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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)

**NON-FULFILLMENT OF PROFIT GUARANTEED BY
ORIGINAL SHAREHOLDER OF THE TARGET COMPANY
IN RELATION TO
SUBSCRIPTION OF REGISTERED CAPITAL AND
CAPITAL INCREASE IN THE TARGET COMPANY**

Reference is made to the announcements of GDH Guangnan (Holdings) Limited (the “**Company**”) dated 6 November 2023, 8 November 2023 and 30 December 2024 in respect of the Subscription and the Capital Increase under the Agreement (as supplemented and amended by the Amendment Agreement) (the “**Agreements**”) and the announcement dated 21 March 2025 in relation to non-fulfillment of profit guarantee for the first guarantee period (collectively the “**Announcements**”), as well as the annual report of the Company for the year ended 31 December 2024. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the abovementioned announcements and report.

The Profit Guarantee

As disclosed in the Announcements, pursuant to the Agreements, the Original Shareholder and the Warrantor guarantee to the Subscriber (a wholly-owned subsidiary of the Company) that (i) the Guaranteed Net Profit of the Target Company (a non-wholly owned subsidiary indirectly owned as to 51% by the Company as of the date of this announcement) based on the audited financial statements of the Target Company (with unqualified audit opinions prepared in accordance with the PRC GAAP) issued by an accounting firm approved by the Subscriber for the period from the date of Subscription Completion to 31 December 2024, and each of the years ending 31 December 2025 and 31 December 2026 shall be not less than RMB120,000, RMB4,050,000 and RMB5,630,000, respectively; (ii) for the period from the date of Subscription Completion to 31 December 2024 and the year ending 31 December 2025, the actual net profit of the Target Company for the period/year should be at least 80% of the Guaranteed Net Profit for the relevant period/year; and (iii) the cumulative actual net profit of the Target Company for the Guaranteed Periods shall be not less than RMB9,800,000. If the Target Company fails to achieve the Guaranteed Net Profit, the Original Shareholder and the Warrantor undertake to the Subscriber that they will pay cash compensation to the Subscriber.

The compensation amount in respect of the first guarantee period is RMB617,000. As at the date of this announcement, the Original Shareholder and the Warrantor have not yet settled the aforesaid compensation due to their objections to the basis of its calculation. Since April 2025, the Subscriber has issued demand letters and has also engaged legal counsel to issue a demand letter to the Original Shareholder and the Warrantor. The Subscriber is currently assessing potential legal and other courses of actions in this regard with a view to achieving a commercially viable solution that is fair, reasonable, and in the interests of the Company and its shareholders as a whole.

According to the audited financial statements of the Target Company, the Target Company recorded an actual net loss of approximately RMB40,978,000 for the year ended 31 December 2025. As such, the Original Shareholder and the Warrantor are required to pay to the Subscriber a cash compensation of approximately RMB18,371,000, which is calculated as follows:

(the relevant Guaranteed Net Profit + the actual net loss of the Target Company for the relevant Guarantee Periods) x 80% of the proportion of the Subscriber's shareholding in the Target Company as at the date of the relevant audited financial statements (i.e. 51%)
= (RMB4,050,000 + RMB40,978,000) x 80% x 51% = RMB18,371,000

The Subscriber has notified the Original Shareholder and the Warrantor in relation to the non-fulfillment of the guaranteed profit for the year ended 31 December 2025 and has requested payment of the cash compensation within the timeframe set out in the Agreements.

Directors' view

The Directors are of the view that the Target Company's failure to meet the guaranteed profit was primarily attributable to the fact that the domestic economic environment remains in a recovery phase, industry competition has intensified, and end-consumer demand is lower than expected. This has adversely affected the Target Company's business operations and the ability of its customers to settle outstanding receivables, resulting in a provision of impairment credit losses of RMB35.54 million related to trade receivables in the food wholesales business.

The Directors consider that the measures adopted by the Subscriber to collect the cash compensation from the Original Shareholder and the Warrantor are fair and reasonable. The Board will continue to review the Target Company's performance and take appropriate actions in the interests of the Company and its shareholders as a whole.

Further announcement(s) will be made by the Company to provide update on the development as and when appropriate.

By order of the Board
GDH Guangnan (Holdings) Limited
Yang Zhe
Acting Chairman and Vice Chairman

Hong Kong, 31 March 2026

As at the date of this announcement, the Board is composed of two executive Directors, namely Mr. Yang Zhe and Ms. Long Wenfang; two non-executive Directors, namely Ms. Yu Huijuan and Mr. Wen Yinheng; and three independent non-executive Directors, namely Mr. Gerard Joseph McMahon, Mr. Li Kar Keung, Caspar and Dr. Wong Yau Kar, David.