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SHENGUAN HOLDINGS (GROUP) LIMITED

神冠控股(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00829)

PROFIT WARNING

This announcement is made by Shenguan Holdings (Group) Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the 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 wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on the Company’s preliminary review of the latest unaudited consolidated management accounts of the Group and the information currently available to the Company, the Group is expected to record a loss attributable to the owners of the Company of approximately RMB2.0 million to a profit attributable to the owners of the Company of approximately RMB5.0 million for the six months ended 30 June 2023 (the “**Period**”), as compared to a profit attributable to the owners of the Company of approximately RMB13.5 million for the six months ended 30 June 2022 (the “**Prior Period**”).

The Board is of the view that the major factors leading to the less favourable results for the Period were the large-scale product trial production and equipment transformations conducted by the Group due to new products research and development, as well as expansion of production capacity. After the completion of equipment transformations, the production capacity increased by approximately 25-30%, the production lines were required to undergo trial production to test their quality effectiveness, and the raw materials, auxiliary materials and energy consumed for the trial production were higher than those under normal production, which in turn increased the average unit cost of production. Coupled with the fact that the prices of raw materials, auxiliary materials and energy remained high, it resulted in a significant increase in the unit cost of production as compared to the Prior Period. However, the impact was partially offset by higher sales volume and average selling prices of products.

During the Period, the Group improved the production standards for products replacing natural sausage casings and medium and large-sized diameter sausage casings, upgraded product quality and increased the proportion of high-quality products, so as to progressively meet the needs of the sausages industry in adjusting its product structure. In addition, while expanding the production capacity of sausage casings, the Group has been promoting the automation and standardisation of equipment reengineering, including the technical transformation of production lines, equipment and components for standardisation, which will be conducive to the standardisation of management, enhancement of production efficiency, lowering of production costs and maintenance costs of equipment, etc.

The information contained in this announcement is based on the preliminary assessment by the Board on the unaudited consolidated management accounts of the Group for the Period and is not based on any figure or information which has been audited or reviewed by the Company's auditors and the audit committee of the Company and is subject to possible adjustments upon further review. The Company is in the process of finalising the interim consolidated results of the Group for the Period. Further information and other details of the Group's financial performance for the Period will be announced in the forthcoming interim results announcement which will be published in August 2023.

Shareholders and potential investors should exercise caution when dealing in the shares of the Company.

By order of the Board
Shenguan Holdings (Group) Limited
Zhou Yaxian
Chairman

Hong Kong, 11 August 2023

As at the date of this announcement, the executive Directors are Ms. Zhou Yaxian, Mr. Ru Xiquan, Mr. Mo Yunxi, Mr. Sha Junqi and Mr. Li Chenglin; the non-executive Director is Dato' Sri Low Jee Keong; and the independent non-executive Directors are Mr. Tsui Yung Kwok, Mr. Meng Qinguo and Mr. Zhou Xiaoxiong.