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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)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2019

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-size 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given that the companies listed on GEM and 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the “**Directors**” or individually, a “**Director**”) of Reach New Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company and its subsidiaries (collectively the “**Group**”). 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.*

HIGHLIGHTS

- The Group recorded an unaudited revenue of approximately RMB40.1 million for the six months ended 30 June 2019 (six months ended 30 June 2018: approximately RMB50.1 million), representing a decrease of approximately 20.0% over the same period of 2018.
- The unaudited loss of the Group for the six months ended 30 June 2019 amounted to approximately RMB1.7 million (six months ended 30 June 2018: unaudited loss of approximately RMB0.4 million).
- The basic loss per share for the six months ended 30 June 2019 was RMB0.21 cent (six months ended 30 June 2018: basic loss per share of RMB0.05 cent).
- The board of Directors resolved not to declare an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2019, together with the comparative unaudited figures for the corresponding period in 2018, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	<i>Notes</i>	Three months ended 30 June		Six months ended 30 June	
		2019	2018	2019	2018
		RMB'000	RMB'000	RMB'000	RMB'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	4	20,668	28,573	40,136	50,147
Cost of sales		<u>(13,695)</u>	<u>(19,546)</u>	<u>(27,519)</u>	<u>(34,205)</u>
Gross profit		6,973	9,027	12,617	15,942
Other income and gains		412	1,289	88	302
Distribution and selling expenses		(1,152)	(1,310)	(2,285)	(2,483)
Administrative expenses		<u>(5,175)</u>	<u>(7,749)</u>	<u>(11,397)</u>	<u>(13,210)</u>
Profit/(loss) before tax		1,058	1,257	(977)	551
Income tax expenses	5	<u>(680)</u>	<u>(486)</u>	<u>(680)</u>	<u>(935)</u>
Profit/(loss) for the period	6	<u>378</u>	<u>771</u>	<u>(1,657)</u>	<u>(384)</u>
Earnings/(loss) per share,					
— Basic (RMB cents)	8	<u>0.05</u>	<u>0.1</u>	<u>(0.21)</u>	<u>(0.05)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

		As at 30 June 2019 <i>RMB'000</i> (Unaudited)	As at 31 December 2018 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	9	16,246	18,719
Intangible assets		880	351
Deposit for acquisition for property, plant and equipment		538	1,110
		17,664	20,180
CURRENT ASSETS			
Inventories		3,762	4,153
Trade receivables	10	14,167	14,107
Prepayments and other receivables		1,745	2,235
Amount due from ultimate holding company	11	2	–
Bank balances and cash		43,294	41,723
		62,970	62,218
CURRENT LIABILITIES			
Trade payables	12	6,134	4,825
Other payables		3,031	5,134
Contract liabilities		675	236
Tax payable		637	389
		10,477	10,584
NET CURRENT ASSETS		52,493	51,634
TOTAL ASSETS LESS CURRENT LIABILITIES			
		70,157	71,814
NON-CURRENT LIABILITY			
Deferred tax liability		55	55
NET ASSETS		70,102	71,759
CAPITAL AND RESERVES			
Share capital	13	6,890	6,890
Reserves		63,212	64,869
TOTAL EQUITY		70,102	71,759

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
At 1 January 2019 (Audited)	6,890	36,775	14,145	13,949	71,759
Loss and total comprehensive expense for the period	—	—	—	(1,657)	(1,657)
At 30 June 2019 (Unaudited)	<u>6,890</u>	<u>36,775</u>	<u>14,145</u>	<u>12,292</u>	<u>70,102</u>
At 1 January 2018 (Audited)	6,890	36,775	14,145	16,733	74,543
Loss and total comprehensive expense for the period	—	—	—	(384)	(384)
At 30 June 2018 (Unaudited)	<u>6,890</u>	<u>36,775</u>	<u>14,145</u>	<u>16,349</u>	<u>74,159</u>

