



**Reach New Holdings Limited**

**新達控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8471

Interim Report

**2017**



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## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, 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 report, 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 report 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 report misleading.*

## HIGHLIGHTS

- The Group recorded an unaudited revenue of approximately RMB49.7 million for the six months ended 30 June 2017 (six months ended 30 June 2016: approximately RMB45.1 million), representing an increase of approximately 10.2% over the same period of 2016.
- The unaudited loss of the Group for the six months ended 30 June 2017 amounted to approximately RMB6.0 million (six months ended 30 June 2016: unaudited profit of approximately RMB3.9 million). The unaudited loss for the six months ended 30 June 2017 was mainly attributed to the one-off listing expenses of approximately RMB10.7 million.
- The basic loss per share for the six months ended 30 June 2017 was RMB1.0 cent (six months ended 30 June 2016: basic earnings per share of RMB0.65 cent).
- The board of Directors resolved not to declare an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: nil). In June 2017, the board of Directors declared a special dividend in respect of the year ended 31 December 2016 of approximately RMB7.1 million (equivalent to HK\$8 million).

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# Deloitte.

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## TO THE BOARD OF DIRECTORS OF REACH NEW HOLDINGS LIMITED

*(incorporated in Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of Reach New Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 5 to 19, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2016 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

14 August 2017

## FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2017, together with the comparative unaudited figures for the corresponding period in 2016, as follows:

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

For the three months and six months ended 30 June 2017

	Notes	Three months ended 30 June		Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>Revenue</b>	4	<b>27,632</b>	25,468	<b>49,731</b>	45,142
Cost of sales		<b>(17,541)</b>	(15,812)	<b>(31,583)</b>	(28,576)
<b>Gross profit</b>		<b>10,091</b>	9,656	<b>18,148</b>	16,566
Other income and gains		<b>49</b>	636	<b>49</b>	644
Distribution and selling expenses		<b>(1,014)</b>	(1,325)	<b>(1,987)</b>	(2,394)
Administrative expenses		<b>(5,141)</b>	(3,698)	<b>(9,634)</b>	(9,586)
Listing expenses		<b>(5,567)</b>	–	<b>(10,656)</b>	–
(Loss)/profit before tax		<b>(1,582)</b>	5,269	<b>(4,080)</b>	5,230
Income tax expenses	5	<b>(1,138)</b>	(1,258)	<b>(1,899)</b>	(1,343)
<b>(Loss)/profit for the period</b>	6	<b>(2,720)</b>	4,011	<b>(5,979)</b>	3,887
<b>(Loss)/earnings per share,</b>					
— Basic (RMB cents)	8	<b>(0.45)</b>	0.67	<b>(1.00)</b>	0.65

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	18,898	20,982
Intangible asset		105	118
		<b>19,003</b>	21,100
CURRENT ASSETS			
Inventories		3,078	3,187
Trade receivables	10	23,159	17,773
Prepayments and other receivables		5,467	2,011
Amount due from ultimate holding company	11	11	11
Bank balances and cash	12	8,175	23,308
		<b>39,890</b>	46,290
CURRENT LIABILITIES			
Trade payables	13	12,886	10,862
Other payables		13,291	4,060
Receipt in advance		135	566
Amounts due to directors	11	–	4,321
Tax payable		1,164	2,103
		<b>27,476</b>	21,912

		<b>As at 30 June 2017 RMB'000 (Unaudited)</b>	As at 31 December 2016 RMB'000 (Audited)
NET CURRENT ASSETS		<b>12,414</b>	24,378
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>31,417</b>	45,478
NON-CURRENT LIABILITY			
Deferred tax liability		<b>55</b>	1,000
NET ASSETS		<b>31,362</b>	44,478
CAPITAL AND RESERVES			
Share capital	14	-	-
Reserves		<b>31,362</b>	44,478
TOTAL EQUITY		<b>31,362</b>	44,478



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Share capital	Other reserve	Accumulated profits	Total
	RMB'000	RMB'000 (Note)	RMB'000	RMB'000
At 1 January 2017 (Audited)	–	<b>14,145</b>	<b>30,333</b>	<b>44,478</b>
Dividend paid (Note 7)	–	–	<b>(7,137)</b>	<b>(7,137)</b>
Loss and total comprehensive expense for the period	–	–	<b>(5,979)</b>	<b>(5,979)</b>
At 30 June 2017 (Unaudited)	–	<b>14,145</b>	<b>17,217</b>	<b>31,362</b>
At 1 January 2016 (Audited)	14,138	7	20,702	34,847
Profit and total comprehensive income for the period	–	–	3,887	3,887
At 30 June 2016 (Unaudited)	14,138	7	24,589	38,734

