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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)

CONTINUING CONNECTED TRANSACTION PURCHASE OF ELECTRICITY NEW ELECTRICITY TRANSACTION AGREEMENT

Reference is made to the announcement of the Company dated 30 December 2021, which announced that GDH Zhongyue, a wholly-owned subsidiary of the Company, entered into the Original Electricity Transaction Agreement with GDH Energy Service, a subsidiary of GDI, where the Existing Cap was set. The Original Electricity Transaction Agreement will expire on 30 June 2022.

The Board announces that on 29 April 2022, GDH Zhongyue and GDH Energy Service have entered into the New Electricity Transaction Agreement for the Transaction pursuant to which the Existing Cap is revised and New Cap is set.

THE LISTING RULES IMPLICATIONS

GDH is holding approximately 59.19% and 56.49% of the total number of shares in issue of the Company and GDI, respectively. By virtue of the above shareholding interests, GDI (being a subsidiary and thus an associate of GDH (being a substantial shareholder and connected person of the Company) as defined in the Listing Rules) is a connected person of the Company. GDH Energy Service (being an indirect subsidiary of GDI) is also a connected person of the Company. Therefore, the Transaction constitutes a continuing connected transaction of the Company under the Listing Rules.

Based on the estimated aggregate amount to be paid by GDH Zhongyue to GDI Group under the Original Electricity Transaction Agreement and the New Electricity Transaction Agreement, the New Cap (on an aggregate basis) for the financial year ending 31 December 2022 is set at RMB45,000,000 (equivalent to approximately HK\$55,485,000).

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

CIRCULAR

A circular containing, inter alia, (i) further details of the Transaction; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Transaction; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transaction; and (iv) a notice convening the EGM, will be despatched to the Shareholders on or before 24 May 2022.

THE NEW ELECTRICITY TRANSACTION AGREEMENT

Reference is made to the announcement of the Company dated 30 December 2021, which announced that GDH Zhongyue, a wholly-owned subsidiary of the Company, entered into the Original Electricity Transaction Agreement with GDH Energy Service, a subsidiary of GDI, where the Existing Cap was set. The Original Electricity Transaction Agreement will expire on 30 June 2022.

The Board announces that on 29 April 2022, GDH Zhongyue and GDH Energy Service have entered into the New Electricity Transaction Agreement for the Transaction pursuant to which the Existing Cap is revised and New Cap is set.

Pursuant to the New Electricity Transaction 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:** (i) GDH Zhongyue
(ii) GDH Energy Service
- Term:** 1 July 2022 to 31 December 2022
- Volume:** For the six months ending 31 December 2022: not exceeding 45,000,000 kWh; and the amount of electricity transacted shall be the actual volume of electricity consumed by GDH Zhongyue.

Unit Price: For the six months ending 31 December 2022, GDH Energy Service shall supply, and GDH Zhongyue shall purchase, electricity (i) as for 90% of the monthly consumption, at a price based on the standard monthly base tariff (being RMB0.463 per kWh) as announced by the Guangdong Electricity Exchange Centre monthly plus a margin of not more than RMB0.02 per kWh, multiplied by a coefficient which is determined on the basis of consumption during the peak, normal or low period; and (ii) as for the remaining 10% of the monthly consumption, at a price based on the then applicable monthly base tariff (currently RMB0.463 per kWh) with a plus/minus fluctuation within 20% (the maximum being RMB0.554 per kWh and the minimum being RMB0.372 per kWh, currently) as announced by the Guangdong Electricity Exchange Centre monthly, multiplied by a coefficient which is determined on the basis of consumption during the peak, normal or low period. Such unit price has been determined after arm's length negotiation and in compliance with government guidelines.

Payment terms: The fees for electricity payable by each of 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 charged by Guangdong Power Grid. The amount to be received by the GDI Group under the relevant New Electricity Transaction Agreement shall therefore be the remainder of the said fees for electricity after deduction of the Power Grid Fee charged by Guangdong Power Grid.

GDH Energy Service will source electricity from GDH Energy, which is also a subsidiary of GDI and the holding company of GDH Energy Service and is principally engaged in the operation of power plants and if necessary, from other independent electricity suppliers.

BASIS AND REASONS FOR THE TRANSACTION AND THE NEW CAP

Historical transaction amount

The actual transaction amount under the Original Electricity Transaction Agreement in respect of the purchase of electricity by GDH Zhongyue from GDH Energy Service (as the case may be) for the three months ended 31 March 2022 is approximately RMB8,651,000 (equivalent to approximately HK\$10,667,000).

Existing Cap for 2022

Pursuant to the Original Electricity Transaction Agreement, the existing annual cap (the "**Existing Cap**") for the transaction thereunder for the estimated amount to be paid by GDH Zhongyue to GDI Group for the transaction for the financial year ending 31 December 2022 is RMB22,000,000 (equivalent to approximately HK\$27,126,000).

Proposed New Cap for 2022

Pursuant to the Original Electricity Transaction Agreement (with respect to the purchase of electricity by GDH Zhongyue from GDH Energy Service for the six months ending 30 June 2022) and the New Electricity Transaction Agreement, the proposed annual cap (“**New Cap**”) for the estimated amount to be paid by GDH Zhongyue to GDI Group under the Original Electricity Transaction Agreement and the New Electricity Transaction Agreement (as the case may be) for the financial year of 2022 is as follows:

	For the year ending 31 December 2022 (RMB)
Original Electricity Transaction Agreement	22,000,000 (equivalent to approximately HK\$27,126,000)
New Electricity Transaction Agreement	23,000,000 (equivalent to approximately HK\$28,359,000)
<i>Aggregate annual cap</i>	45,000,000 (equivalent to approximately HK\$55,485,000)

Basis and reasons for the New Cap and the Transaction

The New Cap is set after taken into account: (i) the guidelines issued by the relevant authorities in 2021 to companies which have entered into electricity supply agreements to enter into new electricity transaction agreements with its recommended terms to help balance the interests of the parties in the agreements, in response to the continuing severe price fluctuation of fuel supply causing losses to electricity providers; (ii) the actual transaction amount for the three months ended 31 March 2022 paid by GDH Zhongyue to GDH Energy Service, being RMB8,651,000 (equivalent to approximately HK\$10,667,000); and (iii) the expectation that the volume of electricity to be consumed by GDH Zhongyue will reach the level of not more than 45,000,000 kWh per year for the six months ending 31 December 2022, considering the revenue growth of tinplate business and market development.

