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GUANGNAN (HOLDINGS) LIMITED

廣南(集團)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1203)

Unaudited Quarterly Results Announcement For The Three Months Ended 31 March 2020

This announcement is made on a voluntary basis by Guangan (Holdings) Limited (the “Company”) for the purpose of further increasing the level of corporate governance and enhancing its transparency.

Financial highlights	Three months ended 31 March		Change
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	
Revenue	<u>536,895</u>	<u>597,617</u>	-10.2%
Profit from operations	<u>16,374</u>	<u>28,708</u>	-43.0%
Profit attributable to shareholders	<u>17,994</u>	<u>20,975</u>	-14.2%
	At 31 March 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000	Change
Total assets	<u>3,095,538</u>	<u>3,046,807</u>	1.6%
Shareholders' equity	<u>2,427,643</u>	<u>2,438,584</u>	-0.4%

Note:

The financial information relating to the year ended 31 December 2019 included in this announcement as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company will deliver the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance in due course. The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

SUMMARISED INFORMATION

Results

In the first quarter of 2020, the unaudited consolidated revenue of the Company and its subsidiaries (collectively known as the "Group") was HK\$536,895,000, representing a decrease of 10.2% as compared with the same period last year. The unaudited consolidated profit attributable to shareholders was HK\$17,994,000, representing a decrease of 14.2% as compared with the same period last year. The Group plans to consider dividends declaration at the half-year and year ends. Therefore, no dividend is proposed for the first quarter of 2020 (the first quarter of 2019: HK\$Nil).

Tinplating business

In the first quarter of 2020, the production of tinplate products by the Group decreased by 9.3% to 63,573 tonnes as compared to the same period last year while the sales of tinplate products decreased by 3.4% to 63,771 tonnes.

The revenue for the current period was HK\$447,642,000, representing a decrease of 9.5% as compared with the same period last year. The segment loss was HK\$124,000, representing an increase of loss of HK\$5,344,000 from the segment profit of HK\$5,220,000 for the same period last year. The industry of tinplating remained stable but weak and excess capacity has not been changed fundamentally. The demand for tinplate products from downstream business in European and Middle East regions as well as Mainland China decreased due to the slowdown in economic growth and COVID-19 epidemic. Therefore, the sales volume of tinplate products of the Group decreased during the current period. At the same time, the selling price of tinplate products as well as gross profit per unit of tinplate products also decreased as compared to the same period last year, resulting in loss making for tinplating business.

Fresh and Live Foodstuffs business

In the first quarter of 2020, the revenue of the fresh and live foodstuffs business amounted to HK\$83,917,000, representing a decrease of 13.9% as compared to the same period last year. Together with the share of profits of the two associates of HK\$15,667,000 (the first quarter of 2019: share of loss less profit of HK\$1,561,000), the segment profit was HK\$29,632,000, representing an increase of 65.0% as compared to the same period last year. Notwithstanding the increase in the price of live pigs during the current period as compared to the same period last year, the number of live pigs sold and the commission rate decreased, leading to a decrease in profit of live pigs' distribution and self-operated business, while an increase in profits was recorded by the two associates which are engaged in pig farming and sales of pigs. The Group's overall market share in the live pigs supply into Hong Kong was about 48% (the first quarter of 2019: 50%). This provided a certain contribution to the earnings of the Group.

Other information

In respect of property leasing business, the value of investment properties in Hong Kong held by the Group decreased. Valuation losses on investment properties of HK\$5,400,000 were recorded for the first quarter of 2020 while no valuation loss was recorded in the same period last year.

In the first quarter of 2020, Yellow Dragon Food Industry Co., Ltd., an associate of the Group engaged in the processing and sale of corn food and feed products, recorded a decrease in loss as compared to the same period last year. The Group's share of loss from this associate was HK\$5,099,000 (the first quarter of 2019: HK\$5,657,000).

CAUTION STATEMENT

The Group's tinplating business are affected by demands from customers and fluctuations of raw material prices, which is expected to continue. Although the Company is now issuing quarterly information, investors should be aware that due to fluctuations in market conditions, raw material prices, exchange rates of Renminbi against other currencies and changes in the operating environment from time to time, certain income and expenses may vary substantially from quarter to quarter. Hence, comparisons between different periods within a single financial year, or between different periods in different financial years, are not necessarily meaningful and cannot be relied upon as indicators of the Group's performance due to the seasonality factors. Also, quarterly results should not be used to estimate or extrapolate to project the Group's half-year or full-year performance.

In addition, the board of directors (the “Board”) of the Company would like to remind investors that the information contained in this announcement is only based on internal records and management accounts of the Group and such financial information was not reviewed nor audited by the auditor of the Company. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
Chen Benguang
Chairman

Hong Kong, 28 April 2020

As at the date of this announcement, the Board is composed of three Executive Directors, namely Messrs. Chen Benguang, He Jinzhou and Chau Wang Kei; one Non-Executive Director, namely Ms. Liang Jianqin; and three Independent Non-Executive Directors, namely Mr. Gerard Joseph McMahon, Mr. Li Kar Keung, Caspar and Dr. Wong Yau Kar, David.