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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 2024**

**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 RMB39.7 million for the six months ended 30 June 2024 (six months ended 30 June 2023: approximately RMB34.1 million), representing an increase of approximately 16.4% over the corresponding period of 2023.
- The unaudited loss of the Group for the six months ended 30 June 2024 amounted to approximately RMB6.5 million (six months ended 30 June 2023: unaudited loss of approximately RMB1.3 million).
- The basic loss per share for the six months ended 30 June 2024 was RMB0.7 cent (six months ended 30 June 2023: basic loss per share of RMB0.1 cent).
- The board of Directors resolved not to declare an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2024

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 2024, together with the comparative unaudited figures for the corresponding period in 2023, as follows:

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

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	39,709	34,121
Cost of sales		<u>(28,964)</u>	<u>(24,082)</u>
Gross profit		10,745	10,039
Other income, gains and losses		403	301
Distribution and selling expenses		(2,549)	(1,928)
Administrative expenses		(15,003)	(9,368)
Finance costs		<u>(46)</u>	<u>–</u>
Loss before tax		(6,450)	(956)
Income tax expenses	5	<u>(34)</u>	<u>(328)</u>
Loss and total comprehensive expense for the period	6	<u>(6,485)</u>	<u>(1,284)</u>
Loss and total comprehensive expense for the period attributable to:			
Owners of the Company		(6,485)	(1,249)
Non-controlling interests		–	(35)
Loss per share,			
— Basic and diluted (RMB cents)	8	<u>(0.7)</u>	<u>(0.1)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	9	846	–
Right-of-use asset		1,546	–
		<u>2,392</u>	<u>–</u>
CURRENT ASSETS			
Inventories		2,584	2,177
Trade receivables	10	20,301	12,798
Prepayments and other receivables		11,201	5,760
Bank and cash balances		15,837	19,725
		<u>49,923</u>	<u>40,460</u>
CURRENT LIABILITIES			
Trade payables	11	8,534	4,051
Other payables and accruals		4,081	4,733
Finance lease liabilities		91	–
Bank borrowing		240	–
Contract liabilities		–	1,380
Lease liabilities		1,034	479
Tax payable		1,137	1,103
		<u>15,117</u>	<u>11,786</u>
NET CURRENT ASSETS		<u>34,806</u>	<u>28,674</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>37,198</u>	<u>28,674</u>

		As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Deferred tax liability		55	55
Lease liabilities		1,010	247
Finance lease liabilities		353	—
Bank borrowing		1,260	—
		<hr/>	<hr/>
TOTAL NON-CURRENT LIABILITIES		2,678	302
		<hr/>	<hr/>
NET ASSETS		34,520	28,372
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Share capital	12	8,879	7,321
Reserves		25,641	21,051
		<hr/>	<hr/>
TOTAL EQUITY		34,520	28,372
		<hr/>	<hr/>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Share capital RMB'000	Share premium RMB'000 (Note 1)	Share based payment reserve RMB'000	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 2024 (Audited)	7,321	41,488	-	14,145	(34,582)	28,372	-	28,372
Issuance of new shares from placing of shares (note 12)	1,558	10,261	-	-	-	11,819	-	11,819
Share based payment	-	-	814	-	-	814	-	814
Loss and total comprehensive expense for the period	-	-	-	-	(6,485)	(6,485)	-	(6,485)
At 30 June 2024 (Unaudited)	<u>8,879</u>	<u>51,749</u>	<u>814</u>	<u>14,145</u>	<u>(41,067)</u>	<u>34,520</u>	<u>-</u>	<u>34,520</u>
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>-</u>	<u>14,145</u>	<u>(14,197)</u>	<u>48,757</u>	<u>99</u>	<u>48,856</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 2024

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net cash used in operating activities	<u>(16,424)</u>	<u>(8,052)</u>
Investing activities		
Purchase of property, plant and equipment	(884)	(195)
Proceeds on disposal of properties, plant and equipment	–	156
Interest received	<u>200</u>	<u>185</u>
Net cash (used in)/from investing activities	<u>(684)</u>	<u>146</u>
Financing activities		
Net proceeds from placing of new shares under general mandate	11,819	–
New finance lease liabilities	445	–
Repayment of lease liabilities	(370)	–
New bank borrowing	<u>1,500</u>	<u>–</u>
Net cash from financing activities	<u>13,394</u>	<u>–</u>
Net decrease in cash and cash equivalents	<u>(3,714)</u>	<u>(7,906)</u>
Cash and cash equivalents at the beginning of period	<u>19,725</u>	<u>34,812</u>
Effect of foreign exchange rate changes	(174)	89
Cash and cash equivalents at end of period, representing bank balances and cash	<u><u>15,837</u></u>	<u><u>26,995</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**”). The controlling party is Ms. Sha Xuanyi (“**Ms. Sha**”), who is the Chairlady and also an 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. In addition, the Group has expanded its business operations into production and trading of functional garment in the PRC.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2024 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 2024 have been prepared under the historical cost convention.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2024 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 2024 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 2024 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 2024, 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 2024. 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 2024 and prior years.

4. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2024	2023
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Types of products — at point in time recognition:		
Sales of printed products	13,910	13,145
Sales of woven labels	7,174	6,051
Sales of printed labels	9,355	8,897
Others	9,270	6,028
	<u>39,709</u>	<u>34,121</u>

Types of customers

	Six months ended 30 June	
	2024	2023
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Garment brand companies	3,554	2,848
Sourcing companies designated by garment brand companies	11,660	11,022
Garment manufacturers	24,495	20,251
	<u>39,709</u>	<u>34,121</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, and 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 reviews 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 two customers individually contributing to over 10% of the total sales is as follows:

	Six months ended 30 June	
	2024	2023
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Customer A	11,660	11,022
Customer B	4,004	–

5. INCOME TAX EXPENSES

	Six months ended 30 June	
	2024	2023
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Current tax:		
Provision for the period	34	328

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 2024 and 2023.

The Group is subject to PRC Enterprise Income Tax (“**PRC EIT**”) at a rate of 25% (for the six months ended 30 June 2023: 25%) and dividend withholding tax at a rate of 5% for the six months ended 30 June 2024 (for the six months ended 30 June 2023: 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 2024.

Current tax provision represents provision for PRC EIT.

6. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging:		
Directors' remuneration	1,379	1,351
Staff costs		
— salaries and wages	10,320	6,947
— retirement benefits scheme contributions, excluding directors	1,238	1,077
— share based payment	814	—
Total directors and other staff costs	13,751	9,375
Allowance for credit losses on trade receivables	183	105
Depreciation on property, plant and equipment	38	858
Depreciation of right-of-use assets	141	—
Loss on disposal of property, plant and equipment	—	391
Amortisation of an intangible asset	—	76

7. DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: nil).

* unofficial English name for identification purpose only.

8. LOSS PER SHARE

	Six months ended 30 June	
	2024	2023
	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	(6,485)	(1,249)

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Number of Shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per Share	962,802,198	850,000,000

No diluted loss per share is presented for the six months ended 30 June 2024 and 2023 as the 80,000,000 share options granted by the Company on 26 March 2024 were out-of-money as at 30 June 2024, there is no potential dilutive effect on the loss per share.

9. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2024, the Group acquired plant and equipment with aggregate cost of approximately RMB884,000 (30 June 2023: approximately RMB195,000).

10. TRADE RECEIVABLES

	30 June	31 December
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables	21,769	14,083
Less: allowance for bad and doubtful receivables	(1,468)	(1,285)
	20,301	12,798

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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 90 days	16,364	12,756
91–180 days	3,855	25
181–365 days	82	17
	20,301	12,798

As at 30 June 2024, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of approximately RMB5,775,000 (31 December 2023: approximately RMB4,446,000) which are past due as at the end of reporting period. Out of the past due balances, approximately RMB148,000 (31 December 2023: approximately RMB981,000) 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. 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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 90 days	7,551	3,979
91–180 days	932	54
181–365 days	51	4
Over 365 days	–	14
Total	8,534	4,051

The credit period on trade payables ranges from 30 to 90 days for the six months ended 30 June 2024 (31 December 2023: ranges from 30 to 90 days). The Group has financial risk management policies in place to ensure all payables are settled within the credit time frame.

12. SHARE CAPITAL

	Number of shares	Share capital HK\$
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 December 2023, 1 January 2024 and 30 June 2024	2,000,000,000	20,000,000
Issued and fully paid:		
At 31 December 2023 and 1 January 2024	850,000,000	8,500,000
Issuance of shares during the period (<i>Note (a)</i>)	170,000,000	1,700,000
At 30 June 2024	1,020,000,000	10,200,000
		RMB
Shown in the unaudited condensed consolidated financial statements as		8,879,000

Note:

- (a) On 2 January 2024, the Company announced that a placing agreement was signed between the Company as issuer and Ruibang Securities Limited as placing agent. On 18 January 2024, the Company completed placing of 100,000,000 Shares under generate mandate and raised gross proceeds of HK\$8.0 million. In addition, on 16 April 2024, the Company announced that a placing agreement was signed between the Company as issuer and Ruibang Securities Limited as placing agent. On 2 May 2024, the Company completed placing of 70,000,000 Shares under generate mandate and raised gross proceeds of HK\$4.9 million.

