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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this circular with the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.



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
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders in relation to the Transaction**

ALTUS CAPITAL LIMITED

Capitalised terms used in this cover page have the same meanings as defined in this circular.

A letter from the Independent Board Committee to the Independent Shareholders in relation to the Transaction is set out on page 12 of this circular.

A letter from the Board is set out on pages 5 to 11 of this circular. A notice convening the EGM of the Company to be held at the Boardroom, Basement II, Wharney Hotel, No. 57-73 Lockhart Road, Wanchai, Hong Kong on 18 June 2021 at 3:30 p.m. (or as soon thereafter following the conclusion or adjournment of the annual general meeting of the Company to be held at 3:00 p.m. on the same day and at the same place) is set out on pages 30 to 32 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

24 May 2021

PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

Please note that various measures shall be implemented by the Company at the EGM in consideration of the COVID-19 pandemic (the “Pandemic”). Possible precautionary measures include but are not limited to:

- **Compulsory body temperature check**
- **Mandatory wearing of surgical face mask and maintaining a safe distance between seats**
- **No provision of refreshment or drinks**

Any person who does not comply with the precautionary measures or is subject to any compulsory quarantine by the Government of the Hong Kong Special Administrative Region (“HKSAR Government”) on the date of the meeting will be denied entry into the meeting venue.

The Company suggests that Shareholders appoint the Chairman of the meeting as his/her proxy to vote on the relevant resolution at the meeting as an alternative to attending the meeting in person.

In view of the Pandemic, to safeguard the health and safety of shareholders and other attendees of the EGM, the Company shall implement the following precautionary measures at the EGM to prevent and control the Pandemic:

1. There will be compulsory body temperature checks for all persons at the entrance of the meeting venue. Any person with a body temperature of 37.5 degrees Celsius or higher, or is exhibiting symptoms of fever, sore throat, shortness of breath, cough and breathing difficulty may be denied entry into the EGM venue and be requested to leave the EGM venue.
2. Each attendee is required to wear a surgical face mask inside the meeting venue throughout the entire meeting. Please note that no masks will be provided at the meeting venue and attendees should bring and wear their own masks.
3. Appropriate distancing and spacing in line with the guidance from the HKSAR Government will be maintained to avoid over-crowding.
4. No refreshments or drinks will be provided to attendees at the EGM.
5. In the interest of protecting shareholders from possible exposure to the Pandemic, the Company strongly encourages shareholders NOT to attend the EGM in person and advises shareholders to appoint the Chairman of the EGM as his/her proxy to vote according to his/her indicated voting instructions instead of attending in person.
6. Attendees are requested to observe and practise good personal hygiene at all times at the meeting venue. The Company reserves the right to deny entry into the meeting venue or require any person to leave the meeting venue so as to ensure the health and safety of the attendees at the EGM.

Due to the ever-evolving Pandemic situation in Hong Kong, the Company may be required to change the EGM arrangements at short notice. Shareholders are advised to check the Company’s website for further announcements and updates on the EGM arrangements that may be issued.

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DEFINITIONS

In this circular (other than in the notice of EGM), unless the context otherwise requires, the following expressions shall have the following meanings:

“Announcement”	has the meaning as ascribed to it under the section headed “I. Introduction” in the letter from the Board contained in this circular;
“Articles of Association”	the articles of association of the Company;
“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;
“Competing Business”	has the meaning ascribed to it under section headed “7. Directors’ interest in Competing Business” in the Appendix to this circular;
“connected person”	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, <i>inter alia</i> , 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 “II. The Transaction – Basis and reasons for the Transaction and the New Caps” in the letter from the Board of this circular;
“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;

DEFINITIONS

“GDH Food Foshan”	粵海食品(佛山)有限公司 (GDH Food (Foshan) Co., Ltd.*) (formerly known as 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 a subsidiary of the Company;
“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 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 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 lawful 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, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being 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;

DEFINITIONS

“Land”	two pieces of land located at the south of Changxing Road* (長興路) and the north of Guangsan Expressway* (廣三高速), Changhongling Industrial Park* (長虹嶺工業園區) of Shishan Town* (獅山鎮), Nanhai District (南海區), Foshan City (佛山市), Guangdong Province, the PRC (Parcel No. YDCR44060500601632), with a total site area of approximately 34,368.60 sq.m.;
“Latest Practicable Date”	17 May 2021, being the latest practicable date for the purpose of ascertaining certain information contained in this circular before its despatch;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers and set out in Appendix 10 to the Listing Rules;
“New Caps”	has the meaning ascribed to it under the section headed “II. The Transaction – Basis and reasons for the Transaction and the New Caps” in the letter from the Board contained in this circular;
“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 circular, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 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;

DEFINITIONS

“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;
“Xinying Enterprise”	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;
“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 circular, 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.

References to time and dates in this circular are to Hong Kong time and dates.

