



# 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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*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 RMB50.1 million for the six months ended 30 June 2018 (six months ended 30 June 2017: approximately RMB49.7 million), representing an increase of approximately 0.8% over the same period of 2017.
- The unaudited loss of the Group for the six months ended 30 June 2018 amounted to approximately RMB0.4 million (six months ended 30 June 2017: unaudited loss of approximately RMB6.0 million).
- The basic loss per share for the six months ended 30 June 2018 was RMB0.05 cent (six months ended 30 June 2017: basic loss per share of RMB1.0 cent).
- The board of Directors resolved not to declare an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

## FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 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 (UNAUDITED)

For the six months ended 30 June 2018

	Notes	Three months ended 30 June		Six months ended 30 June	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
<b>Revenue</b>	3	<b>28,573</b>	27,632	<b>50,147</b>	49,731
Cost of sales		<b>(19,546)</b>	(17,541)	<b>(34,205)</b>	(31,583)
<b>Gross profit</b>		<b>9,027</b>	10,091	<b>15,942</b>	18,148
Other income and gains		<b>1,289</b>	49	<b>302</b>	49
Distribution and selling expenses		<b>(1,310)</b>	(1,014)	<b>(2,483)</b>	(1,987)
Administrative expenses		<b>(7,749)</b>	(5,141)	<b>(13,210)</b>	(9,634)
Listing expenses		-	(5,567)	-	(10,656)
Profit/(loss) before tax		<b>1,257</b>	(1,582)	<b>551</b>	(4,080)
Income tax expenses	4	<b>(486)</b>	(1,138)	<b>(935)</b>	(1,899)
<b>Profit/(loss) for the period</b>	5	<b>771</b>	(2,720)	<b>(384)</b>	(5,979)
<b>Earnings/(loss) per share,</b>					
— Basic (RMB cents)	7	<b>0.1</b>	(0.45)	<b>(0.05)</b>	(1.00)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2018

	Notes	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	<b>20,036</b>	19,932
Intangible asset		<b>78</b>	92
		<b>20,114</b>	20,024
<b>CURRENT ASSETS</b>			
Inventories		<b>5,606</b>	4,113
Trade receivables	9	<b>21,779</b>	19,837
Prepayments and other receivables		<b>2,309</b>	1,305
Amount due from ultimate holding company	10	<b>2</b>	18
Bank balances and cash	11	<b>41,373</b>	44,638
		<b>71,069</b>	69,911
<b>CURRENT LIABILITIES</b>			
Trade payables	12	<b>12,744</b>	8,383
Other payables		<b>4,016</b>	5,349
Receipt in advance		<b>197</b>	978
Tax payable		<b>12</b>	627
		<b>16,969</b>	15,337

	Notes	<b>As at 30 June 2018 RMB'000 (Unaudited)</b>	As at 31 December 2017 RMB'000 (Audited)
NET CURRENT ASSETS		<b>54,100</b>	54,574
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>74,214</b>	74,598
NON-CURRENT LIABILITY			
Deferred tax liability		<b>55</b>	55
NET ASSETS		<b>74,159</b>	74,543
CAPITAL AND RESERVES			
Share capital	13	<b>6,890</b>	6,890
Reserves		<b>67,269</b>	67,653
TOTAL EQUITY		<b>74,159</b>	74,543

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2018

	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	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	-	-	-	(384)	(384)
At 30 June 2018 (Unaudited)	6,890	36,775	14,145	16,349	74,159
At 1 January 2017 (Audited)	-	-	14,145	30,333	44,478
Dividend paid (Note 7)	-	-	-	(7,137)	(7,137)
Loss and total comprehensive expense for the period	-	-	-	(5,979)	(5,979)
At 30 June 2017 (Unaudited)	-	-	14,145	17,217	31,362

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 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 2018

	<b>Six months ended 30 June 2018</b>	2017
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Net cash (used in) from operating activities	<b>(1,402)</b>	1,569
Investing activities		
Purchase of property, plant and equipment	<b>(1,906)</b>	(177)
Interest received	<b>27</b>	21
Repayment from our ultimate holding company	<b>16</b>	–
Net cash used in investing activities	<b>(1,863)</b>	(156)
Financing activities		
Advance from directors	–	–
Dividend paid	–	(7,137)
Repayment to directors	–	(4,321)
Repayment to related parties	–	–
Payment of listing expenses	–	(5,088)
Net cash used in financing activities	–	(16,546)
Net decrease in cash and cash equivalents	<b>(3,265)</b>	(15,133)
Cash and cash equivalents at the beginning of period	<b>44,638</b>	23,308
Cash and cash equivalents at end of period, representing bank balances and cash	<b>41,373</b>	8,175



# NOTES TO THE 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 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.

