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**粵海廣南(集團)有限公司**  
**GDH GUANGNAN (HOLDINGS) LIMITED**  
*(Incorporated in Hong Kong with limited liability)*  
(Stock Code: 01203)

**DISCLOSEABLE TRANSACTION**  
**SUBSCRIPTION OF REGISTERED CAPITAL OF BAOJIN COMPANY**

**THE SUBSCRIPTION**

The Board of Directors is pleased to announce that on 22 June 2021, GDH Guangnan Investment (a wholly-owned subsidiary of the Company), Guangdong Foodstuffs, Guangzhou Jiusheng and Baojin Company (being owned as to 34% by GDH Guangnan Investment, 45% by Guangdong Foodstuffs and 21% by Guangzhou Jiusheng, respectively), have entered into the Capital Increase Agreement, pursuant to which GDH Guangnan Investment, Guangdong Foodstuffs and Guangzhou Jiusheng have agreed to subscribe for the registered capital of Baojin Company for the consideration of RMB119,000,000 (equivalent to approximately HK\$145,049,000), RMB157,500,000 (equivalent to approximately HK\$191,977,000) and RMB73,500,000 (equivalent to approximately HK\$89,589,000), respectively, on a pro rata basis to their existing shareholding in Baojin Company.

Upon completion of the Subscriptions, certain undistributed profits of Baojin Company as at 31 December 2020 in the aggregate amount of RMB76,681,611 (equivalent to approximately HK\$93,467,000) will be converted into the registered capital of Baojin Company on a pro rata basis to the shareholding of each of GDH Guangnan Investment, Guangdong Foodstuffs and Guangzhou Jiusheng in Baojin Company.

Upon completion of the Capital Increase, the proportion of the existing shareholding in Baojin Company will remain unchanged and GDH Guangnan Investment will remain interested in 34% of the equity interest of Baojin Company.

**LISTING RULES IMPLICATIONS**

As the highest of the applicable percentage ratios in respect of the Subscription by the Group pursuant to the Capital Increase Agreement is above 5% but less than 25%, as calculated under Rule 14.07 of the Listing Rules, it constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

## INTRODUCTION

The Board of Directors is pleased to announce that on 22 June 2021, GDH Guangnan Investment (a wholly-owned subsidiary of the Company), Guangdong Foodstuffs, Guangzhou Jiusheng and Baojin Company (being owned as to 34% by GDH Guangnan Investment, 45% by Guangdong Foodstuffs and 21% by Guangzhou Jiusheng, respectively), have entered into the Capital Increase Agreement, pursuant to which GDH Guangnan Investment, Guangdong Foodstuffs and Guangzhou Jiusheng have agreed to subscribe for the registered capital of Baojin Company for the consideration of RMB119,000,000 (equivalent to approximately HK\$145,049,000), RMB157,500,000 (equivalent to approximately HK\$191,977,000) and RMB73,500,000 (equivalent to approximately HK\$89,589,000), respectively, on a pro rata basis to their existing shareholding in Baojin Company.

Upon completion of the Subscriptions, certain undistributed profits of Baojin Company as at 31 December 2020 in the aggregate amount of RMB76,681,611 (equivalent to approximately HK\$93,467,000) will be converted into the registered capital of Baojin Company on a pro rata basis to the shareholding of each of GDH Guangnan Investment, Guangdong Foodstuffs and Guangzhou Jiusheng in Baojin Company.

Upon completion of the Capital Increase, the proportion of the existing shareholding in Baojin Company will remain unchanged and GDH Guangnan Investment will remain interested in 34% of the equity interest of Baojin Company.