* *For identification purposes only*

LETTER FROM THE BOARD



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

(Incorporated in Hong Kong with limited liability)

(Stock code: 01203)

Board of Directors:

Executive Directors:

CHEN Benguang (*Chairman*)

HE Jinzhou (*General Manager*)

CHAU Wang Kei (*Chief Financial Officer*)

Non-Executive Director:

WANG Longhai

Independent Non-Executive Directors:

Gerard Joseph McMAHON

LI Kar Keung, Caspar

WONG Yau Kar, David

Registered Office:

22nd Floor, Tesbury Centre

No. 24-32 Queen's Road East

Hong Kong

24 May 2021

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

I. INTRODUCTION

Reference is made to the announcement of the Company dated 30 April 2021 (“**Announcement**”), which announced that GDH Zhongyue, a wholly-owned subsidiary of the Company, and GDH Energy Service have entered into the Supplemental Agreement on 30 April 2021, pursuant to which the New Caps were set for the Transaction.

Reference is also made to the announcement of the Company dated 2 December 2020, which announced that GDH Zhongyue entered into the Electricity Transaction Agreement with GDH Energy Service in respect of the purchase of electricity by GDH Zhongyue from GDH Energy Service under the Existing Caps.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, *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.

II. 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; and 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). The Company has obtained three quotations from other electricity suppliers in the Guangdong Province, which are independent third parties. The discount rate offered by GDH Energy Service is no less favourable to the Group than those offered by other electricity suppliers. Considering that the unit price represents a discount over the government-determined electricity price, which is no less favourable than the prices offered by other electricity suppliers in the Guangdong Province, the Board is of the view that such unit price is on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

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 the GDI Group after deduction of the Power Grid Fee (at the current rate of RMB0.232 per kWh (tax inclusive)) charged by Guangdong Power Grid. The amount to be paid to the 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. The Power Grid Fee will not be counted in the usage of the New Caps. 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. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Guangdong Power Grid and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected person(s).

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 the 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.

LETTER FROM THE BOARD

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 the 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.

To secure the Shareholders’ interests, the Company has adopted certain internal control procedures, pursuant to which the finance department of the Company conducts monthly tracking, for the purpose of monitoring and verification of the progress of the Company’s transactions. The audit committee of the Board conducts a rigorous review of continuing connected transactions to ensure the completeness and effectiveness of the internal control measures relating to continuing connected transactions of the Group. The Board considers that the above internal control procedures adopted by the Company in respect of the transaction under the Electricity Transaction Agreement as supplemented by the Supplemental Agreement are appropriate and that they will give sufficient assurance to the Shareholders that the transaction under the Electricity Transaction Agreement as supplemented by the Supplemental Agreement will be appropriately monitored by the Company and that the usage of annual caps will be monitored with the view that the annual caps will not be exceeded. The independent non-executive Directors and the auditors of the Company will also review the continuing connected transactions of the Company annually in accordance with the requirements of Rule 14A.55 and Rule 14A.56 of the Listing Rules, respectively. Together with the Group’s procedures in relation to the pricing of the Transaction as described in the paragraph headed “Unit price” in the section headed “II. The Transaction” in this letter from the Board, the Board is of the view that the Company’s internal control measures are sufficient to ensure that the Transaction will be conducted on normal commercial terms or better, fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

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 tinplate from the Pandemic with the revenue of the tinplate 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. Such increase is to provide an assurance to GDH Zhongyue in light of the potential tinplating business growth in respect of the increasing domestic demand as supported by strong import volume of tinplate products in the first quarter of 2021. In addition, it is the Group’s strategy to (i) enrich its tinplating product mix; and (ii) increase its proportion of self-produced blackplate to support its production of tinplate products, which may in turn demand for higher electricity consumption.

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.

LETTER FROM THE BOARD

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 (the independent non-executive Directors 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 terms of the Transaction and the New Caps 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 of 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 the 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 at the EGM under Chapter 14A of the Listing Rules. The Company will seek the Independent Shareholders' approval in respect of the Supplemental Agreement, the Transaction and the New Caps at the EGM. To the best knowledge of the Company, other than GDH and Mr. Tsang Hon Nam, who is a director of GDI, which respectively held 537,198,868 Shares and 300,000 Shares (representing a total of approximately 59.223% of the total number of Shares in issue of the Company) as at the Latest Practicable Date, no Shareholder is required to abstain from voting in respect of such resolution at the EGM.

LETTER FROM THE BOARD

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.

III. EGM AND PROXY ARRANGEMENT

A notice convening the EGM to be held at the Boardroom, Basement II, Wharney Hotel, No. 57-73 Lockhart Road, Wanchai, Hong Kong on Friday, 18 June 2021 at 3:30 p.m. (or as soon thereafter following the conclusion or adjournment of the annual general meeting of the Company to be held at 3:00 p.m. on the same day and at the same place) is set out on pages 30 to 32 of this circular. At the EGM, an ordinary resolution will be proposed for the approval of the Supplemental Agreement, the New Caps and the terms of the Transaction.

A form of proxy for use by the Shareholders at the EGM is enclosed with this circular. Whether or not you are able to attend and vote at the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

Pursuant to rule 13.39(4) of the Listing Rules, all votes of the Shareholders to be taken at the EGM shall be taken by a poll. Therefore, the chairman of the EGM will demand a poll for the ordinary resolution to be put forward at the EGM pursuant to article 73 of the Articles of Association. The Company will appoint scrutineers to handle vote-taking procedures at the EGM. The results of the poll will be published on the websites of the Stock Exchange and the Company as soon as possible after the EGM in accordance with rule 13.39(5) of the Listing Rules.