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 accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2018 are consistent with those adopted in the Group's annual financial statements for the year ended 31 December 2017, except in relation to the adoption of the new and revised HKFRSs (the "**New and Revised HKFRSs**") issued by the HKICPA that are relevant to its operations and effective for its accounting beginning on 1 January 2018.

The adoption of these New and Revised HKFRSs in the current period has had no material impact on the Group's financial performance and position for the current and prior periods and/or disclosure set out in these unaudited condensed consolidated financial statements.

### HKFRS 9 Financial instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit loss are recognised.

### **HKFRS 15 “Revenue from Contracts with Customers”**

HKFRS 15 “Revenue from Contracts with Customers” establishes a five-steps model in accounting for revenue arising from contracts with customers which are recognised when a performance obligation is satisfied. It replaces existing revenue recognition guidance, including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related Interpretations.

The Group has elected to adopt HKFRS 15 using the modified retrospective approach, with the effect of initially applying this standard recognised at the date of initial application. Accordingly, the information presented for 2017 has not been restated. The application of HKFRS 15 does not have a material impact on the timing and amounts of revenue recognition of the Group. Therefore, the Group considered no adjustment is necessary.

In current period, the Group has applied HKFRS 9 and it has no material effect on the amounts reported in the financial statements as the credit quality of the financial assets of the Group do not change significantly during the six months ended 30 June 2018.

The Group has not early adopted the following New and Revised HKFRSs that have been issued but are not yet effective.

HKFRS 16	Leases <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>2</sup>
HK(IFRIC)-INT 23	Uncertainty over Income Tax Treatments <sup>3</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement <sup>1</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRS 2015–2017 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods on or after 1 January 2019.

<sup>2</sup> Effective for annual periods on or after 1 January 2021.

<sup>3</sup> Effective for annual periods on or after a date to be determined.

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The preparation of the unaudited condensed consolidated financial statements in conformity with the HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The unaudited condensed consolidated financial statements are unaudited, but have been reviewed by the audit committee of the Company. The unaudited condensed financial statements were approved by the Board for publication on 13 August 2018.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2017.

The Company was incorporated in the Cayman Islands with limited liability on 22 January 2016 and the Shares have been listed on GEM of the Stock Exchange since 21 July 2017.

### 3. 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 2018 and 2017:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of printed products	21,221	20,839
Sales of woven labels	10,711	11,694
Sales of printed labels	12,972	12,407
Others	5,243	4,791
	<b>50,147</b>	49,731

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 2018 and 2017 are as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	11,288	9,318

#### 4. INCOME TAX EXPENSES

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
Provision for the period	<b>935</b>	1,899

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 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 six months ended 30 June 2017.

Current tax provision represents provision for PRC EIT.

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/profit for the period has been arrived at after charging:		
Directors' remuneration	<b>1,367</b>	492
Staff costs		
— salaries and wages	<b>15,015</b>	11,720
— retirement benefits scheme contributions, excluding directors	<b>1,461</b>	1,294
Total directors and other staff costs	<b>17,843</b>	13,506
Allowance for doubtful debt	—	93
Depreciation	<b>1,802</b>	2,261
Amortisation of an intangible asset	<b>14</b>	13
Minimum lease payment under operating lease	<b>1,395</b>	1,394

#### 6. DIVIDEND

Subsequent to the end of the reporting period, the Board resolved not to declare an interim dividend for the six months ended 30 June 2018 (30 June 2017: nil).

## 7. EARNINGS/(LOSS) PER SHARE

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
(Loss)/earnings:		
(Loss)/earnings for the purpose of calculating basic (loss)/earnings per Share	<b>(384)</b>	(5,979)

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<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>800,000</b>	600,000

Note: The number of Shares for the purpose of calculating basic (loss)/earnings per Share for the six months ended 30 June 2017 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 2018 and 2017 as there is no potential ordinary share in issue.

## 8. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2018, the Group acquired plant and equipment with aggregate cost of approximately RMB1,905,000 (30 June 2017: approximately RMB177,000).

## 9. TRADE RECEIVABLES

	<b>30 June</b>	31 December
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Trade receivables	<b>22,324</b>	20,382
Less: allowance for bad and doubtful receivables	<b>(545)</b>	(545)
	<b>21,779</b>	19,837

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:

	<b>30 June 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000 (Audited)
Within 90 days	<b>19,536</b>	17,466
91–180 days	<b>1,511</b>	746
181–360 days	<b>635</b>	1,117
Over 360 days	<b>97</b>	508
	<b>21,779</b>	19,837

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB4,904,000 (31 December 2017: approximately RMB3,975,000) as at 30 June 2018, 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 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000 (Audited)
Overdue:		
Within 90 days	<b>3,601</b>	2,112
91–180 days	<b>338</b>	766
181–360 days	<b>323</b>	589
Over 360 days	<b>97</b>	508
Total	<b>4,359</b>	3,975

Except for the trade receivables aged over 360 days of approximately RMB97,000 (as at 31 December 2017: RMB508,000) which the management consider the customers will settle after the end of the reporting period, 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 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000 (Audited)
Balance at beginning of the period/year	<b>545</b>	218
Impairment losses recognised on receivables	-	327
Balance at end of the period/year	<b>545</b>	545

### 10. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

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

### 11. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates at 0.35% (31 December 2017: 0.35%) per annum as at 30 June 2018.

