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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 2020**

CHARACTERISTICS OF 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-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 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 RMB25.3 million for the six months ended 30 June 2020 (six months ended 30 June 2019: approximately RMB40.1 million), representing a decrease of approximately 36.9% over the same period of 2019.
- The unaudited loss of the Group for the six months ended 30 June 2020 amounted to approximately RMB5.8 million (six months ended 30 June 2019: unaudited loss of approximately RMB1.7 million).
- The basic loss per share for the six months ended 30 June 2020 was RMB0.64 cent (six months ended 30 June 2019: basic loss per share of RMB0.21 cent).
- The board of Directors resolved not to declare an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2020

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 2020, together with the comparative unaudited figures for the corresponding period in 2019, as follows:

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

For the six months ended 30 June 2020

		Three months ended 30 June		Six months ended 30 June	
		2020	2019	2020	2019
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	4	15,672	20,668	25,349	40,136
Cost of sales		<u>(12,693)</u>	<u>(13,695)</u>	<u>(19,784)</u>	<u>(27,519)</u>
Gross profit		2,979	6,973	5,565	12,617
Other income and gains		413	412	1,471	88
Distribution and selling expenses		(1,149)	(1,152)	(2,003)	(2,285)
Administrative expenses		(5,710)	(5,175)	(10,685)	(11,397)
Finance cost		<u>(98)</u>	—	<u>(188)</u>	—
(Loss)/profit before tax		(3,565)	1,058	(5,840)	(977)
Income tax expenses	5	<u>—</u>	<u>(680)</u>	<u>—</u>	<u>(680)</u>
(Loss)/profit and total comprehensive income for the period	6	<u>(3,565)</u>	<u>378</u>	<u>(5,840)</u>	<u>(1,657)</u>
(Loss)/profit and total comprehensive income for the period attributable to:					
Owners of the Company		(3,070)	378	(5,345)	(1,657)
Non-controlling interests		(495)	—	(495)	—
(Loss)/earnings per share, — Basic (RMB cents)	8	<u>(0.37)</u>	<u>0.05</u>	<u>(0.64)</u>	<u>(0.21)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		As at 30 June 2020	As at 31 December 2019
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	14,061	14,770
Intangible assets		1,281	1,358
Right-of-use assets		8,294	–
		23,636	16,128
CURRENT ASSETS			
Inventories		3,929	2,970
Trade receivables	10	12,362	10,634
Prepayments and other receivables		7,669	3,254
Amount due from ultimate holding company	11	11	–
Bank balances and cash		37,657	41,419
		61,628	58,277
CURRENT LIABILITIES			
Trade payables	12	5,032	3,478
Other payables		4,089	3,669
Contract liabilities		966	156
Leases liabilities		3,349	–
Tax payable		431	431
		13,867	7,734
NET CURRENT ASSETS		47,761	50,543
TOTAL ASSETS LESS CURRENT LIABILITIES		71,397	66,671

		As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
NON-CURRENT LIABILITY			
Deferred tax liability		55	55
Leases liabilities		5,010	–
TOTAL NON-CURRENT LIABILITY		5,065	55
NET ASSETS		66,332	66,616
CAPITAL AND RESERVES			
Share capital	13	7,321	6,890
Reserves		58,814	59,724
Non-controlling interests		197	2
TOTAL EQUITY		66,332	66,616

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Accumulated profits RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
At 1 January 2020 (Audited)	6,890	36,775	14,145	8,804	66,614	2	66,616
Incorporation of subsidiaries	-	-	-	-	-	690	690
Placing of new shares	431	4,435	-	-	4,866	-	4,866
Loss and total comprehensive expense for the period	-	-	-	(5,345)	(5,345)	(495)	(5,840)
At 30 June 2020 (Unaudited)	<u>7,321</u>	<u>41,210</u>	<u>14,145</u>	<u>3,459</u>	<u>66,135</u>	<u>197</u>	<u>66,332</u>
At 1 January 2019 (Audited)	6,890	36,775	14,145	13,949	71,759	-	71,759
Loss and total comprehensive expense for the period	-	-	-	(1,657)	(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>	<u>-</u>	<u>70,102</u>

