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**粵海廣南(集團)有限公司**  
**GDH GUANGNAN (HOLDINGS) LIMITED**

*(Incorporated in the Hong Kong with limited liability)*

(Stock Code: 1203)

**CONTINUING CONNECTED TRANSACTIONS  
AND  
FURTHER INFORMATION IN RELATION TO SUBSCRIPTION  
OF REGISTERED CAPITAL IN TARGET COMPANY**

**CONTINUING CONNECTED TRANSACTIONS**

**(A) Purchase of blackplates**

**New Zhongyue Tinplate Supply Agreement and New Zhongyue Posco Supply Agreement**

Reference is made to the Announcement. Pursuant to (i) the New Zhongyue Tinplate Supply Agreement, POSCO-Asia has been supplying blackplates to Zhongyue Tinplate for the period ending 31 December 2020; and (ii) the New Zhongyue Posco Supply Agreement, POSCO-Asia has been supplying blackplates to Zhongyue Posco (Qinhuangdao) for the period ending 31 December 2020. Both the New Zhongyue Tinplate Supply Agreement and the New Zhongyue Posco Supply Agreement will be renewed for a term of three years commencing on 1 January 2021.

The transactions contemplated under the New Zhongyue Tinplate Supply Agreement and the New Zhongyue Posco Supply Agreement will constitute continuing connected transactions of the Company under the Listing Rules, because POSCO-Asia and POSCO-China are wholly-owned subsidiaries of POSCO, which is a substantial shareholder of Zhongyue Posco (Qinhuangdao) (being an indirect non-wholly owned subsidiary of the Company) and, therefore, both POSCO-Asia and POSCO-China are connected persons of the Company at the subsidiary level under the Listing Rules.

**(B) Sale of tinplate products**

**(i) New Framework Agreement**

Reference is made to the Announcement. Pursuant to the New Framework Agreement, Zhongyue Posco (Qinhuangdao) has been supplying and selling tinplate products to POSCO-Asia for the period ending 31 December 2020. The New Framework Agreement will be renewed for a term of three years commencing on 1 January 2021.

**(ii) New Sale and Purchase Framework Agreement**

Reference is made to the Announcement. Pursuant to the New Sale and Purchase Framework Agreement, Zhongyue Tinplate has been supplying and selling tinplate products to POSCO-Asia for the period ending 31 December 2020. The New Sale and Purchase Framework Agreement will be renewed for a term of three years commencing on 1 January 2021.

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

**LISTING RULES IMPLICATIONS**

As all of the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) of the Purchase Aggregated Caps for the Continuing Connected Transactions under the New Zhongyue Tinplate Supply Agreement and the New Zhongyue Posco Supply Agreement, on an aggregated basis, for the three years ending 31 December 2023 are more than 5% and the Purchase 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.

As all of the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) of the Sale Aggregated Caps for the Continuing Connected Transactions under the New Framework Agreement and the New Sale and Purchase Framework Agreement, on an aggregated basis, for the three years ending 31 December 2023 are more than 5% and the 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.

## **FURTHER INFORMATION IN RELATION TO SUBSCRIPTION OF REGISTERED CAPITAL IN TARGET COMPANY**

Reference is made to the announcement of the Company dated 22 December 2020 in respect of the subscription of registered capital in the Target Company. The Company would like to disclose further information in relation to the same.

