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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 2023**

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 RMB34.1 million for the six months ended 30 June 2023 (six months ended 30 June 2022: approximately RMB36.8 million), representing a decrease of approximately 7.3% over the corresponding period of 2022.
- The unaudited loss of the Group for the six months ended 30 June 2023 amounted to approximately RMB1.3 million (six months ended 30 June 2022: unaudited loss of approximately RMB3.4 million).
- The basic loss per share for the six months ended 30 June 2023 was RMB0.1 cent (six months ended 30 June 2022: basic loss per share of RMB0.4 cent).
- The board of Directors resolved not to declare an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board of Directors (the “**Board**”) of the Company is pleased to present the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2023, together with the comparative unaudited figures for the corresponding period in 2022, as follows:

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

For the six months ended 30 June 2023

	Notes	Three months ended 30 June		Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	4	20,290	19,449	34,121	36,771
Cost of sales		(13,565)	(14,104)	(24,082)	(26,231)
Gross profit		6,725	5,345	10,039	10,540
Other income, gains and losses		294	430	301	448
Distribution and selling expenses		(885)	(946)	(1,928)	(1,883)
Administrative expenses		(5,336)	(5,239)	(9,368)	(12,408)
Finance cost on lease liabilities		–	(31)	–	(63)
Profit/(Loss) before tax		798	(441)	(956)	(3,366)
Income tax expenses	5	(328)	(60)	(328)	(60)
Profit/(Loss) and total comprehensive income/ (expense) for the period	6	470	(501)	(1,284)	(3,426)
Profit/(Loss) and total comprehensive income/ (expense) for the period attributable to:					
Owners of the Company		471	(496)	(1,249)	(3,420)
Non-controlling interests		(1)	(5)	(35)	(6)
Earnings/(Loss) per share, — Basic and diluted (RMB cents)	8	0.1	(0.1)	(0.1)	(0.4)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	<i>Notes</i>	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	8,139	9,348
Intangible assets		772	848
		8,911	10,196
CURRENT ASSETS			
Inventories		1,340	4,094
Trade receivables	10	16,580	10,787
Prepayments and other receivables		4,987	3,825
Amount due from a related party	11	200	200
Bank and cash balances		26,995	34,812
		50,102	53,718
CURRENT LIABILITIES			
Trade payables	12	4,233	6,538
Other payables		4,693	6,311
Tax payable		1,176	870
		10,102	13,719
NET CURRENT ASSETS		40,000	39,999
TOTAL ASSETS LESS CURRENT LIABILITIES		48,911	50,195

		As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
NON-CURRENT LIABILITY			
Deferred tax liability		<u>55</u>	<u>55</u>
TOTAL NON-CURRENT LIABILITY		<u>55</u>	<u>55</u>
NET ASSETS		<u>48,856</u>	<u>50,140</u>
CAPITAL AND RESERVES			
Share capital	<i>13</i>	7,321	7,321
Reserves		<u>41,436</u>	<u>42,685</u>
		48,757	50,006
Non-controlling interests		<u>99</u>	<u>134</u>
TOTAL EQUITY		<u>48,856</u>	<u>50,140</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Share capital RMB'000	Share premium RMB'000 (Note 1)	Other reserve RMB'000 (Note 2)	Accumulated profits RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
At 1 January 2023 (Audited)	7,321	41,488	14,145	(12,948)	50,006	134	50,140
Loss and total comprehensive expense for the period	-	-	-	(1,249)	(1,249)	(35)	(1,284)
At 30 June 2023 (Unaudited)	<u>7,321</u>	<u>41,488</u>	<u>14,145</u>	<u>(14,197)</u>	<u>48,757</u>	<u>99</u>	<u>48,856</u>
At 1 January 2022 (Audited)	7,321	41,488	14,145	(6,205)	56,749	141	56,890
Loss and total comprehensive expense for the period	-	-	-	(3,420)	(3,420)	(6)	(3,426)
At 30 June 2022 (Unaudited)	<u>7,321</u>	<u>41,488</u>	<u>14,145</u>	<u>(9,625)</u>	<u>53,329</u>	<u>135</u>	<u>53,464</u>

Notes:

- Pursuant to the Companies Act of the Cayman Islands and the Company's Articles of Association, the share premium of the Company is distributable to the equity holders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.
- 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 Sun Tin Lun Garment Accessories (Huizhou) Company Limited* (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 (the "PRC"), was credited to other reserve on 30 November 2016.