Note: As part of the group reorganisation for the listing of the Company's shares on GEM of the Stock Exchange, there were a series of restructuring within the Group which 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 Reach New Technology (Huizhou) Company Limited* (新達科技(惠州)有限公司) ("**Reach New Technology**") (formerly known as 新天倫服裝輔料(惠州)有限公司), the indirect wholly-owned subsidiaries of the Company established in the People's Republic of China ("**PRC**"), was credited to other reserve on 30 November 2016.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net cash (used in) from operating activities	<u>(7,584)</u>	<u>808</u>
Investing activities		
Purchase of property, plant and equipment	(690)	(247)
Purchase of intangible asset	(5)	–
Proceeds on disposal of properties, plant and equipment	–	969
Advanced to ultimate holding company	(11)	(2)
Interest received	<u>40</u>	<u>88</u>
Net cash (used in) from investing activities	<u>(666)</u>	<u>808</u>
Financing activities		
Net proceeds from placing of new shares under general mandate	4,866	–
Contribution from non-controlling shareholders	690	–
Lease interest paid	(188)	–
Repayment of lease liabilities	(1,377)	–
Advanced from related parties	<u>11</u>	<u>–</u>
Net cash from financing activities	<u>4,002</u>	<u>–</u>
Net (decrease) increase in cash and cash equivalents	<u>(4,248)</u>	<u>1,616</u>
Cash and cash equivalents at the beginning of period	<u>41,419</u>	<u>41,723</u>
Effect of foreign exchange rate changes	486	(45)
Cash and cash equivalents at end of period, representing bank balances and cash	<u><u>37,657</u></u>	<u><u>43,294</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 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 and provision of information technology services in the PRC.

As per the Company’s announcement dated 24 April 2020, Reach New Technology, a wholly-owned subsidiary of the Company, entered into a cooperation agreement with Guangzhou Bancheng Information Technology Co. Ltd.* (廣州半城信息科技有限公司) (“**Guangzhou Bancheng**”) (the “**Cooperation Agreement**”). Pursuant to the Cooperation Agreement, Guangzhou Banchengyun Information Technology Co. Ltd.* (廣州半城雲信息科技有限公司) (“**Guangzhou Banchengyun**”), a new company established on 10 April 2020 in the PRC, in which Reach New Technology holds 51% equity interest and Guangzhou Bancheng holds 49% equity interest, was established for the Group to tap into the information technology industry.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2020 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 2020 have been prepared under the historical cost convention.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2020 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 2020 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 2020 are presented in Renminbi (“**RMB**”), which is the same functional currency of the Company.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the six months ended 30 June 2020, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. HKFRSs comprise HKFRS; Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the six months ended 30 June 2020 and prior years.

4. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2020 RMB’000 (Unaudited)	2019 RMB’000 (Unaudited)
Types of products — at point in time recognition:		
Sales of printed products	8,703	16,219
Sales of woven labels	5,115	8,687
Sales of printed labels	7,585	11,507
Others	3,872	3,723
Revenue from information technology business	74	—
	<u>25,349</u>	<u>40,136</u>

Types of customers

	Six months ended 30 June	
	2020 RMB’000	2019 RMB’000
Garment brand companies	770	477
Sourcing companies designated by garment brand companies	4,508	8,516
Garment manufacturers	19,997	31,143
Customers of information technology business	74	—
	<u>25,349</u>	<u>40,136</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. The Group also provides information technology services to customers and revenue is recognised when it satisfies a performance obligation by transferring control over a product or service to a customer.

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the “CODM”), being the executive directors of the Company, for the purposes of allocating resources and assessing performance.