Note: As part of the group reorganisation, there are series of restructuring within Reach New Holdings Limited (the “Company”) and its subsidiaries mainly involved interspersing investment holding entities between the operating subsidiaries and investment holding companies. The difference between the Company’s share capital and the combined paid-in capital of 新天倫服裝配料(惠州)有限公司 and 新天倫服裝輔料(惠州)有限公司, the indirect wholly-owned subsidiaries of the Company established in the People’s Republic of China, was credited to other reserve on 30 November 2016.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net cash from (used in) operating activities	<u>808</u>	<u>(1,402)</u>
Investing activities		
Purchase of property, plant and equipment	(247)	(1,906)
Proceeds on disposal of properties, plant and equipment	969	–
Advanced to ultimate holding company	(2)	–
Interest received	88	27
Repayment from our ultimate holding company	<u>–</u>	<u>16</u>
Net cash from (used in) investing activities	<u>808</u>	<u>(1,863)</u>
Net increase (decrease) in cash and cash equivalents	<u>1,616</u>	<u>(3,265)</u>
Cash and cash equivalents at the beginning of period	<u>41,723</u>	<u>44,638</u>
Effect of foreign exchange rate changes	(45)	–
Cash and cash equivalents at end of period, representing bank balances and cash	<u><u>43,294</u></u>	<u><u>41,373</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 22 January 2016. Its registered office is located at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands. The address of its headquarters and principal place of business in the People's Republic of China ("PRC") is located at Sun Tin Lun Industrial Centre, No. 6 Taihao Road, Sandong Digital Industrial Park, Sandong Town, Huizhou City, Guangdong Province, China. The ordinary shares of the Company (the "Shares") have been listed on GEM of the Stock Exchange since 21 July 2017 (the "Listing"). Its parent Company is Neo Concept Holdings Limited ("Neo Concept"), a private company incorporated in the British Virgin Islands ("BVI"). Its ultimate controlling party is Mr. Lam Cheung Chuen ("Mr. Lam"), who is also the chairman and a non-executive Director of the Company.

The Company is an investment holding company. The Group is principally engaged in the provision of labelling solution and production and supply of garment accessories in the PRC.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019 have been prepared in accordance with accounting principles generally accepted in Hong Kong and have complied with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the GEM Listing Rules.

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019 have been prepared under the historical cost convention.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2019 have not been audited by the Company's independent auditor, but have been reviewed by the Company's audit committee.

The preparation of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019 is in conformity with the HKFRSs requirements in the use of certain critical accounting estimates. The HKFRSs also require the management to exercise their judgements in the process of applying the Group's accounting policies.

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019 are presented in Renminbi ("RMB"), which is the same functional currency of the Company.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short term lease recognition exemption to lease of that have a lease term of 12 months or less from the commencement date and do not retain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;

- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* (“**HKFRS 9**”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of machinery and equipment in the People's Republic of China/properties in Hong Kong/other (to specify) was determined on a portfolio basis; and
- v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has not made the adjustments upon application of HKFRS 16 because the Group elected not to recognise right-of-use assets and liabilities for lease with lease term ends within 12 months of the date of initial application.

4. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Types of products — at point in time recognition:		
Sales of printed products	16,219	21,221
Sales of woven labels	8,687	10,711
Sales of printed labels	11,507	12,972
Others	3,723	5,243
	<u>40,136</u>	<u>50,147</u>

Types of customers

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Garment brand companies	477	1,000
Sourcing companies designated by garment brand companies	8,516	11,288
Garment manufacturers	31,143	37,859
	<u>40,136</u>	<u>50,147</u>

The Group sells garment accessories directly to customers and revenue is recognised when control of the goods has transferred, being when the goods have been shipped from the warehouse (delivery). Following delivery, customers have full discretion over the manner of distribution and price to sell the goods, have the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 90 days upon delivery.

Information reported to the chief executive officer of the Group, being the chief operating decision maker (“CODM”) regularly review revenue analysis by major products as set out in the revenue analysis above for the purpose of resource allocation and assessment of performance. However, other than revenue analysis, no operating results and other discrete consolidated financial statements is regularly reviewed by the CODM for the purpose of resource allocation and assessment of performance of respective businesses which generate different types of revenue. The CODM reviews the operating results of the Group as a whole to make decisions about resource allocation and for performance assessment. The operation of the Group constitutes one single operating and reportable segment under HKFRS 8 “Operating Segments” and accordingly no separate segment information is presented.

Geographical information

Revenue by geographical location

The Group's operations are located in the PRC. Most of the Group's non-current assets and capital expenditure are located or utilised in the PRC.

