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If you have sold or transferred all your shares in **Reach New Holdings Limited** (the “**Company**”), you should at once hand this circular with the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser(s) or transferee(s).

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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)

**PROPOSED GRANT OF SHARE OPTION
TO EXECUTIVE DIRECTORS OF THE COMPANY AND
A DIRECTOR OF A SUBSIDIARY OF THE COMPANY;
PROPOSED REFRESHMENT OF THE SCHEME MANDATE LIMIT
UNDER THE SHARE OPTION SCHEME
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening the extraordinary general meeting (the “**EGM**”) of the Company to be held at Room 203, 2nd Floor, K83, 83 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong on Monday, 13 July 2020 at 11:00 a.m., is set out on pages 17 to 19 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend and vote at the EGM, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

This circular will remain on the “Latest Company Announcements” page of the Stock Exchange website at www.hkexnews.hk for 7 days from the date of its posting. This circular will also be posted on the Company’s website at www.sthl.com.hk.

24 June 2020

CHARACTERISTICS OF GEM

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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

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

“Annual Report 2019”	the annual report of the Group for the year ended 31 December 2019
“Articles of Association”	the articles of association of the Company adopted on 24 June 2017
“associate(s)” or “close associate(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“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, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM (Stock Code: 8471)
“connected person(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“core connected person(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Date of Grant”	18 May 2020, being the date on which the Proposed Grant under the Share Option Scheme was conditionally approved by the Board
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at Room 203, 2nd Floor, K83, 83 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong on Monday, 13 July 2020 at 11:00 a.m., to consider and, if appropriate, to approve the resolutions contained in the notice of the meeting which is set out on pages 17 to 19 of this circular, or any adjournment thereof
“Eligible Participants”	has the meaning as defined under the Share Option Scheme
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

DEFINITIONS

“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 and an indirect non-wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	in the case of the Proposed Grant, the Shareholders other than Mr. Gabi Lam, Mr. Jeffrey Lam and Mr. Yan and their respective associate(s), including Mr. Lam Cheung Chuen, and all the core connected person(s) of the Company
“Invested Entity”	has the meaning as defined under the Share Option Scheme
“Latest Practicable Date”	15 June 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Mr. Gabi Lam”	Mr. Lam Kai Yuen (林啟源), an executive Director
“Mr. Jeffrey Lam”	Mr. Lam Kai Cheong (林啟昌), an executive Director
“Mr. Lam Cheung Chuen”	the Chairman and non-executive Director, who is the father of Mr. Gabi Lam and Mr. Jeffrey Lam
“Mr. Yan”	Mr. Yan Yiming* (晏藝銘), a director and a substantial shareholder of Guangzhou Banchengyun
“Option(s)”	share option(s) of the Company granted or to be granted by pursuant to the Share Option Scheme
“PRC”	the People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan

DEFINITIONS

“Proposed Grant”	the grant of Share Options to subscribe for an aggregate of 80,000,000 Shares under the Share Option Scheme to Mr. Gabi Lam, Mr. Jeffrey Lam, Mr. Yan and an employee of the Company, out of which the grant of 77,000,000 Options to Mr. Gabi Lam, Mr. Jeffrey Lam and Mr. Yan are subject to the approval of the Independent Shareholders at the EGM
“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
“Scheme Mandate Limit”	the existing maximum number of Shares which may be allotted and issued upon the exercise of all Options, which shall not in aggregate exceed 10% of the Shares in issue immediately after the capitalisation issue and the share offer (as defined in the prospectus of the Company dated 30 June 2017), and if refreshed, the maximum number of Shares which shall not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit by the Shareholders
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of the Company which are listed on GEM of the Stock Exchange (stock code: 8471)
“Shareholder(s)”	holder(s) of Share(s)
“Share Option Scheme”	the share option scheme adopted by the Company on 24 June 2017
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed thereto under the GEM Listing Rules
“substantial shareholder(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“%”	per cent.