Note: As part of the Reorganisation (as defined in Note 2), there was a series of restructuring within the Group mainly involved interspersing investment holding entities between the operating subsidiaries and investment holding companies. The difference between the Company's share capital and the combined paid-in capital of 新天倫服裝配料(惠州)有限公司 and 新天倫服裝輔料(惠州)有限公司, the indirect wholly-owned subsidiaries of the Company established in the PRC, was credited to other reserve on 30 November 2016.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Net cash from operating activities	<b>1,569</b>	5,646
Investing activities		
Purchase of property, plant and equipment	<b>(177)</b>	(4,749)
Proceeds from disposal of wealth management products designated at fair value through profit or loss	–	6,247
Interest received	<b>21</b>	16
Repayment from a related party	–	1,919
Net cash (used in) from investing activities	<b>(156)</b>	3,433
Financing activities		
Advance from directors	–	293
Dividend paid	<b>(7,137)</b>	–
Repayment to directors	<b>(4,321)</b>	–
Repayment to related parties	–	(12,775)
Payment of listing expenses	<b>(5,088)</b>	–
Net cash used in financing activities	<b>(16,546)</b>	(12,482)
Net decrease in cash and cash equivalents	<b>(15,133)</b>	(3,403)
Cash and cash equivalents at the beginning of period	<b>23,308</b>	13,261
Cash and cash equivalents at end of period, representing bank balances and cash	<b>8,175</b>	9,858

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 1. CORPORATE INFORMATION

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

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

The condensed consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company and its subsidiaries.

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The Company was incorporated in the Cayman Islands with limited liability on 22 January 2016 and its shares have been listed on the Stock Exchange with effect from 21 July 2017.

Pursuant to a reorganisation of the Company and its subsidiaries now comprising the Group completed on 30 November 2016 to rationalise the Group's structure in preparation for the listing on GEM Board of the Stock Exchange (the "**Reorganisation**"), the Company became the holding company of the Group. Details of the Reorganisation are set out in the section headed "HISTORY, DEVELOPMENT AND REORGANISATION" of the prospectus of the Company dated 30 June 2017 (the "**Prospectus**"). The Company and its subsidiaries have been under the common control of Mr. Lam during the six months ended 30 June 2016 or since their respective dates of incorporation or establishment, where there is a shorter period.

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the condensed consolidated statements of profit or loss and other comprehensive income and cash flows for the six months ended 30 June 2016 included the results and cash flows of the companies now comprising the Group which have been prepared by applying the principles of merger accounting, which is consistent with the principle as stated in the Accounting Guideline 5 "Merger accounting for common control combinations" issued by the HKICPA, as if the group structure upon the completion of the group restructuring had been in existence throughout the six months ended 30 June 2016 or since their respective dates of incorporation or establishment where this is a shorter period.

### 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those set out in the accountants' report as included in the Prospectus.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosure set out in these condensed consolidated financial statements but additional disclosures about changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31 December 2017.

### 4. REVENUE AND SEGMENT INFORMATION

The following is an analysis of the Group's revenue from its major products during the six months ended 30 June 2017 and 2016:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of printed products	20,839	19,931
Sales of woven labels	11,694	12,217
Sales of printed labels	12,407	9,371
Others	4,791	3,623
	<b>49,731</b>	45,142

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 review 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. All of the Group's non-current assets and capital expenditure are located or utilised in the PRC.

### **Information about major customers**

Revenue from a customer that individually contributing over 10% of the total sales of the Group for each of the reporting period comprising the six months ended 30 June 2017 and 2016 are as follows:

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Customer A	<b>6,081</b>	9,318

## **5. INCOME TAX EXPENSES**

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Current tax:		
Provision for the period	<b>1,899</b>	1,343

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 2017 and 2016.

The Group is subject to PRC Enterprise Income Tax ("**PRC EIT**") at a rate of 25% (2016: 25%) and dividend withholding tax at a rate of 5% for the six months ended 30 June 2017 (2016: 10%).

Current tax provision represents provision for PRC EIT.