With the revision of the Existing Cap and the New Cap, the Group will continue to benefit from the stable electricity supply at a fair, reasonable and competitive price, which in turn will assist in stabilizing the operating cost of the Group. The Company will closely monitor, among others, the price and availability of electricity supply in the market and will consider whether to extend the term of the Transaction when appropriate.

The New Cap was 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 New Electricity Transaction Agreement; and (iii) the estimated applicable unit price of electricity to be purchased under the New Electricity Transaction Agreement.

In view of the above, the Directors (excluding the independent non-executive Directors who shall provide their views after considering the advice of the Independent Financial Adviser) are of the view that the New Electricity Transaction 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 New Electricity Transaction Agreement, the New Cap and the terms of the Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

To the best of the knowledge, information and belief of the Directors, none of them has any material interest in the Transaction. No Director was required to abstain from the relevant board resolutions passed.

CONNECTED PERSONS

GDH is holding approximately 59.19% and 56.49% of the total number of shares in issue of the Company and GDI, respectively. By virtue of the above shareholding interests, GDI (being a subsidiary and thus an associate of GDH (being a substantial shareholder and connected person of the Company) as defined in the Listing Rules) is a connected person of the Company. GDH Energy Service is indirectly held as to 71.25% by GDI and, accordingly, is also a connected person of the Company. Therefore, the Transaction constitutes a continuing connected transaction of the Company under the Listing Rules.

LISTING RULES IMPLICATIONS

Based on the estimated aggregate amount to be paid by GDH Zhongyue to GDI Group under the Original Electricity Transaction Agreement and the New Electricity Transaction Agreement, the New Cap (on an aggregate basis) for the financial year ending 31 December 2022 is set at RMB45,000,000 (equivalent to approximately HK\$55,485,000).

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

PRINCIPAL BUSINESSES OF THE GROUP AND THE CONNECTED PERSONS

The principal business of the Company is investment holding. The subsidiaries of the Company are primarily engaged in manufacturing and sales of tinplate products, property leasing, the distribution and trading of fresh and live foodstuffs and provision of slaughtering service.

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. The Company understands from GDH that (i) GDH is wholly owned by Guangdong Holdings, a state-owned enterprise established in the PRC; and (ii) Guangdong Holdings is held as to 90% by the People's Government of Guangdong Province (the "**Guangdong Government**") and as to 10% by the Department of Finance of the Guangdong Government while the State-owned Assets Supervision and Administration Commission of the Guangdong Government has been performing ownership

and control functions in respect of Guangdong Holdings with the authorisation of the Guangdong Government.

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 GDH 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 GDH 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, Dr. WONG Yau Kar, David) has been appointed to consider the Transaction and the New Cap. 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 Cap.

DESPATCH OF CIRCULAR

A circular containing, inter alia, (i) further details of the Transaction; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Transaction; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transaction; and (iv) a notice convening the EGM, will be despatched to the Shareholders on or before 24 May 2022.

DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Company”	GDH Guangnan (Holdings) Limited (粵海廣南 (集團) 有限公司), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;

“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve, the New Electricity Transaction Agreement, the Transaction and the New Cap;
“Existing Cap”	has the meaning ascribed to it under the section headed “Basis and reasons for the Transaction and the New Cap” of this announcement;
“GDH”	GDH Limited (粵海控股集團有限公司), a company incorporated in Hong Kong with limited liability and the immediate holding company of the Company;
“GDH Energy Service”	中山粵海能源服務有限公司 (Zhongshan GDH Energy Service Co., Ltd.*), an indirect subsidiary of GDI established in the PRC;
“GDH Energy”	中山粵海能源有限公司 (Zhongshan GDH Energy Co., Ltd.*), a direct non-wholly owned subsidiary of GDI established in the PRC;
“GDH Zhongyue”	粵海中粵 (中山) 馬口鐵工業有限公司 (GDH Zhongyue (Zhongshan) Tinsplate Industry 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 Government”	has the meaning ascribed to it under the section headed “Principal businesses of the Group and the connected persons” of this announcement;
“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, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Transaction;
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM in respect of the Transaction;
“kWh”	kilowatt hour;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“New Cap”	has the meaning ascribed to it under the section headed “Basis and reasons for the Transaction and the New Cap” of this announcement;
“New Electricity Transaction Agreement”	an agreement dated 29 April 2022 entered into between GDH Zhongyue and GDH Energy Service in respect of the purchase of electricity by GDH Zhongyue from GDH Energy Service for the six months ending 31 December 2022;
“Original Electricity Transaction Agreement”	an agreement dated 30 December 2021 entered into between GDH Zhongyue and GDH Energy Service in respect of the purchase of electricity by GDH Zhongyue from GDH Energy Service for the six months ending 30 June 2022;
“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;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	holder(s) of the shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transaction”	the transaction contemplated under the New Electricity Transaction Agreement; and
“%”	per cent.

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00=HK\$1.233 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 and rules 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, 29 April 2022

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.