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**GUANGNAN (HOLDINGS) LIMITED**

**廣南(集團)有限公司**

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 1203)

**CONTINUING CONNECTED TRANSACTION  
PURCHASE OF ELECTRICITY**

Reference is made to the announcement of the Company dated 2 November 2017 in relation to the continuing connected transaction on the purchase of electricity. The Old Electricity Transaction Agreement will expire on 31 December 2018. On 6 November 2018, Zhongyue Tinplate, a wholly-owned subsidiary of the Company, entered into the Electricity Transaction Agreement with Zhongshan Energy, a subsidiary of GDI, for renewal of the Old Electricity Transaction Agreement.

GDH is holding approximately 59.19% and 56.49% of the issued shares of the Company and GDI, respectively. By virtue of the above shareholding interests, GDI (being a subsidiary and thus an associate of GDH (being a substantial shareholder and connected person of the Company) as defined in the Listing Rules) is a connected person of the Company. Zhongshan Energy (being a subsidiary of GDI) is also a connected person of the Company. Therefore, the Transaction constitutes a continuing connected transaction of the Company under the Listing Rules.

Based on the estimated amount to be paid by Zhongyue Tinplate to GDI Group under the Transaction, the Annual Cap for the financial year ending 31 December 2019 is set at RMB33,100,000 (equivalent to approximately HK\$37,287,150). Since all applicable percentage ratios for the purpose of Chapter 14A of the Listing Rules in respect of the Annual Cap exceed 0.1% but are less than 5%, the Transaction is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

The Company will comply with the annual review requirements under Rules 14A.55 to 14A.57 of the Listing Rules in relation to the Transaction.

## THE ELECTRICITY TRANSACTION AGREEMENT

On 6 November 2018, Zhongyue Tinplate, a wholly-owned subsidiary of the Company, entered into the Electricity Transaction Agreement with Zhongshan Energy, a subsidiary of GDI, pursuant to which Zhongyue Tinplate agreed to purchase, and Zhongshan Energy agreed to supply, electricity through the power grid operated by Guangdong Power Grid on a continuing basis on the following terms:

- Parties:** Zhongyue Tinplate  
Zhongshan Energy
- Term:** 1 January 2019 to 31 December 2019
- Volume:** Not exceeding 76,260,000 kWh and the amount of electricity transacted shall be the actual volume of electricity consumed by Zhongyue Tinplate.
- Unit price:** Zhongyue Tinplate shall purchase, and Zhongshan Energy shall supply, electricity at a unit price which is calculated based on the government prescribed tariff at a discount rate of RMB0.05 per kWh (tax inclusive) determined after arm's length negotiation.

The government prescribed tariff on the sale of electricity is determined by the Development and Reform Commission of Guangdong Province (which is subject to adjustment from time to time); and the discount rate of RMB0.05 per kWh (tax inclusive) is subject to adjustment at the end of the contract term with reference to the weighted average of the unified monthly centralized bidding price spreads at the Guangdong Power Exchange Market (廣東電力交易市場) for the year of 2019.

- Payment terms:** The fees for electricity payable by Zhongyue Tinplate shall be settled with Guangdong Power Grid on a monthly basis, which shall in turn be payable by Guangdong Power Grid to GDI Group after deduction of the Power Grid Fee charged by Guangdong Power Grid. The amount to be paid to GDI Group under the Transaction shall therefore be the remainder of the said fees for electricity after deduction of the Power Grid Fee charged by Guangdong Power Grid.

Zhongshan Energy will source electricity from Zhongshan Power, which is also a subsidiary of GDI and a holding company of Zhongshan Energy and is principally engaged in the operation of power plants and if necessary, from other independent electricity suppliers.

## **BASIS AND REASONS FOR THE TRANSACTION AND THE ANNUAL CAP**

The Annual Cap for the estimated amount to be paid by Zhongyue Tinplate to GDI Group under the Transaction for the period commencing on 1 January 2019 to 31 December 2019 is expected to be RMB33,100,000 (equivalent to approximately HK\$37,287,150).

The Annual Cap was determined after arm's length negotiation based on (i) the previous electricity consumption of Zhongyue Tinplate; (ii) the amount of electricity to be transacted between Zhongyue Tinplate and Zhongshan Energy during the term of the Electricity Transaction Agreement; (iii) the estimated applicable unit price of electricity to be purchased under the Electricity Transaction Agreement; and (iv) the estimated amount of Power Grid Fee to be deducted by Guangdong Power Grid under the Transaction.

