Reach New Holdings Limited
新達控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8471)

PROFIT WARNING

This announcement is made by Reach New Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") pursuant to Rule 17.10(2) of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") and the Inside Information Provisions (as defined under the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the "**Board**") of directors (the "**Directors**") of the Company would like to inform the shareholders of the Company (the "**Shareholders**") and potential investors that based on a preliminary review of the Group's unaudited consolidated management accounts for the nine months ended 30 September 2020 ("**9M2020**") and the information currently available, the Group is expected to record a drop in revenue of approximately RMB15.9 million to approximately RMB42.5 million for 9M2020, as compared to that of approximately RMB58.4 million for the nine months ended 30 September 2019 ("**9M2019**"). The Group is expected to record a loss attributable to the owners of the Company of approximately RMB8.9 million for 9M2020, comparing with that of approximately RMB1.8 million for 9M2019.

The drop in revenue was mainly attributable to (i) the outbreak of the COVID-19 pandemic (the "**Pandemic**") which caused disruption to the economic and production activities during 9M2020 in the People's Republic of China ("**PRC**"), including the production activities of the customers of the Group, which engage in garment manufacturing; (ii) the continuous cost reduction measures taken by the Group's customers, given the advent of trade protectionism and continuing trade disputes between the PRC and the United States of America ("**USA**"); (iii) the challenging macro-economic environment and the PRC's slower economic growth, which drove down the demand in garment market; (iv) the keen price competition in the garment market; and (v) some of our customers shifted their production base to Southeast Asia for the purpose of lowering production cost and to lessen the impact of the trade disputes between the PRC and the USA.

As per the Company's announcement dated 17 February 2020 on "Impact of Novel Coronavirus (COVID-19) Epidemic on Business Operations", the Pandemic caused the Group's factories located in Huizhou of Guangdong Province (the "**Huizhou Factories**") to suspend its operation for around three weeks and production gradually resumed in February and March 2020, which led to the drop in the Group's production capacity and resulted in a drop in the Group's revenue for 9M2020.

In addition, as the operation of the information technology segment of the Group started in April 2020, during 9M2020, it was still at the start-up stage and some products were still currently under development and had not yet launched to the market. Therefore, the information technology segment incurred a loss attributable to the owners of the Company of approximately RMB4.5 million for 9M2020.

The significant drop in revenue coupled with the loss incurred from the information technology segment contributed to the increase in the loss attributable to the owners of the Company for 9M2020.

The Company is still in the process of finalising its financial results for 9M2020. The information contained in this announcement is only based on the preliminary assessment by the Board on the unaudited consolidated management accounts of the Group for 9M2020 and the information currently available, which have not been reviewed by the audit committee of the Company or reviewed or audited by the Company's auditors. The above information may be subject to adjustment. The actual financial results for 9M2020 may be different from what is disclosed in this announcement. Shareholders and potential investors are advised to read carefully the third quarterly results announcement of the Group for the nine months ended 30 September 2020, which is expected to be published in November 2020 in accordance with the GEM Listing Rules.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Reach New Holdings Limited
Mr. Lam Kai Yuen
Executive Director

Hong Kong, 30 October 2020

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

This announcement, for which the Directors 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 of Hong Kong Limited 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 announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM's website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company at www.sthl.com.hk.