## 6. (LOSS)/PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/profit for the period has been arrived at after charging:		
Directors' remuneration	492	30
Staff costs		
— salaries and wages	11,720	14,319
— retirement benefits scheme contributions, excluding directors	1,294	1,162
<b>Total directors and other staff costs</b>	<b>13,506</b>	<b>15,511</b>
Allowance for doubtful debt	93	–
Depreciation	2,261	2,394
Amortisation of an intangible asset	13	13
Minimum lease payment under operating lease	1,394	1,374

## 7. DIVIDEND

During the six months ended 30 June 2017, a special dividend in respect of the year ended 31 December 2016 of approximately RMB70,880 (equivalent to HK\$80,000) per ordinary share, in aggregate of approximately RMB7,137,000 (equivalent to HK\$8,000,000) (30 June 2016: nil) was declared and approved by the Directors.

Subsequent to the end of the reporting period, the Board resolved not to declare an interim dividend for the six months ended 30 June 2017 (30 June 2016: nil).

## 8. (LOSS)/EARNINGS PER SHARE

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/earnings:		
(Loss)/earnings for the purpose of calculating basic (loss)/earnings per Share	(5,979)	3,887

**Six months ended 30 June**

<b>2017</b>	2016
<b>'000</b>	'000
<b>(Unaudited)</b>	(Unaudited)

Number of Shares (Note):

Number of Shares for the purpose of calculating basic (loss)/earnings per Share	<b>600,000</b>	600,000
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Note: The number of Shares for the purpose of calculating basic (loss)/earnings per Share for the six months ended 30 June 2017 and corresponding period in 2016 has been adjusted for the effect of 599,999,900 Shares to be allotted and issued, credited as fully paid to the then shareholders pursuant to the Capitalisation Issue (as defined in the Prospectus) immediately preceding the completion of the Listing.

No diluted earnings per share is presented for the six months ended 30 June 2017 and 2016 as there is no potential ordinary share in issue.

## 9. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2017, the Group acquired plant and equipment with aggregate cost of approximately RMB177,000 (30 June 2016: approximately RMB4,749,000).

## 10. TRADE RECEIVABLES

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Trade receivables	<b>23,470</b>	17,991
Less: allowance for bad and doubtful receivables	<b>(311)</b>	(218)
	<b>23,159</b>	17,773

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. 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:

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Within 90 days	<b>19,808</b>	16,181
91–180 days	<b>1,854</b>	908
181–360 days	<b>1,172</b>	684
Over 360 days	<b>325</b>	–
	<b>23,159</b>	17,773

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB5,682,000 (31 December 2016: approximately RMB3,061,000) as at 30 June 2017, which were past due as at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due based on invoice date but not impaired:

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Overdue:		
Within 90 days	<b>3,775</b>	2,223
91–180 days	<b>410</b>	154
181–360 days	<b>1,497</b>	684
Total	<b>5,682</b>	3,061

The Group has provided fully for all receivables which have been past due over 360 days because historical experience is that receivables that were past due beyond 360 days are generally not recoverable.



### Movement in the allowance for trade receivables

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Balance at beginning of the period/year	<b>218</b>	77
Impairment losses recognised on receivables	<b>93</b>	141
Balance at end of the period/year	<b>311</b>	218

### 11. BALANCES WITH ULTIMATE HOLDING COMPANY/DIRECTORS

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

The amounts due to directors represent the advances from Mr. Lam and Mr. Lam Kai Yuen ("Mr. Gabi Lam"), the Directors. The amounts are unsecured, non-trade nature, interest-free and repayable on demand. Such amounts have been fully settled during the six months ended 30 June 2017.

### 12. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates at 0.35% (31 December 2016: 0.35%) per annum as at 30 June 2017.

### 13. TRADE PAYABLES

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

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Within 90 days	<b>12,193</b>	7,509
91–180 days	<b>357</b>	2,342
181–360 days	<b>248</b>	652
Over 1 year	<b>88</b>	359
Total	<b>12,886</b>	10,862

The credit period on trade payables ranges from 30 to 90 days (31 December 2016: ranges from 30 to 90 days) for the six months ended 30 June 2017. The Group has financial risk management policies in place to ensure all payables are settled within the credit time frame.