The Transaction will enable Zhongyue Tinplate to benefit from the stable electricity supply at a fair, reasonable and competitive price which is relatively lower than the normal on-grid tariffs charged by Guangdong Power Grid, which in turn will lower the operating cost of the manufacturing units. The terms of the Transaction, were negotiated on an arm's length basis between the parties.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the Electricity Transaction Agreement was entered into, in the ordinary and usual course of business of Zhongyue Tinplate and on normal commercial terms or better to the Group, and that the terms of the Transaction are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

To the best of the knowledge, information and belief of the Directors, none of them has any material interest in the Transaction. No Director was required to abstain from the relevant board resolutions passed.

## **CONNECTED PERSONS**

GDH is holding approximately 59.19% and 56.49% of the issued shares of the Company and GDI, respectively. By virtue of the above shareholding interests, GDI (being a subsidiary and thus an associate of GDH (being a substantial shareholder and connected person of the Company) as defined in the Listing Rules) is a connected person of the Company. Zhongshan Energy (being a subsidiary of GDI) is also a connected person of the Company. Therefore, the Transaction constitutes a continuing connected transaction of the Company under the Listing Rules.

## **LISTING RULES IMPLICATIONS**

Based on the estimated amount to be paid by Zhongyue Tinplate to GDI Group under the Transaction, the Annual Cap for the financial year ending 31 December 2019 is set at RMB33,100,000 (equivalent to approximately HK\$37,287,150). Since all applicable percentage ratios for the purpose of Chapter 14A of the Listing Rules in respect of the Annual Cap exceed 0.1% but are less than 5%, the Transaction is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

The Company will comply with the annual review requirements under Rules 14A.55 to 14A.57 of the Listing Rules in relation to the Transaction.

## **PRINCIPAL BUSINESSES OF THE COMPANY AND THE CONNECTED PERSONS**

The principal business of the Company is investment holding. The subsidiaries of the Company are primarily engaged in the production and sales of tinplates and related products, leasing of properties, distribution and sales of fresh and live foodstuffs and food stuffs trading.

The principal business of Zhongyue Tinplate is the production and sales of tinplate products and property leasing.

The principal business of GDH is investment holding.

The principal business of Zhongshan Power is power plant operation providing electricity and steam supply. The principal businesses of Zhongshan Energy are power supply and sale and supply of heat energy.

GDI Group is principally engaged in investment holding, water resources, property investment and development, department store operation, hotel ownership, operation and management, investments in energy projects and road and bridge operation.

## DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“Annual Cap”	has the meaning ascribed to it under the section headed “Basis and reasons for the Transaction and the Annual Cap” of this announcement;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Company”	Guangnan (Holdings) Limited (廣南(集團)有限公司), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“Electricity Transaction Agreement”	an agreement dated 6 November 2018 entered into between Zhongyue Tinplate and Zhongshan Energy in respect of the purchase of electricity by Zhongyue Tinplate from Zhongshan Energy;
“GDH”	GDH Limited (粵海控股集團有限公司), a company incorporated in Hong Kong with limited liability;
“GDI”	Guangdong Investment Limited (粵海投資有限公司), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange;
“GDI Group”	GDI and its subsidiaries;
“Group”	the Company and its subsidiaries;
“Guangdong Power Grid”	廣東電網有限責任公司 (Guangdong Power Grid Company Limited*), a company incorporated under the laws of the PRC;
“HK\$”	Hong Kong dollars, the legal currency of Hong Kong;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;

“kWh”	kilowatt hour ;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“Old Electricity Transaction Agreement”	an agreement dated 2 November 2017 entered into between Zhongyue Tinplate and Zhongshan Energy in respect of the purchase of electricity by Zhongyue Tinplate from Zhongshan Energy;
“Power Grid Fee”	the fee charged by Guangdong Power Grid for the transmission and distribution of electricity services provided through the power grid operated by Guangdong Power Grid;
“PRC”	the People’s Republic of China and, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transaction”	the transaction contemplated under the Electricity Transaction Agreement;
“Zhongshan Energy”	中山粵海能源服務有限公司 (Zhongshan Yuehai Energy Services Co., Ltd.*), a subsidiary of GDI established under the laws of the PRC and wholly owned by Zhongshan Power;
“Zhongshan Power”	中山火力發電有限公司 (Zhongshan Thermal Power Co., Ltd.*), a subsidiary of GDI established under the laws of the PRC;
“Zhongyue Tinplate”	中山中粵馬口鐵工業有限公司 (Zhongshan Zhongyue Tinplate Industrial Co., Ltd.*), a wholly-owned subsidiary of the Company established under the laws of the PRC; and
“%”	per cent.

*For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00=HK\$1.1265 has been used, where applicable, for purpose of illustration only and it does not constitute any representation that any amount has been, could have been or may be exchanged at that rate or at any other rate.*

*\* The English translation of the Chinese name of the relevant company included in this announcement is prepared for identification purpose only. In the event of any inconsistency, the Chinese name shall prevail.*

By order of the Board  
**Tan Yunbiao**  
Chairman

Hong Kong, 6 November 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.*