## CAPITAL INCREASE AGREEMENT

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

### Parties:

GDH Guangnan Investment (a wholly owned subsidiary of the Company)  
Guangdong Foodstuffs  
Guangzhou Jiusheng  
Baojin Company

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

**Date:** 22 June 2021

### Subject Matter:

Pursuant to the Capital Increase Agreement, GDH Guangnan Investment, Guangdong Foodstuffs and Guangzhou Jiusheng have agreed to subscribe for the registered capital of Baojin Company for the consideration (“**Consideration**”) of RMB119,000,000 (equivalent to approximately HK\$145,049,000), RMB157,500,000 (equivalent to approximately HK\$191,977,000) and RMB73,500,000 (equivalent to approximately HK\$89,589,000), respectively, on a pro rata basis to their existing shareholding each of GDH Guangnan Investment, Guangdong Foodstuffs and Guangzhou Jiusheng in Baojin Company.

In consideration of the Consideration, each of GDH Guangnan Investment, Guangdong Foodstuffs and Guangzhou Jiusheng shall subscribe for the registered capital of Baojin Company in the amount of RMB19,431,744, RMB25,718,485 and RMB12,001,960, respectively, on the basis of the subscription price of approximately RMB6.124 per RMB1.00 of registered capital (“**Subscription Price**”). The Subscription Price was determined on the basis of the owner’s equity attributable to the holding company (歸屬於母公司所有者權益) of Baojin Company based on its audited financial statements for the year ended 31 December 2020 (prepared in accordance with the PRC GAAP) in the amount of RMB160,232,219 and the registered capital of Baojin Company as at the date of the Capital Increase Agreement in the amount of RMB26,166,200.

The premium representing the difference between the Consideration and the amount of registered capital to be subscribed pursuant to the Subscriptions, in the aggregate amount of RMB292,847,811, shall form part of the additional paid-in capital (資本公積) of Baojin Company.

Upon completion of the Subscriptions, certain undistributed profits of Baojin Company based on its audited financial statements for the year ended 31 December 2020 (prepared in accordance with the PRC GAAP) in an aggregate amount of RMB76,681,611 will be converted into the registered capital of Baojin Company on a pro rata basis to the shareholding of each of GDH Guangnan Investment, Guangdong Foodstuffs and Guangzhou Jiusheng in Baojin Company. Accordingly, pursuant to such Conversion, an amount of RMB26,071,748, RMB34,506,725 and RMB16,103,138 will be converted into the registered capital of Baojin Company owned by GDH Guangnan Investment, Guangdong Foodstuffs and Guangzhou Jiusheng, respectively.

Upon completion of the Capital Increase, the registered capital of Baojin Company will be increased from RMB26,166,200 to RMB160,000,000, with the proportion of shareholding in Baojin Company remaining unchanged and the equity interest of GDH Guangnan Investment in Baojin Company will remain at 34%. Baojin Company will not become a subsidiary of the Company after the Capital Increase.

The Consideration was determined with reference to the investment and working capital requirements of Baojin Company for the development of its live pig breeding project for the next three years. The consideration for the Subscription by GDH Guangnan Investment in Baojin Company in the amount of RMB119,000,000 (equivalent to approximately HK\$145,049,000) is calculated on a pro rata basis to its existing shareholding in Baojin Company.

**Payment arrangement:**

- (1) Within 30 days after the signing of the Capital Increase Agreement and approval of Guangzhou Jiusheng’s staff capital increase proposal having been obtained from the relevant PRC authority, each of GDH Guangnan Investment, Guangdong Foodstuffs and Guangzhou Jiusheng shall make the first payment of RMB40,460,000, RMB53,550,000 and RMB24,500,000 to Baojin Company in cash, respectively.
- (2) By 31 August 2021, each of GDH Guangnan Investment, Guangdong Foodstuffs and Guangzhou Jiusheng shall pay the remainder of RMB78,540,000, RMB103,950,000 and RMB49,000,000 to Baojin Company in cash, respectively.

The consideration for the Subscription by GDH Guangnan Investment will be funded by internal resources and/or borrowings of the Group.

