
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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 pages 14 and 15 of this circular.

A letter from the Board is set out on pages 5 to 13 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 10 June 2022 at 11:30 a.m. (or as soon thereafter following the conclusion or adjournment of the annual general meeting of the Company to be held at 11:00 a.m. on the same day and at the same place) is set out on pages 34 to 36 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.

20 May 2022

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 EGM 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.

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	
I. INTRODUCTION	5
II. THE TRANSACTION	6
III. EGM AND PROXY ARRANGEMENT	12
IV. CLOSURE OF REGISTER OF MEMBERS	13
V. RECOMMENDATION	13
VI. FURTHER INFORMATION	13
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	14
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	16
APPENDIX – GENERAL INFORMATION	28
NOTICE OF EGM	34

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(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) 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 “II. The Transaction – Basis and reasons for the Transaction and the New Cap” 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;

DEFINITIONS

“GDH Energy”	中山粵海能源有限公司 (Zhongshan GDH Energy Co., Ltd.*), an indirect 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) Tinplate 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”	the People’s Government of Guangdong Province, the PRC;
“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;

DEFINITIONS

“Independent Shareholder(s)”	Shareholder(s) who are not required to abstain from voting at the EGM in respect of the Transaction;
“kWh”	kilowatt hour;
“Latest Practicable Date”	16 May 2022, 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 Cap”	has the meaning ascribed to it under the section headed “II. The Transaction – Basis and reasons for the Transaction and the New Cap” in the letter from the Board contained in this circular;
“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;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);

DEFINITIONS

“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;
“Transaction”	the transaction contemplated under the New Electricity Transaction Agreement; and
“%”	per cent.

For the purpose of this circular, 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.

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
and Company Secretary*)

Registered Office:

Units 2905-08, 29th Floor

Shui On Centre

6-8 Harbour Road,

Wanchai

Hong Kong

Non-Executive Director:

WANG Longhai

Independent Non-Executive Directors:

Gerard Joseph McMAHON

LI Kar Keung, Caspar

WONG Yau Kar, David, *GBS. JP*

20 May 2022

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 29 April 2022 (“**Announcement**”), which announced that GDH Zhongyue, a wholly-owned subsidiary of the Company, and GDH Energy Service have entered into the New Electricity Transaction Agreement for the Transaction pursuant to which the Existing Cap was revised and the New Cap was set.

LETTER FROM THE BOARD

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

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 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.

LETTER FROM THE BOARD

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 GDH Zhongyue shall be settled with Guangdong Power Grid (being a third party independent of and not connected with the Group) 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.

LETTER FROM THE BOARD

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)
Aggregate annual cap	45,000,000 (equivalent to approximately HK\$55,485,000)

LETTER FROM THE BOARD

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 New Electricity Transaction Agreement are appropriate and that they will give sufficient assurance to the Shareholders that the transaction under the New Electricity Transaction Agreement will be appropriately monitored by the Company and that the usage of annual cap will be monitored with the view that the annual cap will not be exceeded. The independent non-executive Directors and the auditor 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 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. According to the "Notice of Relevant Matters in relation to the Transactions of 2022 Electricity Market"(關於2022年電力市場交易有關事項的通知) issued by the Energy Bureau of Guangdong Province (廣東省能源局) and the South China Energy Regulatory Office of National Energy Administration (國家能源局南方監管局) on 3 December 2021, with effect from 1 January 2022, industrial and commercial users with less than 10 kilovolts (including the Group) should purchase electricity through power grids. Power plants and electricity sale companies are encouraged to enter into contracts with their customers with a medium to long term (i.e. yearly, half-yearly, quarterly, etc.) in 2022. The pricing of electricity shall be based on a base tariff with certain fluctuation, incorporating a mechanism with reference to consumption during the peak, normal or low period. Not less than 10% of electricity actually consumed shall be subject to pricing with reference to the market price. The transaction price per unit during the normal period shall be subject to an upper limit of RMB0.554 per kWh and a lower limit of RMB0.372 per kWh for each yearly contract; (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

LETTER FROM THE BOARD

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 (including the independent non-executive Directors 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 for the Transaction (on an aggregate basis) for the financial years ending 31 December 2022 is set at RMB45,000,000 (equivalent to approximately HK\$55,485,000).

LETTER FROM THE BOARD

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.

The Company will seek the Independent Shareholders' approval in respect of the New Electricity Transaction Agreement, the Transaction and the New Cap 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.

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 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.

LETTER FROM THE BOARD

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 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.

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, 10 June 2022 at 11:30 a.m. (or as soon thereafter following the conclusion or adjournment of the annual general meeting of the Company to be held at 11:00 a.m. on the same day and at the same place) is set out on pages 34 to 36 of this circular. At the EGM, an ordinary resolution will be proposed for the approval of the New Electricity Transaction Agreement, the New Cap 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.

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.

LETTER FROM THE BOARD

IV. CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' eligibility to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 7 June 2022 to Friday, 10 June 2022 (both days inclusive), during which period no transfers of shares will be registered. 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 Monday, 6 June 2022.