13. 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	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
史威特服飾（惠州）有限公司	Rental Paid (<i>note</i>)	1,272	1,272
Good Wealthy Properties Limited	Rental Paid (<i>note</i>)	<u>45</u>	<u>43</u>

Note: Mr. Lam Cheung Chuen is the father of Mr. Lam Kai Yuen and Mr. Lam Kai Cheong, both the executive Directors as at 30 June 2024. Mr. Lam Cheung Chuen was the ultimate beneficial owner of 史威特服飾(惠州)有限公司 and Good Wealthy Properties Limited.

14. EVENTS AFTER THE REPORTING PERIOD

There was no significant subsequent events happened to the Group after 30 June 2024 and up to the date of this announcement.

15. 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 2024, the contributions made by employers on behalf of the employees is approximately HK\$830,000 and none of the amount was utilized during the period ended 30 June 2024.

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 mainly engages in the production of three types of products, which are (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. The Group's customers mainly include (i) garment brand companies, (ii) sourcing companies designated by garment brand companies and (iii) garment manufacturers in the PRC.

During the six months ended 30 June 2024 (the “**Period**”), in order to diversify the business and income stream of the Group, the Group has expanded its business operations into production and trading of functional garment in the PRC. The Group is also exploring other business opportunities for maximising the return to Shareholders in the long run.

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 increased by approximately 16.4% from approximately RMB34.1 million for the six months ended 30 June 2023 to approximately RMB39.7 million for the six months ended 30 June 2024.

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 expand its business operation in manufacturing and sale of functional garment and continue to explore new business opportunities to strengthen our income streams, including sales of garment related products through different channels.

Cost of sales and gross profit

During the six months ended 30 June 2024, the Group's gross profit increased by approximately 7.0% from approximately RMB10.0 million for the six months ended 30 June 2023 to approximately RMB10.7 million for the six months ended 30 June 2024. The Group's cost of sales primarily consists of material costs, direct labour costs, subcontracting costs, rental and rates, and depreciation on machinery and utilities.

During the six months ended 30 June 2024, the Group's revenue increased by approximately 16.4%, while the cost of sales increased by approximately 20.3%. As a result, the Group's gross profit margin decreased by 2.2 percentage point from approximately 29.3% for the six months ended 30 June 2023 to approximately 27.1% for the six months ended 30 June 2024.

Distribution and selling expenses

Distribution and selling expenses increased by approximately RMB0.6 million to approximately RMB2.5 million for the six months ended 30 June 2024 from approximately RMB 1.9 million for the six months ended 30 June 2023. The increase in the Group's distribution and selling expenses was mainly due to the increase in headcount of sales and marketing staffs during the Period.

Administrative expenses

Administrative expenses increased by approximately RMB5.6 million to approximately RMB15.0 million for the six months ended 30 June 2024 from approximately RMB9.4 million for the six months ended 30 June 2023. The increase in the Group's administrative expenses was mainly due to the Group's expansion of its business operations into the production and trading of functional garment in the PRC during the six months ended 30 June 2024, which increased staff costs and benefits and depreciation on right-of-use assets. Administrative expenses consist primarily of staff costs and benefits, depreciation (excluding depreciation for plant and machinery), office expenses and other general administrative expenses.

Loss for the Period

After taking into account of the foregoing, the Group's unaudited loss was approximately RMB6.5 million for the six months ended 30 June 2024, as compared to the unaudited loss of approximately RMB1.3 million for the six months ended 30 June 2023. The increase in loss was mainly due to the decrease in gross profit margin and increase in administrative expenses during the six months ended 30 June 2024 when comparing with those of the same period in the previous year.

LIQUIDITY AND FINANCIAL RESOURCES

On 2 January 2024, the Company announced that a placing agreement was signed between the Company as issuer and Ruibang Securities Limited as placing agent. On 18 January 2024, the Company completed placing of 100,000,000 Shares under generate mandate and raised gross proceeds of HK\$8.0 million. In addition, on 16 April 2024, the Company announced that a placing agreement was signed between the Company as issuer and Ruibang Securities Limited as placing agent. On 2 May 2024, the Company completed placing of 70,000,000 Shares under generate mandate and raised gross proceeds of HK\$4.9 million.