IV. CLOSURE OF REGISTER OF MEMBERS

In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 11 June 2021.

V. RECOMMENDATION

Having considered the reasons set out in the section headed "II. The Transaction" in the letter from the Board contained in this circular, the Directors (including the independent non-executive Directors), having considered the advice of the Independent Financial Adviser, are of the opinion that the Supplemental Agreement, the New Caps and the terms of the Transaction are fair and reasonable, on normal commercial terms or better to the Group and in the ordinary and usual course of business of the Company, and in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution regarding the same. 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 formed 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. Your attention is drawn to (i) the letter setting out the advice from the Independent Board Committee to the Independent Shareholders, and (ii) the letter of advice from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Agreement, the New Caps and the terms of the Transaction, which are set out in this circular.

VI. FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
By Order of the Board
GDH Guangnan (Holdings) Limited
CHEN Benguang
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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

(Incorporated in Hong Kong with limited liability)

(Stock code: 01203)

24 May 2021

*To the Independent Shareholders
of GDH Guangnan (Holdings) Limited*

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION

We refer to the circular of the Company dated 24 May 2021 (the “**Circular**”). Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders of GDH Guangnan (Holdings) Limited to consider the Supplemental Agreement, the New Caps and the terms of the Transaction, details of which are set out in the section headed “II. The Transaction” in the “Letter from the Board” contained in the Circular.

Your attention is drawn to the “Letter from the Board”, the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transaction as set out in the “Letter from the Independent Financial Adviser” as well as other additional information set out in other parts of the Circular.

Having taken into account the advice of, and the principal factors and reasons considered by the Independent Financial Adviser in relation thereto as stated in its letter, we consider that the Supplemental Agreement, the New Caps and terms of the Transaction are fair and reasonable, on normal commercial terms (or better to the Group) and in the ordinary and usual course of business of the Company, and in the interest of the Company and its Shareholders as a whole. We therefore recommend that you vote in favour of the ordinary resolution to be proposed at the EGM to approve the Supplemental Agreement, the New Caps and the terms of the Transaction.

Yours faithfully,
The Independent Board Committee

Gerard Joseph McMAHON
*Independent
Non-executive Director*

LI Kar Keung, Caspar
*Independent
Non-executive Director*

WONG Yau Kar, David
*Independent
Non-executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Altus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Electricity Transaction Agreement, as supplemented by the Supplemental Agreement, the transaction contemplated thereunder and the New Caps, which have been prepared for the purpose of incorporation in this Circular.

ALTUS.

Altus Capital Limited
21 Wing Wo Street,
Central, Hong Kong

24 May 2021

To the Independent Board Committee and the Independent Shareholders

GDH GUANGNAN (HOLDINGS) LIMITED

22/F., Tesbury Centre
No. 24-32 Queen's Road East
Hong Kong

Dear Sirs,

CONTINUING CONNECTED TRANSACTION PURCHASE OF ELECTRICITY REVISION OF ANNUAL CAPS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Electricity Transaction Agreement, as supplemented by the Supplemental Agreement and the transaction contemplated thereunder (including the New Caps), details of which are set out in the “Letter from the Board” contained in the circular of the Company dated 24 May 2021 (the “**Circular**”). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcements of the Company dated 2 December 2020 and 30 April 2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 2 December 2020, GDH Zhongyue, a wholly-owned subsidiary of the Company, entered into the Electricity Transaction Agreement with GDH Energy Service, an indirect subsidiary of GDI, pursuant to which GDH Zhongyue agreed to purchase electricity from GDH Energy Service through the power grid operated by Guangdong Power Grid on a continuing basis for a term commencing from 1 January 2021 to 31 December 2023 on the basis of an estimated maximum volume of electricity of 58,500,000 kWh per year to be consumed by GDH Zhongyue for the three years ending 31 December 2023. By reference to the aforesaid maximum volume of electricity per year to be consumed by GDH Zhongyue, the estimated amount to be paid by GDH Zhongyue to the GDI Group under the Transaction for each of the three years ending 31 December 2023 will be RMB25,000,000 (equivalent to approximately HK\$29,580,000). Since all applicable percentage ratios for the purpose of Chapter 14A of the Listing Rules in respect of the Existing Caps exceed 0.1% but are less than 5%, the Transaction as contemplated under the Electricity Transaction Agreement was subject to the reporting and announcement requirements, but was exempt from the independent shareholders' approval requirement under Rule 14.76(2) of the Listing Rules.

In view of the operational needs which was stronger than anticipated in December 2020, primarily due to the strengthened domestic demand for tinplate products and the Group's strategy to increase its proportion of self-produced blackplate (being one of the raw materials in producing tinplate products) as elaborated in the paragraph headed "2.4(ii) New Caps" below, it is now anticipated that the maximum volume of electricity to be consumed by GDH Zhongyue for the three years ending 31 December 2023 will increase from 58,500,000 kWh per year to 85,000,000 kWh per year. Accordingly, on 30 April 2021, GDH Zhongyue and GDH Energy Service entered into the Supplemental Agreement to revise the maximum volume of electricity to be consumed by GDH Zhongyue. Save for the aforesaid proposed revision, the other terms of the Electricity Transaction Agreement remain unchanged.