Information about major customers

Revenue from a customer that individually contributing over 10% of the total sales are as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	8,516	11,288

5. INCOME TAX EXPENSES

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
Provision for the period	680	935

The Group is not subject to any income tax in the Cayman Islands and the BVI pursuant to the rules and regulations in those jurisdictions.

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits derived from or earned in Hong Kong for the six months ended 30 June 2019 and 2018.

The Group is subject to PRC Enterprise Income Tax ("PRC EIT") at a rate of 25% (2018: 25%) and dividend withholding tax at a rate of 5% for the six months ended 30 June 2019.

Current tax provision represents provision for PRC EIT.

6. PROFIT/(LOSS) FOR THE PERIOD

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit/(loss) for the period has been arrived at after charging:		
Directors' remuneration	1,479	1,367
Staff costs		
— salaries and wages	10,513	15,015
— retirement benefits scheme contributions, excluding directors	1,219	1,461
Total directors and other staff costs	13,211	17,843
Allowance for doubtful debt	339	—
Depreciation	1,474	1,802
Amortisation of an intangible asset	43	14
Minimum lease payment under operating lease	1,463	1,395

7. DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2019 (30 June 2018: nil).

8. EARNINGS/(LOSS) PER SHARE

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings/(loss) for the purpose of calculating basic earnings/(loss) per Share		
Loss for the period attributable to owners of the Company	(1,657)	(384)
	Six months ended 30 June	
	2019	2018
	'000	'000
	(Unaudited)	(Unaudited)
Number of Shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per Share	800,000	800,000

No diluted earnings per share is presented for the six months ended 30 June 2019 and 2018 as there is no potential ordinary share in issue.

9. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2019, the Group acquired plant and equipment with aggregate cost of approximately RMB247,000 (30 June 2018: approximately RMB1,905,000).

10. TRADE RECEIVABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade receivables	15,244	14,845
Less: allowance for bad and doubtful receivables	(1,077)	(738)
	<u>14,167</u>	<u>14,107</u>

The Group allows credit periods ranging from 30 to 90 days to its trade customers. Before accepting any new customer, the Group makes enquiries to assess the potential customer's credit quality and defines credit limits by customer. Credit limits and scoring attributed to customers are reviewed annually. The following is an ageing analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within 90 days	13,439	13,538
91–180 days	427	326
181–365 days	301	243
Over 365 days	–	–
	<u>14,167</u>	<u>14,107</u>

As at 30 June 2019, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of approximately RMB2,119,000 (31 December 2018: RMB1,606,000) which are past due as at the end of reporting period. Out of the past due balances, approximately RMB341,000 (31 December 2018: RMB367,000) has been past due 90 days or more and is not considered as in default as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collaterals over these balances.

11. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

The amount due from ultimate holding company is unsecured, non-trade nature, interest-free and recoverable on demand.

12. TRADE PAYABLES

The following is an aging analysis of trade payables presented based on the invoice date at the end of the reporting period.

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within 90 days	4,374	4,505
91–180 days	1,578	150
181–365 days	182	27
Over 365 days	–	143
Total	<u>6,134</u>	<u>4,825</u>

The credit period on trade payables ranges from 30 to 90 days (31 December 2018: ranges from 30 to 90 days) for the six months ended 30 June 2019. The Group has financial risk management policies in place to ensure all payables are settled within the credit time frame.

13. SHARE CAPITAL

	Number of shares	Share capital HK\$
Ordinary shares of HK\$0.01 each		
Authorised:		
At 22 January 2016 (date of incorporation)	38,000,000	380,000
Increased in authorized share capital on 24 June 2017	<u>1,962,000,000</u>	<u>19,620,000</u>
At 31 December 2018, 1 January 2019 and 30 June 2019	<u>2,000,000,000</u>	<u>20,000,000</u>
Issued and fully paid:		
At 22 January 2016 (date of incorporation)	100	1
Capitalisation issue (<i>note a</i>)	599,999,900	5,999,999
Issuance of shares (<i>note b</i>)	<u>200,000,000</u>	<u>2,000,000</u>
At 31 December 2018, 1 January 2019 and 30 June 2019	<u>800,000,000</u>	<u>8,000,000</u>
		<i>RMB</i>
Shown in the unaudited condensed consolidated financial statements as		<u>6,890,000</u>