* *unofficial English name for identification purpose only.*

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net cash used in operating activities	<u>(8,052)</u>	<u>(1,973)</u>
Investing activities		
Purchase of property, plant and equipment	(195)	(942)
Purchase of intangible asset	–	(103)
Proceeds on disposal of properties, plant and equipment	156	–
Proceeds on disposal of financial assets at fair value through profit or loss	–	4,900
Interest received	<u>185</u>	<u>32</u>
Net cash from investing activities	<u>146</u>	<u>3,887</u>
Financing activities		
Lease interest paid	–	(63)
Repayment of lease liabilities	<u>–</u>	<u>(1,443)</u>
Net cash used in financing activities	<u>–</u>	<u>(1,506)</u>
Net (decrease) increase in cash and cash equivalents	<u>(7,906)</u>	<u>408</u>
Cash and cash equivalents at the beginning of period	<u>34,812</u>	<u>29,309</u>
Effect of foreign exchange rate changes	89	219
Cash and cash equivalents at end of period, representing bank balances and cash	<u>26,995</u>	<u>29,936</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 2023 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 2023 have been prepared under the historical cost convention.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2023 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 2023 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 2023 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 2023, 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 2023. 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 2023 and prior years.

4. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Types of products — at point in time recognition:		
Sales of printed products	13,145	13,975
Sales of woven labels	6,051	7,021
Sales of printed labels	8,897	9,224
Others	6,028	6,551
	<u>34,121</u>	<u>36,771</u>

Types of customers

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Garment brand companies	2,848	761
Sourcing companies designated by garment brand companies	11,022	13,807
Garment manufacturers	20,251	22,203
	<u>34,121</u>	<u>36,771</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 individually contributing to over 10% of the total sales is as follows:

	Six months ended 30 June	
	2023	2022
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Customer A	11,022	13,807

5. INCOME TAX EXPENSES

	Six months ended 30 June	
	2023	2022
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Current tax:		
Provision for the period	328	60

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 2023 and 2022.

The Group is subject to PRC Enterprise Income Tax (“**PRC EIT**”) at a rate of 25% (for the six months ended 30 June 2022: 25%) and dividend withholding tax at a rate of 5% for the six months ended 30 June 2023 (for the six months ended 30 June 2022: 5%), except 新天倫服裝配料(惠州)有限公司 (Sun Tin Lun Garment Accessories (Huizhou) Company Limited*) which qualified as High and New Technology Enterprises and entitled to the preferential tax rate of 15% for the six months ended 30 June 2023.

Current tax provision represents provision for PRC EIT.

* *unofficial English name for identification purpose only.*

6. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging:		
Directors' remuneration	1,351	1,391
Staff costs		
— salaries and wages	6,947	9,056
— retirement benefits scheme contributions, excluding directors	1,077	1,239
Total directors and other staff costs	9,375	11,686
Allowance for credit losses on trade receivables	105	279
Depreciation on property, plant and equipment	858	1,456
Depreciation of right-of-use assets	–	1,209
Loss on disposal of property, plant and equipment	391	489
Amortisation of an intangible asset	76	73

7. DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: nil).

8. EARNINGS/(LOSS) PER SHARE

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss for the purpose of calculating basic loss per Share		
Loss for the period attributable to owners of the Company	(1,249)	(3,420)
Number of Shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per Share	850,000,000	850,000,000

No diluted earnings per share is presented for the six months ended 30 June 2023 and 2022 as there is no potential ordinary share in issue.

9. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2023, the Group acquired plant and equipment with aggregate cost of approximately RMB195,000 (30 June 2022: approximately RMB942,000).

10. TRADE RECEIVABLES

	30 June 2023 <i>RMB'000</i> (Unaudited)	31 December 2022 <i>RMB'000</i> (Audited)
Trade receivables	17,843	11,945
Less: allowance for bad and doubtful receivables	(1,263)	(1,158)
	16,580	10,787

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 2023 <i>RMB'000</i> (Unaudited)	31 December 2022 <i>RMB'000</i> (Audited)
Within 90 days	10,466	7,560
91–180 days	6,054	3,190
181–365 days	60	37
	16,580	10,787

As at 30 June 2023, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of approximately RMB7,426,000 (31 December 2022: approximately RMB4,678,000) which are past due as at the end of reporting period. Out of the past due balances, approximately RMB100,000 (31 December 2022: approximately RMB62,000) 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 A RELATED PARTY

The amount due from a related party 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 2023	31 December 2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Within 90 days	4,003	5,531
91–180 days	106	776
181–365 days	–	35
Over 365 days	124	196
Total	4,233	6,538

The credit period on trade payables ranges from 30 to 90 days (31 December 2022: ranges from 30 to 90 days) for the six months ended 30 June 2023. 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 31 December 2022, 1 January 2023 and 30 June 2023	<u>2,000,000,000</u>	<u>20,000,000</u>
Issued and fully paid:		
At 31 December 2022, 1 January 2023 and 30 June 2023	<u>850,000,000</u>	<u>8,500,000</u>
		<i>RMB</i>
Shown in the unaudited condensed consolidated financial statements as	<u>7,321,000</u>	<u>7,321,000</u>

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	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
史威特服飾(惠州)有限公司	Rental Paid (<i>note</i>)	1,272	1,464
Good Wealthy Properties Limited	Rental Paid (<i>note</i>)	<u>43</u>	<u>40</u>

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

16. EVENTS AFTER THE REPORTING PERIOD

There was no significant subsequent events happened to the Group after 30 June 2023 and up to the date of this announcement.