As at the Latest Practicable Date, GDH is holding approximately 59.19% and 56.49% of the total number of shares in issue of the Company and of 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. As at the Latest Practicable Date, 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.

With reference to the revised maximum volume of electricity per year to be consumed by GDH Zhongyue, the estimated amount to be paid by GDH Zhongyue to the GDI Group under the Transaction for each of the three years ending 31 December 2023 will also be revised from RMB25,000,000 (equivalent to approximately HK\$29,580,000) to RMB36,000,000 (equivalent to approximately HK\$42,595,000). 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, the Electricity Transaction Agreement as supplemented by the Supplemental Agreement and the New Caps is subject to the reporting and announcement requirements, the annual review requirements, and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Gerard Joseph McMAHON, Mr. LI Kar Keung, Caspar and Dr. WONG Yau Kar, David, has been formed to advise the Independent Shareholders as to (i) whether the terms of the Electricity Transaction Agreement as supplemented by the Supplemental Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole; (ii) whether the Transaction is on normal commercial terms and in the ordinary and usual course of business of the Group; (iii) whether the New Caps are fair and reasonable; and (iv) how to vote in respect of the ordinary resolution to be proposed at the EGM approving the Supplemental Agreement, the Transaction and the New Caps (the “**Resolution**”), taking into account the recommendation of the Independent Financial Adviser.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Electricity Transaction Agreement as supplemented by the Supplemental Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole; (ii) whether the Transaction is on normal commercial terms and in the ordinary and usual course of business of the Group; (iii) whether the New Caps are fair and reasonable; and (iv) how the Independent Shareholders should vote in respect of the Resolution.

We have not acted as an independent financial adviser or financial adviser for the Company’s other transactions in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the Electricity Transaction Agreement as supplemented by the Supplemental Agreement, the Transaction and the New Caps is at market level and not conditional upon successful passing of the Resolution, and that our engagement is on normal commercial terms, we are independent of the Company.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others (i) the Supplemental Agreement; (ii) the Electricity Transaction Agreement; (iii) the Old Electricity Transaction Agreement; (iv) the unaudited quarterly results announcement of the Company for the three months ended 31 March 2021; (v) annual report of the Company for the year ended 31 December 2020; (vi) announcements of the Company dated 2 December 2020 and 30 April 2021 respectively in relation to the continuing connected transaction on the purchase of electricity; and (vii) other information set out in the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Group (the “**Management**”). We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, Directors and the Management were reasonably made after due and careful enquiry and were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any such statements, information, opinions or representations relied on by us in forming our opinion are untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render them untrue, inaccurate or misleading.

We consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business, financial conditions and affairs or future prospects of the Group. The Company will notify the Shareholders of any material change after the Latest Practicable Date and after the despatch of the Circular.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background

1.1 Principal businesses of the Group and connected persons

The Group is principally engaged in the production and sale of tinplate and related products, leasing of properties, distribution and sale of fresh and live foodstuffs and foodstuffs trading.

GDH Zhongyue, a wholly-owned subsidiary of the Company, is principally engaged in the production and sale of tinplate products and property leasing.

The principal businesses of the GDI Group include water resources, property investment and development, department store operation, hotel ownership, operation and management and infrastructure (energy projects and road and bridge operation).

GDH Energy Service, an indirect subsidiary of GDI and directly wholly-owned by Zhongshan Energy, is principally engaged in the sale of electricity. The principal business of Zhongshan Energy is power plant operation providing electricity and steam supply.

Given that electricity is the major source of power for the production lines of GDH Zhongyue, it is within its ordinary and normal course of business to purchase electricity for operational use.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.2 The previous electricity transaction agreements

To enable GDH Zhongyue to secure stable electricity supply for its normal business operations at a fair, reasonable and competitive price, GDH Zhongyue entered into electricity transaction agreements with GDH Energy Service since 2018 with consecutive renewals.

For the renewal of the Old Electricity Transaction Agreement dated 13 November 2019, GDH Zhongyue and GDH Energy Service entered into the Electricity Transaction Agreement on 2 December 2020.

2. The Electricity Transaction Agreement and the Supplemental Agreement

The background of entering into the Electricity Transaction Agreement and the Supplemental Agreement is set out in the section headed “Introduction” above. To assess the fairness and reasonableness of the terms of the Electricity Transaction Agreement as supplemented by the Supplemental Agreement, we have considered the followings:

2.1 Key terms of the Electricity Transaction Agreement as supplemented by the Supplemental Agreement

For details of the terms of the Electricity Transaction Agreement and the Supplemental Agreement, please refer to the “Letter from the Board” of the Circular.

- (i) The amount of electricity transacted shall be the actual volume of electricity consumed by GDH Zhongyue and in any event not exceeding 85,000,000 kWh per year.

We have performed random sample checks as further elaborated in the paragraph headed “2.2 Internal controls” below and noted the amount of electricity is being charged according to GDH Zhongyue’s actual volume of electricity consumed. Taking into account the actual electricity consumption for the year ended 31 December 2020 as elaborated in the paragraph headed “2.4(i) Historical cap” and the potential business growth, the maximum volume of electricity to be consumed by GDH Zhongyue for the three years ending 31 December 2023 provides an assurance to GDH Zhongyue on the continued supply of electricity, which is a key power supply for its operations. In addition, there is no obligation for GDH Zhongyue to use up the maximum volume of electricity as stipulated in the Electricity Transaction Agreement as supplemented by the Supplemental Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) Unit price of electricity transacted shall be calculated based on the government prescribed tariff at a discount rate of RMB0.05 per kWh (tax inclusive).

