

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.



粵海廣南(集團)有限公司

GDH GUANGNAN (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 1203)

**DISCLOSEABLE TRANSACTION
IN RELATION TO
SUBSCRIPTION OF REGISTERED CAPITAL IN
TARGET COMPANY**

THE SUBSCRIPTION

The Company is pleased to announce that on 22 December 2020 (after trading hours), the Subscriber (being a wholly-owned subsidiary of the Company) entered into the Agreement with the Original Shareholder and the Target Company, pursuant to which each of the Subscriber and the Original Shareholder has conditionally agreed to subscribe for the registered capital in the Target Company in the amount of RMB79,857,200 and RMB40,000,000, respectively. Upon completion of the said subscriptions, the Target Company will be owned as to 65% and 35% by the Subscriber and the Original Shareholder, respectively.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in respect of the Subscription exceeds 5% but is less than 25% as determined in accordance with Rule 14.07 of the Listing Rules, the Subscription constitutes a discloseable transaction for the purpose of Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Company is pleased to announce that on 22 December 2020 (after trading hours), the Subscriber (being a wholly-owned subsidiary of the Company) entered into the Agreement with the Original Shareholder and the Target Company, pursuant to which each of the Subscriber and the Original Shareholder has conditionally agreed to subscribe for the registered capital in the Target Company in the amount of RMB79,857,200 and RMB40,000,000, respectively. Upon Completion, the Target Company will be owned as to 65% and 35% by the Subscriber and the Original Shareholder, respectively.

THE AGREEMENT

A summary of the salient terms of the Agreement is set out below:

Date

22 December 2020

Parties

- (i) The Subscriber (a wholly-owned subsidiary of the Company);
- (ii) The Original Shareholder; and
- (iii) The Target Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, each of the Original Shareholder and the Target Company and their ultimate beneficial owner(s) is an Independent Third Party.

The Subscription

Pursuant to the Agreement, each of the Subscriber and the Original Shareholder has conditionally agreed to subscribe for the registered capital in the Target Company in the amount of RMB79,857,200 and RMB40,000,000, respectively. Upon Completion, the Target Company will be owned as to 65% and 35% by the Subscriber and the Original Shareholder, respectively. Please refer to the section headed “Information on the Target Company” in this announcement for details of the Target Company.

Consideration and basis of determination of the Consideration

The full amount of consideration for the subscriptions under the Agreement shall be paid by each of the Subscriber and the Original Shareholder to the Target Company by way of wire transfer within 25 Business Days after the Agreement becoming effective.

The consideration for the Subscription by the Subscriber in the amount of RMB79,857,200 (the “**Consideration**”) was determined after arm’s length negotiations between the Company and the Original Shareholder with reference to, among others, (i) the valuation of the owner’s equity of the Target Company as at 31 August 2020 in the amount of approximately RMB2.372 million (equivalent to approximately HK\$2.735 million) compiled by Guangzhou Jiatai Asset Appraisal and Land Real Estate Appraisal Co. Ltd. (廣州嘉泰資產評估與土地房地產估價有限公司), an independent professional valuer engaged by the Subscriber; (ii) the unaudited net asset value of the Target Company on the basis of its management accounts as at 31 October 2020 in the amount of approximately RMB1.388 million (equivalent to approximately HK\$1.6 million) prepared in accordance with the PRC GAAP; (iii) the capital injection of the Original Shareholder and the majority ownership of the Target Company after Completion; and (iv) the prospects and development of the slaughter business and the Target Company.

Conditions

The Agreement shall become effective conditional upon the fulfillment of the following conditions (the “**Conditions**”):

- (i) the subscriptions under the Agreement having been approved by the Original Shareholder and Target Company;
- (ii) the subscription under the Agreement by the Original Shareholder having been approved by the state-owned Assets Supervision and Administration Commission of Nanhai District of Foshan City (佛山市南海區國有資產監督管理局);
- (iii) the internal approval by the subscriber and its holding companies of the Subscription having been obtained;
- (iv) the Original Shareholder undertaking to the Subscriber that it has truly, fully and completely disclosed relevant information relating to the Target Company (including its assets, liabilities, litigations, rights and guarantee, etc.) as of 31 August 2020 (being the reference date of the abovementioned valuation) in writing; and
- (v) the Target Company not having given any guarantee to other parties and there being no undisclosed incurred or potential liabilities or obligations of the Target Company.

No party shall be entitled to waive any Conditions above. As at the date of this announcement, all the above Conditions have been satisfied.

Other terms and conditions

The Target Company shall proceed with the procedures in relation to the change of industrial and commercial and relevant filing and registrations within 45 calendar days after the payment of the considerations for the subscriptions under the Agreement. Completion is expected to take place on the date of completion of the change of industrial and commercial and relevant filing and registration.

After Completion, the transfer of any equity interest in the Target Company by a shareholder to any third party shall be approved by all the other shareholder(s), who shall have the pre-emptive right to purchase such equity interest. The Subscriber or the Original Shareholder may transfer all or part of its equity interest in the Target Company to a third party at the same price and conditions if the other party does not exercise its pre-emptive right to purchase such equity interest.

The Agreement may be terminated by (i) the Subscriber upon material breach of the Agreement by the Original Shareholder or Target Company in the event of the Original Shareholder or Target Company failing to implement its duties under the Agreement which cannot be remedied within 30 Business Days from the issue of the relevant notice; the Subscriber's rights under the Agreement being rendered void, revocable or incomplete due to reasons caused by the Original Shareholder or Target Company; the documents or representations provided by the Original Shareholder or Target Company for the purpose of entering into or implementation of the Agreement containing untrue records or contents with material omission or being materially misleading; or the Original Shareholder breaching its non-compete obligation under the Agreement; or (ii) the Original Shareholder or Target Company upon material breach of the Agreement by the Subscriber in the event of the Subscriber failing to implement its duties under the Agreement which cannot be remedied within 30 Business Days from the issue of the relevant notice; or the Subscriber breaching its non-compete obligation under the Agreement.