Specifically, the Group's reportable and operating segments under HKFRS 8 "Operating Segments" are as follows:

- (i) Labelling Solution — production and supply of garment accessories
- (ii) Information Technology — development of applications and provision of information technology consultancy services

The CODM makes decisions according to the operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Segment revenue and results

The following is an analysis of the Group's results by operating segments:

For the six months ended 30 June 2020 (unaudited)

	Labelling Solution RMB'000	Information Technology RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue				
External sales	25,275	74	–	25,349
Inter-segment sales	–	–	–	–
	<u>25,275</u>	<u>74</u>	<u>–</u>	<u>25,349</u>
Segment results	<u>6,899</u>	<u>(1,334)</u>	<u>–</u>	5,565
Other income and gain				1,471
Distribution and selling expenses				(2,003)
Administrative expenses				(10,685)
Finance costs				<u>(188)</u>
Loss before taxation				<u>(5,840)</u>

For the six months ended 30 June 2019 (unaudited)

	Labelling Solution RMB'000	Information Technology RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue				
External sales	40,136	–	–	40,136
Inter-segment sales	–	–	–	–
	<u>40,136</u>	<u>–</u>	<u>–</u>	<u>40,136</u>
Segment results	<u>12,617</u>	<u>–</u>	<u>–</u>	12,617
Other gains and losses				88
Distribution and selling expenses				(2,285)
Administrative expenses				(11,397)
Finance costs				–
Loss before taxation				<u>(977)</u>

Segment results mainly represented profit earned (loss incurred) by each segment without allocation of other income, other gains and losses, certain administrative expenses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	<u>4,508</u>	<u>8,516</u>

5. INCOME TAX EXPENSES

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
Provision for the period	—	680

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 2020 and 2019.

The Group is subject to PRC Enterprise Income Tax (“**PRC EIT**”) at a rate of 25% (2019: 25%) and dividend withholding tax at a rate of 5% for the six months ended 30 June 2020.

Current tax provision represents provision for PRC EIT.

6. PROFIT/(LOSS) FOR THE PERIOD

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging:		
Directors' remuneration	1,337	1,479
Staff costs		
— salaries and wages	10,242	10,513
— retirement benefits scheme contributions, excluding directors	375	1,219
Total directors and other staff costs	11,954	13,211
Allowance for doubtful debt	208	339
Depreciation	2,841	1,474
Amortisation of an intangible asset	82	43
Minimum lease payment under operating lease	—	1,463

7. DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2020 (30 June 2019: nil).

8. EARNINGS/(LOSS) PER SHARE

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Loss for the purpose of calculating basic loss per Share		
Loss for the period attributable to owners of the Company	<u>(5,345)</u>	<u>(1,657)</u>

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Number of Shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per Share	<u>831,780,822</u>	<u>800,000,000</u>

No diluted earnings per share is presented for the six months ended 30 June 2020 and 2019 as there is no potential ordinary share in issue.

9. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2020, the Group acquired plant and equipment with aggregate cost of approximately RMB690,000 (30 June 2019: approximately RMB247,000).

10. TRADE RECEIVABLES

	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Trade receivables	13,385	11,449
Less: allowance for bad and doubtful receivables	<u>(1,023)</u>	<u>(815)</u>
	<u>12,362</u>	<u>10,634</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 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 90 days	10,181	10,219
91–180 days	1,919	303
181–365 days	262	112
Over 365 days	–	–
	12,362	10,634

As at 30 June 2020, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of approximately RMB4,121,000 (31 December 2019: RMB1,231,000) which are past due as at the end of reporting period. Out of the past due balances, approximately RMB602,000 (31 December 2019: RMB152,000) 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 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 90 days	4,493	3,379
91–180 days	460	70
181–365 days	56	16
Over 365 days	23	13
Total	5,032	3,478

