rent)
Other terms and conditions	:	Rent, management fee and utilities charge are payable monthly, while rates is payable quarterly.

During the term of the Tenancy Agreement 1, rates, management fee, utilities charge and other payments incurred in connection with the leased premises under the Tenancy Agreement 1 shall be borne by Smart Trend.

Subject to compliance with the Listing Rules, the Tenancy Agreement 1 is renewable by Smart Trend by written notice prior to the expiration of the Tenancy Agreement 1 or the renewal lease (as the case may be).

The above amount of monthly rental was arrived at after arm's length negotiation between Good Wealthy and Smart Trend with reference to the prevailing market conditions and the rental level of similar properties in the vicinity of the leased properties.

Tenancy Agreement 2

On 29 November 2019, Sweater Garment (Huizhou) as the Landlord and STL Garment Accessories as the tenant entered into Tenancy Agreement 2, pursuant to which the Landlord agreed to lease a property to STL Garment Accessories for factory and office use for a term of three years commencing from 1 January 2020 and ending on 31 December 2022 (both days inclusive) which is renewable upon expiry of the lease term. The key terms of the Tenancy Agreement 2 are summarised as below:

Date	:	29 November 2019
Landlord	:	Sweater Garment (Huizhou)
Tenant	:	STL Garment Accessories
Premises	:	Portions of the 1st, 2nd, 3rd and portion of the 5th Floor, No. 6 Taihao Road, Sandong Digital Industrial Park, Sandong Town, Huizhou City, Guangdong Province, PRC
Gross floor area	:	approximately 16,301 square meter
Lease term	:	Three years, commencing from 1 January 2020 to 31 December 2022 (both days inclusive)
Use	:	Factory and office use
Monthly rent	:	RMB236,581 per month (inclusive of value added tax)
Other terms and conditions	:	Rent, management fee and utilities charge are payable monthly

During the term of the Tenancy Agreement 2 management fee, utilities charge and other payments incurred in connection with the leased premises under the Tenancy Agreement 2 shall be borne by STL Garment Accessories.

Subject to compliance with the Listing Rules, the Tenancy Agreement 2 is renewable by STL Garment Accessories by written notice prior to the expiration of the Tenancy Agreement 2 or the renewal lease (as the case may be).

The above amount of monthly rental was arrived at after arm's length negotiation between Sweater Garment (Huizhou) and STL Garment Accessories with reference to the prevailing market conditions and the rental level of similar properties in the vicinity of the leased properties.

Tenancy Agreement 3

On 29 November 2019, Sweater Garment (Huizhou) as the Landlord and STL Apparel Accessories as the tenant entered into Tenancy Agreement 3, pursuant to which the Landlord agreed to lease a property to STL Apparel Accessories for warehouse and office use for a term of three years commencing from 1 January 2020 and ending on 31 December 2022 (both days inclusive) which is renewable upon expiry of the lease term. The key terms of the Tenancy Agreement 3 are summarised as below:

Date	:	29 November 2019
Landlord	:	Sweater Garment (Huizhou)
Tenant	:	STL Apparel Accessories
Premises	:	Portion of the 5th Floor, No. 6 Taihao Road, Sandong Digital Industrial Park, Sandong Town, Huizhou City, Guangdong Province, PRC
Gross floor area	:	approximately 500 square meter
Lease term	:	Three years, commencing from 1 January 2020 to 31 December 2022 (both days inclusive)
Use	:	Warehouse and Office use
Monthly rent	:	RMB7,447.00 per month (inclusive of value added tax)
Other terms and conditions	:	Rent, management fee and utilities charge are payable monthly

During the term of the Tenancy Agreement 3, management fee, utilities charge and other payments incurred in connection with the leased premises under the Tenancy Agreement 3 shall be borne by STL Apparel Accessories.

Subject to compliance with the Listing Rules, the Tenancy Agreement 3 is renewable by STL Apparel Accessories with written notice prior to the expiration of the Tenancy Agreement 3 or the renewal lease (as the case may be).

