



# Reach New Holdings Limited

## 新達控股有限公司

(Incorporated in the Cayman Islands with limited liability)  
Stock Code: 8471



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

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*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. 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 RMB21.6 million for the three months ended 31 March 2018 (three months ended 31 March 2017: approximately RMB22.1 million), representing a decrease of approximately 2.4% over the same period of 2017.
- The unaudited loss of the Group for the three months ended 31 March 2018 amounted to approximately RMB1.2 million (three months ended 31 March 2017: unaudited loss of approximately RMB3.3 million).
- The basic loss per share for the three months ended 31 March 2018 was RMB0.14 cent (three months ended 31 March 2017: basic loss per share of RMB0.54 cent).
- The board of Directors resolved not to declare an interim dividend for the three months ended 31 March 2018 (three months ended 31 March 2017: nil).

## FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2018

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (the “**Group**”) for the three months ended 31 March 2018, together with the comparative unaudited figures for the corresponding period in 2017, as follows:

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

*For the three months ended 31 March 2018*

		<b>Three months ended 31 March</b>	
	Notes	<b>2018</b>	2017
		<b>RMB'000</b>	RMB'000
		<b>(Unaudited)</b>	(Unaudited)
<b>Revenue</b>	3	<b>21,575</b>	22,099
Cost of sales		<b>(14,659)</b>	(14,042)
<b>Gross profit</b>		<b>6,916</b>	8,057
Other income and gains		<b>12</b>	–
Distribution and selling expenses		<b>(1,173)</b>	(973)
Administrative expenses		<b>(6,460)</b>	(4,493)
Listing expenses		<b>–</b>	(5,089)
Loss before tax		<b>(705)</b>	(2,498)
Income tax expenses	4	<b>(450)</b>	(761)
<b>Loss for the period</b>		<b>(1,155)</b>	(3,259)
<b>Loss per share,</b>			
— Basic (RMB cents)	6	<b>(0.14)</b>	(0.54)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2018

	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (Note)	Accumulated profits RMB'000	Total RMB'000
At 1 January 2018 (Audited)	6,890	36,775	14,145	16,733	74,543
Loss and total comprehensive expense for the period	-	-	-	(1,155)	(1,155)
At 31 March 2018 (Unaudited)	6,890	36,775	14,145	15,578	73,388
At 1 January 2017 (Audited)	-	-	14,145	30,333	44,478
Loss and total comprehensive expense for the period	-	-	-	(3,259)	(3,259)
At 31 March 2017 (Unaudited)	-	-	14,145	27,074	41,219

Note: As part of the Reorganisation (as defined in the prospectus of the Company dated 30 June 2017 (the **'Prospectus'**)), there was a series of restructuring within the Group which mainly involved interspersing investment holding entities between the operating subsidiaries and investment holding companies. The difference between the Company's share capital and the combined paid-in capital of 新天倫服裝配料(惠州)有限公司 and 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2018

## 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 Group is principally engaged in the provision of labelling solution and production and supply of garment accessories in the PRC.

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the three months ended 31 March 2018 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 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.

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2018 have been prepared under the historical cost convention.

The unaudited condensed consolidated financial statements for the three months ended 31 March 2018 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 three months ended 31 March 2018 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 three months ended 31 March 2018 are presented in Renminbi ("**RMB**"), which is the same functional currency of the Company.

### 3. REVENUE AND SEGMENT INFORMATION

The following is an analysis of the Group's revenue from its major products during the three months ended 31 March 2018 and 2017:

	Three months ended 31 March	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of printed products	9,496	9,911
Sales of woven labels	4,929	5,367
Sales of printed labels	4,962	4,854
Others	2,188	1,967
	<b>21,575</b>	22,099

Information was reported to the chief executive officer of the Group (the "**Chief Executive Officer**"), being the chief operating decision maker ("**CODM**"), who has 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. The CODM reviewed the operating results of the Group as a whole to make decisions about resource allocation and for performance assessment. The operation of the Group constituted one single operating and reportable segment under HKFRS 8 Operating Segments and accordingly no separate segment information is presented.

### 4. INCOME TAX EXPENSES

	Three months ended 31 March	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
Provision for the period	450	761

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 three months ended 31 March 2018 and 2017.

The Group is subject to PRC Enterprise Income Tax ("**PRC EIT**") at a rate of 25% (2017: 25%) and dividend withholding tax at a rate of 5% for the three months ended 31 March 2018 (2017: 5%).

Current tax provision represents provision for PRC EIT.

## 5. DIVIDEND

The Board resolved not to declare an interim dividend for the three months ended 31 March 2018 (31 March 2017: nil).

## 6. LOSS PER SHARE

	<b>Three months ended 31 March</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Loss:		
Loss for the purpose of calculating basic loss per Share	<b>(1,155)</b>	(3,259)

	<b>Three months ended 31 March</b>	
	<b>2018</b>	2017
	<b>'000</b>	'000
	<b>(Unaudited)</b>	(Unaudited)
Number of Shares (Note):		
Weighted average number of Shares for the purpose of calculating basic loss per Share	<b>800,000</b>	600,000

Note: The weighted average number of Shares for the purpose of calculating basic loss per Share for the three months ended 31 March 2018 has been taken into account the Capitalisation Issue (as defined in the Prospectus) and the issuance of Shares upon the Listing.