The credit period on trade payables ranges from 30 to 90 days (31 December 2019: ranges from 30 to 90 days) for the six months ended 30 June 2020. 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 authorised share capital on 24 June 2017	1,962,000,000	19,620,000
	<u>2,000,000,000</u>	<u>20,000,000</u>
At 31 December 2019, 1 January 2020 and 30 June 2020		
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>)	200,000,000	2,000,000
	<u>800,000,000</u>	<u>8,000,000</u>
At 31 December 2019 and 1 January 2020		
Placing of shares (<i>note c</i>)	50,000,000	500,000
	<u>850,000,000</u>	<u>8,500,000</u>
At 30 June 2020		
		<i>RMB</i>
Shown in the unaudited condensed consolidated financial statements as		<u>7,321,000</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.
- (c) As per the Company's announcements dated 28 April 2020 and 13 May 2020, 50,000,000 Shares (the "Placing Shares") were successfully placed to nine independent places at the placing price of HK\$0.113 per Placing Share under general mandate (the "Placing"). The gross proceeds and the net proceeds (after deducting the placing fee and other related expenses incurred in the Placing) from the Placing are HK\$5.65 million and approximately HK\$5.41 million, respectively. It is expected that approximately HK\$5.41 million, representing the entire amount of the net proceeds from the Placing, will be used for the working capital in Guangzhou Banchengyun, a non-wholly owned subsidiary of the Group, in connection with the Group's development in the information technology business.

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. 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	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
史威特服飾(惠州)有限公司	Rental Paid (<i>note</i>)	1,220	1,431
Good Wealthy Properties Limited	Rental Paid (<i>note</i>)	44	–

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 and Good Wealthy Properties Limited.

16. SUBSEQUENT EVENTS

On 18 May 2020, the Company announced that a total of 80,000,000 share options (the “**Option(s)**”) to subscribe for the Shares under the share option scheme of the Company adopted on 24 June 2017 were granted to two Directors, an employee and a director of a subsidiary of the Company (collectively, the “**Grantees**”), and proposed refreshment of the scheme mandate limit under the share option scheme (“**Refreshed Scheme Mandate**”), subject to the approval of independent Shareholders of the Company and the acceptance of the Grantees. On 13 July 2020, the Company held the extraordinary general meeting (“**EGM**”) and all the proposed resolutions regarding the proposed grant of Options and Refreshed Scheme Mandate as set out in the EGM notice were not passed by way of poll as ordinary resolutions of the Company at the EGM. As such, the proposed grant of Options to two Directors and a director of a subsidiary of the Company was cancelled and the proposed refreshment of the share option scheme mandate was also cancelled.

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 2020, 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.

On 24 April 2020, Reach New Technology, a wholly-owned subsidiary of the Company, entered into the Cooperation Agreement with Guangzhou Bancheng, pursuant to which Guangzhou Banchengyun, in which Reach New Technology would hold 51% equity interest and Guangzhou Bancheng would hold 49% equity interest, was established in the PRC for the Group to tap into the information technology industry. For further information in relation to the Cooperation Agreement, please refer to the announcement of the Company dated 24 April 2020.

On 28 April 2020, the Company entered into a placing agreement (the “**Placing Agreement**”) with Mouette Securities Company Limited (the “**Placing Agent**”) for placing of 50,000,000 Placing Shares with nine independent placees under the general mandate. On 13 May 2020, the Placing Agent successfully placed an aggregate of 50,000,000 Placing Shares to nine independent placees at the placing price of HK\$0.113 per Placing Share. The gross and net proceeds from the Placing are HK\$5.65 million and HK\$5.41 million respectively. Approximately HK\$5.41 million, representing the entire amount of the net proceeds from the Placing, was allocated to be used for the working capital in Guangzhou Banchengyun in connection with the Group's development in the information technology business.

FINANCIAL REVIEW

Revenue

The Group's revenue 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). The Group's revenue was approximately RMB25.3 million for the six months ended 30 June 2020, in which approximately RMB0.1 million was generated from the newly start-up information technology business, and RMB40.1 million for the same period in 2019.