* For identification purposes only



REACH NEW HOLDINGS LIMITED

新達控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8471)

Non-executive Director:

Mr. Lam Cheung Chuen (*Chairman*)

Executive Directors:

Mr. Lam Kai Yuen (*Chief Executive Officer*)

Mr. Lam Kai Cheong

Independent non-executive Directors:

Mr. Moy Yee Wo, Matthew

Mr. Ho Yuk Hay

Mrs. So Chan Wai Hang, *BBS*

Registered Office:

P.O. Box 1350

Clifton House

75 Fort Street

Grand Cayman KY1-1108

Cayman Islands

*Head Office and Principal Place of
Business in Hong Kong:*

Room 203, 2nd Floor

K83

83 Tai Lin Pai Road

Kwai Chung, New Territories

Hong Kong

24 June 2020

To the Shareholders

Dear Sir/Madam,

**PROPOSED GRANT OF SHARE OPTION
TO EXECUTIVE DIRECTORS OF THE COMPANY AND
A DIRECTOR OF A SUBSIDIARY OF THE COMPANY;
PROPOSED REFRESHMENT OF THE SCHEME MANDATE LIMIT
UNDER THE SHARE OPTION SCHEME
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 18 May 2020 in relation to, among others, the grant of Options to Mr. Gabi Lam, Mr. Jeffrey Lam, an employee of the Company and Mr. Yan, in which the grant of Options to Mr. Gabi Lam, Mr. Jeffrey Lam and Mr. Yan is subject to the approval of Independent Shareholders at the EGM.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with (i) information in respect of the Proposed Grant; (ii) the recommendations of the Board, including all the independent non-executive Directors, in relation to the Proposed Grant; (iii) the proposed refreshment of the Scheme Mandate Limit under the Share Option Scheme; and (iv) the notice of the EGM.

2. PROPOSED GRANT OF OPTIONS

Reference is made to the announcement of the Company dated 18 May 2020 in relation to, among others, the conditional grant of Options to Mr. Gabi Lam, Mr. Jeffrey Lam, an employee of the Company and Mr. Yan.

On 18 May 2020, the Board (including all the independent non-executive Directors) resolved to grant the Options to Mr. Gabi Lam, Mr. Jeffrey Lam, an employee of the Company and Mr. Yan to subscribe for a total of 80,000,000 Shares. Among the grant of the 80,000,000 Options, 77,000,000 Options were granted to Mr. Gabi Lam, Mr. Jeffrey Lam and Mr. Yan, which are subject to the approval of the Independent Shareholders at the EGM. The details of the Proposed Grant are as follows:

Name	Position/Capacity	Number of Options Granted	Representing percentage of total number of Shares in issue
Mr. Gabi Lam	Executive Director	18,500,000	2.18%
Mr. Jeffrey Lam	Executive Director	18,500,000	2.18%
Mr. Yan	Director and substantial shareholder of Guangzhou Banchengyun	40,000,000	4.71%
An individual	An employee of the Company	3,000,000	0.35%
Total		80,000,000	9.41%

To the best knowledge and belief of the Board, Mr. Yan is a director and a majority shareholder of Guangzhou Bancheng, the company which holds 49% equity interest in Guangzhou Banchengyun, the non-wholly-owned subsidiary of the Company.

The Company confirms that, to the best of its knowledge, information and belief having made all reasonable enquiries, the employee of the Company above is not a Director, chief executive or substantial shareholder of the Company, or an associate of any of them.

LETTER FROM THE BOARD

Principal terms of the Proposed Grant of Options are set out below:

Date of Grant	:	18 May 2020
Exercise price of Options granted	:	<p>Each Option shall entitle the holder of the Option to subscribe for one Share upon exercise of such option at an exercise price of HK\$0.380 per Share, which is the highest of:</p> <ul style="list-style-type: none">i. the closing price of HK\$0.380 per Share as quoted in the Stock Exchange's daily quotation sheet on the Date of Grant;ii. the average closing price of HK\$0.184 per Share as quoted in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the Date of Grant; andiii. the nominal value of HK\$0.01 per Share.
Total number of Options granted	:	80,000,000 (each Option shall entitle the holder of the Option to subscribe for one Share)
Validity period of the Options	:	Ten years from the Date of Grant, i.e. from 18 May 2020 to 17 May 2030 (both dates inclusive)
Amount payable on acceptance of the Option	:	HK\$1.00 payable upon acceptance of the Options within 21 days from the Date of Grant
Vesting Schedule of the Options	:	<p>For Mr. Gabi Lam, Mr. Jeffrey Lam and an employee of the Company, the grant of Options is not subject to the fulfilment of performance targets, and the vesting schedule of the Options is set out as follows:</p> <p>50% of the Options will be vested on 18 May 2021; and the remaining 50% of the Options will be vested on 18 May 2022.</p>

LETTER FROM THE BOARD

For Mr. Yan, the vesting of the Options is conditional upon the fulfillment of performance targets set out as follows:

- i. If Guangzhou Banchengyun, a non-wholly owned subsidiary of the Company established in the PRC, can achieve an accumulated revenue of RMB2,000,000 to RMB6,000,000 during the period from 1 May 2020 to 30 April 2021, Mr. Yan will be vested with 15,000,000 Options on 18 May 2022;
- ii. If Guangzhou Banchengyun can achieve an accumulated revenue of RMB6,000,000 to RMB10,000,000 and not having a loss before tax of more than RMB1,500,000 during the period from 1 May 2020 to 30 April 2021, Mr. Yan will be vested with 25,000,000 Options on 18 May 2022; or
- iii. If Guangzhou Banchengyun can achieve an accumulated revenue of RMB10,000,000 or more and having a profit before tax of RMB1,000,000 or more during the period from 1 May 2020 to 30 April 2021, Mr. Yan will be vested with 40,000,000 Options on 18 May 2022.

The performance targets of Options to be granted to Mr. Yan is subject to the audited financial results of Guangzhou Banchengyun for the period from 1 May 2020 to 30 April 2021, which shall be evaluated by an independent PRC auditor in accordance with the applicable PRC accounting standards.

If the performance targets are not fulfilled by 30 April 2021, the Company reserves the right to cancel the Options granted to Mr. Yan.

The Shares to be allotted upon exercise of the Options shall rank pari passu with the Shares then in issue in all respects and shall have the same voting rights, rights in respect of any dividend or other distributions paid or made on or after the date of issue, rights of transfer and other rights, including those arising on liquidation of the Company as attached to the Shares in issue on the date of such allotment and will be subject to all the provisions of the articles of association of the Company for the time being in force.

The Options themselves do not carry any right to vote in general meeting of the Company, nor any dividend, transfer or any other rights, including those arising on liquidation of the Company, prior to them being exercised and the underlying Shares being issued.

LETTER FROM THE BOARD

No share option of the Company has been granted to Mr. Gabi Lam, Mr. Jeffrey Lam, the employee of the Company and Mr. Yan within the 12-month period prior to the Proposed Grant. None of the Directors is a trustee of the Share Option Scheme nor has a direct or indirect interest in the trustee(s) of the Share Option Scheme. The grant of the Options to Mr. Gabi Lam, Mr. Jeffrey Lam, the employee of the Company and Mr. Yan are not inter-conditional.

The Proposed Grant has been approved by the independent non-executive Directors in accordance with Rule 23.04(1) of the GEM Listing Rules on 18 May 2020. Each of Mr. Gabi Lam, Mr. Jeffrey Lam and Mr. Yan and their respective associates had abstained from voting in the relevant meeting of the Board approving the resolutions relating to the Proposed Grant.

3. GEM LISTING RULES IMPLICATIONS

Pursuant to Rule 23.03(4) of the GEM Listing Rules and the Share Option Scheme, where any grant of options to an Eligible Participant would result in the securities issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the relevant class of securities in issue, such grant must be separately approved by the Shareholders in general meeting with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting.