The weighted average number of Shares for the purpose of calculating basic loss per Share for the three months ended 31 March 2017 has been adjusted for the effect of 599,999,900 Shares allotted and issued, credited as fully paid to the then shareholders pursuant to the Capitalisation Issue immediately preceding the completion of the Listing.

No diluted earnings per share is presented for the three months ended 31 March 2018 and 2017 as there was no potential ordinary Share in issue.



## 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 customers in the PRC.

During the three months ended 31 March 2018, the Group continued to serve a large number of garment brand companies, sourcing companies designated by the garment brand companies and garment manufacturers in the PRC.

On 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 have been and will be utilised in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

## **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 RMB21.6 million for the three months ended 31 March 2018 and RMB22.1 million for the same period in 2017. The decrease in the Group's revenue was mainly due to the decrease in revenue of printed products by approximately 4.2% for the three months ended 31 March 2018 as comparing with that of the same period in previous year and the decrease in revenue of woven label by approximately 8.2% for the three months ended 31 March 2018 as compared to the same period in previous year. The aforesaid decrease in revenue was principally due to the decrease in sales volume caused by the changes of product structure initiated by garment brand companies, given the continuous increase in average price of paper pulp according to the data from National Bureau of Statistics of the People's Republic of China; and some garment brand companies started to use heat transfer technology label to replace woven labels, while the new heat transfer technology machines purchased by the Group after the Listing were still in testing and tuning stage which were not yet ready for production. The Group will put more resources to expand the sales of printed products and woven labels in order to enhance its profitability.

### **Cost of Sales and gross profit**

During the three months ended 31 March 2018, the Group's gross profit decreased by approximately 14.2% from approximately RMB8.1 million for the three months ended 31 March 2017 to approximately RMB6.9 million for the three months ended 31 March 2018. The Group's cost of sales primarily consists of material costs, direct labour costs, subcontracting costs, rental and rates, depreciation on machinery and utilities.

During the three months ended 31 March 2018, despite the decrease in revenue, the material costs increased by approximately RMB1.5 million principally due to the increase in unit price of materials, such as paper and yarn. As a result, the Group's gross profit margin decreased from approximately 36.5% for the three months ended 31 March 2017 to approximately 32.1% for the three months ended 31 March 2018.

### **Distribution and selling expenses**

Distribution and selling expenses increased to approximately RMB1.2 million for the three months ended 31 March 2018 from approximately RMB1.0 million for the three months ended 31 March 2017, which was mainly due to the increase in staff cost by adding new headcount for sales department.

### **Administrative expenses**

Administrative expenses increased to approximately RMB6.5 million for the three months ended 31 March 2018 from approximately RMB4.5 million for the three months ended 31 March 2017, which was mainly due to the increase in compliance costs incurred after the Listing, the increase in administrative staff cost and the exchange loss incurred during the reporting period. 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**

The Group's unaudited loss was approximately RMB1.2 million for the three months ended 31 March 2018, as compared to unaudited loss of approximately RMB3.3 million for the three months ended 31 March 2017. The loss was mainly due to the decrease in revenue and drop in gross profit margin as mentioned above during the reporting period when comparing with that of the same period in previous year.

### **SUBSEQUENT EVENTS**

The Board was not aware of any material events after the reporting period that have to be disclosed.

### **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 were 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 three months ended 31 March 2018 (three months ended 31 March 2017: nil).

## USE OF PROCEEDS 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). 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.

An analysis of the utilisation of the net proceeds from the Listing as at 31 March 2018 is set out below:

	<b>Planned use of net proceeds as stated in the Prospectus up to 30 June 2018</b>	<b>Actual use of net proceeds up to 31 March 2018</b>
	HK\$'000	HK\$'000
Upgrading our production facilities and digital printing technology	10,500	–
Developing the capability of applying RFID technology to our products	1,500	–
Enhancing our heat transfer printing production facilities	4,000	3,000
	<b>16,000</b>	<b>3,000</b>

Note: Actual use of proceeds was lower as compared to the adjusted net proceeds which was mainly attributable to a longer time is needed for the Directors to identify and to compare the price and specifications of suitable machines, with application of RFID technology and heat transfer production where the upgrading and developing of production lines are scheduled to be carried out in the remaining period of 2018.

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

## DISCLOSURE OF INTERESTS

### A. 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 31 March 2018, 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 5.48 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:

#### 1) 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.

## 2) Interests in Associated Corporations of the Company

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

Save as disclosed above, as at 31 March 2018, none of the Directors and chief executive of the Company has registered an interest or short position 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 5.48 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.

## **B. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY**

So far as it is known to the Directors, as at 31 March 2018, 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:

<b>Name</b>	<b>Capacity/nature of interest</b>	<b>Number of shares</b>	<b>Percentage of interest in the Company</b>
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, as at 31 March 2018, 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. 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 or in this report, 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 three months ended 31 March 2018.

## 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 three months ended 31 March 2018.

## 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 close 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 unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2018.

By order of the Board

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

*Chief Executive Officer and Executive Director*

Hong Kong, 14 May 2018

*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.*