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粵海廣南(集團)有限公司
GDH GUANGNAN (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 01203)

PROFIT WARNING

This announcement is made by the Company pursuant to the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance and Rule 13.09 of the Listing Rules.

The Board wishes to inform the shareholders of the Company and potential investors that the unaudited consolidated profit attributable to shareholders of the Company for the nine months ended 30 September 2021 is expected to decrease by approximately 30% as compared to that for the corresponding period in 2020.

The information contained in this announcement is only based on the Company's preliminary review of the unaudited consolidated management accounts of the Group for the nine months ended 30 September 2021 and such information have not been reviewed or audited by the auditors of the Company.

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

This announcement is made by GDH Guangnan (Holdings) Limited (the "Company", together with its subsidiaries shall be referred to as the "Group") pursuant to the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance and Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The board of directors (the "Board") of the Company wishes to inform the shareholders of the Company and potential investors that, based on the Company's preliminary review of the unaudited consolidated management accounts of the Group for the nine months ended 30 September 2021, the unaudited consolidated profit attributable to shareholders of the Company for the nine months ended 30 September 2021 is expected to decrease by approximately 30% as compared to the same period in 2020.

The decrease of the profit is primarily attributable to (i) the price of pork had hit a record high in China as affected by African swine fever virus during 2019-2020. Having basically got the African swine fever virus in control, the Ministry of Agriculture and Rural Affairs and the State Council had consecutively issued four related documents regarding the "Accelerating the Restoration of Live Pigs Production Capacity" in order to ensure sufficient supply of meat. As such, live pig breeding enterprises expanded their production capacities; and enterprises of other industries also engaged in live pig breeding business. As a result of excessive capacity and supply in the live pig industry in 2021, the swine price dropped sharply. From the beginning of the year up till now, the nationwide swine price had been decreased by 70%, leading to a significant drop in profits recorded by the two associates, which engaged in pig farming and sales of pigs, as compared to the same period last year; (ii) during the period, the price of raw materials of corn starch production had increased due to the rise in commodity prices as well as the substantial increase in the demand of corn as swine feed by the breeding industry as a result of their business expansion. In the first half of 2021, the price of corn increased by 37% year-on-year. At the same time, the demand for corn starch by downstream enterprises declined. The selling price of corn starch dropped whereas, on the contrary, the price of its raw materials had risen. As a result, there was an increase in loss recorded by Yellow Dragon Food Industry Co., Ltd., an associate of the Company, during the period.

However, (i) in our fresh and live foodstuffs business, the newly expanded slaughter business and the chilled meat wholesale and retail business in Mainland became the new profit growth point in this year; in addition, (ii) as regards tinsplate export business, it had succeeded in raising the selling prices so as to reduce the impact of the tax rebate policy. Besides, as we expected that the price of bulk raw materials would continuously increase, purchases had been made in advance to lockup the purchase price. The gross profit per unit of tinsplate products increased, such that the segment profit also increased significantly compared with the same period last year. Therefore, the increment in profit of these two businesses partially offset the effect of the decline in the profits recorded by the aforementioned associates.

The information contained in this announcement is only based on the Company's preliminary review of the unaudited consolidated management accounts of the Group for the nine months ended 30 September 2021 and such information have not been reviewed or audited by the auditors of the Company. As at the date of this announcement, the Group's unaudited consolidated results for the nine months ended 30 September 2021 have not yet been finalised, and are subject to necessary adjustments if required. The actual results of the Group may be different from the information contained in this announcement. Further details of the Group's quarterly information will be disclosed in the unaudited quarterly results of the Group for the nine months ended 30 September 2021 which is expected to be announced by the end of October 2021.

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, 18 October 2021

As at the date of this announcement, the Board is composed of three executive directors, namely Mr. Chen Benguang, Mr. He Jinzhou and Mr. Chau Wang Kei; one non-executive director, namely Mr. Wang Longhai; and three independent non-executive directors, namely Mr. Gerard Joseph McMahon, Mr. Li Kar Keung, Caspar and Dr. Wong Yau Kar, David.