

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: 01203)

CONTINUING CONNECTED TRANSACTION

PURCHASE OF ELECTRICITY REVISION OF ANNUAL CAPS

SUPPLEMENTAL ELECTRICITY TRANSACTION AGREEMENT

Reference is made to the announcement of the Company dated 2 December 2020, which announced that GDH Zhongyue, a wholly-owned subsidiary of the Company, entered into the Electricity Transaction Agreement with GDH Energy Service, a subsidiary of GDI, for renewal of the Old Electricity Transaction Agreement, where the Existing Caps were set.

The Board announces that on 30 April 2021, GDH Zhongyue and GDH Energy Service have entered into the Supplemental Agreement pursuant to which the New Caps are set for the Transaction.

THE LISTING RULES IMPLICATIONS

GDH is holding approximately 59.19% and 56.49% of the total number of shares in issue 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. GDH Energy Service (being an indirect 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 GDH Zhongyue to GDI Group under the Transaction, the New Caps for each of the financial years ending 31 December 2021, 31 December 2022 and 31 December 2023 are set at RMB36,000,000 (equivalent to approximately HK\$42,595,000), RMB36,000,000 (equivalent to approximately HK\$42,595,000) and RMB36,000,000 (equivalent to approximately HK\$42,595,000), respectively. Since one of the applicable percentage ratios for the purpose of Chapter 14A of the Listing Rules in respect of the New Caps exceed 5%, the Transaction constitutes a non-exempt continuing connected transaction of the Company and the Supplemental Agreement and proposed New Caps will be subject to the reporting and announcement requirements, the annual review requirements, and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CIRCULAR

A circular containing, *inter alia*, (i) further details of the Transaction; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Transaction; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transaction; and (iv) a notice convening the EGM, will be despatched to the Shareholders on or before 24 May 2021.

THE SUPPLEMENTAL AGREEMENT

Reference is made to the announcement of the Company dated 2 December 2020, which announced that GDH Zhongyue, a wholly-owned subsidiary of the Company, entered into the Electricity Transaction Agreement with GDH Energy Service, a subsidiary of GDI, for renewal of the Old Electricity Transaction Agreement, where the Existing Caps were set.

The Board announces that on 30 April 2021, GDH Zhongyue and GDH Energy Service have entered into the Supplemental Agreement pursuant to which the New Caps are set for the Transaction.

Pursuant to the Electricity Transaction Agreement, as supplemented by the Supplemental Agreement, GDH Zhongyue agreed to purchase, and GDH Energy Service agreed to supply, electricity through the power grid operated by Guangdong Power Grid on a continuing basis on the following terms:

- Parties:** GDH Zhongyue
GDH Energy Service
- Term:** 1 January 2021 to 31 December 2023
- Volume:** Not exceeding 85,000,000 kWh per year and the amount of electricity transacted shall be the actual volume of electricity consumed by GDH Zhongyue.
- Unit price:** GDH Zhongyue shall purchase, and GDH Energy Service 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 Guangdong Provincial Development and Reform Commission (which is subject to adjustment from time to time).
- Payment terms:** The fees for electricity payable by GDH Zhongyue 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.
- GDH Energy Service will source electricity from Zhongshan Energy, which is also a subsidiary of GDI and a holding company of GDH Energy Service and is principally engaged in the operation of power plants and if necessary, from other independent electricity suppliers.

Save for the volume of electricity to be transacted and the setting of the New Caps as set out herein, all the major terms of the Electricity Transaction Agreement remain unchanged.

BASIS AND REASONS FOR THE TRANSACTION AND THE NEW CAPS

Historical transaction amount

The actual transaction amount under the Old Electricity Transaction Agreement in respect of the purchase of electricity by GDH Zhongyue from GDH Energy Service (as the case may be) for the year ended 31 December 2020 is RMB31,996,000 (equivalent to approximately HK\$37,858,000).