The above amount of monthly rental was arrived at after arm's length negotiation between Sweater Garment (Huizhou) and STL Apparel Accessories with reference to the prevailing market conditions and the rental level of similar properties in the vicinity of the leased properties.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASES

The Group is principally engaged in production and supply of garment accessories in the PRC. Good Wealthy and Sweater Garment (Huizhou) are principally engaged in investment holdings which hold properties for rental purposes.

For the Tenancy Agreement 1, in order to have more space for the Hong Kong office for the supportive work and documentation of the Group, the new tenancy agreement with the rental space for approximately 270 square feet which is approximately 80 square feet larger than the last rental space of the last tenancy agreement.

For the Tenancy Agreement 2 and the Tenancy Agreement 3, the rental address is where the factory of the Group located and the Tenancy Agreement 2 and the Tenancy Agreement 3 is the renewal of the last tenancy agreement with less space being rent and adjusted the unit rental rate after considering the market condition and the practical usage of the operation.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Leases in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the Leases are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Good Wealthy, being the Landlord under Tenancy Agreement 1, is indirectly owned as to 60% by the Mr. Lam Cheung Chuen (“Mr. Lam”), who is the Chairman of the Board, non-executive Director and a Controlling Shareholder, thus a connected person of the Company under the Listing Rules. Mr. Huang Yasan and Mr. Huang Qingxi, being the brother and cousin of the spouse of Mr. Lam, respectively, are also our connected persons. Each of them indirectly holds 20% of the issued share capital of Good Wealthy, respectively. Accordingly, the entering into the Tenancy Agreement 1 constituted connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

As at the date of this announcement, Sweater Garment (Huizhou), being the Landlord under Tenancy Agreement 2 and Tenancy Agreement 3, which is owned as to 100% by Sweater Garment (HK) Limited. Sweater Garment (HK) Limited is beneficially owned as to 60% by Mr. Lam, the non-executive Director and Controlling Shareholder of the Company. Therefore, Sweater Garment (Huizhou) is a subsidiary of a majority-controlled company (as defined under the GEM Listing Rules) of Mr. Lam and the connected person of the Group under Rule 20.07(4) of the GEM Listing Rules. Mr. Huang Yasan and Mr. Huang Qingxi, being the brother and cousin of the spouse of Mr. Lam, respectively, are also our connected persons. Each of them holds 20% of the issued share capital of Sweater Garment (HK) Limited, respectively. Accordingly, the entering into of each of the Tenancy Agreement 2 and the Tenancy Agreement 3 constituted connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

Pursuant to HKFRS 16, the Company (as tenant) shall recognise the Leases under the Tenancy Agreement 1, the Tenancy Agreement 2 and the Tenancy Agreement 3 as right-of-use asset in the consolidated statement of financial position of the Company. Accordingly, the entering into of the Leases will be regarded as an acquisition of capital asset for the purpose of the GEM Listing Rules. As at the date of the Leases, the value of the right-of-use asset recognised under the Leases is approximately RMB8,072,000.

Pursuant to Rule 20.79 of the GEM Listing Rules, the transactions contemplated under the Leases are required to be aggregated for the purpose of calculating the percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules). Since the highest applicable percentage ratio relating to the value of the right-of-use asset under the Leases is less than 25% and the total consideration is less than HK\$10,000,000, the transactions contemplated under the Leases are only subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Reach New Holdings Limited, a company incorporated in Cayman Islands with limited liability, the issued Shares of which are listed on the GEM of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	all Shareholders other than Mr. Lam and his associates
“Landlord”	Being the landlord under the Leases
“Leases”	collectively, the Tenancy Agreement 1, the Tenancy Agreement 2 and the Tenancy Agreement 3
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“RMB”	Renminbi
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 29 November 2019

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 Rules Governing the Listing of Securities on GEM 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

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