Pursuant to Rule 23.04(1) of the GEM Listing Rules and the Share Option Scheme, any grant of options of the Company to a substantial Shareholder or an independent non-executive Director, or any of their respective associates, which would result in the Shares in issue and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (i) representing in aggregate over 0.1% of the Shares in issue; and (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such further grant of share options must be approved by the Shareholders. The Company must send a circular to the Shareholders. The grantee, his associates and all core connected persons of the Company must abstain from voting in favour at such general meeting.

Given that (a) the total number of Shares to be issued upon exercise of the Options granted to Mr. Gabi Lam and Mr. Jeffrey Lam (each being an executive Director), each represents in aggregate over 0.1% of the Shares in issue and having an aggregate value in excess of HK\$5 million, based on the closing price of the Shares of HK\$0.380 per Share on 18 May 2020; and (b) the total number of Shares to be issued upon exercise of the Options granted to Mr. Gabi Lam, Mr. Jeffrey Lam and Mr. Yan would in a 12-month period exceed 1% of the Shares in issue, pursuant to the GEM Listing Rules, the grant of the Options to each of Mr. Gabi Lam, Mr. Jeffrey Lam and Mr. Yan is conditional upon the approval by the Independent Shareholders at the EGM. Mr. Gabi Lam, Mr. Jeffrey Lam and Mr. Yan, their respective associates, including Mr. Lam Cheung Chuen, who is the father of Mr. Gabi Lam

LETTER FROM THE BOARD

and Mr. Jeffrey Lam, and Neo Concept Holdings Limited, a company which is wholly-owned by Mr. Lam Cheung Chuen, and all core connected persons of the Company, shall abstain from voting in favour of the resolutions for the grant of Options at the EGM.

As at the Latest Practicable Date, none of the Shareholders who were required to abstain from voting in favour of the resolution(s) approving the Proposed Grant of Options have given the Company notice of their intention to vote against the resolution(s) at the EGM.

4. EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY UPON EXERCISE OF THE OPTIONS

The shareholding structure of the Company (a) as at the Latest Practicable Date; and (b) immediately upon exercise of all Options granted under the Proposed Grant are as follows:

	As at the Latest Practicable Date		Immediately upon exercise of all Options granted under the Proposed Grant	
	Number of Shares	%	Number of Shares	%
Neo Concept Holdings Limited (Notes 1 & 2)	600,000,000	70.6	600,000,000	64.5
Mr. Gabi Lam	—	—	18,500,000	2.0
Mr. Jeffrey Lam	—	—	18,500,000	2.0
Mr. Yan and his associates	—	—	40,000,000	4.3
Public Shareholders				
— An employee of the Company	—	—	3,000,000	0.3
— Other public Shareholders	<u>250,000,000</u>	<u>29.4</u>	<u>250,000,000</u>	<u>26.9</u>
Total	<u><u>850,000,000</u></u>	<u><u>100</u></u>	<u><u>930,000,000</u></u>	<u><u>100</u></u>

Note 1: 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), 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.

5. REASONS FOR THE PROPOSED GRANT

The purpose of the Proposed Grant of Options is to grant incentive and rewards to recognise the significant efforts, dedication and contributions of Mr. Gabi Lam and Mr. Jeffrey Lam in the development and transformation of the Group's business. The purpose of the Proposed Grant of Options to Mr. Yan is to give incentive to Mr. Yan for the better performance of Guangzhou Banchengyun, the non-wholly-owned subsidiary which develops the information technology business newly tapped into by the Group. The Board considers that the above purpose can be achieved by granting the Options as it demonstrates to the grantees under the Proposed Grant that their efforts and contributions to the Group are valued and will be rewarded.

LETTER FROM THE BOARD

Mr. Gabi Lam and Mr. Jeffrey Lam have both been Directors prior to the listing of the Company on GEM and they are responsible for overseeing the overall strategic planning, business development and day-to-day management of the Group's operations. Both Mr. Gabi Lam and Mr. Jeffrey Lam had devoted themselves to the development and growth of the Group and they have vital roles in the long term development of the Group. The grant of Options to them would thus be a reflection of their historical and expected future contributions to the Group.