Notes:

- (a) On 21 July 2017, pursuant to the written resolution of the sole shareholder passed on 24 June 2017, 599,999,900 new shares were allotted and issued by way of capitalisation of the amount of HK\$5,999,999 standing to the credit of the share premium account of the Company.
- (b) On 21 July 2017, the Company issued 200,000,000 new shares at HK\$0.3 per share for a total gross proceeds of approximately HK\$60,000,000 by way of initial public offering of the Company on GEM of the Stock Exchange. The proceeds of HK\$8,000,000, equivalent to RMB6,890,000, representing the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of HK\$52,000,000, equivalent to RMB44,785,000, before deducting the listing expenses, were credited to share premium account of the Company.

14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

15. OPERATING LEASE COMMITMENTS

The Group as lessee

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Minimum lease payments under operating leases during the period in respect of premises owned by		
— related parties	1,431	1,367
— independent third parties	32	28
	<u>1,463</u>	<u>1,395</u>

As at 30 June 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises for factory and office which fall due as follows:

	As at 30 June 2019		
	Premises owned by related parties	Premises owned by independent third party	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
Within one year	1,431	65	1,496
In the second to fifth years inclusive	—	—	—
	<u>1,431</u>	<u>65</u>	<u>1,496</u>

As at 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises for factory, office and director and staff quarters which fall due as follows:

	As at 31 December 2018		
	Premises owned by related parties <i>RMB'000</i> (Audited)	Premises owned by independent third party <i>RMB'000</i> (Audited)	Total <i>RMB'000</i> (Audited)
Within one year	2,726	49	2,775
In the second to fifth years inclusive	—	25	25
	<u>2,726</u>	<u>74</u>	<u>2,800</u>

Operating lease payments represent rentals payable to related parties and independent third parties by the Group for certain of its premises. Leases were negotiated for terms ranging from two to three years and rentals were fixed over the terms of the leases.

16. RELATED PARTY DISCLOSURES

Apart from details of the balances with related parties disclosed in the condensed consolidated financial statements, the Group also entered into the following transactions with related parties during the period:

Name of related company/party	Nature of transactions	Six months ended 30 June	
		2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Unaudited)
史威特服飾(惠州)有限公司	Rental Paid (<i>note</i>)	<u>1,431</u>	<u>1,367</u>

Note: Mr. Lam, the non-executive Director and the controlling shareholder of the Company, is the ultimate beneficial owner of 史威特服飾(惠州)有限公司.

17. SUBSEQUENT EVENTS

The Board was not aware of any material events after the reporting period that have to be disclosed.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is an established labelling solution provider and a one-stop garment accessories manufacturer and supplier based in the PRC. The Group's products can be categorised into three main types being (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 the customers in the PRC.

During the six months ended 30 June 2019, the Group continued to serve a large number of garment brand companies, sourcing companies designated by the garment brand companies and garment manufacturers in the PRC.

FINANCIAL REVIEW

Revenue and gross profit

The Group's revenue, which is principally generated from the direct sales of (i) printed products (e.g. hangtags, price tags and stickers), (ii) woven labels (e.g. woven brand labels, woven size labels and badges), (iii) printed labels (e.g. printed brand labels, printed size labels and care content labels) and (iv) other garment accessories (e.g. tapes, string locks, leather badge, buttons and metal products) was approximately RMB40.1 million for the six months ended 30 June 2019 and RMB50.1 million for the same period in 2018. The decrease in the Group's revenue was mainly due to the continuous cost reduction measures taken by the Group's customers given the advent of trade protectionism and intensifying trade disputes between the PRC and the United States of America. In addition, a potential decline in the macro-economic situation in the PRC in the second quarter of 2019 also drove down the demand.

Due to the above mentioned economic atmosphere and the keen price competition in garment market, some of our customers in the PRC are facing the drop of garment sales order, and the Group's product is in correlation relationship with our customers garment sales order and hence, the Group's revenue decreased.

Moreover, some of our customers shift their production base to the South East Asia for the purpose of lower production cost and to lesser impact to the trade war between United State of America and the PRC, and hence, the Group's sales decreased.

