

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



GUANGNAN (HOLDINGS) LIMITED

廣南(集團)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1203)

CONTINUING CONNECTED TRANSACTIONS

CONTINUING CONNECTED TRANSACTIONS

On 29 August 2018, Zhongyue Tinplate (being an indirect wholly-owned subsidiary of the Company) entered into the Sale and Purchase Framework Agreement with POSCO DAEWOO, pursuant to which Zhongyue Tinplate agreed to supply and sell tinplate products to POSCO DAEWOO on a continuing basis for the period from the date of agreement to 31 December 2020.

The transactions contemplated under Sale and Purchase Framework Agreement will constitute continuing connected transactions of the Company under the Listing Rules, because POSCO DAEWOO is subsidiary of POSCO, which is a substantial shareholder of Zhongyue Posco (Qinhuangdao) (being an indirect non-wholly owned subsidiary of the Company) and, therefore, each of POSCO and POSCO DAEWOO (being an associate of POSCO) is a connected person of the Company at the subsidiary level under the Listing Rules.

Reference is made to the Announcement where the Existing Sale Aggregated Caps were set.

LISTING RULES IMPLICATIONS

As all of the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) of the Proposed Annual Caps for the Continuing Connected Transactions under the Sale and Purchase Framework Agreement for the three years ending 31 December 2020, on an aggregated basis with the Existing Sale Aggregated Caps, are more than 5% and the New Sale Aggregated Caps are more than HK\$10,000,000, in accordance with Chapter 14A of the Listing Rules, such Continuing Connected Transactions are subject to the reporting, announcement and shareholders' approval requirements and will be subject to the annual review requirements under the Listing Rules.

However, since the Continuing Connected Transactions are between the Group and its connected persons at the subsidiary level on normal commercial terms or better, and (i) the Board has approved the Continuing Connected Transactions; and (ii) the independent non-executive Directors have confirmed that the terms of the Continuing Connected Transactions are fair and reasonable, the Continuing Connected Transactions are on normal commercial terms or better and in the interests of the Company and its shareholders as a whole, under Rule 14A.101 of the Listing Rules, they are exempt from the circular, independent financial advice and shareholders' approval requirements under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Announcement in respect of certain continuing connected transactions of the Group.

As set out in the paragraph headed "New Sale and Purchase Framework Agreement" in the Announcement, Zhongyue Tinplate entered into the New Sale and Purchase Framework Agreement with POSCO-Asia, pursuant to which Zhongyue Tinplate shall supply and sell tinplate products to POSCO-Asia for the period ending 31 December 2020.

Sale and Purchase Framework Agreement

On 29 August 2018, Zhongyue Tinplate entered into the Sale and Purchase Framework Agreement with POSCO DAEWOO, pursuant to which Zhongyue Tinplate agreed to supply and sell tinplate products to POSCO DAEWOO on a continuing basis for the period from the date of agreement to 31 December 2020.

The term of the Sale and Purchase Framework Agreement shall end on 31 December 2020 and shall be renewable for a term of three years if there is no written objection by the parties thereto, subject to compliance with the requirements of the Listing Rules by the Company (where necessary).

Consideration for the supply and sale of tinplate products

The sales price of tinplate products to be purchased by POSCO DAEWOO under the Sale and Purchase Framework Agreement will be determined based on the prevailing market price of tinplate products and after arm's length negotiation between Zhongyue Tinplate and POSCO DAEWOO. The Group regularly collects and analyses market information for the sale of major raw materials by major suppliers in the industry, and the sales of tinplate products by major competitors in the market, followed by arm's length negotiation with POSCO DAEWOO on the sales price of the said tinplate products. The purchase of tinplate products by POSCO DAEWOO from Zhongyue Tinplate will be on normal commercial terms. In order to ensure that the sales price of such tinplate products is no less favourable than the prevailing market rate, the Group would compare the prices of similar products offered by other comparable independent manufacturers in the relevant market, analyse such market information, and the sales price is agreed after arm's length negotiation with POSCO DAEWOO. Accordingly, the Board considers that the methods and procedures can ensure that the sale of tinplate products by the Zhongyue Tinplate under the Sale and Purchase Framework Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

The consideration of tinplate products to be purchased by POSCO DAEWOO will be settled by letters of credit, telegraphic transfer or otherwise as agreed from time to time by the relevant parties.