The decrease in the Group's revenue was mainly attributable to (i) the outbreak of the COVID-19 pandemic (the "**Pandemic**"), which caused disruption to the economic and production activities in the PRC, including the production activities of the customers of the Group, which engage in the garment manufacturing; (ii) the continuous cost reduction measures taken by the Group's customers, given the advent of trade protectionism and continuing trade disputes between the PRC and the United States of America ("**USA**"); (iii) the challenging macro-economic environment and the PRC's slower economic growth, which drove down the demand in garment market; (iv) the keen price competition in garment market; and (v) some of our customers shifted their production base to Southeast Asia for the purpose of lowering production cost and to lessen the impact of the trade disputes between the USA and the PRC.

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

The outbreak of the Pandemic during the six months ended 30 June 2020 caused a serious hit to the global economy. As per the Company's announcement "Impact of Novel Coronavirus (COVID-19) Epidemic on Business Operations" dated 17 February 2020, the Pandemic caused the Group's factories located in Huizhou of Guangdong Province (the "**Huizhou Factories**") to suspend its operation for around three weeks and production gradually resumed in February and March 2020, which led to a drop in the Group's production capacity and resulted in a drop in the Group's revenue for the six months ended 30 June 2020.

In addition, the information technology segment of the Group just started in April 2020. Some products are still currently under development and have not yet launched to the market. During the six months ended 30 June 2020, revenue from the information technology segment was approximately RMB0.1 million and a loss attributable to the owners of the Company of approximately RMB1.7 million was incurred.

The significant drop in revenue coupled with the loss incurred from the information technology segment contributed to the increase in the loss attributable to the owners of the Company for the six months ended 30 June 2020.

The Group will put more resources and effort in attracting potential customers in the PRC and at the same time exploring potential PRC and foreign garment brand companies in order to increase sales and enhance its profitability. In addition, the Group will continue to explore new business opportunities to diversify income streams, including sales of garment products through different channels.

Cost of sales and gross profit

During the six months ended 30 June 2020, the Group's gross profit decreased by approximately 55.6% from approximately RMB12.6 million for the six months ended 30 June 2019 to approximately RMB5.6 million for the six months ended 30 June 2020. 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 2020, the cost of sales in relation to the information technology segment was approximately RMB1.4 million.

During the six months ended 30 June 2020, the Group's revenue decreased by approximately 36.9% while the cost of sales decreased by approximately 28.1%, as a result, the Group's gross profit margin decreased from approximately 31.4% for the six months ended 30 June 2019 to approximately 22.0% for the six months ended 30 June 2020.

Distribution and selling expenses

Distribution and selling expenses decreased to approximately RMB2.0 million for the six months ended 30 June 2020 from approximately RMB2.3 million for the six months ended 30 June 2019. Despite the drop of revenue during the period, the Group keeps on putting resources and effort in sales and marketing to attract potential customers in the PRC market targeting to gain a larger market share and maintain our margin in keen competition. This results in disproportionate decrease in our distribution cost as compared to our drop in revenue.

Administrative expenses

Administrative expenses decreased to approximately RMB10.7 million for the six months ended 30 June 2020 from approximately RMB11.4 million for the six months ended 30 June 2019, 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 RMB5.8 million for the six months ended 30 June 2020, as compared to unaudited loss of approximately RMB1.7 million for the six months ended 30 June 2019. The loss was mainly due to the significant drop in revenue, the initial expenses invested in the development of the information technology segment of the Group as mentioned above and the loss incurred from the information technology segment 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 2020, the Group mainly financed its operations with its own working capital from its operating activities. As at 30 June 2020, the Group had net current assets of approximately RMB47.8 million (31 December 2019: approximately RMB50.5 million), including cash and bank balances of approximately RMB37.7 million (31 December 2019: approximately RMB41.4 million). The Group's current ratio as at 30 June 2020 was approximately 4.4 (as at 31 December 2019 was approximately 7.5).

GEARING RATIO

The gearing ratio of the Group as at 30 June 2020 was nil (31 December 2019: nil) as the Group had no outstanding loans and borrowings nor bank overdrafts as at 30 June 2020.