### **CONTINUING CONNECTED TRANSACTIONS**

#### **(A) Purchase of blackplates**

##### **New Zhongyue Tinplate Supply Agreement and New Zhongyue Posco Supply Agreement**

Reference is made to the Announcement. On 14 December 2012, (i) Zhongyue Tinplate, POSCO and POSCO-Asia entered into the New Zhongyue Tinplate Supply Agreement; and (ii) Zhongyue Posco (Qinhuangdao), POSCO and POSCO-Asia entered into the New Zhongyue Posco Supply Agreement. The New Zhongyue Tinplate Supply Agreement and the New Zhongyue Posco Supply Agreement have been renewed for a period of three years which commenced on 1 January 2015 and a further period of three years which commenced on 1 January 2018. Pursuant to (i) the New Zhongyue Tinplate Supply Agreement, POSCO-Asia has been supplying blackplates to Zhongyue Tinplate for the period ending 31 December 2020; and (ii) the New Zhongyue Posco Supply Agreement, POSCO-Asia has been supplying blackplates to Zhongyue Posco (Qinhuangdao) for the period ending 31 December 2020. Both the New Zhongyue Tinplate Supply Agreement and the New Zhongyue Posco Supply Agreement will be renewed for a term of three years commencing on 1 January 2021.

The provisions relating to the renewal of the New Zhongyue Tinplate Supply Agreement and the New Zhongyue Posco Supply Agreement, the supply of blackplates by POSCO-Asia to Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao) (as the case may be) and the determination of the consideration under the New Zhongyue Tinplate Supply Agreement and the New Zhongyue Posco Supply Agreement (as the case may be) are, save as set out herein, the same as those in the New Zhongyue Tinplate Supply Agreement and the New Zhongyue Posco Supply Agreement (as the case may be).

##### *Renewal*

The term of each of the New Zhongyue Tinplate Supply Agreement and the New Zhongyue Posco Supply 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 the approval by the shareholders of the Company in accordance with requirements of the Listing Rules (where necessary).

### *Supply of blackplates by POSCO-Asia*

Pursuant to the New Zhongyue Tinplate Supply Agreement and the New Zhongyue Posco Supply Agreement, POSCO-Asia has been supplying blackplates manufactured by POSCO to Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao), respectively, and after the renewal of the said agreements, POSCO-Asia will continue to supply blackplates to Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao), respectively, for the three years ending 31 December 2023.

### *Consideration for the purchase of blackplates*

The price of blackplates supplied by POSCO-Asia to Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao) (as the case may be) has been and will be determined based on the prevailing market price of blackplates and after arm's length negotiation among the parties concerned. The Group regularly collects and analyses market information for the sale of major raw materials by major suppliers in the industry, followed by arm's length negotiation with the POSCO Group on the price of the said blackplates. In order to ensure that the said purchase price is no less favourable than the prevailing market rate, the Group would compare quotations from the POSCO Group and two other comparable independent manufacturers of blackplates in the relevant market, analyse such market information, and the purchase price is agreed after arm's length negotiation with the POSCO Group. Accordingly, the Board considers that the methods and procedures can ensure that the purchase of blackplates by the Group under the New Zhongyue Tinplate Supply Agreement and the New Zhongyue Posco Supply Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

The consideration of blackplates purchased by Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao) will be settled by letters of credit, telegraphic transfer or otherwise as agreed from time to time by the relevant parties. Historically, the consideration of blackplates was settled by (i) Zhongyue Tinplate by letters of credit within 5 working days after the letters of credit issuing bank received the bill of lading; and (ii) Zhongyue Posco (Qinhuangdao) by telegraphic transfer within 14 days after issuance of bill of lading.

### *Reasons for the continuing connected transactions*

The Board considers that it is in the interests of the Company and its shareholders for Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao) to purchase blackplates from POSCO-Asia, as POSCO is a market leader in the steel production business (which includes the manufacture of blackplates), the Continuing Connected Transactions to be conducted pursuant to the New Zhongyue Tinplate Supply Agreement and the New Zhongyue Posco Supply Agreement will assure stability in the supply of blackplates to the Group.

The Board (including the independent non-executive Directors) considers that the supply of blackplates by POSCO-Asia to (i) Zhongyue Tinplate pursuant to the New Zhongyue Tinplate Supply Agreement; and (ii) Zhongyue Posco (Qinhuangdao) pursuant to the New Zhongyue Posco Supply Agreement, will continue to be carried out in the ordinary and usual course of business of Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao), respectively, and on normal commercial terms or better from the perspective of Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao), respectively, and the terms of the transactions will continue to be fair and reasonable and in the interests of the Company and its shareholders as a whole.