During the six months ended 30 June 2024, the Group mainly financed its operations with its own working capital from its operating activities, bank borrowings, and two rounds of placing exercises mentioned above. As at 30 June 2024, the Group had net current assets of approximately RMB34.8 million (31 December 2023: approximately RMB28.7 million), including cash and bank balances of approximately RMB15.8 million (31 December 2023: approximately RMB19.7 million). The Group's current ratio as at 30 June 2024 was approximately 3.30 (as at 31 December 2023 was approximately 3.43).

GEARING RATIO

The gearing ratio of the Group as at 30 June 2024 was 5.6% (31 December 2023: nil). 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 2024.

CAPITAL COMMITMENTS

As at 30 June 2024, the Group did not have any significant capital commitments (31 December 2023: nil).

CAPITAL STRUCTURE

Details of changes in the Company's share capital are set out in Note 12 to the condensed consolidated financial statements of the Group in the announcement. During the six months ended 30 June 2024, the Group did not hold or sell any treasury shares.

SIGNIFICANT INVESTMENTS

As at 30 June 2024, 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 2024.

CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have any material contingent liabilities (31 December 2023: 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 2024, 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 2024, the Group did not use any financial instruments for hedging purposes and did not engage in any other hedging transactions.

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Period. The Group adopted an investment policy to utilise the idle cash or other financial resources of the Group to generate reasonable return to the Group with acceptable and controllable risks associated with the investments placed by the Group. In this connection, the Company also established a treasury committee of the Board to consider and assess the investment decisions of the Company in compliance of the treasury policy. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of our customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet our funding requirements from time to time.

PLEDGE OF ASSETS

As at 30 June 2024, the Group did not pledge any assets (31 December 2023: nil) as securities for any facilities granted to the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group employed a total of 218 full-time employees (30 June 2023: 218 full time employees). The Group's employee benefit expenses mainly included salaries, wages, share based payment, other staff benefits and contributions to retirement schemes. For the six months ended 30 June 2024, the Group's total employee benefit expenses (including Directors' emoluments) amounted to approximately RMB13.8 million (30 June 2023: approximately RMB9.4 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 2023 and the six months ended 30 June 2024, while the amount available for reduction in contributions of the Group due to forfeiture as at 31 December 2023 and 30 June 2024 were approximately HK\$0.8 million and HK\$0.8 million, respectively.

DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: nil).

FUTURE PROSPECTS

Looking forward, the Directors consider that the future opportunities and challenges faced by the Group will continue to be affected by the overall development of the garment market in the PRC as well as factors such as the increasing costs of labour and materials. 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. The Directors are of the view that further development of garment market in the PRC, shortening of fashion cycle and the multifunction of labels remain to be the key drivers for the growth of the PRC garment accessories industry.

During the six months ended 30 June 2024, the Group undertook two placing exercises under general mandate for raising funds to develop functional garment manufacturing and trading business. In addition, the Group will continue to explore new business opportunities to strengthen the Group's income streams, including, but not limited to, sales of garment related products through different channels.

With the Group's experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors in respect of future challenges that are commonly faced by all competitors, and the Group will continue to adopt a positive yet prudent approach in its business strategies, with an aim to enhance the Group's profitability and maximise the shareholders' value in the long run.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as those disclosed in the prospectus of the Company dated 30 June 2017 (the “**Prospectus**”) and in this announcement, the Group currently has no other plan for material investments and capital assets.

PRINCIPAL RISKS AND UNCERTAINTIES

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

- (i) The Group's business may be seriously affected by the spread of contagious disease or other public health incident, which may cause lock-down, travel restrictions and suspension of work in the PRC, Hong Kong and other locations;
- (ii) The Group has not entered into long-term contracts with the customers of the Group and it is difficult for the Group to forecast future order quantities;
- (iii) Increases in the prices of raw materials may materially and adversely affect the Group's business, financial condition and results of operations;
- (iv) The Group may experience a shortage of labour or our labour costs may continue to increase;
- (v) The Group faces intense competition in the garment accessories industry in the PRC;
- (vi) The Group may lose its customers if its customers move their factories from the PRC;
- (vii) The Group may exposed to environmental liabilities;
- (viii) The Group may be subject to potential labour disputes and labour strikes; and
- (ix) The future expansion plans of the Group, such as production and trading of functional garment, are subject to uncertainties and risks.