COMMITMENTS

As at 30 June 2020, the Group did not have any significant capital commitments (31 December 2019: 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 this announcement. Other than the Placing completed on 13 May 2020, there has been no changes in the share capital structure of the Company during the six months ended 30 June 2020.

SIGNIFICANT INVESTMENTS

As at 30 June 2020, the Group did not hold any significant investments.

MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as the establishment of Guangzhou Banchengyun as disclosed above in this announcement, the Group did not have any acquisition or disposal of subsidiaries or affiliated company during the six months ended 30 June 2020.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any material contingent liabilities (31 December 2019: 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 2020, 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 2020, 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 2020, the Group did not pledge any assets (31 December 2019: nil) as securities for any facilities granted to the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group employed a total of 304 full-time employees (30 June 2019: 277 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 2020, the Group's total employee benefit expenses (including Directors' emoluments) amounted to approximately RMB12.0 million (30 June 2019: RMB13.2 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**”) and will remain in force for 10 years after its adoption. 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. Details of the share options movements during the six months ended 30 June 2020 under the Share Option Scheme are as follows:

Name of participants	Date of grant	Exercise price per Share (HK\$)	Number of Options granted	Validity period of the Options	Options outstanding as at 1 January 2020	Options granted during the six months ended 30 June 2020	Options exercised during the six months ended 30 June 2020	Options cancelled/ lapsed during the six months ended 30 June 2020	Options outstanding as at 30 June 2020
Employee									
An individual	18 May 2020	0.38	3,000,000	18 May 2020 — 17 May 2030 (Note)	-	3,000,000	-	-	3,000,000
Total			<u>3,000,000</u>		<u>-</u>	<u>3,000,000</u>	<u>-</u>	<u>-</u>	<u>3,000,000</u>

Note: 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. Vested Options shall be exercisable until the expiry of the validity period. The grant of Options is not subject to the fulfilment of performance targets.

As at 30 June 2020, no valuation of the share options granted under the Share Option Scheme was made by the Company as the Company considered the value of the outstanding share options was insignificant to warrant an independent valuation.

On 18 May 2020, the Company announced that a total of 80,000,000 Options under the Share Option Scheme were granted to an employee of the Group and conditionally granted to two Directors and one director of a subsidiary of the Group and the Company proposed to refresh the share option scheme mandate. On 13 July 2020, the Company held an EGM and resolutions approving the grant of Options to two Directors and one director of a subsidiary and refreshment of the share option scheme mandate were not passed. As such, the proposed conditional grant of Options to two Directors and one director of a subsidiary of the Company was cancelled. The proposed refreshment of the share option scheme mandate was also cancelled.

For further information in relation to the Options granted on 18 May 2020, please refer to the announcement of the Company dated 18 May 2020, the circular of the Company dated 24 June 2020 and the EGM poll results announcement of the Company dated 13 July 2020.

Save as disclosed above, no Option under the Share Option Scheme has been granted, cancelled or lapsed during the six months ended 30 June 2020.

Details of the cancellation of the grant of the Options and the refreshment of the share option scheme mandate are set out in Note 16 to the condensed consolidated financial statements of the Group in this announcement.

DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: 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 diversify our income streams, including sales of garment products through different channels.

In addition to our extensive experience and reputation in the garment accessories market, we believe that we will achieve 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 of the Company dated 30 June 2017 (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 FROM THE LISTING 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) (the “**Net Proceeds**”). 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.

As per the Company’s announcement “Placing of New Shares under General Mandate and Change in Use of Proceeds from the Listing” dated 28 April 2020 (the “**Change in UOP Announcement**”), the Board, having considered the business environment and development of the Group, resolved to change the use of the unutilised Net Proceeds that HK\$8.0 million would be utilised for development of garment trading business and HK\$3.0 million would be used for development of the internet and information technology consultancy services in Guangzhou Banchengyun, while the total Net Proceeds allocated to upgrading the production facilities and digital printing technology would be reduced by HK\$9.1 million and enhancing the heat transfer printing production facilities would be reduced by HK\$1.9 million. The net proceeds from the Placing of approximately HK\$5.41 million will be used for the working capital in Guangzhou Banchengyun in connection with the Group’s development in the information technology industry. The revised use of the Net Proceeds as at the date of the Change in UOP Announcement was as follows:

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

For further information and the reasons for the change in the use of the Net Proceeds, please refer to the Change in UOP Announcement.