INFORMATION ON THE GROUP

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.

INFORMATION ON THE ORIGINAL SHAREHOLDER

The Company understands that the Original Shareholder is principally engaged in corporate image planning and the provision of professional services on corporate development. As at the date of this announcement, the Target Company is wholly-owned by the Original Shareholder. The Company understands that the ultimate beneficial owner of the Original Shareholder is the State-owned Assets Supervision and Administration Commission of Nanhai District of Foshan City (佛山市南海區國有資產監督管理局).

INFORMATION ON THE TARGET COMPANY

The Target Company is principally engaged in the business of food production, food business, pig slaughtering, livestock slaughtering, poultry slaughtering, city distribution and transportation services, road cargo transportation, low temperature storage and manure treatment of livestock and poultry. As at the date of this announcement, the Target Company has a registered capital of RMB3 million (equivalent to approximately HK\$3.459 million) and is wholly-owned by the Original Shareholder.

After the Completion, the Target Company will be owned as to 65% by the Subscriber and 35% by the Original Shareholder.

Financial information of the Target Company

Set out below is certain unaudited financial information of the Target Company (prepared in accordance with the PRC GAAP) for the period from its incorporation on 27 February 2020 to 31 October 2020. There is no material difference between the PRC GAAP and the HK GAAP in respect of the figures below:

	For the period from the date of incorporation to 31 October 2020 (unaudited)
Net loss (before tax)	Approximately RMB1,612,000 (equivalent to approximately HK\$1,859,000)
Net loss (after tax)	Approximately RMB1,612,000 (equivalent to approximately HK\$1,859,000)

The unaudited net asset value of the Target Company as at 31 October 2020 was approximately RMB1.388 million (equivalent to approximately HK\$1.6 million) on the basis of the unaudited management accounts of the Target Company as at 31 October 2020 prepared in accordance with the PRC GAAP.

REASONS FOR THE BENEFITS OF THE SUBSCRIPTION

The Target Company is ultimately controlled by the State-owned Assets Supervision and Administration Commission of Nanhai District of Foshan City (佛山市南海區國有資產監督管理局), and has sound management and governance. Target Company undertakes modern and high standard slaughterhouses construction projects in Nanhai District, the PRC, which improves at the root the operation and management of designated hog slaughterhouses across the district. Favorable policy of the State for pig farms offers great opportunities to the industry. With favorable State policy encouraging large-scale farming, the number of enterprises entering into the pig farming industry keeps growing while centralized and large-scale operation has become a trend. Based on the industry expectation, the number of pigs supplied is recovering to a stable position, which is favorable to the slaughtering industry. The Group's strategy in respect of the slaughtering industry through its capital injection into the Target Company, is conducive to the goal of strengthening, optimizing and expanding fresh and live foodstuffs business. Moreover, the chilled meat produced by the slaughter house of the Target Company can be used as supplies to Hong Kong in the future, thereby enhancing the Group's market competitiveness in the live and foodstuff business.

The Board (including the independent non-executive Directors) considers that the terms and conditions of the Subscription are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

No Director has any material interest in the Subscription and was required to abstain from voting on the Directors' resolutions approving the Subscription and the entering into of the Agreement by the Company.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in respect of the Subscription exceeds 5% but is less than 25% as determined in accordance with Rule 14.07 of the Listing Rules, the Subscription constitutes a discloseable transaction for the purpose of Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Agreement”	the capital increase agreement (增資協議) dated 22 December 2020 entered into between the Subscriber, the Original Shareholder and the Target Company in relation to the subscriptions of registered capital in the Target Company
“Board”	the board of Directors
“Business Day”	any day other than a statutory holiday of the PRC
“Company”	GDH Guangnan (Holdings) Limited (粵海廣南 (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
“Consideration”	has the meaning ascribed to it under the section headed “ Consideration and basis of determination of the Consideration” in this announcement
“Completion”	completion of the subscriptions under the Agreement in accordance with the terms and conditions thereof
“Condition(s)”	has the meaning ascribed to it under the section headed “Conditions” in this announcement
“Director(s)”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“HK GAAP”	the generally accepted accounting principles, standards and practices in Hong Kong (including all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	any person or company who is not a connected person of the Company and is a third party independent of the Company and its connected persons in accordance with the Listing Rule
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Original Shareholder”	佛山市南海區信盈企業策劃總公司 (Foshan City Nanhai District Xinying Enterprise Planning Corporation*), a company established in the PRC and an Independent Third Party
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“PRC GAAP”	the PRC Accounting Standards for Business Enterprises as promulgated and, from time to time, amended or supplemented by the Ministry of Finance of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“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

“Subscriber”	GDH Guangnan Hong Company Limited (粵海廣南行有限公司), a company incorporated in Hong Kong and a direct wholly-owned subsidiary of the Company
“Subscription”	Subscription of the registered capital of the Target Company by the Subscriber pursuant to the Agreement
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules
“Target Company”	佛山市南海潤圓食品有限公司 (Foshan Nanhai Runyuan Food Co., Ltd.*), a company established in the PRC and an Independent Third Party
“%”	per cent

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00 = HK\$1.1531 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, 22 December 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 Mr. Wang Longhai; and three Independent Non-Executive Directors, namely Mr. Gerard Joseph McMahan, Mr. Li Kar Keung, Caspar and Dr. Wong Yau Kar, David.