As disclosed in the Annual Report 2019 of the Company, the Group is planning to put more resources and effort in exploring potential customers in the PRC, and at the same time to explore potential customers who are PRC and foreign garment brand companies in order to expand the sales and enhance the Group's profitability. In addition, the Group will continue to explore new business opportunities to strengthen the Group's income stream, including sales of garment products through different channels. As some of the Group's customers shifted their production base to the Southeast Asia for the purpose of lower production cost, which affected the sales of the Group, the Group is also planning to explore business opportunities in the Southeast Asia in the near future. The above initiatives in exploring potential customers who are PRC and foreign garment brand companies and potential new business opportunities would be led by Mr. Gabi Lam and Mr. Jeffrey Lam, which in turn demonstrates their expected future contributions to the Company.

As for Mr. Yan, the Board considers that Mr. Yan plays an important role in the development of new business segment of internet and information technology of the Group. He is a director of Guangzhou Banchengyun, the new joint venture company of the Group, for the development of applications for customers and provision of information technology consultancy services, such as social customer relationship management. As disclosed in the voluntary announcement of the Company of 24 April 2020, Guangzhou Bancheng will provide the relevant technology, know-how, expertise and human resources for Guangzhou Banchengyun. As a director and substantial shareholder of Guangzhou Bancheng, Mr. Yan is directly contributing to the relevant technology, know-how and expertise, which are essential components for the success of the new business.

In addition, in the past few months, Mr. Yan has not only introduced new clients to Guangzhou Banchengyun to its social customer relationship management business, but also potential customers and business opportunities to the Group's garment trading business.

Since the Board is of the view that Mr. Yan is an invaluable talent to the Group, who is fundamental to the development of the new business of Guangzhou Banchengyun, the Company wishes to retain Mr. Yan in the Group through the grant of Options to Mr. Yan and by aligning the interests of the Group with Mr. Yan's interests and creating a shared stake in the Company's results. The grant of Options would serve as strong incentive for Mr. Yan to strive for better performance as the amount of Options to be vested with Mr. Yan could vary from 15,000,000 Options to 40,000,000 Options, depending on the financial performance of Guangzhou Banchengyun.

LETTER FROM THE BOARD

In view of the long exercise period of ten years of the Options, which is the maximum period allowed under the Share Option Scheme, the Proposed Grant also serves as an incentive for the grantees under the Proposed Grant to encourage their continuing commitment and contribution in the Group by further aligning the long-term interests of the Group with them. The grantees under the Proposed Grant would share the benefit more if the price of the Shares increases in the long run. This would motivate the grantees to strive for long-term value creation in the Shares. As aforesaid, the number of Options to be vested in Mr. Yan is conditional upon him being able to attain certain performance targets, which in turn encourages his ongoing valuable performance in achieving the goals and business growth of the Group. Therefore, the Board believes that the Proposed Grant is an appropriate way to recognise and acknowledge the contributions of the grantees under the Proposed Grant and to motivate them to optimise their performance and efficiency for the benefit of the Group.

The Board considers that the economic benefits of share options depends upon the increase in share price to be driven by improving the overall management business synergies and operational performances of the Group at which time all the Shareholders also stand to benefit. The grant of Options therefore provides an incentive for the Directors and eligible employees to devote themselves to the increasing profitability of the Group, thereby raising share price and value for the Group and the Shareholders.

In view of the above, the Board considers the Proposed Grant to be in the interests of the Company and the Shareholders as a whole.

6. PROPOSED REFRESHMENT OF THE SCHEME MANDATE LIMIT UNDER THE SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 24 June 2017 for the purpose of enabling the Group to grant Options to Eligible Participants as incentives or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group.

Pursuant to the Share Option Scheme and Chapter 23 of the GEM Listing Rules, the total number of securities which may be issued upon exercise of all options to be granted under a share option scheme and any other schemes of a listed issuer must not in aggregate exceed 10% of the relevant class of securities of the listed issuer (or the subsidiary) in issue as at the date of approval of the scheme. Options lapsed in accordance with the terms of the scheme will not be counted for the purpose of calculating the 10% limit.

