



# Reach New Holdings Limited 新達控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8471



Third  
Quarterly  
Report  
2019

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**GEM has been positioned as a market designed to accommodate small and mid-size 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 that the companies listed on GEM and generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*This 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 RMB58.4 million for the nine months ended 30 September 2019 (nine months ended 30 September 2018: approximately RMB76.1 million), representing a decrease of approximately 23.3% over the same period of 2018.
- The unaudited loss of the Group for the nine months ended 30 September 2019 amounted to approximately RMB1.8 million (nine months ended 30 September 2018: unaudited profit of approximately RMB0.5 million).
- The basic loss per share for the nine months ended 30 September 2019 was RMB0.23 cent (nine months ended 30 September 2018: basic earning per share of RMB0.06 cent).
- The board of Directors resolved not to declare an interim dividend for the nine months ended 30 September 2019 (nine months ended 30 September 2018: nil).

## FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated financial results of the Group for the nine months ended 30 September 2019, together with the comparative unaudited figures for the corresponding period in 2018, as follows:

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

*For the three months and nine months ended 30 September 2019*

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
<b>Revenue</b>	4	<b>18,314</b>	25,938	<b>58,449</b>	76,085
Cost of sales		<b>(12,651)</b>	(18,407)	<b>(40,170)</b>	(52,612)
<b>Gross profit</b>		<b>5,663</b>	7,531	<b>18,279</b>	23,473
Other income and gains		<b>630</b>	925	<b>674</b>	1,227
Distribution and selling expenses		<b>(1,438)</b>	(1,278)	<b>(3,722)</b>	(3,760)
Administrative expenses		<b>(4,739)</b>	(5,675)	<b>(16,092)</b>	(18,886)
(Loss)/profit before tax		<b>116</b>	1,503	<b>(861)</b>	2,054
Income tax expenses	5	<b>(277)</b>	(637)	<b>(957)</b>	(1,573)
<b>Profit/(loss) for the period</b>		<b>(161)</b>	866	<b>(1,818)</b>	481
<b>Earnings/(loss) per share,</b>					
— Basic (RMB cents)	7	<b>(0.02)</b>	0.1	<b>(0.23)</b>	0.06

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2019

	Share capital	Share premium	Other reserve	Accumulated profits	Total
	RMB'000	RMB'000	RMB'000 (Note)	RMB'000	RMB'000
At 1 January 2019 (Audited)	<b>6,890</b>	<b>36,775</b>	<b>14,145</b>	<b>13,949</b>	<b>71,759</b>
Loss and total comprehensive expense for the period	-	-	-	<b>(1,818)</b>	<b>(1,818)</b>
At 30 September 2019 (Unaudited)	<b>6,890</b>	<b>36,775</b>	<b>14,145</b>	<b>12,131</b>	<b>69,941</b>
At 1 January 2018 (Audited)	6,890	36,775	14,145	16,349	74,159
Profit and total comprehensive income for the period	-	-	-	481	481
At 30 September 2018 (Unaudited)	6,890	36,775	14,145	16,830	74,640

Note: As part of the group reorganisation, there are series of restructuring within Reach New Holdings Limited (the "Company") and its subsidiaries 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 People's Republic of China, was credited to other reserve on 30 November 2016.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2019

## 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.

On 4 September 2019, the Group established a fully owned subsidiary named, RN Crypto (BVI) Company Limited, which was incorporated at British Virgin Islands with paid up capital of US\$1. RN Crypto (BVI) Company Limited is a holding company with the vision to cooperate with the potential business partner for the business of blockchain. Up to the reporting date of this report, RN Crypto (BVI) Company Limited has no business.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2019 have been prepared in accordance with accounting principles generally accepted in Hong Kong and have complied with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure requirements of the GEM Listing Rules.

The unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2019 have been prepared under the historical cost convention.

The unaudited condensed consolidated financial statements for the nine months ended 30 September 2019 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 nine months ended 30 September 2019 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 nine months ended 30 September 2019 are presented in Renminbi ("**RMB**"), which is the same functional currency of the Company.



### 3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

#### 3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

##### 3.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS16.

###### *Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

###### *As a lessee*

###### Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

###### Short-term leases and leases of low-value assets

The Group applies the short term lease recognition exemption to lease of that have a lease term of 12 months or less from the commencement date and do not retain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.



### 3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (CONTINUED)

#### 3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

##### 3.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

*As a lessee (continued)*

###### Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

###### Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

###### Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments (“**HKFRS 9**”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.