The transactions contemplated under the New Zhongyue Tinplate Supply Agreement and the New Zhongyue Posco Supply Agreement will constitute continuing connected transactions of the Company under the Listing Rules, because POSCO-Asia and POSCO-China are wholly-owned subsidiaries of POSCO, which is a substantial shareholder of Zhongyue Posco (Qinhuangdao) (being an indirect non-wholly owned subsidiary of the Company) and, therefore, both POSCO-Asia and POSCO-China are connected persons of the Company at the subsidiary level under the Listing Rules.

Reference is made to the Announcement. On 22 August 2014, Zhongyue Tinplate and POSCO-China also entered into the Transport Services Agreement. The Transport Services Agreement has been renewed for a period of three years which commenced on 1 January 2015 and a further period of three years which commenced on 1 January 2018, pursuant to which POSCO-China has been providing certain services (the “Services”) to Zhongyue Tinplate, in respect of the transport of the blackplates supplied by POSCO-Asia to Zhongyue Tinplate under the abovementioned New Zhongyue Tinplate Supply Agreement, from the port in Nansha, the PRC to the factory of Zhongyue Tinplate, including the arrangement of customs reporting and inspection, port unloading, storage, land transport of the blackplates, liaison with the relevant port and factory, and tracking of the blackplates, for the period ending 31 December 2020. It is noted that Zhongyue Tinplate has ceased to engage the Services from POSCO-China since 1 December 2018.

#### *Historical caps and historical amounts*

As disclosed in the Announcement, the annual caps for the supply of blackplates by the POSCO Group to Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao) and the engagement of the Services, on an aggregated basis, for each of the three years ending 31 December 2020 are US\$107,381,000 (approximately HK\$837,572,000), US\$123,132,000 (approximately HK\$960,430,000) and US\$127,858,000 (approximately HK\$997,292,000), respectively. The said annual cap for the year ending 31 December 2020 shall continue to apply.

For each of the years ended 31 December 2018 and 31 December 2019, respectively, according to the consolidated audited financial statements of the Group, the transaction amount of the supply of blackplates by POSCO-Asia to Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao), on an aggregated basis, was approximately US\$50,329,900 (approximately HK\$392,573,000) and approximately US\$34,946,900 (approximately HK\$272,586,000), respectively; and for the nine months ended 30 September 2020, according to the unaudited management accounts of Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao), the transaction amount of the supply of blackplates by POSCO-Asia to Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao), on an aggregated basis, was approximately US\$30,921,000 (approximately HK\$241,184,000) (together, the “**Historical Purchase Amount**”). It is noted that during the said period of the New Zhongyue Tinplate Supply Agreement and the New Zhongyue Posco Supply Agreement, apart from POSCO-Asia, the Group also purchased blackplates from other suppliers for its manufacturing. The Group’s purchases were made in accordance with, among others, the sale price of blackplates, quality of blackplates and market conditions at the relevant time, which resulted in a certain discrepancy between the Historical Purchase Amount and the said historical caps.

*Proposed annual caps for 2021 to 2023*

The Board estimates that the annual caps for the supply of blackplates by POSCO-Asia to (a) Zhongyue Tinplate pursuant to the New Zhongyue Tinplate Supply Agreement; and (b) Zhongyue Posco (Qinhuangdao) pursuant to the New Zhongyue Posco Supply Agreement on an aggregated basis, for each of the three years ending 31 December 2023 will not exceed US\$84,000,000 (approximately HK\$655,200,000), US\$84,000,000 (approximately HK\$655,200,000) and US\$88,200,000 (approximately HK\$687,960,000), respectively (together, the “**Purchase Aggregated Caps**”).