The Share Option Scheme and the GEM Listing Rules also provide that the limit on the number of securities which may be issued upon exercise of all outstanding options granted and yet to be exercised under a share option scheme and any other schemes of a listed issuer must not exceed 30% of the relevant class of securities of the listed issuer (or the subsidiary) in issue from time to time. No options may be granted under any share option schemes of the listed issuer (or the subsidiary) if this will result in the limit being exceeded.

Pursuant to the terms of the Share Option Scheme and in compliance with Chapter 23 of the GEM Listing Rules, the Company may seek approval from the Shareholders in a general meeting for refreshing the Scheme Mandate Limit so that the maximum number of Shares

LETTER FROM THE BOARD

which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company shall be reset at 10% of the Shares in issue as at the date of approval of the limit as refreshed.

The existing Scheme Mandate Limit would be 80,000,000 Shares, being 10% of the issued share capital of the Company immediately upon the completion of the capitalisation issue and the share offer (as defined in the prospectus of the Company dated 30 June 2017). Up to the Latest Practicable Date, an aggregate of 80,000,000 Options (representing the entire existing Scheme Mandate Limit) had been granted under the Share Option Scheme, out of which the grant of 77,000,000 Options to Mr. Gabi Lam, Mr. Jeffrey Lam and Mr. Yan in aggregate would be subject to approval at the EGM. Assuming that the grant of 77,000,000 Options to Mr. Gabi Lam, Mr. Jeffrey Lam and Mr. Yan is approved by the Independent Shareholders at the EGM, unless the existing Scheme Mandate Limit was refreshed, no further Shares might be issued pursuant to the grant of further Options under the Share Option Scheme.

The Directors consider that the Company should refresh the existing Scheme Mandate Limit so that the Company could have more flexibility to provide incentives to Eligible Participants by way of granting Options to them. Granting Options to Eligible Participants would provide them an opportunity to have a personal stake in the Company with the view to achieving the objectives of (i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and (ii) attracting and retaining or otherwise maintaining on-going business relationships with Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group. The Eligible Participants are as follows:

- (a) any employee (whether full time or part time, including the Directors (including any executive, non-executive and independent non-executive Director)) of the Company, any subsidiary of the Company or any Invested Entity;
- (b) any supplier of goods or services to any member of the Group or any Invested Entity;
- (c) any customer of any member of the Group or any Invested Entity;
- (d) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- (e) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (f) any adviser (professional or otherwise), consultant, individual or entity who in the opinion of the Directors has contributed or will contribute to the growth and development of the Group; and
- (g) any other groups or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

LETTER FROM THE BOARD

If the refreshment of the existing Scheme Mandate Limit is approved at the EGM, based on the 850,000,000 Shares in issue as at the Latest Practicable Date and assuming that the issued share capital of the Company remains unchanged from the Latest Practicable Date to the date of the EGM, the Company will be allowed under the refreshed Scheme Mandate Limit to grant Options carrying the rights to subscribe for up to a total of 85,000,000 Shares, representing 10% of the issued share capital of the Company as at the EGM.

Apart from the Share Option Scheme, the Company has no other share option scheme currently in force. Apart from the Options granted under the Share Option Scheme which have not been exercised, cancelled or lapsed and remained outstanding as at the Latest Practicable Date, the Company has no outstanding options to subscribe for Shares.

As at the Latest Practicable Date, assuming that the grant of 77,000,000 Options to Mr. Gabi Lam, Mr. Jeffrey Lam and Mr. Yan is approved by the Independent Shareholders at the EGM, the total number of Shares which may fall to be issued upon the exercise of all outstanding Options under the Share Option Scheme is 80,000,000 Shares (which include the Options granted under the Proposed Grant), representing approximately 9.4% of the Shares in issue as at Latest Practicable Date. If the refreshment of the Scheme Mandate Limit is approved at the EGM, the existing outstanding Share Options of the Company and the Share Options that may be granted under the refreshed Scheme Mandate Limit will not exceed 30% of the issued share capital of the Company as at the Latest Practicable Date.

