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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 2021**

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 RMB38.0 million for the six months ended 30 June 2021 (six months ended 30 June 2020: approximately RMB25.3 million), representing an increase of approximately 50.2% over the same period of 2020.
- The unaudited loss of the Group for the six months ended 30 June 2021 amounted to approximately RMB1.0 million (six months ended 30 June 2020: unaudited loss of approximately RMB5.8 million).
- The basic loss per share for the six months ended 30 June 2021 was RMB0.1 cent (six months ended 30 June 2020: basic loss per share of RMB0.64 cent).
- The board of Directors resolved not to declare an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 2021, together with the comparative unaudited figures for the corresponding period in 2020, as follows:

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

For the six months ended 30 June 2021

		Three months ended 30 June		Six months ended 30 June	
		2021	2020	2021	2020
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	4	21,677	15,672	38,009	25,349
Cost of sales		<u>(16,230)</u>	<u>(12,693)</u>	<u>(26,912)</u>	<u>(19,784)</u>
Gross profit		5,447	2,979	11,097	5,565
Other income, gains and losses		(37)	413	109	1,471
Distribution and selling expenses		(1,033)	(1,149)	(1,811)	(2,003)
Administrative expenses		(4,766)	(5,710)	(9,483)	(10,685)
Finance cost on lease liabilities		<u>(62)</u>	<u>(98)</u>	<u>(123)</u>	<u>(188)</u>
Loss before tax		(451)	(3,565)	(211)	(5,840)
Income tax expenses	5	<u>(365)</u>	—	<u>(801)</u>	—
Loss and total comprehensive expense for the period	6	<u>(816)</u>	<u>(3,565)</u>	<u>(1,012)</u>	<u>(5,840)</u>
Loss and total comprehensive expense for the period attributable to:					
Owners of the Company		(805)	(3,070)	(994)	(5,345)
Non-controlling interests		(11)	(495)	(18)	(495)
Loss per share,					
— Basic and diluted (RMB cents)	8	<u>(0.1)</u>	<u>(0.37)</u>	<u>(0.1)</u>	<u>(0.64)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	9	9,850	11,534
Intangible assets		963	1,044
Right-of-use assets		3,448	4,833
Interest in an associate	10	—	—
		<u>14,261</u>	<u>17,411</u>
CURRENT ASSETS			
Inventories		4,305	3,401
Trade receivables	11	18,263	14,636
Prepayments and other receivables		5,931	5,757
Amount due from a related party	12	200	200
Amount due from an associate	10	608	832
Bank and cash balances		27,177	31,366
		<u>56,484</u>	<u>56,192</u>
CURRENT LIABILITIES			
Trade payables	13	5,618	5,251
Other payables		2,069	3,650
Contract liabilities		—	—
Leases liabilities		3,003	3,003
Tax payable		1,423	672
		<u>12,113</u>	<u>12,576</u>
NET CURRENT ASSETS		<u>44,371</u>	<u>43,616</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>58,632</u>	<u>61,027</u>

		As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
NON-CURRENT LIABILITY			
Deferred tax liability		55	55
Leases liabilities		1,263	2,646
TOTAL NON-CURRENT LIABILITY		1,318	2,701
NET ASSETS		57,314	58,326
CAPITAL AND RESERVES			
Share capital	14	7,321	7,321
Reserves		49,842	50,836
		57,163	58,157
Non-controlling interests		151	169
TOTAL EQUITY		57,314	58,326

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	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 2021 (Audited)	7,321	41,488	14,145	(4,797)	58,157	169	58,326
Loss and total comprehensive expense for the period	-	-	-	(994)	(994)	(18)	(1,012)
At 30 June 2021 (Unaudited)	<u>7,321</u>	<u>41,488</u>	<u>14,145</u>	<u>(5,791)</u>	<u>57,163</u>	<u>151</u>	<u>57,314</u>
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>

Note: As part of the group reorganisation for the listing of the Company's shares on GEM of the Stock Exchange, there were 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 2021