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.

The unutilised Net Proceeds brought forward from 31 December 2023 was in the amount of approximately HK\$9.9 million.

An analysis of the utilisation of the Net Proceeds as at 30 June 2024 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 2024 <i>HK\$'million</i>	Net Proceeds utilised during the six months ended 30 June 2024 <i>HK\$'million</i>	Unutilised balance as at 30 June 2024 <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	1.2	0.5	1.8	December 2024
Enhancing the heat transfer printing production facilities of the Group	4.1	4.1	–	–	–
Upgrading the information technology systems of the Group	5.3	5.3	–	–	–
Expansion of the sales and marketing department of the Group	3.0	3.0	0.4	–	–
General working capital	3.3	3.3	–	–	–
Developing garment trading business	8.0	2.1	1.3	5.9	December 2024
Developing the internet and information technology business	3.0	3.0	–	–	–
Total	<u>37.6</u>	<u>29.9</u>	<u>2.2</u>	<u>7.7</u>	

There has been delay in the application of the Net Proceeds for developing the capability of applying RFID technology to the products, 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 COVID-19 pandemic (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 gradual recovery of the garment industry, the Company will apply the unutilised portion of the Net Proceeds as and when appropriate with reference to the pace of recovery of the garment industry 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 2024.

USE OF NET PROCEEDS FROM THE PLACING

FY2020 PLACING

As per the Company's announcements dated 28 April 2020 and 13 May 2020, 50,000,000 Shares (the “**FY2020 Placing Shares**”) were successfully placed to nine independent placees at the placing price of HK\$0.113 per FY2020 Placing Share under general mandate (the “**FY2020 Placing**”). The gross proceeds and the net proceeds (after deducting the placing fee and other related expenses incurred in the FY2020 Placing) from the FY2020 Placing are HK\$5.65 million and approximately HK\$5.41 million, respectively (the “**FY2020 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 FY2020 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.

The unutilised FY2020 Placing Proceeds brought forward from 31 December 2023 was in the amount of approximately HK\$5.1 million. An analysis of the unutilisation of the net proceeds from the FY2020 Placing as at 30 June 2024 is set out below:

		Utilised net proceeds from the FY2020 Placing as at 30 June 2024	Net proceeds from the FY2020 Placing utilised during six months ended 30 June 2024	Unutilised net proceeds from the FY2020 Placing as at 30 June 2024	Expected timeline for the intended use
	Revised total planned amount HK\$'million	HK\$'million	HK\$'million	HK\$'million	
Intended use of the net proceeds from the FY2020 Placing					
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	5.1	–	–	5.1	December 2024

The Company has applied the utilised portion and will apply the unutilised portion of the FY2020 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 FY2020 Placing Proceeds as and when appropriate.

* unofficial name for identification purpose only.

JANUARY-2024 PLACING

As per the Company's announcements dated 2 January 2024 and 18 January 2024, 100,000,000 Shares (the "**Jan-2024 Placing Shares**") were successfully placed to seven independent placees at the placing price of HK\$0.08 per Jan-2024 Placing Share under general mandate (the "**Jan-2024 Placing**"). The net price per Jan-2024 Placing Shares was approximately HK\$0.077 and the closing price of the Shares on 2 January 2024, being the date on which the terms of the issue was fixed was HK\$0.097. The Jan-2024 Placing Shares have an aggregate nominal value of HK\$1 million. The gross proceeds and the net proceeds (after deducting the placing fee and other related expenses incurred in the Jan-2024 Placing) from the Jan-2024 Placing are HK\$8.0 million and approximately HK\$7.7 million, respectively (the "**Jan-2024 Placing Proceeds**").

An analysis of the unutilisation of the net proceeds from the Jan-2024 Placing as at 30 June 2024 is set out below:

Intended use of the Jan-2024 Placing Proceeds	Total planned amount <i>HK\$'million</i>	Utilised net proceeds from the Jan-2024 Placing as at 30 June 2024 <i>HK\$'million</i>	Net proceeds from the Jan-2024 Placing utilised during six months ended 30 June 2024 <i>HK\$'million</i>	Unutilised net proceeds from the Jan-2024 Placing as at 30 June 2024 <i>HK\$'million</i>	Expected timeline for the intended use
Expansion of production plant for functional garment	3.1	3.1	3.1	–	–
Acquisition of machineries for manufacture and processing of functional garment	2.3	–	–	2.3	December 2024
Purchasing raw materials and semi-finished products for further processing at the Group's production plant	1.5	–	–	1.5	December 2024
Working capital of the Company	0.8	0.8	0.8	–	–
Total	<u>7.7</u>	<u>3.9</u>	<u>3.9</u>	<u>3.8</u>	

The unutilised portion of the net proceeds of Jan-2024 Placing is currently placed in banks in the PRC. The Company has applied the utilised portion and will apply the unutilised portion of the Jan-2024 Placing Proceeds according to the announcement of the Company dated 18 January 2024.