The Purchase Aggregated Caps are determined by reference to (i) the Historical Purchase Amount; (ii) the Company’s projection of the production volume of the tinplate products to be manufactured by Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao) for each of the three years ending 31 December 2023; (iii) the current and the anticipated price level of blackplates; (iv) the anticipated demand of the customers of Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao), on an aggregated basis, for each of the three years ending 31 December 2023; and (v) the anticipated demand for blackplates and the Company’s projection of the volumes of blackplates to be supplied by POSCO-Asia to Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao), on an aggregated basis, for each of the three years ending 31 December 2023.

To the best of the knowledge, information and belief of the Directors, none of them has any material interest in the New Zhongyue Tinplate Supply Agreement and the New Zhongyue Posco Supply Agreement. No Director was required to abstain from the relevant board resolutions passed. The Board (including the independent non-executive Directors) considers that the Purchase Aggregated Caps are fair and reasonable and in the interests of the Company and its shareholders as a whole.

**(B) Sale of tinplate products**

**(i) New Framework Agreement**

Reference is made to the Announcement. On 14 December 2012, Zhongyue Posco (Qinhuangdao) and POSCO-Asia entered into the New Framework Agreement. The New Framework Agreement has been renewed for a period of three years which commenced on 1 January 2015 and a further period of three years which commenced on 1 January 2018, pursuant to which Zhongyue Posco (Qinhuangdao) has been supplying and selling tinplate products to POSCO-Asia for the period ending 31 December 2020. The New Framework Agreement will be renewed for a term of three years commencing on 1 January 2021.

The provisions relating to the renewal of the New Framework Agreement, the supply and sale of tinplate products by Zhongyue Posco (Qinhuangdao) to POSCO-Asia and the determination of the consideration under New Framework Agreement are, save as set out herein, the same as those in the New Framework Agreement.

*Renewal*

The term of the New 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 the approval by the shareholders of the Company in accordance with the requirements of the Listing Rules (where necessary).

*Supply of tinplate products*

Pursuant to the New Framework Agreement, Zhongyue Posco (Qinhuangdao) has been supplying tinplate products to POSCO-Asia for the period ending 31 December 2020 and POSCO-Asia has assured Zhongyue Posco (Qinhuangdao) that it will purchase at least 35% of tinplate products of Zhongyue Posco (Qinhuangdao) to be exported. Such 35% sales assurance is a target under the New Framework Agreement to ensure certain overseas demand for the Group's products is met and there will be no consequence for any failure to achieve such target. Such target was achieved for the period of the New Framework Agreement ending 31 December 2020. After the renewal of the New Framework Agreement, the abovementioned terms will continue to apply for the three years ending 31 December 2023 and Zhongyue Posco (Qinhuangdao) will continue to supply the said tinplate products to POSCO-Asia for the three years ending 31 December 2023.

### *Consideration for the supply and sale of tinplate products*

The consideration for tinplate products to be purchased by POSCO-Asia from Zhongyue Posco (Qinhuangdao) for export distribution, being the sales price, will be the Price minus the Fee. Such sales price will be determined based on the prevailing market price of tinplate products and has been determined after arm's length negotiation between Zhongyue Posco (Qinhuangdao) and POSCO-Asia. 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 of major competitors in the market, followed by arm's length negotiation with POSCO-Asia on the said sales price of tinplate products. In order to ensure that the said sales price of tinplate products is no less favourable than the prevailing market rate, the Group would compare the prices of similar products offered by two other comparable independent manufacturers in the relevant market, analyse such market information, and the said sales price is agreed after arm's length negotiation with POSCO-Asia. The tinplate products to be purchased by POSCO-Asia from Zhongyue Posco (Qinhuangdao) for export distribution will be on normal commercial terms. Accordingly, the Board considers that the methods and procedures can ensure that the sale of tinplate products by Zhongyue Posco (Qinhuangdao) under the New 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-Asia, being the said sales price, will be settled by letters of credit, telegraphic transfer or otherwise as agreed from time to time by the relevant parties. Historically, the consideration of such tinplate products was settled by POSCO-Asia by telegraphic transfer within 14 days after issuance of bill of lading.