The government prescribed tariff on the sale of electricity is determined by the Guangdong Provincial Development and Reform Commission, subject to adjustment from time to time.

We understand the Company has obtained three quotations from other electricity suppliers in the Guangdong Province, which are independent third parties. We have reviewed the quotations and noted the discount rate offered by GDH Energy Service is no less favourable to the Group than those offered by independent third parties.

As the unit price represents a discount over the government-determined electricity price, which is no less favourable than those offered by other electricity suppliers in the Guangdong Province, we therefore consider the price is fair and reasonable.

- (iii) The fees for electricity payable by GDH Zhongyue shall firstly be settled with Guangdong Power Grid on a monthly basis, which after deduction of the Power Grid Fee (at the current rate of RMB0.232 per kWh (tax inclusive)) charged by Guangdong Power Grid, the remainder of the said fees shall in turn be payable by Guangdong Power Grid to the GDI Group. The Power Grid Fee will not be counted in the usage of the New Caps.

The Power Grid Fee is 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.

GDH Energy Service will source electricity from Zhongshan Energy and, if necessary, from other independent electricity suppliers, then supply to GDH Zhongyue via power grid operated by Guangdong Power Grid. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Guangdong Power Grid and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected person(s).

In light of the above, (i) the fees payable is based on the actual volume of electricity consumed by GDH Zhongyue; (ii) the maximum volume of electricity to be consumed by GDH Zhongyue for the three years ending 31 December 2023 provides an assurance to GDH Zhongyue on the continued supply of electricity, which is a key power supply for its operation; (iii) there is no obligation for GDH Zhongyue to use up the maximum volume of electricity; (iv) the unit price represents a discount over the government-determined electricity price, which is no less favourable to the Group than those offered by independent third parties; and (v) the fees are settled on a monthly basis first with Guangdong Power Grid, which is in line with the regulations issued by Guangdong Power Exchange Centre, we consider the terms of the Electricity Transaction Agreement as supplemented by the Supplemental Agreement are on normal commercial terms and are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2.2 Internal controls

We have obtained and reviewed the Group's internal control procedures and noted that the finance department of the Group will conduct monthly tracking, monitoring and verification of the progress of the Company's transactions in relation to the purchase of electricity from GDH Energy Service. In this regard, as mentioned in the paragraph headed "2.1 Key terms of the Electricity Transaction Agreement as supplemented by the Supplemental Agreement" above, we have performed random sample checks on a total of nine monthly electricity bills of GDH Zhongyue issued by Guangdong Power Grid, on the basis that three monthly electricity bills per year are randomly selected for the three years ended 31 December 2020 respectively. We have cross-checked the electricity usage as stipulated in the electricity bills with the monthly breakdown of electricity transacted with GDH Energy Service, which we understand from the Management that such data has been confirmed with GDH Energy Service on a monthly basis. We noted the electricity usage data are in line and therefore, believe the amount of electricity is being charged according to GDH Zhongyue's actual volume of electricity consumed.

We also noted the Group has internal control procedures to obtain quotation(s) from independent electricity supplier(s) prior to entering into or renewing the electricity purchase agreement with GDH Energy Service. In this regard, as discussed in the paragraph headed "2.1 Key terms of the Electricity Transaction Agreement as supplemented by the Supplemental Agreement" above, we understand the Company has obtained three quotations from independent electricity suppliers. We have obtained and reviewed the quotations and noted the discount rate offered by GDH Energy Service is no less favourable to the Group than those offered by independent third parties. In addition, the audit committee of the Board will conduct review of the Transaction to ensure completeness and effectiveness of the internal control measures relating to the continuing connected transactions of the Group.

In view of the above, we concur with the Management's view that the Group's internal control measures in relation to the Transaction and the monitoring of the New Caps are effective and sufficient.

2.3 Reasons for and benefits of entering into of the Electricity Transaction Agreement as supplemented by the Supplemental Agreement

With reference to the paragraph headed "1.1 Principal businesses of the Group and connected persons" in this letter, GDH Zhongyue is principally engaged in the production and sales of tinplate products and property leasing. GDH Zhongyue has various production lines in Zhongshan City, Guangdong Province in the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the annual report of the Company for the year ended 31 December 2020, the annual production capacity of GDH Zhongyue is 290,000 tonnes of tinplate products and 140,000 tonnes of blackplate. GDH Zhongyue contributes approximately 59.2% and 100.0% of the Group's production capacity for tinplate products and blackplate respectively. Sales of tinplate and related products contribute approximately 83.4% of the total revenue of the Group for the year ended 31 December 2020. Accordingly, by securing the supply of electricity at a fair, reasonable and competitive price, this will lower the operating cost of the manufacturing units and is essential to maintain and support the business operations of GDH Zhongyue, in particular, the production of tinplate products and blackplate, which is vital and integral to the Group's business operations and financial performance.