#### 14. SHARE CAPITAL

	Number of shares	Share capital HK\$
Shares of HK\$0.01 each		
Authorised:		
At 22 January 2016 (date of incorporation), 31 December 2016 and 1 January 2017	38,000,000	380,000
Increased in authorized share capital on 24 June 2017	1,962,000,000	19,620,000
At 30 June 2017	2,000,000,000	20,000,000
Issued and fully paid:		
At 22 January 2016 (date of incorporation), 31 December 2016, 1 January 2017 and 30 June 2017	100	1
		RMB'000
Shown in the condensed consolidated financial statements as		–

#### 15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

#### 16. OPERATING LEASE COMMITMENTS

##### The Group as lessee

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Minimum lease payments under operating leases during the period in respect of premises owned by		
— related parties	1,363	1,369
— independent third parties	31	5
	1,394	1,374

As at 30 June 2017, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises for factory and office which fall due as follows:

	<b>As at 30 June 2017</b>		
	<b>Premises owned by related parties RMB'000 (Unaudited)</b>	<b>Premises owned by independent third party RMB'000 (Unaudited)</b>	<b>Total RMB'000 (Unaudited)</b>
Within one year	2,726	62	2,788
In the second to fifth years inclusive	2,872	-	2,872
	<b>5,598</b>	<b>62</b>	<b>5,660</b>

As at 31 December 2016, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises for factory, office and director and staff quarters which fall due as follows:

	<b>As at 31 December 2016</b>		
	<b>Premises owned by related parties RMB'000 (Audited)</b>	<b>Premises owned by independent third party RMB'000 (Audited)</b>	<b>Total RMB'000 (Audited)</b>
Within one year	2,726	60	2,786
In the second to fifth years inclusive	4,235	30	4,265
	<b>6,961</b>	<b>90</b>	<b>7,051</b>

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

## 17. 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	Notes	Nature of transactions	Six months ended 30 June	
			2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
史威特服飾(惠州)有限公司	(i)	Rental paid	1,363	1,334
Mr. Gabi Lam	(ii)	Rental paid	-	30
Miss Lam Man Yee	(iii)	Rental paid	-	5
多悅織造(惠州)有限公司 ("DY Weaving")	(iv)	Sales	-	20
多悅服飾(惠州)有限公司 ("DY Apparel")	(iv)	Sales	-	7
蘇州多悅服飾有限公司	(v)	Purchase of property, plant and equipment	-	7
DY Apparel	(iv)	Purchase of property, plant and equipment	-	2,295
DY Weaving	(iv)	Purchase of property, plant and equipment	-	1,613
			-	2,740

Notes:

- (i) Mr. Lam has beneficial interest in this company.
- (ii) Mr. Gabi Lam is a director of this company.
- (iii) Ms. Lam Man Yee is a close family member of the directors of this company.
- (iv) Mr. Lam had beneficial interests in these companies up to 26 May 2016.
- (v) Mr. Lam had beneficial interest in this company up to 22 February 2016.

The Group provided its property as director's quarters for Mr. Lam Kai Cheong, an executive Director, during the six months ended 30 June 2016.

During the period ended 30 June 2016, the consideration in relation to the purchase of property, plant and equipment from 蘇州多悅服飾有限公司 amounting to RMB2,295,000 has been settled through offsetting the prepayment made during the year ended 31 December 2015.

## 18. SUBSEQUENT EVENTS

- (a) Pursuant to the written resolution of the sole shareholder passed on 24 June 2017, conditional upon the share premium account of the Company being credited as a result of the Listing, the Directors were authorised to capitalise the amount of HK\$5,999,999 from the amount standing to the credit of the share premium account of the Company and to apply such amount to pay up in full at par 599,999,900 Shares for allotment and issue to Mr. Lam.
- (b) In connection with the Listing, 200,000,000 Shares of par value at HK\$0.01 each were issued at a price of HK\$0.30 per Share for a total cash consideration, before expenses, of approximately HK\$60,000,000 on 21 July 2017.

## 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 2017, 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. The Group has obtained approval from a garment brand company which is a new customer and a new brand to the Group to commence trial production in late February 2017, if then started to process orders for the garment manufacturers designated by this garment brand company in March 2017. According to the order projections provided by this garment brand company, the Group's projected revenue from this garment brand company for the year ending 31 December 2017 is expected to be approximately HK\$2.0 million.

On 21 July 2017 (the "**Listing Date**"), the Shares were successfully listed on GEM by placing and public offering. For further information in relation to the Listing, please refer to the Prospectus. After deducting all the relevant commissions and expenses borne by the Company, the Company received approximately HK\$37.6 million (equivalent to approximately RMB32.7 million) of net proceeds from the Listing. Such net proceeds are intended to be utilised in accordance with the proposed applications set out in the section headed "FUTURE PLANS AND USE OF PROCEEDS" in the Prospectus.