The Group will put more resources and effort in exploring the potential customers in the PRC and at the same time to explore the potential PRC and foreign garment brand companies in order to expand the sales and enhance its profitability.

Cost of sales and gross profit

During the six months ended 30 June 2019, the Group's gross profit decreased by approximately 21.3% from approximately RMB15.9 million for the six months ended 30 June 2018 to approximately RMB12.6 million for the six months ended 30 June 2019. The Group's cost of sales primarily consists of material costs, direct labour costs, subcontracting costs, rental and rates, depreciation on machinery and utilities.

During the six months ended 30 June 2019, the Group's revenue decreased by 20.0% while the cost of sales decrease by 19.5%, as a result, the Group's gross profit margin slightly decreased from approximately 31.8% for the six months ended 30 June 2018 to approximately 31.4% for the six months ended 30 June 2019.

Distribution and selling expenses

Distribution and selling expenses decreased to approximately RMB2.3 million for the six months ended 30 June 2019 from approximately RMB2.5 million for the six months ended 30 June 2018. Despite the drop of revenue during the period, the Group keep on putting resources and effort in sales and marketing to explore potential customers in the PRC market targeting to gain market share and maintain our margin in keen competition. This results disproportionate decrease of our distribution cost compared to our drop in revenue.

Administrative expenses

Administrative expenses decreased to approximately RMB11.4 million for the six months ended 30 June 2019 from approximately RMB13.2 million for the six months ended 30 June 2018, which was mainly due to cost cutting exercise implemented during the period. The drop of headcount of our administration staffs together with streaming workflow helped to decrease our administrative expenses. Administrative expenses consist primarily of staff costs and benefits, depreciation (excluding depreciation for plant and machinery), office expenses and other general administrative expenses.

Profit/(loss) for the period

The Group's unaudited loss was approximately RMB1.7 million for the six months ended 30 June 2019, as compared to unaudited loss of approximately RMB0.4 million for the six months ended 30 June 2018. The loss was mainly due to the significant drop in revenue as mentioned above during the reporting period when comparing with that of the same period in previous year despite our cost cutting in other area such as distribution and selling expenses and administrative expenses.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2019, the Group mainly financed its operations with its own working capital. As at 30 June 2019, the Group had net current assets of approximately RMB52.5 million (31 December 2018: RMB51.6 million), including cash and bank balances of approximately RMB43.3 million (31 December 2018: RMB41.7 million). The Group's current ratio as at 30 June 2019 was approximately 6.0 (as at 31 December 2018 was approximately 5.9).

GEARING RATIO

The gearing ratio of the Group as at 30 June 2019 was nil (31 December 2018: nil) as the Group had no outstanding loans and borrowings nor bank overdrafts as at 30 June 2019.

COMMITMENTS

The Group's contractual commitments primarily related to the leases of its premises for factory and office. The Group's operating lease commitments amounted to approximately RMB1.5 million as at 30 June 2019 (31 December 2018: RMB2.8 million). As at 30 June 2019, the Group did not have any significant capital commitments (31 December 2018: nil).

CAPITAL STRUCTURE

Details of changes in the Company's share capital are set out in Note 13 to the condensed consolidated financial statements of the Group in the report. There has been no changes in the share capital structure of the Company since the Listing Date.

SIGNIFICANT INVESTMENTS

As at 30 June 2019, the Group did not hold any significant investments.

MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 30 November 2016, the Group completed the Reorganisation, details of which are set out in the paragraph headed "History, Development and Reorganisation — Reorganisation" in the Prospectus. Subsequent to the completion of the Reorganisation and up to 30 June 2019, the Group did not have any acquisitions or disposals of subsidiaries or affiliated companies.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any material contingent liabilities (31 December 2018: nil).

FOREIGN EXCHANGE EXPOSURE

The business operations of the Group's subsidiaries were conducted mainly in the PRC with revenues and expenses of the Group's subsidiaries denominated mainly in RMB. As at 30 June 2019, the Group's cash and bank deposits were denominated mainly in RMB, with some denominated in Hong Kong dollars. Any significant exchange rate fluctuations of Hong Kong dollars against RMB as the functional currency may have a financial impact on the Group.