In view of the above, we concur with the Management's view that the entering into of the Electricity Transaction Agreement as supplemented by Supplemental Agreement is in the interests of the Company and the Shareholders as a whole.

2.4 The New Caps

In general, the annual cap in relation to the purchase of electricity by GDH Zhongyue from GDH Energy Service is determined, principally, with reference to the estimated annual maximum electricity consumption of GDH Zhongyue (in terms of kWh). Such maximum electricity consumption amount is included in the respective electricity transaction agreement entered into between GDH Zhongyue and GDH Energy Service.

(i) Historical cap

Below is a table setting out (i) the historical transaction amount; (ii) the historical annual cap; (iii) the corresponding maximum usage in electricity; and (iv) the actual usage in electricity under the Old Electricity Agreement in respect of the purchase of electricity by GDH Zhongyue from GDH Energy Service for the year ended 31 December 2020.

	For the year ended 31 December 2020
Purchase of electricity	
Historical transaction amount <i>(RMB'000)</i>	31,996
Historical annual cap <i>(RMB'000)</i>	32,000
Utilisation rate	100.0%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

**For the year ended
31 December 2020**

Actual usage of electricity (<i>kWh</i>)	77,473,000
Maximum usage of electricity (<i>kWh</i>)	77,480,000
Utilisation rate	100.0%

Notwithstanding the temporary impact brought by COVID-19 pandemic, which led to slowdown in economic growth in 2020, GDH Zhongyue has fully utilised the annual cap for the year ended 31 December 2020, while the underlying electricity consumption in 2020 also reached the corresponding maximum limit, due to the reason explained below.

According to the annual report of the Company for the year ended 31 December 2020, the revenue generated from the tinplating segment (being the production and sales of tinplate and related products) increased by approximately 4.6% to approximately HK\$2,116 million in 2020 from approximately HK\$2,022 million in 2019. Tinplate products are metallic packing materials extensively used in the food industry, light industry and chemical industry. We understand from the Management that along the economic recovery after the rapid containment of COVID-19 pandemic in the PRC, the domestic demand for tinplate products increased gradually in 2020, albeit the demand from some tinplate-importing countries remained relatively sluggish. In particular, we noted from publicly available information that the import volume of tinplate products picked up in the fourth quarter of 2020. In this regard, in 2020, with the increased domestic demand, the Group produced 307,655 tonnes of tinplate products, representing an increase of approximately 10.3% as compared to that in 2019, which in turn, increased the electricity consumption by GDH Zhongyue.

Furthermore, according to the aforementioned publicly available information, the import volume of tinplate products for the first quarter of 2021 increased by approximately 48.7% as compared to the same period in 2020. According to the unaudited quarterly results announcement of the Company for the three months ended 31 March 2021, the Group's revenue generated from the tinplating segment increased by approximately 31.8% as compared to the same period in 2020, while the Group produced 77,298 tonnes of tinplate products, representing an increase of approximately 21.6% as compared to the same period in 2020. The Management is of the view that the domestic demand for tinplate products in 2021 will continue to increase, thus entailing the entering into of the Supplemental Agreement to increase the maximum volume of electricity to be consumed by GDH Zhongyue to support its production activities as further discussed below.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) *New Caps*

Existing Caps	For the year ending 31 December		
	2021	2022	2023
Purchase of electricity			
Existing Caps (RMB'000)	25,000	25,000	25,000
Maximum usage of electricity (kWh)	58,500,000	58,500,000	58,500,000
New Caps	For the year ending 31 December		
	2021	2022	2023
Purchase of electricity			
New Caps (RMB'000)	36,000	36,000	36,000
Maximum usage of electricity (kWh)	85,000,000	85,000,000	85,000,000

We understand from the Management that the proposed New Caps of RMB36,000,000 per year is derived based on (i) the estimated maximum volume of electricity of 85,000,000 kWh per year to be consumed by GDH Zhongyue for the three years ending 31 December 2023, being an increase of approximately 9.7% as compared to the actual electricity consumption by GDH Zhongyue for the year ended 31 December 2020. Such increase is to provide an assurance to GDH Zhongyue in light of the potential tinplating business growth in respect of the increasing domestic demand as supported by strong import volume of tinplate products in the first quarter of 2021 as mentioned above. In addition, we understand from the Management that it is the Group's strategy to (a) enrich its tinplating product mix; and (b) increase its proportion of self-produced blackplate to support its production of tinplate products, which may in turn demand for higher electricity consumption; (ii) the historical average of electricity unit price of approximately RMB0.692 per kWh (tax inclusive) and Power Grid Fee of approximately RMB0.239 per kWh (tax inclusive) during the three years ended 31 December 2020; and (iii) discount rate of RMB0.05 per kWh offered by GDH Energy Service.