Non-recurring listing expenses of approximately RMB10.7 million have been recognised during the six months ended 30 June 2017, which partially off-set the positive effect of the increase in revenue brought to the Group during the six months ended 30 June 2017. As a result, the Group turned from a profit of approximately RMB3.9 million for the six months ended 30 June 2016 to a loss of approximately RMB6.0 million for the six months ended 30 June 2017.

## FINANCIAL REVIEW

### Revenue and gross profit

The Group's revenue, which is principally generated from the direct sales of (i) printed products (e.g. hangtags, price tags and stickers), (ii) woven labels (e.g. woven brand labels, woven size labels and badges), (iii) printed labels (e.g. printed brand labels, printed size labels and care content labels) and (iv) other garment accessories (e.g. tapes, string locks, leather badge, buttons and metal products) was approximately RMB49.7 million for the six months ended 30 June 2017 and RMB45.1 million for the same period in 2016. The increase in the Group's revenue was mainly due to the increase in sales volume of printed labels (in terms of units sold) while the average selling price remained similar during the six months ended 30 June 2017 comparing with the same period in 2016.

The Group's gross profit margin remained similar at approximately 36.5% for the six months ended 30 June 2017 comparing with approximately 36.7% for the same period in 2016.

### Administrative expenses

The Group's administrative expenses remained similar at approximately RMB9.6 million for the six months ended 30 June 2016 and 2017. Administrative expenses consist primarily of staff costs and benefits, depreciation (excluding depreciation for plant and machinery), office expenses and other general administrative expenses.

### (Loss)/profit for the period

The Group's unaudited loss was approximately RMB6.0 million for the six months ended 30 June 2017, as compared to unaudited profit of approximately RMB3.9 million for the six months ended 30 June 2016. The loss was mainly due to the one-off listing expenses of approximately RMB10.7 million during the reporting period while there were no such expenses recorded during the six months ended 30 June 2016.

## LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2017, the Group mainly financed its operations with its own working capital. As at 30 June 2017, the Group had net current assets of approximately RMB12.4 million (31 December 2016: RMB24.4 million), including cash and bank balances of approximately RMB8.2 million (31 December 2016: RMB23.3 million). The Group's current ratio decreased from approximately 2.1 as at 31 December 2016 to approximately 1.5 as at 30 June 2017. Such decrease was mainly attributable to the payment of a special dividend of approximately RMB7.1 million to the then shareholder of the Company and the listing expenses of approximately RMB10.7 million recorded during the six months ended 30 June 2017.

## **GEARING RATIO**

The gearing ratio of the Group as at 30 June 2017 was nil (31 December 2016: nil) as the Group had no outstanding loans and borrowings nor bank overdrafts as at 30 June 2017.

## **COMMITMENTS**

The Group's contractual commitments primarily related to the leases of its premises for factory and office. The Group's operating lease commitments amounted to approximately RMB5.7 million as at 30 June 2017 (31 December 2016: RMB7.1 million). As at 30 June 2017, the Group did not have any significant capital commitments (31 December 2016: nil).

## **CAPITAL STRUCTURE**

Details of changes in the Company's share capital are set out in Note 14 to the condensed consolidated financial statements of the Group. There has been no change in the share capital structure of the Company since the Listing Date.

## **SIGNIFICANT INVESTMENTS**

As at 30 June 2017, the Group did not hold any significant investments.

## **MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES**

On 30 November 2016, the Group completed the Reorganisation, details of which are set out in Note 2 to the condensed consolidated financial statements of the Group. Subsequent to the completion of the Reorganisation and up to 30 June 2017, the Group did not have any acquisitions or disposals of subsidiaries or affiliated companies.

## **CONTINGENT LIABILITIES**

As at 30 June 2017, the Group did not have any material contingent liabilities (31 December 2016: 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 2017, the Group's cash and bank deposits were denominated mainly in RMB, with some denominated in Hong Kong dollars. Any significant exchange rate fluctuations of Hong Kong dollars against RMB as the functional currency may have a financial impact on the Group.

The Directors considered the Group's foreign exchange risk to be insignificant. During the six months ended 30 June 2017, the Group did not use any financial instruments for hedging purposes.

## TREASURY POLICIES

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

## PLEDGE OF ASSETS

As at 30 June 2017, the Group did not pledge any assets (31 December 2016: nil) as securities for any facilities granted to the Group.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the Group employed a total of 325 full-time employees (30 June 2016: 360 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 2017, the Group's total employee benefit expenses (including Directors' emoluments) amounted to approximately RMB13.5 million (30 June 2016: RMB15.5 million). Remuneration is determined with reference to market term and the performance, qualification and experience of individual employee.