### *Reasons for the continuing connected transactions*

The Board considers that it is in the interests of the Company and its shareholders for Zhongyue Posco (Qinhuangdao) to continue to (i) supply and sell tinplate products to POSCO-Asia pursuant to the New Framework Agreement; and (ii) appoint POSCO-Asia to carry out the export distribution of such products, as POSCO-Asia has extensive sales networks outside the PRC, and that the continuing connected transactions to be conducted pursuant to the New Framework Agreement will continue to enable Zhongyue Posco (Qinhuangdao) to better distribute its tinplate products to overseas market.

The Board (including the independent non-executive Directors) considers that the continuing connected transactions to be conducted pursuant to the New Framework Agreement will continue to be carried out in the ordinary and usual course of business of the Company and on normal commercial terms or better from the perspective of Zhongyue Posco (Qinhuangdao), and the terms of the transactions will continue to be fair and reasonable and in the interests of the Company and its shareholders as a whole.



**(ii) New Sale and Purchase Framework Agreement**

Reference is made to the Announcement. On 14 December 2012, Zhongyue Tinline and POSCO-Asia entered into the New Sale and Purchase Framework Agreement. The New Sale and Purchase Framework Agreement has been renewed for a period of three years which commenced on 1 January 2015 and a further period of three years which commenced on 1 January 2018, pursuant to which Zhongyue Tinline has been supplying and selling tinline products to POSCO-Asia for the period ending 31 December 2020. The New Sale and Purchase Framework Agreement will be renewed for a term of three years commencing on 1 January 2021.

The provisions relating to the renewal of the New Sale and Purchase Framework Agreement, the supply and sale of tinline products by Zhongyue Tinline to POSCO-Asia and the determination of the consideration under the New Sale and Purchase Framework Agreement are, save as set out herein, the same as those in the New Sale and Purchase Framework Agreement.

*Renewal*

The term of the New Sale and Purchase 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 the compliance of the relevant requirements of the Listing Rules (where necessary) by the Company.

*Supply of tinline products*

Pursuant to the New Sale and Purchase Framework Agreement, Zhongyue Tinline has been supplying tinline products to POSCO-Asia for the period ending 31 December 2020, and after the renewal of the said agreement, Zhongyue Tinline will continue to supply the said tinline products to POSCO-Asia for the three years ending 31 December 2023.

*Consideration for the supply and sale of tinline products*

The sales price of tinline products will be determined based on the prevailing market price of tinline products and after arm's length negotiation between Zhongyue Tinline and POSCO-Asia. 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 tinline products by major competitors in the market, followed by arm's length negotiation with POSCO-Asia on the sales price of the said tinline products. The purchase of tinline products by POSCO-Asia from Zhongyue Tinline will be on normal commercial terms. In order to ensure that the sales price of such tinline products is no less favourable than the prevailing market rate, the Group would compare the prices of similar products offered by two 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-Asia. Accordingly, the Board considers that the methods and procedures can ensure that the sale of tinline products by the Zhongyue Tinline under the New 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-Asia will be settled by letters of credit, telegraphic transfer or otherwise as agreed from time to time by the relevant parties. Historically, the consideration of such tinplate products was settled by POSCO-Asia by either letters of credit or telegraphic transfer before delivery of the products.

*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 continue to supply and sell tinplate products to POSCO-Asia pursuant to the New Sale and Purchase Framework Agreement as POSCO-Asia has extensive sales networks outside the PRC and that the supply and sale of tinplate products to POSCO-Asia will continue to 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-Asia will continue to 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 continue to be fair and reasonable and in the interests of the Company and its shareholders as a whole.