### 3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (CONTINUED)

#### 3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

##### 3.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

*As a lessee (continued)*

###### Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.



### 3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (CONTINUED)

#### 3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

##### 3.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

###### *Lease modifications*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

###### *Taxation*

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

##### 3.1.2 Transition and summary of effects arising from initial application of HKFRS 16

###### *As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

### 3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (CONTINUED)

#### 3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

##### 3.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

*As a lessee (continued)*

- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of machinery and equipment in the People's Republic of China/properties in Hong Kong/other (to specify) was determined on a portfolio basis; and
- v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has not made the adjustments upon application of HKFRS 16 because the Group elected not to recognise right-of-use assets and liabilities for lease with lease term ends within 12 months of the date of initial application.

### 4. REVENUE AND SEGMENT INFORMATION

#### Disaggregation of revenue from contracts with customers

	Nine months ended 30 September	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Types of products — at point in time recognition:		
Sales of printed products	23,655	33,156
Sales of woven labels	16,320	15,339
Sales of printed labels	11,925	20,410
Others	6,549	7,180
	<b>58,449</b>	76,085

#### 4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

##### Types of customers

	Nine months ended 30 September	
	2019	2018
	RMB'000	RMB'000
Garment brand companies	1,417	1,335
Sourcing companies designated by garment brand companies	12,068	15,841
Garment manufacturers	44,964	58,909
	<b>58,449</b>	76,085

The Group sells garment accessories directly to customers and revenue is recognised when control of the goods has transferred, being when the goods have been shipped from the warehouse (delivery). Following delivery, customers have full discretion over the manner of distribution and price to sell the goods, have the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 90 days upon delivery.

Information reported to the chief executive officer of the Group, being the chief operating decision maker (“CODM”) regularly review revenue analysis by major products as set out in the revenue analysis above for the purpose of resource allocation and assessment of performance. However, other than revenue analysis, no operating results and other discrete consolidated financial statements is regularly reviewed by the CODM for the purpose of resource allocation and assessment of performance of respective businesses which generate different types of revenue. The CODM reviews the operating results of the Group as a whole to make decisions about resource allocation and for performance assessment. The operation of the Group constitutes one single operating and reportable segment under HKFRS 8 “Operating Segments” and accordingly no separate segment information is presented.

##### Geographical information

###### *Revenue by geographical location*

The Group’s operations are located in the PRC. Most of the Group’s non-current assets and capital expenditure are located or utilised in the PRC.

##### Information about major customers

Revenue from a customer that individually contributing over 10% of the total sales are as follows:

	Nine months ended 30 September	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	12,068	15,841

## 5. INCOME TAX EXPENSES

	<b>Nine months ended 30 September 2019</b>	
	<b>RMB'000</b>	2018
	<b>(Unaudited)</b>	(Unaudited)
Current tax:		
Provision for the period	<b>957</b>	1,573

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 nine months ended 30 September 2019 and 2018.

The Group is subject to PRC Enterprise Income Tax ("PRC EIT") at a rate of 25% (2018: 25%) and dividend withholding tax at a rate of 5% for the nine months ended 30 September 2019.

Current tax provision represents provision for PRC EIT.

## 6. DIVIDEND

The Board resolved not to declare an interim dividend for the nine months ended 30 September 2019 (30 September 2018: nil).

## 7. EARNINGS/(LOSS) PER SHARE

	<b>Nine months ended 30 September 2019</b>	
	<b>RMB'000</b>	2018
	<b>(Unaudited)</b>	(Unaudited)
(Loss)/earnings for the purpose of calculating basic (loss)/earnings per Share		
(Loss)/earnings for the period attributable to owners of the Company	<b>(1,818)</b>	481

	<b>Nine months ended 30 September 2019</b>	
	<b>'000</b>	2018
	<b>(Unaudited)</b>	(Unaudited)
Number of Shares:		
Weighted average number of Shares for the purpose of calculating basic earnings/(loss) per Share	<b>800,000</b>	800,000

No diluted earnings per share is presented for the nine months ended 30 September 2019 and 2018 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 the customers in the PRC.

During the nine months ended 30 September 2019, the Group continued to serve a large number of garment brand companies, sourcing companies designated by the garment brand companies and garment manufacturers in the PRC.

### FINANCIAL REVIEW

#### Revenue 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 RMB58.4 million for the nine months ended 30 September 2019 and approximately RMB76.1 million for the same period in 2018.