## Conditions

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

- (1) Each shareholder has completed its internal approval procedures for the Capital Increase;
- (2) Baojin Company has completed its internal approval procedures for the Capital Increase; and
- (3) Fulfilment of all the approval or authorization procedures as required by laws and regulations.

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

## SHAREHOLDING STRUCTURE OF BAOJIN COMPANY PRIOR TO AND UPON COMPLETION OF THE CAPITAL INCREASE

The capital contributions by the shareholders of Baojin Company and their respective proportions of registered capital thereof as at the date of this announcement and upon completion of the Capital Increase are set out as follows:

Name of shareholder	Registered capital as at the date of this Announcement (RMB)	Proportion	Registered capital upon completion of the Subscriptions (RMB)	Proportion	Registered capital upon completion of the Conversion (RMB)	Proportion
Guangdong Foodstuffs	11,774,790	45%	37,493,275	45%	72,000,000	45%
GDH Guangnan Investment	8,896,508	34%	28,328,252	34%	54,400,000	34%
Guangzhou Jiusheng	5,494,902	21%	17,496,862	21%	33,600,000	21%
<b>Total</b>	<b>26,166,200</b>	<b>100%</b>	<b>83,318,389</b>	<b>100%</b>	<b>160,000,000</b>	<b>100%</b>

## FINANCIAL INFORMATION OF BAOJIN COMPANY

Set out below is certain audited financial information of Baojin Company (prepared in accordance with the PRC GAAP) for the two years ended 31 December 2020. There is no material difference between the PRC GAAP and the HK GAAP in respect of the figures below:

	For the year ended 31 December 2019 (RMB)	For the year ended 31 December 2020 (RMB)
Net profit before taxation:	47,585,000	87,981,000
Net profit after taxation:	47,585,000	87,981,000

The audited net asset value of Baojin Company as at 31 December 2020 was approximately RMB247,338,450 (equivalent to approximately HK\$301,481,000) on the basis of the audit report of Baojin Company as at 31 December 2020 prepared in accordance with the PRC GAAP.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

The Company understands that it is the strategic plan of Baojin Company to accelerate its corporate development by capturing the industry development opportunity. Baojin Company intends to implement certain new projects with the proceeds in the aggregate amount of RMB350,000,000 from the Subscriptions, among which (i) RMB100,000,000 will be used in the 150,000 live pig breeding project, and (ii) the remaining RMB250,000,000 will be used in the live pig breeding projects, which shall be jointly developed with other enterprises, and as the working capital of Baojin Company. It is intended that in the next few years, Baojin Company shall be able to enlarge its sale scale from 170,000 pigs to one million pigs per year. Benefiting from the increased economies of scale, it is expected that the production costs of Baojin Company will be reduced and its core competitiveness in the pig breeding industry as well as corporate efficiency will be enhanced. In view of the above, it is believed that the Group will benefit from its investment in Baojin Company under the Capital Increase Agreement.

The Directors (including the independent non-executive Directors) considered that the terms and conditions of the Capital Increase Agreement and the transaction contemplated thereunder are fair and reasonable, reflect normal commercial terms or better and in the interests of the Company and its shareholders as a whole.

None of the Directors has material interests in the Capital Increase Agreement and the transaction contemplated thereunder, and abstained from voting on the Board resolution approving the same.

## **LISTING RULES IMPLICATIONS**

As the highest of the applicable percentage ratios in respect of the Subscription by the Group pursuant to the Capital Increase Agreement is above 5% but less than 25%, as calculated under Rule 14.07 of the Listing Rules, it constitutes a discloseable transaction for the Company and are subject to reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

## **GENERAL INFORMATION**

### **Information on GDH Guangnan Investment and the Group**

GDH Guangnan Investment is a limited company incorporated in Hong Kong. It is indirectly wholly-owned by the Company and is mainly engaged in investment holding.