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

*Historical caps and historical amounts*

As disclosed in the Announcement, the annual caps for the continuing connected transactions under the New Framework Agreement and the New Sale and Purchase Framework Agreement, on an aggregated basis, for each of the three years ending 31 December 2020 are 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. The said annual cap for the year ending 31 December 2020 shall continue to apply.

For the each of the years ended 31 December 2018 and 31 December 2019, respectively, according to the consolidated audited financial statements of the Group, the transaction amount of the supply of tinplate products by the Group to POSCO-Asia, on an aggregated basis, was approximately US\$58,657,000 (approximately HK\$457,523,000) and approximately US\$34,930,000 (approximately HK\$272,452,000), respectively; and for the nine months ended 30 September 2020, according to the unaudited management accounts of Zhongyue Posco (Qinhuangdao) and Zhongyue Tinplate, the aggregate amounts received or to be received for the transactions under the New Framework Agreement and the New Sale and Purchase Framework Agreement, on an aggregated basis, was approximately US\$27,735,000 (approximately HK\$216,336,000) (together, the “**Historical Sale Amount**”). It is noted that during the said period of the New Framework Agreement and the New Sale and Purchase Framework Agreement, apart from POSCO-Asia, the Group also supplied tinplate products to other customers. The Group’s supplies were made in accordance with, among others, the demand for the Group’s products, sale price of the Group’s products and market conditions at the relevant time, which resulted in a certain discrepancy between the Historical Sale Amount and the said historical caps.

*Proposed annual caps for 2021 to 2023*

The Board estimates that the annual caps for the supply and sale of tinplate products to POSCO-Asia under (i) the New Framework Agreement will not exceed US\$85,120,000 (approximately HK\$663,936,000), US\$85,120,000 (approximately HK\$663,936,000) and US\$90,448,000 (approximately HK\$705,495,000); and (ii) the New Sale and Purchase Framework Agreement will not exceed US\$10,640,000 (approximately HK\$82,992,000), US\$10,640,000 (approximately HK\$82,992,000) and US\$10,641,000 (approximately HK\$82,999,000), for each of the three years ending 31 December 2023. Accordingly, the annual caps for the said supply and sale, on an aggregated basis, for each of the three years ending 31 December 2023 will not exceed US\$95,760,000 (approximately HK\$746,928,000), US\$95,760,000 (approximately HK\$746,928,000) and US\$101,089,000 (approximately HK\$788,494,000), respectively (the “**Sale Aggregated Caps**”).

The Sale Aggregated Caps are determined by reference to (i) the Historical Sale Amount; (ii) the anticipated demands of customers of POSCO-Asia outside the PRC for the tinplate products sold by Zhongyue Posco (Qinhuangdao) and Zhongyue Tinplate, on an aggregated basis, for each of the three years ending 31 December 2023; (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 Posco (Qinhuangdao) and Zhongyue Tinplate, on an aggregated basis, and the Company’s projection of such products to be sold to POSCO-Asia, for each of the three years ending 31 December 2023.

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

Reference is made to the announcement of the Company dated 29 August 2018 where it was disclosed that Zhongyue Tinplate entered into a sale and purchase framework agreement with POSCO DAEWOO (being a subsidiary of POSCO and a connected person of the Company at the subsidiary level under the Listing Rules), pursuant to which Zhongyue Tinplate agreed to supply and sell tinplate products to POSCO DAEWOO on a continuing basis. As disclosed in the said announcement, (i) the annual caps for the said supply and sale of tinplate products to POSCO DAEWOO for each of the three years ending 31 December 2020 are 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; and (ii) the annual caps, on an aggregated basis with the abovementioned supply and sale of tinplate products to POSCO-Asia under the New Framework Agreement and the New Sale and Purchase Framework Agreement, are 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. It is noted that Zhongyue Tinplate has ceased to supply and sell tinplate products to POSCO DAEWOO since June 2019.