The Directors considered the Group's foreign exchange risk to be insignificant. During the six months ended 30 June 2019, the Group did not use any financial instruments for hedging purposes.

TREASURY POLICIES

The Group adopts prudent treasury policies. The Group's management performs ongoing credit evaluation of the financial conditions of the customers in order to reduce the Group's exposure of credit risk. Besides, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

PLEDGE OF ASSETS

As at 30 June 2019, the Group did not pledge any assets (31 December 2018: nil) as securities for any facilities granted to the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group employed a total of 277 full-time employees (30 June 2018: 336 full time employees). The Group's employee benefit expenses mainly included salaries, wages, other staff benefits and contributions to retirement schemes. For the six months ended 30 June 2019, the Group's total employee benefit expenses (including Directors' emoluments) amounted to approximately RMB13.2 million (30 June 2018: RMB17.8 million). Remuneration is determined with reference to market term and the performance, qualification and experience of individual employee.

SHARE OPTION SCHEME

A share option scheme was adopted and approved by the then sole shareholder of the Company on 24 June 2017 (the "**Share Option Scheme**"). The terms of the Share Option Scheme are in accordance with Chapter 23 of the GEM Listing Rules. The principal terms of the Share Option Scheme are summarised in the paragraph headed "D. Share Option Scheme" in Appendix IV to the Prospectus. No share options have been granted pursuant to the Share Option Scheme since its adoption and up to the date of this announcement.

DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

FUTURE PROSPECTS

Looking forward, the Directors consider that the Group will continue to be affected by (i) keen price competition in the garment accessory market in the PRC; and (ii) the factors affecting the labour and material costs. Having said that, the Directors are of the view that the garment accessory market is a relatively stable market and expected to maintain steady growth in the coming years. In order to deal with the challenging market conditions, the Group will continue to undertake cost control measures and broaden customer base and product offerings. In addition, the Group will continue to explore new business opportunities to strengthen our income stream, including sales of garment products through different channels.

In addition of our extensive experience and reputation in the garment accessories market, we believe that we will achieve a sustainable business growth and long-term benefits for our shareholders.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as those disclosed in the Prospectus and in this announcement, the Group currently has no other plan for material investments and capital assets.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's key risk exposures are summarised as follows:

- (i) The Group has not entered into long-term contracts with its customers and it is difficult for the Group to forecast future order quantities;
- (ii) The Group relies on demand from its customers and its revenue may be materially and adversely affected if demand from them decreases in the future;
- (iii) The Group may experience a shortage of labour or its labour costs may continue to increase;
- (iv) The Group's historical financial information may not necessarily reflect the Group's performance in the future;
- (v) The Group may lose its customers if they move their factories from the PRC;
- (vi) If the Group fails to keep up with the pace of technological developments in the garment accessories industry, it may lose its competitiveness; and
- (vii) The Group may be materially and adversely affected by the demand of environmental groups on excessive printing materials.
- (viii) The Group may experience an increase of materials cost due to the increasing trend of production material prices.

For the details of other risks and uncertainties facing the Group, please refer to the section headed "Risks Factors" in the Prospectus.

USE OF PROCEEDS AND BUSINESS OBJECTIVES

The net proceeds from the Listing, after deducting listing-related expenses, were approximately HK\$37.6 million (equivalent to approximately RMB32.7 million). After the Listing, part of these proceeds have been applied for the purposes in accordance with the future plans and use of proceeds as set out in the Prospectus.

An analysis of the utilisation of the net proceeds from the Listing as at 30 June 2019 is set out below:

Use of net proceeds	Total planned amount to be used <i>HK\$'million</i>	Planned use of proceed up to 30 June 2019 <i>HK\$'million</i>	Actual amount utilised up to 30 June 2019 <i>HK\$'million</i>	Actual balance as at 30 June 2019 <i>HK\$'million</i>
Upgrading our production facilities and digital printing technology	17.0	17.0	1.8	15.2
Developing the capability of applying RFID technology to our products	3.0	3.0	0.5	2.5
Enhancing our heat transfer printing production facilities	6.0	6.0	4.1	1.9
Upgrading our information technology systems	5.3	5.3	1.6	3.7
Expansion of our sales and marketing department	3.0	2.0	0.7	2.3
General working capital	3.3	—	2.5	0.8
Total	37.6	33.3	11.2	26.4

Note: Actual amount of use of proceeds was lower as compared to the planned amount of use of proceeds which was mainly attributable to a longer time is needed for the Directors to identify and to compare the price and specifications of suitable machines, with application of digital printing technology and RFID technology and heat transfer production where the upgrading and developing of production lines are expected to be carried out in the remaining period of 2019.