For the three months ended 31 March 2021, the actual transaction amount under the Electricity Transaction Agreement is RMB6,803,000 (equivalent to approximately HK\$8,049,000).

Existing Caps for 2021 to 2023

Pursuant to the Electricity Transaction Agreement, the existing annual caps (the “**Existing Caps**”) for the transaction thereunder for the estimated amount to be paid by GDH Zhongyue to GDI Group for the transaction for each of the financial years ending 31 December 2021, 31 December 2022 and 31 December 2023 are expected to be RMB25,000,000 (equivalent to approximately HK\$29,580,000), RMB25,000,000 (equivalent to approximately HK\$29,580,000) and RMB25,000,000 (equivalent to approximately HK\$29,580,000), respectively.

Proposed New Caps for 2021 to 2023

Pursuant to the Supplemental Agreement, the new annual caps (the “**New Caps**”) for the estimated amount to be paid by GDH Zhongyue to GDI Group under the Transaction for each of the financial years ending 31 December 2021, 31 December 2022 and 31 December 2023 are expected to be RMB36,000,000 (equivalent to approximately HK\$42,595,000), RMB36,000,000 (equivalent to approximately HK\$42,595,000) and RMB36,000,000 (equivalent to approximately HK\$42,595,000), respectively.

Basis and reasons for the New Caps and the Transaction

Taking into account (i) the actual amount of electricity consumed and the actual transaction amount in 2020, being approximately 77,473,000 kWh and RMB31,996,000, respectively, and (ii) the recovery of domestic demand for tinsplate from the pandemic with the revenue of the tinsplate business of the Group having grown by more than 30% in the first quarter of 2021 as compared to the same period last year, it is expected that the volume of electricity to be consumed by GDH Zhongyue will increase and reach the level of not more than 85,000,000 kWh per year for the three years ending 31 December 2023.

With the revision of the Existing Caps to the New Caps, GDH Zhongyue will continue to benefit from the stable electricity supply at a fair, reasonable and competitive price from the Transaction which is relatively lower than the normal on-grid tariffs charged by Guangdong Power Grid, which in turn will lower the operating cost of GDH Zhongyue.

The New Caps were determined after arm's length negotiation based on (i) the previous electricity consumption of GDH Zhongyue; (ii) the amount of electricity to be transacted between GDH Zhongyue and GDH Energy Service during the term of the Electricity Transaction Agreement; (iii) the estimated applicable unit price of electricity to be purchased under the Electricity Transaction Agreement; (iv) the estimated amount of Power Grid Fee to be deducted by Guangdong Power Grid under the Transaction; and (v) the overall administrative costs in relation to the Transaction.

In view of the above, the Directors (excluding the independent non-executive Directors who shall provide their views after considering the advice of the Independent Financial Adviser) are of the view that the Supplemental Agreement was entered into in the ordinary and usual course of business of GDH Zhongyue and on normal commercial terms or better to the Group, and that the Supplemental Agreement, the New Caps and the terms of the Transaction are fair and reasonable and in the interests of the Company and the 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 total number of shares in issue 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. GDH Energy Service is indirectly held as to 71.25% by GDI and, accordingly, 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

On the basis set out above and the estimated amount to be paid by GDH Zhongyue to GDI Group under the Transaction, the New Caps for each of the financial years ending 31 December 2021, 31 December 2022 and 31 December 2023 are set at RMB36,000,000 (equivalent to approximately HK\$42,595,000), RMB36,000,000 (equivalent to approximately HK\$42,595,000) and RMB36,000,000 (equivalent to approximately HK\$42,595,000), respectively.

Since one of the applicable percentage ratios for the purpose of Chapter 14A of the Listing Rules in respect of the New Caps exceed 5%, the Transaction constitutes a non-exempt continuing connected transaction of the Company and the Supplemental Agreement and proposed New Caps will be subject to the reporting and announcement requirements, the annual review requirements, and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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, distribution and sales of fresh and live foodstuffs, food stuffs trading and leasing of properties.