An analysis of the utilisation of the Net Proceeds after the change in use of proceeds as at 30 June 2020 is set out below:

Intended Use of Net Proceeds	Revised planned application of the Net Proceeds after the date of the Change in the UOP Announcement <i>HK\$'million</i>	Utilised Net Proceeds as at 30 June 2020 <i>HK\$'million</i>	Unutilised balance as at 30 June 2020 <i>HK\$'million</i>	Expected timeline for the intended use
Upgrading the production facilities and digital printing technology of the Group	7.9	1.8	6.1	December 2021
Developing the capability of applying RFID technology to the products of the Group	3.0	0.5	2.5	December 2021
Enhancing the heat transfer printing production facilities of the Group	4.1	4.1	–	–
Upgrading the information technology systems of the Group	5.3	2.4	2.9	December 2022
Expansion of the sales and marketing department of the Group	3.0	1.1	1.9	December 2021
General working capital	3.3	3.3	–	–
Developing garment trading business	8.0	–	8.0	December 2022
Developing the internet and information technology business	3.0	3.0	–	–
Total	37.6	16.2	21.4	

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 2020.

USE OF NET PROCEEDS FROM THE PLACING

As disclosed above, the Placing was completed on 13 May 2020 with 50,000,000 placing Shares issued to nine independent placees. The 50,000,000 placing Shares represent (i) 6.25% of the issued share capital of the Company immediately before the Placing and (ii) approximately 5.88% of the issued share capital of the Company as enlarged by the Placing.

The gross proceeds and the net proceeds (after deducting the placing fee and other related expenses incurred in the Placing) from the Placing are expected to be HK\$5.65 million and approximately HK\$5.41 million, respectively.

An analysis of the utilisation of the net proceeds from the Placing as at 30 June 2020 is set out below:

Intended use of the net proceeds from the Placing	Total planned amount <i>HK\$'million</i>	Utilised net proceeds from the Placing as at 30 June 2020 <i>HK\$'million</i>	Unutilised net proceeds from the Placing as at 30 June 2020 <i>HK\$'million</i>	Expected timeline for the intended use
Working capital in Guangzhou Banchengyun in connection with the Group's development in the information technology industry	<u>5.41</u>	<u>0.3</u>	<u>5.11</u>	December 2021

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 2020, 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)	70.6%

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 2020, 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 2020, 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)	70.6%
Ms. Wong Ching Yuk	Interest of spouse (<i>Note</i>)	600,000,000 (Long position)	70.6%

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 2020, 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 2020.

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 2020.

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 2020, 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 2020.

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 2020.

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 2020.

EVENT AFTER REPORTING PERIOD

On 18 May 2020, the Company announced that a total of 80,000,000 Options to subscribe for the Shares under the Share Option Scheme were granted to two Directors, an employee and a director of a subsidiary of the Company and proposed refreshment of the scheme mandate limit under the Share Option Scheme, subject to the approval of independent Shareholders of the Company and the acceptance of the Grantees. On 13 July 2020, the Company held the EGM and all the proposed resolutions regarding the proposed grant of Options and Refreshed Scheme Mandate as set out in the EGM notice were not passed by way of poll as ordinary resolutions of the Company at the EGM. As such, the proposed conditional grant of Options to two Directors and a director of a subsidiary of the Company was cancelled. The proposed refreshment of the share option scheme mandate was also cancelled.

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 unaudited financial information in this announcement has not been reviewed or audited by the auditor of the Company but 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, 10 August 2020

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.

* *For identification purpose only*