### 12. 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 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000 (Audited)
Within 90 days	<b>10,368</b>	8,001
91–180 days	<b>2,161</b>	259
181–360 days	<b>84</b>	26
Over 1 year	<b>131</b>	97
Total	<b>12,744</b>	8,383

The credit period on trade payables ranges from 30 to 90 days (31 December 2017: ranges from 30 to 90 days) for the six months ended 30 June 2018. The Group has financial risk management policies in place to ensure all payables are settled within the credit time frame.

### 13. SHARE CAPITAL

	Number of shares	Share capital HK\$
Shares of HK\$0.01 each		
Authorised:		
At 22 January 2016 (date of incorporation)	38,000,000	380,000
Increased in authorized share capital on 24 June 2017	1,962,000,000	19,620,000
At 31 December 2017, 1 January 2018 and 30 June 2018	2,000,000,000	20,000,000
Issued and fully paid:		
At 22 January 2016 (date of incorporation)	100	1
Capitalisation issue (note a)	599,999,900	5,999,999
Issuance of shares (note b)	200,000,000	2,000,000
At 31 December 2017, 1 January 2018 and 30 June 2018	800,000,000	8,000,000
		RMB
Shown in the condensed consolidated financial statements as		6,890,000

Notes:

- (a) On 21 July 2017, pursuant to the written resolution of the sole shareholder passed on 24 June 2017, 599,999,900 new shares were allotted and issued by way of capitalisation of the amount of HK\$5,999,999 standing to the credit of the share premium account of the Company.
- (b) On 21 July 2017, the Company issued 200,000,000 new shares at HK\$0.3 per share for a total gross proceeds of approximately HK\$60,000,000 by way of initial public offering of the Company on GEM of the Stock Exchange. The proceeds of HK\$8,000,000, equivalent to RMB6,890,000, representing the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of HK\$52,000,000, equivalent to RMB44,785,000, before deducting the listing expenses, were credited to share premium account of the Company.

### 14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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



## 15. OPERATING LEASE COMMITMENTS

### The Group as lessee

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Minimum lease payments under operating leases during the period in respect of premises owned by		
— related parties	1,367	1,363
— independent third parties	28	31
	<b>1,395</b>	<b>1,394</b>

As at 30 June 2018, 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:

	As at 30 June 2018		
	Premises owned by related parties	Premises owned by independent third party	Total
	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)
Within one year	2,656	62	2,718
In the second to fifth years inclusive	216	62	278
	<b>2,872</b>	<b>124</b>	<b>2,996</b>

As at 31 December 2017, 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:

	As at 31 December 2017		
	Premises owned by related parties	Premises owned by independent third party	Total
	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)
Within one year	2,726	30	2,756
In the second to fifth years inclusive	1,509	–	1,509
	<b>4,235</b>	<b>30</b>	<b>4,265</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.

## 16. RELATED PARTY DISCLOSURES

Apart from details of the balances with related parties disclosed in the condensed consolidated financial statements, the Group also entered into the following transactions with related parties during the period:

Name of related company/party	Nature of transactions	Six months ended 30 June	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
史威特服飾(惠州)有限公司	Rental Paid (note)	1,367	1,363

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

## 17. SUBSEQUENT EVENTS

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

# 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 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 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.

## 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 RMB50.1 million for the six months ended 30 June 2018 and RMB49.7 million for the same period in 2017. The increase in the Group's revenue was mainly due to the increase in revenue of printed products by approximately 1.8% for the six months ended 30 June 2018 as compared to the same period in previous year and the increase in revenue of printed label by approximately 4.6% for the six months ended 30 June 2018 as compared to the same period in previous year. The increase in revenue of printed products and printed label was mainly due to the increase in sales volume of the respective products (in terms of units sold).

### **Cost of sales and gross profit**

During the six months ended 30 June 2018, the Group's gross profit decreased by approximately 12.2% from approximately RMB18.1 million for the six months ended 30 June 2017 to approximately RMB15.9 million for the six months ended 30 June 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 six months ended 30 June 2018, the Group's revenue increased by 0.8% while the cost of sales increased by 8.3% 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 six months ended 30 June 2017 to approximately 31.8% for the six months ended 30 June 2018.

