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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)

ANNOUNCEMENT PROFIT WARNING

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

The Board wishes to inform the shareholders of the Company and potential investors that, based on the preliminary assessment by the Board of the unaudited consolidated management accounts of the Group and the information currently available to the Board, the Group is expected to record a decrease of approximately 40-45% in its net profit for the Reporting Period as compared to that for the same period in 2015.

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

This announcement is made by Shenguan Holdings (Group) Limited (the “**Company**”, and 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, Laws of Hong Kong) (the “**Securities and Futures Ordinance**”).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to inform the shareholders of the Company and potential investors that based on the preliminary assessment by the Board of the unaudited consolidated management accounts of the Group and the information currently available to the Board, the Group is expected to record a decrease of approximately 40-45% in its net profit for the six months ended 30 June 2016 (the “**Reporting Period**”) as compared to that for the same period in 2015 (the “**Previous Period**”).

Such decrease is primarily due to the following reasons:

1. During the Reporting Period, although sales volume of collagen casings increased as compared to the Previous Period, average selling price decreased due to the overall decline in prices of the products in this industry and the Group's endeavour to lower the inventory level. The decrease in average selling price caused a drop in the gross profit margin as compared to the Previous Period.
2. During the second half of 2015, the Group had acquired a technology knowhow through the acquisition of a subsidiary. During the Reporting Period, the amortization of the technology knowhow had caused a decrease of net profit of approximately RMB10,000,000. The amortization had no effect on the cash flow of the Group.
3. During the Reporting Period, the Group had incurred expenses to develop its new products and new businesses, which were started in the second half of 2015.

If the effect of the amortization of the technology knowhow is excluded, the Group is expected to record a decrease of approximately 30-35% in its net profit for the Reporting Period as compared to that for the Previous Period.

The Board considers that although the Group had adopted strict cost control, strengthened its internal control, conducted research and development of new products and implemented strategies for product diversification, the Group still recorded a decline in its results for the Reporting Period because the meat products industry is undergoing an adjustment period and the product diversification is at its initial stage. However, the overall operations of the Group remain sound and intact. The Group's overall financial position also remains healthy.

The information contained in this announcement is only based on a preliminary assessment by the Board of the unaudited consolidated management accounts of the Group and information currently available to the Board. It is not based on any data or information that has been audited or reviewed by the auditor of the Company. The Company is still in the process of finalising the unaudited results of the Group for the Reporting Period, which will be disclosed in the forthcoming interim results announcement which is expected to be published in August 2016.

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

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

Hong Kong, 29 July 2016

As at the date of this announcement, the executive Directors are Ms. Zhou Yaxian, Mr. Shi Guicheng, Mr. Ru Xiquan and Mr. Mo Yunxi; the non-executive Director is Mr. Low Jee Keong; and the independent non-executive Directors are Mr. Tsui Yung Kwok, Mr. Meng Qinguo and Mr. Yang Xiaohu.