The decrease in the Group's revenue was mainly due to the continuous cost reduction measures taken by the Group's customers given the advent of trade protectionism and intensifying trade disputes between the PRC and the United States of America. In addition, a potential decline in the macro-economic situation in the PRC starting in the second quarter of 2019 also drove down the demand.

Due to the above mentioned economic atmosphere and the keen price competition in garment market, some of our customers in the PRC are facing the drop of garment sales order, and the Group's product is in correlation relationship with our customers garment sales order and hence, the Group's revenue decreased.

Moreover, some of our customers shift their production base to the South East Asia for the purpose of lower production cost and to lesser impact to the trade war between the United State of America and the PRC, and hence, the Group's sales decreased.



The Group will put more resources and effort in exploring the potential customers in the PRC and at the same time to explore the potential PRC and foreign garment brand companies in order to expand the sales and enhance its profitability. In addition, the Group will continue to explore new business opportunities to strengthen our income stream, including sales of garment products through different channels and income from providing blockchain services.

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

During the nine months ended 30 September 2019, the Group's gross profit decreased by approximately 22.1% from approximately RMB23.5 million for the nine months ended 30 September 2018 to approximately RMB18.3 million for the nine months ended 30 September 2019. 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 nine months ended 30 September 2019, the Group's revenue decreased by 23.3% while the cost of sales decreased by 23.6% as compared with the corresponding period, as a result, the Group's gross profit margin increased from approximately 30.9% for the nine months ended 30 September 2018 to approximately 31.3% for the nine months ended 30 September 2019.

### **Distribution and selling expenses**

Distribution and selling expenses decreased to approximately RMB3.7 million for the nine months ended 30 September 2019 from approximately RMB3.8 million for the nine months ended 30 September 2018. Despite the drop of revenue during the period, the Group keep on putting resources and effort in sales and marketing to explore potential customers in the PRC market targeting to gain market share and maintain our margin in keen competition. This results disproportionate decrease of our distribution cost compared to our drop in revenue.

### **Administrative expenses**

Administrative expenses decreased to approximately RMB16.1 million for the nine months ended 30 September 2019 from approximately RMB18.9 million for the nine months ended 30 September 2018, which was mainly due to cost cutting exercise implemented during the period. The drop of headcount of our administration staffs together with streaming workflow helped to decrease our administrative expenses. 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 RMB1.8 million for the nine months ended 30 September 2019, as compared to unaudited profit of approximately RMB0.5 million for the nine months ended 30 September 2018. The loss was mainly due to the significant drop in revenue as mentioned above during the reporting period when comparing with that of the same period in previous year despite our cost cutting in other area such as distribution and selling expenses and administrative expenses.

### **SUBSEQUENT EVENTS**

As per the Company's announcement for "Change of Auditor" dated 1 November 2019, Links CPA Limited was appointed as the external auditor of the Company on 1 November 2019 to fill the casual vacancy arising from the resignation of Deloitte Touche Tohmatsu ("**Deloitte**") effective on 1 November 2019.

### **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 nine months ended 30 September 2019 (nine months ended 30 September 2018: 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, a 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 September 2019 is set out below:

<b>Use of net proceeds</b>	<b>Total planned amount to be used</b>	<b>Planned use of proceed up to 31 December 2019</b>	<b>Actual amount utilized up to 30 September 2019</b>	<b>Actual balance as at 30 September 2019</b>
	HK\$'million	HK\$'million	HK\$'million	HK\$'million
Upgrading our production facilities and digital printing technology	17.0	17.0	1.8	15.2
Developing the capability of applying RFID technology to our products	3.0	3.0	0.5	2.5
Enhancing our heat transfer printing production facilities	6.0	6.0	4.1	1.9
Upgrading our information technology systems	5.3	5.3	2.1	3.2
Expansion of our sales and marketing department	3.0	3.0	0.8	2.2
General working capital	3.3	–	3.1	0.2
<b>Total</b>	<b>37.6</b>	<b>34.3</b>	<b>12.4</b>	<b>25.2</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 coming future.

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 30 September 2019, 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

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 September 2019, 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 30 September 2019, 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 September 2019, 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, 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 nine months ended 30 September 2019.

## 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 nine months ended 30 September 2019.

## 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 third quarterly report, including the unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2019 and is of the opinion that the preparation of such statements comply with the applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

By order of the Board

**Reach New Holdings Limited**

**Lam Kai Yuen**

*Chief Executive Officer and Executive Director*

Hong Kong, 11 November 2019

*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.*