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net cash used in operating activities	<u>(3,017)</u>	<u>(7,584)</u>
Investing activities		
Purchase of property, plant and equipment	(30)	(690)
Purchase of intangible asset	–	(5)
Proceeds on disposal of properties, plant and equipment	204	–
Repayment from an associate	224	–
Advanced to ultimate holding company	–	(11)
Interest received	<u>34</u>	<u>40</u>
Net cash from (used in) investing activities	<u>432</u>	<u>(666)</u>
Financing activities		
Net proceeds from placing of new shares under general mandate	–	4,866
Contribution from non-controlling shareholders	–	690
Lease interest paid	(123)	(188)
Repayment of lease liabilities	(1,382)	(1,377)
Advanced from related parties	<u>–</u>	<u>11</u>
Net cash (used in) from financing activities	<u>(1,505)</u>	<u>4,002</u>
Net decrease in cash and cash equivalents	<u>(4,090)</u>	<u>(4,248)</u>
Cash and cash equivalents at the beginning of period	<u>31,366</u>	<u>41,419</u>
Effect of foreign exchange rate changes	(99)	486
Cash and cash equivalents at end of period, representing bank balances and cash	<u><u>27,177</u></u>	<u><u>37,657</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 Act, 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, Regatta Office Park, Windward 3, 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.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021 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 2021 have been prepared under the historical cost convention.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2021 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 2021 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 2021 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 2021, 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 2021. 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 2021 and prior years.

4. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Types of products — at point in time recognition:		
Sales of printed products	14,513	8,703
Sales of woven labels	13,225	5,115
Sales of printed labels	2,753	7,585
Others	7,518	3,872
Revenue from information technology business	—	74
	<u>38,009</u>	<u>25,349</u>

Types of customers

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Garment brand companies	1,017	770
Sourcing companies designated by garment brand companies	10,477	4,508
Garment manufacturers	26,515	19,997
Customers of information technology business	—	74
	<u>38,009</u>	<u>25,349</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, they also have the primary responsibility to sell and bear 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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Customer A	<u>10,477</u>	<u>4,508</u>

5. INCOME TAX EXPENSES

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
Provision for the period	<u>801</u>	<u>–</u>

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 2021 and 2020.

The Group is subject to PRC Enterprise Income Tax ("PRC EIT") at a rate of 25% (2020: 25%) and dividend withholding tax at a rate of 5% for the six months ended 30 June 2021.

Current tax provision represents provision for PRC EIT.

6. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging:		
Directors' remuneration	1,161	1,337
Staff costs		
— salaries and wages	7,612	10,242
— retirement benefits scheme contributions, excluding directors	900	375
Total directors and other staff costs	9,673	11,954
Allowance for credit losses on trade receivables	190	208
Depreciation on property, plant and equipment	1,342	1,399
Depreciation of right-of-use assets	1,383	1,442
Loss on disposal of property, plant and equipment	166	—
Exchange loss	99	—
Amortisation of an intangible asset	82	82

7. DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2021 (30 June 2020: nil).

8. EARNINGS/(LOSS) PER SHARE

	Six months ended 30 June	
	2021	2020
	<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	(994)	(5,345)
Number of Shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per Share	850,000,000	831,780,822

No diluted earnings per share is presented for the six months ended 30 June 2021 and 2020 as there is no potential ordinary share in issue.

9. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2021, the Group acquired plant and equipment with aggregate cost of approximately RMB30,000 (30 June 2020: approximately RMB690,000).

10. INTEREST IN AN ASSOCIATE

Details of the Group's associate at the end of the reporting period are as follows:

Name of entity	Country of registration	Principal place of business	Proportion of ownership interest held by the Group	Proportion of voting rights held by the Group	Principal activity
Guangzhou Banchengyun Information Technology Co. Ltd.* (廣州半城雲信息科技有限公司) ("Guangzhou Banchengyun")	PRC	PRC	22.09%	22.09%	Providing information technology services

Amount due from an associate was non trade in nature, unsecured, non-interest bearing and repayable on demand.

As at 30 June 2021, the bank and cash balances of the Group's associate in the PRC denominated in RMB amounted to approximately RMB3,111,000. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

11. TRADE RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables	19,729	15,912
Less: allowance for bad and doubtful receivables	(1,466)	(1,276)
	<u>18,263</u>	<u>14,636</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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 90 days	13,760	11,124
91–180 days	4,216	3,356
181–365 days	287	156
Over 365 days	–	–
	18,263	14,636

As at 30 June 2021, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of approximately RMB5,694,000 (31 December 2020: approximately RMB4,303,000) which are past due as at the end of reporting period. Out of the past due balances, approximately RMB541,000 (31 December 2020: approximately RMB294,000) 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.

12. AMOUNT DUE FROM A RELATED PARTY

The amount due from a related party is unsecured, non-trade nature, interest-free and recoverable on demand.

13. 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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 90 days	5,242	4,730
91–180 days	235	383
181–365 days	107	79
Over 365 days	34	59
Total	5,618	5,251

The credit period on trade payables ranges from 30 to 90 days (31 December 2020: ranges from 30 to 90 days) for the six months ended 30 June 2021. The Group has financial risk management policies in place to ensure all payables are settled within the credit time frame.

