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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)

**INSIDE INFORMATION
COMMENCEMENT OF PUBLIC TENDER IN RELATION TO
POTENTIAL DISPOSAL OF 40% EQUITY INTEREST IN A
JOINT VENTURE COMPANY**

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 SFO.

THE POTENTIAL DISPOSAL

The Board is pleased to announce that the Company intends to dispose of the Sale Equity (being all the equity interest in Yellow Dragon held by the Company). Since the Sale Equity is State-owned asset, the Potential Disposal is conducted by way of the Public Tender on GuangDong United Assets and Equity Exchange in accordance with the relevant rules and regulations concerning the disposal of State-owned assets. The initial Public Tender has commenced on 3 March 2020 and will expire on 14 April 2020.

The notice of the Public Tender in relation to the Potential Disposal, which contains details of the Public Tender in relation to the Potential Disposal, has been published on the website of GuangDong United Assets and Equity Exchange at <http://www.gduaee.com/portal/pro/index.jsp?proId=eabf7fc1c21344a392a33bb4fd274cd9&packId=> on 3 March 2020.

The initial bidding price for the Potential Disposal is RMB161,075,000 (equivalent to approximately HK\$178,793,250, which is determined with reference to the Appraised Value. The final consideration will depend on the final bid price offered by the successful bidder. In the event that there is no bidder for the Sale Equity upon expiry of the said initial auction period, the Company may make relevant adjustments in respect of the Public Tender and extend such period.

POTENTIAL LISTING RULES IMPLICATIONS

Based on a preliminary assessment of the information currently available to the Company, and taking into account the initial bidding price of the Potential Disposal, one of the applicable percentage ratios as set out in the Listing Rules in relation to the Potential Disposal is expected to be more than 25% but less than 75%. Thus, the Potential Disposal, if materialized, may constitute a major transaction of the Company and is subject to the reporting, announcement circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Further announcement(s) in relation to the Potential Disposal will be made by the Company in compliance with the Listing Rules as and when necessary.

As the Potential Disposal may or may not materialize, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

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The initial bidding price for the Potential Disposal is RMB161,075,000 (equivalent to approximately HK\$178,793,250, which is determined with reference to the appraised value of Yellow Dragon by an independent valuer attributable to the Sale Equity in the amount of approximately RMB161,074,920 (equivalent to approximately HK\$178,793,161) as at 31 July 2019 (the "Appraised Value"). The final consideration will depend on the final bid price offered by the successful bidder. In the event that there is no bidder for the Sale Equity upon expiry of the said initial auction period, the Company may make relevant adjustments in respect of the Public Tender and extend such period.

INFORMATION ON YELLOW DRAGON

Yellow Dragon is principally engaged in the business of the production of starch and starch products, starch sugar, edible vegetable oil; other by-products; technical development and information consulting of grain (corn) storage, sales, logistics, packaging and related industries. As at the date of this announcement, Yellow Dragon is owned as to 40% by the Company and 60% by certain entities (which are independent to the Group and its connected persons), respectively. After the completion of the Potential Disposal (if completed), the Company will cease to have any interest in Yellow Dragon.

REASONS FOR AND THE BENEFITS OF THE POTENTIAL DISPOSAL

The Group is principally engaged in the manufacture and sale of tinplates and related products, leasing of properties, distribution and sales of fresh and live foodstuffs and foodstuffs trading. Since the principal business of Yellow Dragon as disclosed above is not closely related to that of the Company, and its losses have been expanding in recent years, the Company intends to withdraw its investment from Yellow Dragon. The Potential Disposal is expected to improve the Company's financial position and generate additional cash inflow, which would enhance the Group's ability to acquire or invest in other projects.

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DEFINITIONS

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

“Appraised Value” has the meaning ascribed to it under the section headed “The Potential Disposal” in this announcement

“Board”	the board of Directors
“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
“Director(s)”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Yellow Dragon”	黃龍食品工業有限公司 (Yellow Dragon Food Industry Co., Ltd*), a company established in the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“Potential Disposal”	the Company’s intended disposal of the Sale Equity
“Public Tender”	the public tender process for the Potential Disposal conducted on the GuangDong United Assets and Equity Exchange
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Equity”	40% of the equity interest in Yellow Dragon
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	the share(s) of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules

“%”

Percent

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00=HK\$1.11 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
Chen Benguang
Chairman

Hong Kong, 3 March 2020

As at the date of this announcement, the Board is composed of three executive directors, namely Messrs. Chen Benguang, He Jinzhou and Chau Wang Kei; 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.