17. 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 2023, the contributions made by employers on behalf of the employees is approximately HK\$717,000 and none of the amount was utilized during the period ended 30 June 2023.

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 2023, 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 decreased by approximately 7.3% from approximately RMB36.8 million for the six months ended 30 June 2022 to approximately RMB34.1 million for the six months ended 30 June 2023.

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 2023, the Group's gross profit decreased by approximately 4.8% from approximately RMB10.5 million for the six months ended 30 June 2022 to approximately RMB10.0 million for the six months ended 30 June 2023. 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 2023, the Group's revenue decreased by approximately 7.3%, while the cost of sales decreased by approximately 8.0%. As a result, the Group's gross profit margin increased by 0.8 percentage point from approximately 28.5% for the six months ended 30 June 2022 to approximately 29.3% for the six months ended 30 June 2023.

Distribution and selling expenses

Distribution and selling expenses for the six months ended 30 June 2023 was approximately RMB1.9 million (for the six months ended 30 June 2022 was approximately RMB1.9 million).

Administrative expenses

Administrative expenses decreased by approximately RMB3.0 million to approximately RMB9.4 million for the six months ended 30 June 2023 from approximately RMB12.4 million for the six months ended 30 June 2022. The decrease in the Group's administrative expenses was mainly due to the decrease in administrative staff costs, repairing expenses for office equipment, other tax expenses and the loss on disposal of obsoleted plants and equipment during the six months ended 30 June 2023 comparing with those of the same period of 2022. 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

After taking into account of the foregoing, the Group's unaudited loss was approximately RMB1.3 million for the six months ended 30 June 2023, as compared to unaudited loss of approximately RMB3.4 million for the six months ended 30 June 2022. The decrease in loss was mainly due to the increase in gross profit margin and decrease in administrative expenses during the six months ended 30 June 2023 when comparing with those of the same period in the previous year.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2023, the Group mainly financed its operations with its own working capital from its operating activities. As at 30 June 2023, the Group had net current assets of approximately RMB40.0 million (31 December 2022: approximately RMB40.0 million), including cash and bank balances of approximately RMB27.0 million (31 December 2022: approximately RMB34.8 million). The Group's current ratio as at 30 June 2023 was approximately 5.0 (as at 31 December 2022 was approximately 3.9).

GEARING RATIO

The gearing ratio of the Group as at 30 June 2023 was nil (31 December 2022: nil) as the Group had no outstanding loans and borrowings and bank overdraft as at 30 June 2023. 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 2023.

CAPITAL COMMITMENTS

As at 30 June 2023, the Group did not have any significant capital commitments (31 December 2022: nil).

CAPITAL STRUCTURE

Details of changes in the Company's share capital are set out in Note 13 to the condensed consolidated financial statements of the Group in the announcement.

SIGNIFICANT INVESTMENTS

As at 30 June 2023, the Group did not hold any significant investments other than the investments in subsidiaries.

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 2023.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any material contingent liabilities (31 December 2022: 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 2023, 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.

However, the Directors considered the Group's foreign exchange risk to be insignificant. During the six months ended 30 June 2023, the Group did not use any financial instruments for hedging purposes and did not engage in any currency borrowings or other hedging transactions.

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. Other than cash and bank deposits, the Group did not engage in any treasury management activities by engaging in any financial investments during the six months ended 30 June 2023.

PLEDGE OF ASSETS

As at 30 June 2023, the Group did not pledge any assets (31 December 2022: nil) as securities for any facilities granted to the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group employed a total of 218 full-time employees (30 June 2022: 226 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 2023, the Group's total employee benefit expenses (including Directors' emoluments) amounted to approximately RMB9.4 million (30 June 2022: approximately RMB11.7 million). Remuneration is determined with reference to market term and the performance, qualification and experience of individual employee. The Group also offers induction and other on-job trainings to employees from time to time.

As the Group made mandatory provident funds ("MPF") contributions to its Hong Kong employees in compliance with the labour laws in Hong Kong, 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 2022 and the six months ended 30 June 2023, while the amount available for reduction in contributions of the Group due to forfeiture as at 31 December 2022 and 30 June 2023 were approximately HK\$0.67 million and HK\$0.72 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 directors’ report of the annual report of the Company for the year ended 31 December 2022. No share option has been exercised, granted, cancelled or lapsed during the six months ended 30 June 2023. There were no outstanding options during the six months ended 30 June 2023.

DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: 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.