14. SHARE CAPITAL

	Number of shares	Share capital HK\$
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 December 2020, 1 January 2021 and 30 June 2021	2,000,000,000	20,000,000
Issued and fully paid:		
At 31 December 2020, 1 January 2021 and 30 June 2021	850,000,000	8,500,000
		<i>RMB</i>
Shown in the unaudited condensed consolidated financial statements as		7,321,000

15. 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.

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	
		2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
史威特服飾(惠州)有限公司	Rental Paid (<i>note</i>)	1,464	1,220
Good Wealthy Properties Limited	Rental Paid (<i>note</i>)	41	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.

17. EVENTS AFTER THE REPORTING PERIOD

The outbreak of COVID-19 has continued to bring additional uncertainties in the global macroeconomic situation which may affect the Group's financial performance. However, since the outbreak is a fluid and challenging situation faced by all the industries globally, the degree of impact could not be reasonably estimated at this stage. The Group will closely monitor the development of the outbreak and assess its impact on the financial position and operating results of the Group. The Group does not have other significant subsequent events.

18. PENSION OBLIGATIONS

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds. As at 30 June 2021, the contributions made by employers on behalf of the employees is approximately HK\$550,000 and none of the amount was utilized during the period ended 30 June 2021.

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 2021, 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

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 RMB38.0 million for the six months ended 30 June 2021, and RMB25.3 million for the same period in 2020.

The increase in the Group's revenue was mainly due to the increase in revenue of printed products and woven labels by approximately 66.8% and 158.6% respectively for the six months ended 30 June 2021 as compared to the same period in previous year. The increase in revenue of printed products and woven label was mainly due to the increase in sales volume of the respective products.

The Group will put more resources and effort in exploring the 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 strengthen our income streams, including sales of garment products through different channels.

Cost of sales and gross profit

During the six months ended 30 June 2021, the Group's gross profit increased by approximately 99.4% from approximately RMB5.6 million for the six months ended 30 June 2020 to approximately RMB11.1 million for the six months ended 30 June 2021. 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 2021, the Group's revenue increased by approximately 50.2% while the cost of sales increased by approximately 36.0%, as a result, the Group's gross profit margin increased from approximately 22.0% for the six months ended 30 June 2020 to approximately 29.2% for the six months ended 30 June 2021.

Distribution and selling expenses

Distribution and selling expenses decreased to approximately RMB1.8 million for the six months ended 30 June 2021 from approximately RMB2.0 million for the six months ended 30 June 2020.

Administrative expenses

Administrative expenses decreased to approximately RMB9.5 million for the six months ended 30 June 2021 from approximately RMB10.7 million for the six months ended 30 June 2020, which was mainly due to cost cutting exercise implemented during the period. The drop of headcount of our administration staff members together with streaming workflow helped 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 RMB1.0 million for the six months ended 30 June 2021, as compared to unaudited loss of approximately RMB5.8 million for the six months ended 30 June 2020. The decrease in loss was mainly due to the increase in revenue and gross profit margin during the six months ended 30 June 2021 when comparing with that of the same period in previous year.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2021, the Group mainly financed its operations with its own working capital from its operating activities. As at 30 June 2021, the Group had net current assets of approximately RMB44.4 million (31 December 2020: approximately RMB43.6 million), including cash and bank balances of approximately RMB27.2 million (31 December 2020: approximately RMB31.4 million). The Group's current ratio as at 30 June 2021 was approximately 4.7 (as at 31 December 2020 was approximately 4.5).

GEARING RATIO

The gearing ratio of the Group as at 30 June 2021 was nil (31 December 2020: nil) as the Group had no outstanding loans and borrowings nor bank overdrafts as at 30 June 2021. Gearing ratio is calculated by the total loans and borrowings divided by the total equity attributable to owners of the Company as at 30 June 2021.

CAPITAL COMMITMENTS

As at 30 June 2021, the Group did not have any significant capital commitments (31 December 2020: nil).

CAPITAL STRUCTURE

Details of changes in the Company's share capital are set out in Note 14 to the condensed consolidated financial statements of the Group in this announcement.

SIGNIFICANT INVESTMENTS

As at 30 June 2021, the Group did not hold any significant investments other than the investments in subsidiaries and associated company.

MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any material acquisition or disposal of subsidiaries or affiliated company during the six months ended 30 June 2021.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any material contingent liabilities (31 December 2020: 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 2021, 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 2021, 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 2021, the Group did not pledge any assets (31 December 2020: nil) as securities for any facilities granted to the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group employed a total of 225 full-time employees (30 June 2020: 304 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 2021, the Group's total employee benefit expenses (including Directors' emoluments) amounted to approximately RMB9.7 million (30 June 2020: approximately RMB12.0 million). Remuneration is determined with reference to market term and the performance, qualification and experience of individual employee.

As the Group made mandatory provident funds ("MPF") contributions to its Hong Kong employees in compliance with the labour laws in Hong Kong, it is submitted that the forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) may be used by the Group as employer to reduce the existing level of contributions. No amount was utilised for reduction in contributions of the Group due to forfeiture for the financial year ended 31 December 2020 and the six months ended 30 June 2021, while the amount available for reduction in contributions of the Group due to forfeiture as at 31 December 2020 and 30 June 2021 were approximately HK\$0.45 million and HK\$0.55 million, respectively.

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 of the Company dated 30 June 2017 (the "**Prospectus**"). No share option has been granted, cancelled or lapsed during the six months ended 30 June 2021. There were no outstanding options during the six months ended 30 June 2021.

DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: 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 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;
- (vii) The Group may be materially and adversely affected by the demand of environmental groups on excessive printing materials; and
- (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. On 28 April 2020, the Board resolved to change the use of the unutilised portion of the Net Proceeds, details of which are more particularly disclosed in the Company's announcement dated 28 April 2020. The unutilised Net Proceeds have been and will be applied according to the disclosure in the Prospectus and the announcement of the Company dated 28 April 2020.

An analysis of the utilisation of the Net Proceeds as at 30 June 2021 is set out below:

Intended Use of Net Proceeds	Revised planned application of the Net Proceeds <i>HK\$'million</i>	Utilised Net Proceeds as at 30 June 2021 <i>HK\$'million</i>	Unutilised balance as at 30 June 2021 <i>HK\$'million</i>	Expected timeline for the intended use
Upgrading the production facilities and digital printing technology of the Group	7.9	2.5	5.4	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	3.1	2.2	December 2022
Expansion of the sales and marketing department of the Group	3.0	1.6	1.4	December 2021
General working capital	3.3	3.3	–	–
Developing garment trading business	8.0	0.8	7.2	December 2022
Developing the internet and information technology business	3.0	3.0	–	–
Total	<u>37.6</u>	<u>18.9</u>	<u>18.7</u>	

All the unutilised balance of the net proceeds have been placed in licenced banks in Hong Kong or the PRC as at 30 June 2021.

USE OF NET PROCEEDS FROM THE PLACING

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 placees 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 (the "**Placing Proceeds**").

An analysis of the unutilisation of the net proceeds from the Placing as at 30 June 2021 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 2021 <i>HK\$'million</i>	Unutilised net proceeds from the Placing as at 30 June 2021 <i>HK\$'million</i>	Expected timeline for the intended use
Working capital in Guangzhou Banchengyun Information Technology Co. Ltd.* (廣州半城雲信息科技有限公司) 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

The unutilised Net Placing Proceeds will be applied in the manner as disclosed in the announcement of the Company dated 28 April 2020.

* unofficial name for identification only

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 2021, 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>)	433,400,000 (Long position)	50.99%

Note: The 433,400,000 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 2021, 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 2021, 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	433,400,000 (Long position)	50.99%
Ms. Wong Ching Yuk	Interest of spouse (<i>Note</i>)	433,400,000 (Long position)	50.99%
Ms. Zhu Lingran	Beneficial owner	128,790,000 (Long position)	15.15%

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 2021, 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 2021.

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 (the "**Model Code**"). 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 under the Model Code for the six months ended 30 June 2021.

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 2021, 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 2021.

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 2021.

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 2021.

EVENT AFTER REPORTING PERIOD

The outbreak of COVID-19 has continued to bring additional uncertainties in the global macroeconomic situation which may affect the Group's financial performance. However, since the outbreak is a fluid and challenging situation faced by all the industries globally, the degree of impact could not be reasonably estimated at this stage. The Group will closely monitor the development of the outbreak and assess its impact on the financial position and operating results of the Group. The Group does not have other significant subsequent events happened after 30 June 2021 and up to the date of this announcement.

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 this announcement, 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, 9 August 2021

As at the date of this announcement, the executive Directors are Mr. Lam Kai Yuen, Mr. Lam Kai Cheong and Ms. Rachel Wu, 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.

This announcement will remain on the GEM's website at www.hkgem.com on the "Latest Listed Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company at www.sthl.com.hk.

* For identification purpose only