## **LISTING RULES IMPLICATIONS**

As all of the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) of the Purchase Aggregated Caps for the Continuing Connected Transactions under the New Zhongyue Tinplate Supply Agreement and the New Zhongyue Posco Supply Agreement, on an aggregated basis, for the three years ending 31 December 2023 are more than 5% and the Purchase 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.

As all of the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) of the Sale Aggregated Caps for the Continuing Connected Transactions under the New Framework Agreement and the New Sale and Purchase Framework Agreement, on an aggregated basis, for the three years ending 31 December 2023 are more than 5% and the 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. GDH (being wholly-owned by Guangdong Holdings) is the controlling shareholder of the Company holding approximately 59.19% of the issued share capital of the Company. GDH and Guangdong Holdings are principally engaged in investment holding.

## **INFORMATION ON ZHONGYUE POSCO (QINHUANGDAO)**

Zhongyue Posco (Qinhuangdao) is an indirect non-wholly owned subsidiary of the Company and is principally engaged in the manufacture and sale of tinplates and related products.

## **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. The Company understands from the website of POSCO ([www.posco.co.kr](http://www.posco.co.kr)) that as of 30 June 2020, its total issued stock was owned as to 12.19% by National Pension Service.

## **INFORMATION ON POSCO-ASIA**

POSCO-Asia is a wholly-owned subsidiary of POSCO and is principally engaged in the trading of steel and tinplate products.

## **INFORMATION ON POSCO-CHINA**

POSCO-China is a wholly-owned subsidiary of POSCO and is principally engaged in investment holding.

## **FURTHER INFORMATION IN RELATION TO SUBSCRIPTION OF REGISTERED CAPITAL IN TARGET COMPANY**

Reference is made to the Subscription Announcement of the Company dated 22 December 2020 in respect of the entering into of the Agreement, 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. Terms as defined in the Subscription Announcement shall have the same meanings when used herein unless the context requires otherwise.

As disclosed in the section headed “The Agreement – the Subscription” in the Subscription Announcement, upon Completion, the Target Company will be owned as to 65% and 35% by the Subscriber and the Original Shareholder, respectively. Accordingly, the Target Company will become an indirect subsidiary of the Company and its financial results and positions will be consolidated into the accounts of the Company upon Completion. The Subscription will be financed by the Group’s internal resources.

As disclosed in the section headed “The Agreement – Consideration and basis of determination of the Consideration” in the Subscription Announcement, 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 in the amount of RMB40,000,000 and the majority ownership of the Target Company after Completion; and (iv) the prospects and development of the slaughter business and the Target Company. Taking into account the factors under items (i), (ii) and (iv) above, the aggregate subscription amounts of the Subscriber and the

Original Shareholder in the Target Company in the amount of RMB119,857,200, and the proportion of shareholding in the Target Company of each party, were determined after arm's length negotiations by the parties having regard to the estimated initial financial needs of the Target Company for its business and project as described below and the respective financial resources of the parties, respectively. With an ownership of 65% of the equity interest of the Target Company, the Group would assume control over its management, strengthening its position in the development of the business of the Target Company in line with the strategic goals of strengthening, optimizing and expanding the fresh and live foodstuffs business of the Group.

It is expected that the proceeds of the subscriptions by the Subscriber and the Original Shareholder will be used in development of the business of the Target Company, including the development of a modern and high standard slaughterhouse in Nanhai District, the PRC, as mentioned in the section headed "Reasons for and benefits of the Subscription" in the Subscription Announcement". It is expected that the development of the project will commence with the parties' capital injection after Completion. Further financial contributions shall be arranged by the parties with reference to the needs for the development of the project and further announcement will be made by the Company in compliance with the Listing Rules as and when necessary. It is expected that when the slaughterhouse is put into operation, its operation will cover pig slaughtering, with products including cut pork, cold or fresh pork; cow slaughtering, with products including cold or fresh beef; and sheep slaughtering, with products including fresh mutton. The sales channels for the project would include but shall not be limited residents in the Nanhai district, large wholesale markets in other districts in Foshan and Guangzhou, and distributors.