The principal business of GDH Zhongyue is the production and sales of tinplate products and property leasing. GDH Zhongyue is a wholly-owned subsidiary of the Company.

The principal business of GDH is investment holding. GDH is a wholly-owned subsidiary of Guangdong Holdings, which is principally engaged in investment holding and is wholly-owned by the People's Government of Guangdong Province.

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. GDI is owned as to 56.49% by GDH and is a subsidiary of Guangdong Holdings and GDH.

The principal business of Zhongshan Energy is power plant operation providing electricity and steam supply. GDH Energy Service is principally engaged in sale of electricity and is indirectly held as to 71.25% by GDI, and as to 28.75% by 中山興中集團有限公司 (Zhongshan Xingzhong Group Co., Ltd.*, which in turn is wholly-owned by the State-owned Assets Supervision and Administration Commission of Zhongshan Municipal Government). Both Zhongshan Energy and GDH Energy Service are non-wholly owned subsidiaries of GDI.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising the independent non-executive Directors (namely, Mr. Gerard Joseph McMAHON, Mr. LI Kar Keung, Caspar and Dr. WONG Yau Kar, David) has been appointed to consider the Transaction and the New Caps. Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Transaction and the New Caps.

DESPATCH OF CIRCULAR

A circular containing, *inter alia*, (i) further details of the Transaction; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Transaction; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transaction; and (iv) a notice convening the EGM, will be despatched to the Shareholders on or before 24 May 2021.

DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“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;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve, the Supplemental Agreement, the Transaction and the New Caps;
“Electricity Transaction Agreement”	an agreement dated 2 December 2020 entered into between GDH Zhongyue and GDH Energy Service in respect of the purchase of electricity by GDH Zhongyue from GDH Energy Service;
“Existing Caps”	has the meaning ascribed to it under the section headed “Basis and reasons for the Transaction and the New Caps” of this announcement;
“GDH”	GDH Limited (粵海控股集團有限公司), a company incorporated in Hong Kong with limited liability and the immediate holding company of the Company;

“GDH Energy Service”	中山粵海能源服務有限公司 (Zhongshan GDH Energy Service Co., Ltd.*), an indirect subsidiary of GDI established in the PRC and directly wholly-owned by Zhongshan Energy;
“GDH Zhongyue”	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-owned subsidiary of the Company established in the PRC;
“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 Holdings”	廣東粵海控股集團有限公司 (Guangdong Holdings Limited*), a limited liability company established in the PRC and the ultimate holding company of the Company;
“Guangdong Power Grid”	廣東電網有限責任公司 (Guangdong Power Grid Company Limited*), a company established in the PRC;
“HK\$”	Hong Kong dollars, the legal currency of Hong Kong;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	a committee of the Board comprising Mr. Gerard Joseph McMAHON, Mr. LI Kar Keung, Caspar and Dr. WONG Yau Kar, David, being the independent non-executive Directors;

“Independent Financial Adviser”	Altus Capital Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Transaction;
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM in respect of the Transaction;
“kWh”	kilowatt hour;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“New Caps”	has the meaning ascribed to it under the section headed “Basis and reasons for the Transaction and the New Caps” of this announcement;
“Old Electricity Transaction Agreement”	an agreement dated 13 November 2019 entered into between GDH Zhongyue and GDH Energy Service in respect of the purchase of electricity by GDH Zhongyue from GDH Energy Service;
“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 Macao Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	holder(s) of the shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Supplemental Agreement”	a supplemental agreement dated 30 April 2021 to the Electricity Transaction Agreement entered into between GDH Zhongyue and GDH Energy Service;
“Transaction”	the transaction contemplated under the Electricity Transaction Agreement as supplemented by the Supplemental Agreement;
“Zhongshan Energy”	中山粵海能源有限公司 (Zhongshan GDH Energy Co., Ltd.*), a subsidiary of GDI established in the PRC; and
“%”	per cent.

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00=HK\$1.1832 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, 30 April 2021

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.