Reasons for the Continuing Connected Transactions

The Board considers that it is in the interests of the Company and its shareholders for Zhongyue Tinplate to supply and sell tinplate products to POSCO DAEWOO pursuant to the Sale and Purchase Framework Agreement as POSCO DAEWOO has extensive sales networks outside the PRC and that the supply and sale of tinplate products to POSCO DAEWOO will enable Zhongyue Tinplate to better distribute its tinplate products to overseas market.

The Board (including the independent non-executive Directors) considers that the supply and sale of tinplate products by Zhongyue Tinplate to POSCO DAEWOO will be carried out in the ordinary and usual course of business of the Zhongyue Tinplate and on normal commercial terms or better from the perspective of Zhongyue Tinplate, and the terms of the transactions will be fair and reasonable and in the interests of the Company and its shareholders as a whole.

The transactions contemplated under the Sale and Purchase Framework Agreement will constitute continuing connected transactions of the Company under the Listing Rules, because, as set out above, POSCO DAEWOO is a connected person of the Company at the subsidiary level under the Listing Rules.

Proposed Annual Caps for 2018 to 2020

The Board estimates that the Proposed Annual Caps for the supply and sale of tinplate products to POSCO DAEWOO under the Sale and Purchase Framework Agreement for each of the three years ending 31 December 2020 will not exceed US\$5,775,000 (approximately HK\$45,045,000), US\$12,600,000 (approximately HK\$98,280,000) and US\$12,600,000 (approximately HK\$98,280,000), respectively.

The Proposed Annual Caps are determined by reference to (i) the Historical Sales Amount for the sales to POSCO-Asia; (ii) the anticipated demands of customers of POSCO DAEWOO outside the PRC for the tinplate products sold by Zhongyue Tinplate for each of the three years ending 31 December 2020; (iii) the current and the anticipated selling price, which is determined based on market price, of tinplate products; and (iv) the Company's projection of the production volume of tinplate products to be manufactured by Zhongyue Tinplate for each of the three years ending 31 December 2020.

To the best of the knowledge, information and belief of the Directors, none of them has any material interest in the Sale and Purchase Framework Agreement. No Director was required to abstain from the relevant board resolutions passed in respect of the Continuing Connected Transactions. The Board (including the independent non-executive Directors) considers that the Proposed Annual Caps are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Reference is made to the Announcement, where the annual caps (the “Existing Sale Aggregated Caps”) for the supply and sale of tinplate products by the Group to POSCO-Asia (together, the “Existing Sale Continuing Connected Transactions”) pursuant to the New Sale and Purchase Framework Agreement and New Framework Agreement (both as defined in the Announcement), on an aggregated basis, for each of the three years ending 31 December 2020 were set at US\$105,116,000 (approximately HK\$819,905,000), US\$127,250,000 (approximately HK\$992,550,000) and US\$127,250,000 (approximately HK\$992,550,000), respectively.

Accordingly, the Board estimated that the Proposed Annual Caps, on an aggregated basis with the Existing Sale Aggregated Caps, will not exceed US\$110,891,000 (approximately HK\$864,950,000, US\$139,850,000 (approximately HK\$1,090,830,000) and US\$139,850,000 (approximately HK\$1,090,830,000), respectively, for each of the three years ending 31 December 2020.

LISTING RULES IMPLICATIONS

The transactions contemplated under Sale and Purchase Framework Agreement will constitute continuing connected transactions of the Company under the Listing Rules, because POSCO DAEWOO is subsidiary of POSCO, which is a substantial shareholder of Zhongyue Posco (Qinhuangdao) (being an indirect non-wholly owned subsidiary of the Company) and, therefore, each of POSCO and POSCO DAEWOO (being an associate of POSCO) is a connected person of the Company at the subsidiary level under the Listing Rules.

As all of the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) of the Proposed Annual Caps for the Continuing Connected Transactions under the Sale and Purchase Framework Agreement for the three years ending 31 December 2020, on an aggregated basis with the Existing Sale Aggregated Caps, are more than 5% and the New Sale Aggregated Caps are more than HK\$10,000,000, in accordance with Chapter 14A of the Listing Rules, such Continuing Connected Transactions are subject to the reporting, announcement and shareholders’ approval requirements and will be subject to the annual review requirements under the Listing Rules.

However, since all the Continuing Connected Transactions are between the Group and its connected persons at the subsidiary level on normal commercial terms or better, and (i) the Board has approved the Continuing Connected Transactions; and (ii) the independent non-executive Directors have confirmed that the terms of the Continuing Connected Transactions are fair and reasonable, the Continuing Connected Transactions are on normal commercial terms or better and in the interests of the Company and its shareholders as a whole, under Rule 14A.101 of the Listing Rules, they are exempt from the circular, independent financial advice and shareholders’ approval requirements under the Listing Rules.