### **Distribution and selling expenses**

Distribution and selling expenses increased to approximately RMB2.5 million for the six months ended 30 June 2018 from approximately RMB2.0 million for the six months ended 30 June 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 RMB13.2 million for the six months ended 30 June 2018 from approximately RMB9.6 million for the six months ended 30 June 2017, which was mainly due to the increase in compliance costs incurred after the Listing and the increase in administrative staff cost 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.

### **Profit/(loss) for the period**

The Group's unaudited loss was approximately RMB0.4 million for the six months ended 30 June 2018, as compared to unaudited loss of approximately RMB6.0 million for the six months ended 30 June 2017. The loss was mainly due to the drop in gross profit margin as mentioned above during the reporting period when comparing with that of the same period in previous year.

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the six months ended 30 June 2018, the Group mainly financed its operations with its own working capital. As at 30 June 2018, the Group had net current assets of approximately RMB54.1 million (31 December 2017: RMB54.6 million), including cash and bank balances of approximately RMB41.4 million (31 December 2017: RMB44.6 million). The Group's current ratio as at 30 June 2018 was approximately 4.2 (as at 31 December 2017 was approximately 4.6).

## **GEARING RATIO**

The gearing ratio of the Group as at 30 June 2018 was nil (31 December 2017: nil) as the Group had no outstanding loans and borrowings nor bank overdrafts as at 30 June 2018.

## **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 RMB3.0 million as at 30 June 2018 (31 December 2017: RMB4.3 million). As at 30 June 2018, the Group did not have any significant capital commitments (31 December 2017: nil).

## **CAPITAL STRUCTURE**

Details of changes in the Company's share capital are set out in Note 13 to the condensed consolidated financial statements of the Group in the report. There has been no changes in the share capital structure of the Company since the Listing Date.

## **SIGNIFICANT INVESTMENTS**

As at 30 June 2018, 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 the paragraph headed "History, Development and Reorganisation — Reorganisation" in the Prospectus. Subsequent to the completion of the Reorganisation and up to 30 June 2018, the Group did not have any acquisitions or disposals of subsidiaries or affiliated companies.

## **CONTINGENT LIABILITIES**

As at 30 June 2018, the Group did not have any material contingent liabilities (31 December 2017: 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 2018, 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 2018, 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 2018, the Group did not pledge any assets (31 December 2017: nil) as securities for any facilities granted to the Group.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group employed a total of 336 full-time employees (30 June 2017: 325 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 2018, the Group's total employee benefit expenses (including Directors' emoluments) amounted to approximately RMB17.8 million (30 June 2017: RMB13.5 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 2018 (six months ended 30 June 2017: 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.

## **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.
- (viii) The Group may experience an increase of materials cost due to the increasing trend of production material prices.

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

### **USE OF PROCEEDS 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 30 June 2018 is set out below:

<b>Use of net proceeds</b>	<b>Total planned amount to be used</b> HK\$'million	<b>Planned use of proceed up to 30 June 2018</b> HK\$'million	<b>Actual amount utilized up to 30 June 2018</b> HK\$'million	<b>Actual balance as at 30 June 2018</b> HK\$'million
Upgrading our production facilities and digital printing technology	17.0	10.5	1.8	15.2
Developing the capability of applying RFID technology to our products	3.0	1.5	0.5	2.5
Enhancing our heat transfer printing production facilities	6.0	4.0	4.1	1.9
Upgrading our information technology systems	5.3	–	–	5.3
Expansion of our sales and marketing department	3.0	–	0.1	2.9
General working capital	3.3	–	0.6	2.7
<b>Total</b>	<b>37.6</b>	<b>16.0</b>	<b>7.1</b>	<b>30.5</b>

Note: Actual amount of use of proceeds was lower as compared to the planned amount of use of 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 digital printing technology and 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.

## 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 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 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, as at 30 June 2018, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, required to be notified to the Company and the Stock Exchange.

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

So far as it is known to the Directors, as at 30 June 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 30 June 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**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to 30 June 2018.

## **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 for the six months ended 30 June 2018.

## **CORPORATE GOVERNANCE PRACTICES**

The Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules ("**CG Code**"). For the six months ended 30 June 2018, the Board and the management of the Company are committed to maintaining and achieving a high standard of corporate governance practices with an emphasis on a quality Board, an effective accountability system and a healthy corporate culture in order to safeguard the interests of the Shareholders and enhance the business growth of the Group. The Company has complied with the CG Code in all material respects for the six months ended 30 June 2018.

## **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 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 six months ended 30 June 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 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, 13 August 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.*