The Directors consider that the refreshment of the Scheme Mandate Limit is in the interests of the Group and the Shareholders as a whole because it enables the Company to reward and motivate its employees and other Eligible Participants.

The proposed refreshment of the Scheme Mandate Limit is conditional upon:

- (i) the passing of an ordinary resolution by the Shareholders at the EGM to approve the proposed refreshment; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Shares to be issued pursuant to the exercise of the Options granted under the refreshed Scheme Mandate Limit.

Application will be made to the Stock Exchange for granting the listing of, and permission to deal in the Shares, representing 10% of the Shares in issue at the EGM, which may fall to be issued upon the exercise of the Share Options that may be granted under the refreshed Scheme Mandate Limit.

No Shareholder is required to abstain from voting in favour of the relevant resolution to approve the proposed refreshment of the Scheme Mandate Limit.

7. EGM AND PROXY ARRANGEMENT

A notice convening the EGM to be held at Room 203, 2nd Floor, K83, 83 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong on Monday, 13 July 2020 at 11:00 a.m., is set out on pages 17 to 19 of this circular.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend and vote at the EGM, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

8. VOTING BY POLL

In accordance with Rule 17.47(4) of the GEM Listing Rules and the Articles of Association, any vote of Shareholders at a general meeting must be taken by poll. Therefore, all the resolutions put to the vote at the EGM will be taken by way of poll. The results of the poll will be announced in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules.

9. RESPONSIBILITY STATEMENT

This circular, 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 circular is accurate and complete in all respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or this circular misleading.

10. CLOSE OF REGISTER OF MEMBERS

For the purpose of ascertaining the shareholders of the Company who are entitled to attend and vote at the meeting, the register of members of the Company will be closed from Wednesday, 8 July 2020 to Monday, 13 July 2020, both dates inclusive. During such period, no share transfers will be effected. In order to qualify for attending and voting at the Meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 7 July 2020.

11. RECOMMENDATION

The Board (excluding Mr. Lam Cheung Chuen, Mr. Gabi Lam and Mr. Jeffrey Lam, who are required to abstain from voting but including the independent non-executive Directors regarding the resolutions of the grant of Options) believes that the Proposed Grant and the proposed refreshment of the Scheme Mandate Limit are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders (excluding Mr. Lam Cheung Chuen, Mr. Gabi Lam and Mr. Jeffrey Lam, who are

LETTER FROM THE BOARD

required to abstain from voting but including the Independent Shareholders regarding the resolutions of the grant of Options) to vote in favour of the resolutions to be proposed at the EGM.

Your attention is drawn to the “Letter from the Independent Non-executive Directors” in the Appendix of this circular, which sets out the recommendation of the independent non-executive Directors to the Independent Shareholders as to voting in relation to the resolutions to be proposed at the EGM for the approval of the Proposed Grant.

12. GENERAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular. The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

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

**REACH NEW HOLDINGS LIMITED****新達控股有限公司***(Incorporated in the Cayman Islands with limited liability)***(Stock Code: 8471)**

24 June 2020

To the Independent Shareholders

Dear Sir or Madam,

**GRANT OF SHARE OPTION TO EXECUTIVE DIRECTORS OF
THE COMPANY AND A DIRECTOR OF A SUBSIDIARY OF
THE COMPANY UNDER THE SHARE OPTION SCHEME**

We refer to the circular of the Company dated 24 June 2020 to the shareholders of the Company (the “**Circular**”) of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

This letter sets out our recommendation to the Independent Shareholders as to voting in relation to the resolutions to be proposed at the EGM for the approval of the proposed grant of Options to Mr. Gabi Lam (an executive Director), Mr. Jeffrey Lam (an executive Director) and Mr. Yan (a director and a substantial shareholder of Guangzhou Banchengyun, an indirect non-wholly-owned subsidiary of the Company).

Having considered the significant efforts and contribution of Mr. Gabi Lam Kai Yuen, Mr. Jeffrey Lam and Mr. Yan in the development of the Group’s business and as an incentive for their continuing commitment and contribution to the Group in the future, we are of the view that the terms of the Proposed Grant are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Therefore, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the grant of Options to Mr. Gabi Lam, Mr. Jeffrey Lam and Mr. Yan respectively.