INFORMATION ON THE COMPANY

The Company and its subsidiaries are principally engaged in manufacture and sale of tinplates and related products, leasing of properties, distribution and sales of fresh and live foodstuffs and foodstuffs trading.

INFORMATION ON ZHONGYUE TINPLATE

Zhongyue Tinplate is an indirect wholly-owned subsidiary of the Company and is principally engaged in the manufacture and sale of tinplates and related products.

INFORMATION ON POSCO

POSCO is a company incorporated in Korea and is principally engaged in the manufacture and distribution of rolled steel products and plates, the shares of which are listed and traded on the Korea Stock Exchange as registered common stock and on the New York Stock Exchange as depository receipts.

INFORMATION ON POSCO DAEWOO

POSCO DAEWOO is a subsidiary of POSCO. It is incorporated in Korea and is principally engaged in the trading of steel and tinplate products, the shares of which are listed and traded on the Korea Stock Exchange as registered common stock.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Announcement”	the announcement of the Company dated 28 December 2017 in respect of, inter alia, the Existing Sale Continuing Connected Transactions;
“Board”	the board of Directors;
“Company”	Guangnan (Holdings) Limited, the Shares of which are listed on the Stock Exchange;
“Continuing Connected Transactions”	the continuing connected transactions to be conducted pursuant to the Sale and Purchase Framework Agreement;
“Directors”	the directors of the Company;
“Existing Sale Aggregated Caps”	has the meaning ascribed to it under the section headed “Continuing Connected Transactions – Proposed Annual Caps for 2018 to 2020” in this announcement;
“Existing Sale Continuing Connected Transactions”	has the meaning ascribed to it under the section headed “Continuing Connected Transactions – Proposed Annual Caps for 2018 to 2020” in this announcement;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“POSCO”	株式會社 POSCO (POSCO Co., Ltd.), a company incorporated in Korea, the shares of which are listed and traded on the Korea Stock Exchange as registered common stock and on the New York Stock Exchange as depository receipts; and a connected person of the Company;
“POSCO-Asia”	POSCO Asia Company Limited (浦亞實業有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of POSCO and connected person of the Company;

“POSCO DAEWOO”	POSCO DAEWOO Corporation, a subsidiary of POSCO incorporated in Korea and is principally engaged in the trading of steel and tinplate products, the shares of which are listed and traded on the Korea Stock Exchange as registered common stock;
“POSCO Group”	POSCO and its subsidiaries;
“PRC”	The People’s Republic of China;
“Proposed Annual Caps”	the proposed annual caps for the supply and sale of tinplate products by Zhongyue Tinplate to POSCO DAEWOO pursuant to the Sale and Purchase Framework Agreement for the three years ending 31 December 2020 as set out in this announcement;
“New Sale Aggregated Caps”	Proposed Annual Caps for 2018 to 2020 aggregated with the Existing Sale Aggregated Caps;
“Sale and Purchase Framework Agreement”	the sale and purchase framework agreement dated 29 August 2018 entered into between Zhongyue Tinplate and POSCO DAEWOO;
“Shares”	ordinary shares in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“US\$”	United States dollar, the lawful currency of the United States of America;
“Zhongyue Posco (Qinhuangdao)”	中粵浦項（秦皇島）馬口鐵工業有限公司 (Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd.), an equity joint venture incorporated on 16 February 2007 in accordance with PRC law which is 66% indirectly owned by the Company, 24% directly owned by POSCO and 10% indirectly owned by POSCO;
“Zhongyue Tinplate”	中山中粵馬口鐵工業有限公司 (Zhongshan Zhongyue Tinplate Industrial Co., Ltd.), a wholly foreign-owned enterprise established in the PRC on 22 June 1989 and is currently an indirect wholly-owned subsidiary of the Company; and
“%”	per cent.

Conversion of United States dollars into Hong Kong dollars is based on the exchange rate of US\$1.00 = HK\$7.8.

The exchange rate referred to above is for the use in this announcement and for illustration purpose only; no representation is made or given that any amount in any currency referred to above can be converted at such rate or any other rate.

By order of the Board

Tan Yunbiao

Chairman

Hong Kong, 29 August 2018

As at the date of this announcement, the Board is composed of three executive directors, namely Messrs. Tan Yunbiao, He Jinzhou and Lau Kin Man; 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.