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

All the unutilised balance of the net proceeds have been placed in licenced banks in Hong Kong or China as at 30 June 2019.

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2019, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or which would be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein; or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, required to be notified to the Company and the Stock Exchange, are as follows:

INTERESTS IN THE COMPANY

Name of Director	Capacity/nature of interest	Number of Shares	Percentage of interest in the Company
Mr. Lam	Interest in controlled corporation (<i>Note</i>)	600,000,000 (Long position)	75%

Note: The 600,000,000 Shares are held by Neo Concept, which is wholly and beneficially owned by Mr. Lam. By virtue of the SFO, Mr. Lam is deemed to be interested in all the Shares held by Neo Concept.

INTERESTS IN ASSOCIATED CORPORATIONS OF THE COMPANY

Name of Director	Name of associated corporation	Nature of interest	Number of shares in associated corporation	Percentage of shareholding in associated corporation
Mr. Lam	Neo Concept	Beneficial owner	100 (Long position)	100%

Save as disclosed above, as at 30 June 2019, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, required to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

So far as it is known to the Directors, as at 30 June 2019, the following persons, not being a Director or chief executive of the Company, had or deemed or taken to have an interest or short position in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which were required to be recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/nature of interest	Number of shares	Percentage of interest in the Company
Neo Concept	Beneficial owner	600,000,000 (Long position)	75%
Ms. Wong Ching Yuk	Interest of spouse (<i>Note</i>)	600,000,000 (Long position)	75%

Note: Ms. Wong Ching Yuk is the spouse of Mr. Lam. Accordingly, by virtue of the SFO, she is deemed to be interested in all the Shares in which Mr. Lam is interested.

Save as disclosed above, as at 30 June 2019, the Directors are not aware of any interests or short positions owned by any parties (other than a Director or chief executive of the Company) in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities throughout the six months ended 30 June 2019.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealing as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all the Directors, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors for the six months ended 30 June 2019.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules ("**CG Code**"). For the six months ended 30 June 2019, the Board and the management of the Company are committed to maintaining and achieving a high standard of corporate governance practices with an emphasis on a quality Board, an effective accountability system and a healthy corporate culture in order to safeguard the interests of the Shareholders and enhance the business growth of the Group. The Company has complied with the CG Code in all material respects for the six months ended 30 June 2019.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the Prospectus, no Director had a material interest in any contract of significance to the business of the Group, to which the Company or any of its subsidiaries was a party during the six months ended 30 June 2019.

COMPETING INTERESTS

To the best the Directors' knowledge, none of the controlling shareholders of the Company, the Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business, or had any other conflict of interest with the Group, during the six months ended 30 June 2019.

INTEREST OF COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Alliance Capital Partners Limited ("**Alliance Capital**") to be the compliance adviser. As informed by Alliance Capital, neither Alliance Capital nor any of its directors or employees or associates, has or may have, any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules, except for the compliance adviser agreement entered into between the Company and Alliance Capital dated 7 March 2017.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established on 24 June 2017. The terms of reference in compliance with paragraph C3.3 of the CG Code have been adopted for the Audit Committee. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of external auditor; review the financial statements and give advice in respect of financial reporting; oversee financial reporting system, risk management and internal control systems of the Company; and review the continuing connected transactions of the Company.

The Audit Committee currently consists of three members, namely Mr. Ho Yuk Hay (chairman of the Audit Committee), Mr. Moy Yee Wo, Matthew and Mrs. So Chan Wai Hang, all being independent non-executive Directors. No member of the Audit Committee is a member of the former or existing independent auditor of the Company. The Audit Committee has reviewed the interim report, including the unaudited interim financial information and is of the opinion that the preparation of such statements comply with the applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

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

Hong Kong, 12 August 2019

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