Taking into account of, amongst others, (i) GDH Zhongyue has fully utilised the annual cap for the year ended 31 December 2020; (ii) the growth in domestic demand for tinplate products as supported by recent import data; (iii) the Group's strategy in enriching its tinplating product mix and increasing its proportion of self-produced blackplate; and (iv) the estimated electricity unit price for deriving the New Caps are based on historical actual figures, we are of the view that the New Caps are derived at fairly and reasonably.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors, we are of the view at the date hereof that (i) the Electricity Transaction Agreement, as supplemented by the Supplemental Agreement and the Transaction are conducted in the Group's ordinary and usual course of business and are in the interests of the Company and the Shareholders as a whole; (ii) the respective terms of the aforesaid agreements and the Transaction is on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the New Caps have been fairly and reasonably arrived at.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the Resolution approving the Supplemental Agreement, the Transaction and the New Caps to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Jeanny Leung
Executive Director

Leo Tam
Assistant Director

*Ms. Jeanny Leung (“**Ms. Leung**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial advisor or independent financial advisor in various corporate finance transactions.*

*Mr. Leo Tam (“**Mr. Tam**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. He has over six years of experience in corporate finance and advisory in Hong Kong, in particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions. Mr. Tam is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or the chief executive of the Company were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests and short positions in the Company:

Name of Director	Capacity/ nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interests held (Note)
LI Kar Keung, Caspar	Personal	100,000	Long Position	0.011%

Note: The approximate percentage of interests held was calculated on the basis of 907,593,285 ordinary Shares of the Company in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, to the knowledge of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

3. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than Directors or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Number of ordinary shares beneficially held	Long/short position	Approximate percentage of interests held
Guangdong Holdings	537,198,868	Long position	59.19%
GDH	537,198,868	Long position	59.19%

Notes:

- The attributable interest which Guangdong Holdings has in the Company is held through its 100% direct interest in GDH.
- As at the Latest Practicable Date, the following Director was a director or an employee of Guangdong Holdings and or/GDH:

Name of Director	Position(s) held in Guangdong Holdings	Position(s) held in GDH
WANG Longhai	General manager of the Investment and Capital Operations Department	General manager of the Investment and Capital Operations Department

Save as disclosed below, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no other person (other than a Director or chief executive of the Company) was directly or indirectly interested in 10% or more of the issued shares carrying rights to vote in all circumstances at general meetings of other member(s) of the Group or had any option in respect of such issued shares:

Name of shareholder interested in 10% or more of the subsidiary of the Company	Name of subsidiary of the Company	Long/short position	Approximate percentage of interests held
Xinying Enterprise	GDH Food Foshan	Long position	35%
Skymax Trading Limited	GDH Guangnan Live Pigs Trading Limited	Long position	49%

Name of shareholder interested in 10% or more of the subsidiary of the Company	Name of subsidiary of the Company	Long/short position	Approximate percentage of interests held
株式會社 POSCO (POSCO Co., Ltd.)	GDH Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd. (formerly known as Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd.)*	Long position	34%

Save as disclosed herein, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, there was no other person, other than Directors or chief executive of the Company and (in the case of the other members of the Group) other than the Company, who had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which latest published audited consolidated financial statements of the Company were made up.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

6. DIRECTORS' INTEREST IN CONTRACTS

As at the Latest Practicable Date:

- (i) none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020, being the date to which the latest published audited accounts of the Company were made up; and
- (ii) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Group.

7. DIRECTORS' INTEREST IN COMPETING BUSINESS

The Group has been engaged in the businesses of leasing of properties. As at the Latest Practicable Date, so far as is known to the Board, the interests of the Directors or their respective close associate(s) in the business(es) which competed or were likely to compete, either directly or indirectly, with the leasing of properties businesses of the Company (the “**Competing Business**”) as required to be disclosed were as follows:

Name of Director	Name of entity (Note)	Nature of interest (Note)
WANG Longhai	Guangdong Holdings GDH	General manager of the Investment and Capital Operations Department

Note: The interests of the aforementioned Director in the businesses of the aforementioned entities may also arise through their respective directorships in its holding companies, subsidiaries, associated companies or other form of investment vehicles of such entities.

The aforementioned entities are engaged in, *inter alia*, leasing of properties, and the aforementioned Director is regarded as being interested in the Competing Business.

Save as disclosed above, as at the Latest Practicable Date and so far as the Directors were aware, none of the Directors or their respective close associates had an interest in any business that competes with or is likely to compete with the business of the Group.

8. LITIGATION

As at the Latest Practicable Date, so far as was known to the Directors, none of the members of the Group was engaged in any litigation, arbitration or administration proceedings of material importance and there was no litigation, arbitration or administration proceedings or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

9. QUALIFICATION AND CONSENT OF THE EXPERT

- (i) The following is the qualification of the expert which has given opinion or advice which is contained in this circular:

Name	Qualification
Altus Capital Limited	a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

- (ii) As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding in the Company or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, direct or indirect, in any assets which had, since the date to which the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.
- (iii) The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which they appear. The letter of the Independent Financial Adviser contained herein was issued on 24 May 2021 and was made by the Independent Financial Adviser for incorporation in this circular.

10. MATERIAL CONTRACTS

The members of the Group had, within the date of two years immediately preceding the Latest Practicable Date, entered into the following contracts which were or might be material, other than contracts in the ordinary course of business of the Group:

- (i) the capital increase agreement dated 22 December 2020 entered into between GDH Guangnan Hong Company Limited, Xinying Enterprise and GDH Food Foshan in relation to the subscriptions of the registered capital in GDH Food Foshan by GDH Guangnan Hong Company Limited and Xinying Enterprise in the amount of RMB79,857,200 and RMB40,000,000, respectively;
- (ii) the state-owned construction land use right grant contract (《國有建設用地使用權出讓合同》) dated 13 April 2021 entered into between GDH Food Foshan and the Foshan Natural Resources Bureau in relation the acquisition of the Land by GDH Food Foshan for a consideration of RMB60,000,000; and
- (iii) the GDH Food (Foshan) Co., Ltd. meat processing project main contractor construction agreement (《粵海食品(佛山)有限公司肉品加工項目施工總承包合同》) dated 28 April 2021 entered into between GDH Food Foshan and 中國化學工程第四建設有限公司 (China National Chemical Engineering Fourth Construction Co., Ltd.*) in respect of the main contractor construction on the Land for a consideration of RMB252,201,091.23.