MAY-2024 PLACING

As per the Company's announcements dated 16 April 2024 and 2 May 2024, 70,000,000 Shares (the "**May-2024 Placing Shares**") were successfully placed to six independent placees at the placing price of HK\$0.07 per May-2024 Placing Share under general mandate (the "**May-2024 Placing**"). The net price per May-2024 Placing Shares was approximately HK\$0.067 and the closing price of the Shares on 16 April 2024, being the date on which the terms of the issue were fixed, was HK\$0.081. The May-2024 Placing Shares have an aggregate nominal value of HK\$700,000. The gross proceeds and the net proceeds (after deducting the placing fee and other related expenses incurred in the May-2024 Placing) from the May-2024 Placing are HK\$4.9 million and approximately HK\$4.7 million, respectively (the "**May-2024 Placing Proceeds**").

An analysis of the utilisation of the net proceeds from the May-2024 Placing as at 30 June 2024 is set out below:

Intended use of the May-2024 Placing Proceeds	Total planned amount <i>HK\$'million</i>	Utilised net proceeds from the May-2024 Placing as at 30 June 2024 <i>HK\$'million</i>	Net proceeds from the May-2024 Placing utilised during six months ended 30 June 2024 <i>HK\$'million</i>		Unutilised net proceeds from the May-2024 Placing as at 30 June 2024 <i>HK\$'million</i>	Expected timeline for the intended use
Marketing and developing online sales channels of the functional garment	3.0	0.8	0.8		2.2	December 2024
Working capital of the Company	1.7	1.7	1.7		–	–
Total	<u>4.7</u>	<u>2.5</u>	<u>2.5</u>		<u>2.2</u>	

The unutilised portion of the net proceeds of May-2024 Placing is currently placed in banks in Hong Kong and the PRC. The Company has applied the utilised portion and will apply the unutilised portion of the May-2024 Placing Proceeds according to the announcement of the Company dated 2 May 2024.

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 2024, 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
Ms. Sha Xuanyi ("Ms. Sha")	Beneficial owner	132,400,000 ^(Note 1) (Long position)	12.98%
Mr. Li Rongsheng ("Mr. Li")	Beneficial owner	90,000,000 ^(Note 2) (Long position)	8.82%

Notes:

1. Ms. Sha is beneficially interested in 132,400,000 Shares and 950,000 options which can be exercisable into 950,000 Shares.
2. Mr. Li is beneficially interested in 90,000,000 Shares and 9,500,000 options which can be exercisable into 9,500,000 Shares.

Save as disclosed above, as at the date of this announcement, 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 the Directors are aware, as at 30 June 2024, there was no person (other than the Directors and chief executive of the Company) who had or deemed or taken to have an interest or short position in the Shares or underlying Shares which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules.

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 (including treasury share) throughout the six months ended 30 June 2024.

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 2024.

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 C1 (previously Appendix 15) to the GEM Listing Rules (“**CG Code**”). For the six months ended 30 June 2024, 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 2024.

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 2024.

COMPETING INTERESTS

To the best of the Directors' knowledge, none of the substantial shareholder 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 2024.

EVENT AFTER REPORTING PERIOD

There was no significant subsequent events happened to the Group after 30 June 2024 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. Liu Mingxiao (chairman of the Audit Committee), Mr. Zhu Honghai and Mr. Lin Kin-Chin, 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
Sha Xuanyi
Chairlady and Executive Director

Hong Kong, 22 August 2024

As at the date of this announcement, the executive Directors are Ms. Sha Xuanyi (Chairlady), Mr. Lam Kai Yuen, Mr. Lam Kai Cheong and Mr. Li Rongsheng (Chief Executive Officer); and the independent non-executive Directors are Mr. Liu Mingxiao, Mr. Zhu Honghai and Mr. Lin Kin-Chin.

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.