The Company believes that the project would facilitate the Group's expansion of its business of distribution and sales of fresh and live foodstuffs and foodstuffs trading into the upper stream of the industry.

## **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;
"Board"	the board of Directors;
"Company"	GDH 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 (i) (a) the New Zhongyue Tinplate Supply Agreement; (b) New Zhongyue Posco Supply Agreement; and (ii) (a) the New Framework Agreement; and (b) the New Sale and Purchase Framework Agreement;
"Directors"	the directors of the Company;

“Fee”	1.5% of free on board Qinhuangdao price of each individual sales contract to be entered into between POSCO-Asia and its overseas customers for the sale of tinplate products supplied by Zhongyue Posco (Qinhuangdao). The free on board Qinhuangdao price is the price of the relevant tinplate products only, which is different from the Price, as the Price may include the transportation expenses, insurance and other related expenses to be incurred for the delivery of tinplate products from Qinhuangdao to its overseas customers;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Historical Purchase Amount”	has the meaning ascribed to it under the paragraph headed “CONTINUING CONNECTED TRANSACTIONS – (A) Purchase of blackplates” in this announcement;
“Historical Sale Amount”	has the meaning ascribed to it under the paragraph headed “CONTINUING CONNECTED TRANSACTIONS – (B) Sale of tinplate products” in this announcement;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Framework Agreement”	the framework agreement dated 14 December 2012 entered into between Zhongyue Posco (Qinhuangdao) and POSCO-Asia;
“New Sale and Purchase Framework Agreement”	the sale and purchase framework agreement dated 14 December 2012 entered into between Zhongyue Tinplate and POSCO-Asia;
“New Zhongyue Posco Supply Agreement”	the agreement dated 14 December 2012 entered into between POSCO, POSCO-Asia and Zhongyue Posco (Qinhuangdao), for the supply of blackplates by POSCO-Asia to Zhongyue Posco (Qinhuangdao);
“New Zhongyue Tinplate Supply Agreement”	the agreement dated 14 December 2012 entered into between POSCO, POSCO-Asia and Zhongyue Tinplate for the supply of blackplates by POSCO-Asia to Zhongyue Tinplate;
“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-China”	浦項（中國）投資有限公司 (POSCO-China Holding Corporation), a company incorporated in the PRC 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;
“Price”	the contract price of each individual sales contract to be entered into between POSCO-Asia and its overseas customers for the sale of tinplate products supplied by Zhongyue Posco (Qinhuangdao);
“Purchase Aggregated Caps”	has the meaning ascribed to it under the paragraph headed “CONTINUING CONNECTED TRANSACTIONS – (A) Purchase of blackplates” in this announcement;
“Sale Aggregated Caps”	has the meaning ascribed to it under the paragraph headed “CONTINUING CONNECTED TRANSACTIONS – (B) Sale of tinplate products” in this announcement;
“Services”	has the meaning ascribed to it under the section headed “CONTINUING CONNECTED TRANSACTIONS - (A) Purchase of blackplates” in this announcement;
“Shares”	ordinary shares in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Announcement”	the announcement of the Company dated 22 December 2020 in respect of the Subscription;
“Transport Services Agreement”	the agreement dated 22 August 2014 entered into between POSCO-China and Zhongyue Tinplate for the provision of the Services by POSCO-China to Zhongyue Tinplate;



“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（GDH Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd.*(formerly known as 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% owned by POSCO and 10% owned by POSCO-China;
“Zhongyue Tinplate”	粵海中粵（中山）馬口鐵工業有限公司(GDH Zhongyue (Zhongshan) Tinplate Industry Co., Ltd. *(formerly known as 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.*

*\* 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, 30 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 McMahon, Mr. Li Kar Keung, Caspar and Dr. Wong Yau Kar, David.*