11. GENERAL

- (i) The company secretary of the Company is Ms. Law Yu Ting, an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators); and
- (ii) The registered office of the Company is situated at 22nd Floor, Tesbury Centre, No. 24-32 Queen's Road East, Hong Kong.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at 22nd Floor, Tesbury Centre, No. 24-32 Queen's Road East, Hong Kong during normal business hours on any weekday, except public holidays, from the date of this circular up to 18 June 2021 (both days inclusive):

- (i) the Old Electricity Transaction Agreement;
- (ii) the Electricity Transaction Agreement;
- (iii) the Supplemental Agreement;
- (iv) the letter from the Independent Board Committee as set out in this circular;
- (v) the letter from the Independent Financial Adviser as set out in this circular; and
- (vi) the written consent from the Independent Financial Adviser as referred to in the paragraph headed "9. Qualification and consent from the expert" in this Appendix.

NOTICE OF EGM



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 AND NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (“EGM”) of GDH Guangnan (Holdings) Limited (the “**Company**”) will be held at the Boardroom, Basement II, Wharney Hotel, No. 57-73 Lockhart Road, Wanchai, Hong Kong on Friday, 18 June 2021 at 3:30 p.m. (or as soon thereafter following the conclusion or adjournment of the annual general meeting of the Company to be held at 3:00 p.m. on the same day and at the same place) (or any adjournment thereof) for the purpose of considering and, if thought fit, approve the following resolution as an ordinary resolution of the Company (with or without modifications):

ORDINARY RESOLUTION

- (a) “**THAT** the Supplemental Agreement dated 30 April 2021 referred to in the section headed “II. The Transaction” in the “Letter from the Board” contained in the circular (the “**Circular**”) of the Company dated 24 May 2021 of which this notice forms part, the New Caps (as defined in the Circular) and the terms of the Transaction (as defined in the Circular) be and are hereby approved, confirmed and ratified; and
- (b) **THAT** any one director of the Company be and is hereby authorized to take up any steps and execute such other documents as they consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Supplemental Agreement or the Transaction.”

By Order of the Board
GDH Guangnan (Holdings) Limited
CHEN Benguang
Chairman

Hong Kong, 24 May 2021

Registered Office:
22nd Floor
Tesbury Centre
No. 24-32 Queen’s Road East
Hong Kong

NOTICE OF EGM

Notes:

- 1) A shareholder entitled to attend and vote at the above meeting may appoint one or more proxies to attend and vote in his place and such proxy need not be a shareholder of the Company.
- 2) A form of proxy is enclosed. To be valid, the form of proxy together with the power of attorney (if any) or other authority (if any) under which it is signed (or a notarially certified copy of such power or authority) must be delivered to the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the meeting or adjourned meeting. The appointment of a proxy will not prevent a shareholder from subsequently attending and voting at the meeting or any adjourned meeting if he so wishes. If a shareholder who has lodged a form of proxy attends the meeting, his form of proxy will be deemed to have been revoked.
- 3) In the case of joint shareholders, the vote of the senior who tenders a vote, whether in person, or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority will be determined by the order in which the names stand in the Company's register of members in respect of the joint holding.
- 4) In order to qualify for attending and voting at the meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 11 June 2021.
- 5) The register of members of the Company will be closed from Tuesday, 15 June 2021 to Friday, 18 June 2021 (both days inclusive), for the purpose of determining shareholders' eligibility to attend and vote at the EGM, during which period no transfers of shares will be registered.
- 6) Pursuant to Rule 13.39(4) of the Listing Rules, the resolution set out in this notice will be voted by way of a poll.

NOTICE OF EGM

PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

Please note that various measures shall be implemented by the Company at the EGM in consideration of the COVID-19 pandemic. Possible precautionary measures include but are not limited to:

- Compulsory body temperature check
- Mandatory wearing of surgical face mask and maintaining a safe distance between seats
- No provision of refreshment or drinks

Any person who does not comply with the precautionary measures or is subject to any compulsory quarantine by the Government of the Hong Kong Special Administrative Region on the date of the meeting will be denied entry into the meeting venue.

The Company suggests that Shareholders appoint the Chairman of the meeting as his/her proxy to vote on the relevant resolution at the meeting as an alternative to attending the meeting in person.

As at the date of this notice, the Board is composed of three Executive Directors, namely Messrs. CHEN Benguang, HE Jinzhou and CHAU Wang Kei; one Non-Executive Director, namely WANG Longhai; and three Independent Non-Executive Directors, namely Mr. Gerard Joseph McMAHON, Mr. LI Kar Keung, Caspar and Dr. WONG Yau Kar, David.