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

## **Information on Baojin Company**

Baojin Company is a limited liability company established in the PRC. It is principally engaged in the business of breeding, wholesaling, importing and exporting livestock. As at the date of this announcement, it is owned as to 34% by GDH Guangnan Investment, 45% by Guangdong Foodstuffs and 21% by Guangzhou Jiusheng, respectively.

## **Information on Guangdong Foodstuffs**

Guangdong Foodstuffs is a wholly state-owned limited company established in the PRC. The Company understands that it is principally engaged in both domestic and foreign trades and is ultimately owned by the State-owned Assets Supervision and Administration Commission, the People's Government of Guangdong Province.

## **Information on Guangzhou Jiusheng**

Guangzhou Jiusheng is a limited company established in the PRC. The Company understands that it is ultimately owned by eight individuals, amongst them, 吳偉先生 (Mr. Wu Wei\*) (being the chairman of Baojin Company) and 陳若飛先生 (Mr. Chen Ruofei\*) (being a director of Baojin Company) directly owns 38.1% and 19.05% of the equity interest of Guangzhou Jiusheng, respectively.

## **DEFINITION**

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

“Board”	the Board of Directors;
“Capital Increase Agreement”	the Agreement entered into by GDH Guangnan Investment, Guangdong Foodstuffs, Guangzhou Jiusheng and Baojin Company on 22 June 2021, in relation to the Capital Increase;
“Baojin Company”	廣東省紫金縣寶金畜牧有限公司 (Guangdong Zijin Baojin Livestock Co., Ltd.*), a limited liability company established in the PRC;
“Capital Increase”	the capital increase to Baojin Company pursuant to the Subscriptions and Conversion;
“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;
“Conditions”	has the meaning ascribed to it under the section headed “Capital Increase Agreement - Conditions” in this announcement;
“Consideration”	has the meaning ascribed to it under the section headed “Capital Increase Agreement – Subject matter” in this announcement;

“Conversion”	the conversion of undistributed profits of Baojin Company into its registered capital pursuant to the Capital Increase Agreement;
“Directors”	the directors of the Company;
“Guangdong Foodstuffs”	廣東省食品進出口集團有限公司 (Guangdong Foodstuffs Imp.& Exp. (Group) Corporation*), a wholly state-owned limited company established in the PRC;
“Guangzhou Jiusheng”	廣州市久盛農業科技有限公司 (Guangzhou Jiusheng Agricultural Technology Co., Ltd.*), a limited company established in the PRC in 2010;
“GDH Guangnan Investment”	GDH Guangnan Hong Investment Company Limited 粵海廣南行投資有限公司, a limited company incorporated in Hong Kong and is indirectly wholly-owned by the Company;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party”	any person or company who is not a connected person of the Company and is a third party independent of the Company and its connected persons in accordance with the Listing Rules;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“PRC GAAP”	generally accepted accounting principles in the PRC;
“RMB”	Renminbi, the lawful currency of the PRC;
“Subscriptions”	the subscription by each of GDH Guangnan Investment, Guangdong Foodstuffs and Guangzhou Jiusheng of the registered capital of Baojin Company pursuant to the Capital Increase Agreement, and each of such subscriptions shall be referred to as a “Subscription”;
“Subscription Price”	has the meaning ascribed to it under the section headed “Capital Increase Agreement – Subject matter” in this announcement;

“Hong Kong Stock Exchange”      The Stock Exchange of Hong Kong Limited; and  
“%”      Percentage.

*For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00=HK\$1.2189 has been used, where applicable, for purpose of illustration only and it does not constitute any representation that any amount has been, could have been or may be exchanged at that rate or at any other rate.*

*\* The English translation of the Chinese name of the relevant company included in this announcement is prepared for identification purpose only. In the event of any inconsistency, the Chinese name shall prevail.*

By Order of the Board  
**Chen Benguang**  
Chairman

Hong Kong, 22 June 2021

*As at the date of this announcement, the Board is composed of three Executive Directors, namely Mr. Chen Benguang, Mr. He Jinzhou and Mr. 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.*