## SHARE OPTION SCHEME

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

## DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: nil). In June 2017, the Board declared a special dividend in respect of the year ended 31 December 2016 of approximately RMB7.1 million (equivalent to HK\$8 million).



## **FUTURE PROSPECTS**

The management is optimistic about the garment accessories market in the PRC and believes the Group will continue its growth and strengthen its position as a leading labelling solution provider in the PRC.

Eyeing the development of garment accessories business in the PRC in light of the growing trend of fast fashion, the Group also continues to upgrade the existing production facilities and information technology system to improve the quality of the Group's products and enhance customer satisfaction. The Group will also further increase its source of income by expanding its production capacities and the range of garment accessories products to be produced.

## **FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

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

## **USE OF PROCEEDS AND BUSINESS OBJECTIVES**

The Shares were listed on 21 July 2017 on GEM of the Stock Exchange. The total net proceeds from the Listing amounted to approximately HK\$37.6 million (equivalent to approximately RMB32.7 million), which are intended to be utilised in accordance with the proposed applications set out in the section headed "FUTURE PLANS AND USE OF PROCEEDS" in the Prospectus. The business objectives of the Group are set out in the section headed "FUTURE PLANS AND USE OF PROCEEDS" in the Prospectus. The Group will strive to attain the milestones contained therein.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

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

- (i) The Group has not entered into long-term contracts with its customers and it is difficult for the Group to forecast future order quantities;
- (ii) The Group relies on demand from its customers and its revenue may be materially and adversely affected if demand from them decreases in the future;
- (iii) The Group may experience a shortage of labour or its labour costs may continue to increase;
- (iv) The Group's historical financial information may not necessarily reflect the Group's performance in the future;

- (v) The Group may lose its customers if they move their factories from the PRC;
- (vi) If the Group fails to keep up with the pace of technological developments in the garment accessories industry, it may lose its competitiveness; and
- (vii) The Group may be materially and adversely affected by the demand of environmental groups on excessive printing materials.

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

## 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 the Listing was not completed as at 30 June 2017, Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") and section 352 of the SFO were not applicable to the Directors or the chief executive of the Company as at 30 June 2017.

Upon completion of the Listing and as at the date of this report, 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 (Note)	600,000,000 (Long position)	75%

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

## INTERESTS IN ASSOCIATED CORPORATIONS OF THE COMPANY

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

Save as disclosed above, upon completion of the Listing and as at the date of this report, 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

As the Listing was not completed as at 30 June 2017, Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules were not applicable to the Company as at 30 June 2017.

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

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

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

Save as disclosed above, upon completion of the Listing and as at the date of this report, 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**

The Shares were listed on GEM on 21 July 2017. Purchase, sale or redemption of the Company's listed securities was not applicable for the six months ended 30 June 2017. Nevertheless, details of the dealings, before the Listing, of the Company's Shares in connection with the Reorganisation and the Listing are set out in the Prospectus. Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any Shares since the Listing Date and up to the date of this report.

### **MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealing as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all the Directors, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors since the Listing Date and up to the date of this report.

### **CORPORATE GOVERNANCE PRACTICES**

The Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules ("**CG Code**"). The Shares were listed on GEM on 21 July 2017. Upon the Listing, the Board and the management of the Company are committed to maintaining and achieving a high standard of corporate governance practices with an emphasis on a quality Board, an effective accountability system and a healthy corporate culture in order to safeguard the interests of the Shareholders and enhance the business growth of the Group. The Company has complied with the CG Code in all material respects since the Listing Date and up to the date of this report.

### **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 2017.

## COMPETING INTERESTS

To the best of 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 2017.

## INTEREST OF COMPLIANCE ADVISER

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

## AUDIT COMMITTEE

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

The Audit Committee currently consists of three members, namely Mr. Ho Yuk Hay (chairman of the Audit Committee), Mr. Moy Yee Wo, Matthew and Mrs. So Chan Wai Hang, all being independent non-executive Directors. No member of the Audit Committee is a member of the former or existing independent auditor of the Company. The Audit Committee has reviewed the interim report, including the unaudited interim financial information.

By order of the Board

**Reach New Holdings Limited**  
**Lam Kai Yuen**

*Chief Executive Officer and Executive Director*

Hong Kong, 14 August 2017

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