In order to diversify the business and income stream of the Group in the post-pandemic era, the Group will also consider exploring other garment and textile business with an emphasis on health and lifestyle for maximising the return to Shareholders in the long run.

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;
- (viii) The Group may experience an increase of materials cost due to the increasing trend of production material prices; and
- (ix) The business and operation of the Group may be affected by public health incident such as COVID-19 or other pandemic, which may cause lock-down, travel restrictions or other public health measures.

For the details of other risks and uncertainties facing the Group, please refer to the section headed "Risks Factors" in the prospectus of the Company dated 30 June 2017 (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 2023 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 2023 <i>HK\$'million</i>	Net Proceeds utilised during the six months ended 30 June 2023 <i>HK\$'million</i>	Unutilised balance as at 30 June 2023 <i>HK\$'million</i>	Expected timeline for the intended use
Upgrading the production facilities and digital printing technology of the Group	7.9	7.9	–	–	–
Developing the capability of applying RFID technology to the products of the Group	3.0	0.7	–	2.3	December 2023
Enhancing the heat transfer printing production facilities of the Group	4.1	4.1	–	–	–
Upgrading the information technology systems of the Group	5.3	4.3	0.1	1.0	December 2023
Expansion of the sales and marketing department of the Group	3.0	2.4	0.2	0.6	December 2023
General working capital	3.3	3.3	–	–	–
Developing garment trading business	8.0	0.8	–	7.2	December 2023
Developing the internet and information technology business	3.0	3.0	–	–	–
Total	<u>37.6</u>	<u>26.5</u>	<u>0.3</u>	<u>11.1</u>	

There has been delay in the application of the Net Proceeds for developing the capability of applying RFID technology to the products, upgrading the information technology systems, expansion of sales and marketing department of the Group and development of garment trading business. The reasons for the delay in application were that the garment industry was disrupted by the outbreak of the Pandemic since early 2020, which caused a delay in the previous and subsequent application schedule of the Net Proceeds. With the control of the Pandemic and drop of anti-Pandemic measures in the PRC and the rest of the world, the Company will apply the unutilised portion of the Net Proceeds as and when appropriate according to the manner as disclosed in the Prospectus and the announcement of the Company dated 28 April 2020. All the unutilised balance of the Net Proceeds have been placed in licenced banks in Hong Kong or the PRC as at 30 June 2023.

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**”). As disclosed in the announcement of the Company dated 3 December 2021, the Group entered into a sale and purchase agreement to dispose of the equity interest of Dongdong Laike (Guangzhou) Information Technology Co., Ltd.* (咚咚來客(廣州)信息技術有限公司) (“**Dongdong Laike**”) (formerly known as Guangzhou Banchengyun Information Technology Co., Ltd.* (廣州半城雲信息科技有限公司)). As such, on 3 December 2021, the Board resolved to change the use of the unutilised portion of the net Placing Proceeds to be utilised for investment in other information technology companies or projects which may be identified by the Group as suitable targets in the future.

An analysis of the unutilisation of the net proceeds from the Placing as at 30 June 2023 is set out below:

Intended use of the net proceeds from the Placing	Revised total planned amount <i>HK\$'million</i>	Net proceeds		Unutilised net proceeds from the Placing as at 30 June 2023 <i>HK\$'million</i>	Expected timeline for the intended use
		Utilised net proceeds from the Placing as at 30 June 2023 <i>HK\$'million</i>	from the Placing utilised during six months ended 30 June 2023 <i>HK\$'million</i>		
Working capital in Dongdong Laike in connection with the Group’s development in the information technology industry	0.3	0.3	–	–	–
Investment in information technology companies or projects	5.11	–	–	5.11	December 2023

The Company will apply the unutilised portion of the Placing Proceeds according the announcements of the Company dated 13 May 2020 and 3 December 2021. As at the date of this announcement, the Company has not yet identified any suitable targets for investment. The Company will make further announcement(s) as to update on the use of the Placing Proceeds as and when appropriate.

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 2023, 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 2023, 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 2023, 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%

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 2023, 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 2023.

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 5.46 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 2023.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules ("**CG Code**"). For the six months ended 30 June 2023, 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 all the applicable code provisions of the CG Code in all material respects for the six months ended 30 June 2023.

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 2023.

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 2023.

EVENT AFTER REPORTING PERIOD

There was no significant subsequent events happened to the Group after 30 June 2023 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 D.3.3 and D.3.7 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, 7 August 2023

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 (Chairman); and the independent non-executive Directors are Mr. Moy Yee Wo, Matthew, Mrs. So Chan Wai Hang, Mr. Ho Yuk Hay and Mr. Zhu Honghai.

This announcement will remain on the Exchange’s website at www.hkexnews.hk on the “Latest Listed Company Information” page for at least 7 days from the date of its posting and on the website of the Company at www.sthl.com.hk.