So Chan Wai Hang**Ho Yuk Hay****Moy Yee Wo, Matthew***Independent Non-executive Directors*

NOTICE OF THE EGM



REACH NEW HOLDINGS LIMITED

新達控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8471)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of shareholders of Reach New Holdings Limited (the “**Company**”) will be held at Room 203, 2nd Floor, K83, 83 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong on Monday, 13 July 2020 at 11:00 a.m., to consider and, if thought fit, to pass with or without amendments, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the grant of share options to Mr. Lam Kai Yuen under the Share Option Scheme adopted by the Company on 24 June 2017 (the “**Share Option Scheme**”) to subscribe for 18,500,000 shares in the share capital of the Company (the “**Share(s)**”) at the exercise price of HK\$0.380 per Share and on the terms and conditions set out in the Circular to the shareholders of the Company dated 24 June 2020 (the “**Circular**”) be and is hereby approved;
- (b) the grant of share options to Mr. Lam Kai Cheong under the Share Option Scheme to subscribe for 18,500,000 Shares at the exercise price of HK\$0.380 per Share and on the terms and conditions set out in the Circular be and is hereby approved;
- (c) the grant of share options to Mr. Yan Yiming* (晏藝銘) under the Share Option Scheme to subscribe for 40,000,000 Shares at the exercise price of HK\$0.380 per Share and on the terms and conditions set out in the Circular be and is hereby approved; and
- (d) any director of the Company (the “**Director(s)**”) be and is hereby authorised to do all such acts and/or execute all documents in relation in the grant of share options as may be necessary or expedient in order to give effect to the foregoing.”

NOTICE OF THE EGM

2. “**THAT** subject to and conditional upon The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, such number of Shares which may fall to be allotted and issued pursuant to the exercise of the options which may be granted under the Refreshed Scheme Mandate (as defined below) pursuant to the Share Option Scheme:
- (a) approval be and is hereby granted for refreshing the 10% mandate under the Share Option Scheme (“**Refreshed Scheme Mandate**”) provided that the total number of Shares which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company (or its subsidiaries) under the limit as refreshed hereby shall not exceed 10% of the total number of issued Shares as at the date on which this resolution is passed (options previously granted under the Share Option Scheme and any other share option schemes of the Company or its subsidiaries, including options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company or its subsidiaries, shall not be counted for the purpose of calculating the Refreshed Scheme Mandate); and
- (b) the Directors or a duly authorised committee of the Company be and they are hereby authorised: (i) at their absolute discretion, to grant options to subscribe for Shares within the Refreshed Scheme Mandate in accordance with the rules of the Share Option Scheme, and (ii) to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme within the Refreshed Scheme Mandate.”

* For identification purposes only

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

Hong Kong, 24 June 2020

As at the date of this notice, 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.

Notes:

1. For the purpose of ascertaining the shareholders of the Company who are entitled to attend and vote at the meeting, the register of members of the Company will be closed from Wednesday, 8 July 2020 to Monday, 13 July 2020, both dates inclusive. During such period, no share transfers will be effected. In order to qualify for attending and voting at the Meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 7 July 2020.

NOTICE OF THE EGM

2. Any member of the Company entitled to attend and vote at the Meeting shall be entitled to appoint person as his/her proxy to attend and vote instead of him/her. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a member of the Company. On a poll, votes may be given either personally or by proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorized on its behalf.
4. Where there are joint registered holders of any Shares, any one of such persons may vote at the Meeting (or any adjournment thereof), either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
5. In order to be valid, the instrument appointing a proxy and, if requested by the board of Directors, the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's branch registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
6. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date of its execution, except at an adjourned meeting or on a poll demanded at a meeting or an adjourned meeting in a case where the meeting was originally held within 12 months from such date.
7. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
8. A form of proxy for use by shareholders at the Meeting is enclosed and such form of proxy is also published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.sthl.com.hk.