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 New Electricity Transaction Agreement, the New Cap 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 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. 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 New Electricity Transaction Agreement, the New Cap 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



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

(Incorporated in Hong Kong with limited liability)

(Stock code: 01203)

20 May 2022

*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 20 May 2022 (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 New Electricity Transaction Agreement, the New Cap 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.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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 New Electricity Transaction Agreement, the New Cap 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 New Electricity Transaction Agreement, the New Cap 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 New Electricity Transaction Agreement, the transactions contemplated thereunder and the New Cap, which have been prepared for the purpose of incorporation in this circular.

ALTUS .

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

20 May 2022

To the Independent Board Committee and the Independent Shareholders

GDH GUANGNAN (HOLDINGS) LIMITED

Units 2905-08, 29th Floor
Shui On Centre, 6-8 Harbour Road
Wanchai, Hong Kong

Dear Sirs and Madams,

CONTINUING CONNECTED TRANSACTION PURCHASE OF ELECTRICITY NEW ELECTRICITY TRANSACTION AGREEMENT

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 New Electricity Transaction Agreement and the transactions contemplated thereunder (including the New Cap) (the “**Transaction**”), details of which are set out in the “Letter from the Board” contained in the circular of the Company dated 20 May 2022 (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 circular of the Company dated 24 May 2021 and the announcements of the Company dated 30 December 2021 and 29 April 2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 30 April 2021, GDH Zhongyue entered into the supplemental agreement (the “**Supplemental Agreement**”) to the electricity transaction agreement dated 2 December 2020 (the “**Previous Electricity Transaction Agreement**”) with GDH Energy Service to revise the maximum volume of electricity to be consumed by GDH Zhongyue to 85,000,000 kWh per year, where the corresponding annual caps were set at RMB36,000,000 for each of the years ending 31 December 2021, 2022 and 2023 respectively.

On 30 December 2021, due to the guidelines issued by the relevant authorities in the PRC in late 2021 to companies which have entered into electricity supply agreements, GDH Zhongyue and GDH Energy Service entered into the Original Electricity Transaction Agreement to revise certain terms under the Previous Electricity Transaction Agreement. As a result, the Previous Electricity Transaction Agreement as supplemented by the Supplemental Agreement was being superseded by the Original Electricity Transaction Agreement and no longer effective since then. Pursuant to the Original Electricity Transaction Agreement, GDH Zhongyue agreed to purchase, and GDH Energy Service agreed to supply, electricity during the term from 1 January 2022 to 30 June 2022. In order to continue with such arrangement, on 29 April 2022, GDH Zhongyue and GDH Energy Service entered into the New Electricity Transaction Agreement, pursuant to which GDH Zhongyue agreed to purchase, and GDH Energy Service agreed to supply, electricity during the term from 1 July 2022 to 31 December 2022.

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 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 was 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.

Based on the estimated 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 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.

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 established to advise the Independent Shareholders as to (i) whether the New Electricity Transaction 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) whether the terms of the New Electricity Transaction Agreement and the Transaction are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (iii) whether the New Cap is fair and reasonable; and (iv) how to vote in respect of the ordinary resolution to be proposed at the EGM approving the New Electricity Transaction Agreement, the Transaction and the New Cap (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 New Electricity Transaction 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) whether the terms of the New Electricity Transaction Agreement and the Transaction are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (iii) whether the New Cap is fair and reasonable; and (iv) how the Independent Shareholders should vote in respect of the Resolution.

We acted as the independent financial adviser for the Company with regards to the continuing connected transaction in relation to the revision of annual caps for the purchase of electricity, details of which were set out in a circular of the Company dated 24 May 2021. Save for the aforesaid transaction, we have not acted as independent financial adviser or financial adviser in relation to any transactions of the Company 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 New Electricity Transaction Agreement, the Transaction and the New Cap 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 and not associated with the Company, its controlling shareholder(s) or connected person(s).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others (i) the New Electricity Transaction Agreement; (ii) the Original Electricity Transaction Agreement; (iii) the Previous Electricity Transaction Agreement as supplemented by the Supplemental Agreement; (iv) the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”); (v) the announcement of the Company dated 30 December 2021 in relation to the continuing connected transaction on the purchase of electricity; and (vi) other information as set out in the Circular.

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 contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and will continue to be so up to the date of EGM. 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 Company. 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 is 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 manufacturing and sales of tinplate products, property leasing, the distribution and trading of fresh and live foodstuffs and provision of slaughtering service.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

GDH Energy Service is principally engaged in the 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). The principal business of GDH Energy is power plant operation providing electricity and steam supply. Both GDH Energy and GDH Energy Service are non-wholly owned subsidiaries of GDI.

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.

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.

In view of the guidelines issued by the relevant authorities in the PRC in late 2021, GDH Zhongyue and GDH Energy Service entered into the Original Electricity Transaction Agreement on 30 December 2021 to supersede the Previous Electricity Transaction Agreement as supplemented by the Supplemental Agreement. For further details, please refer to the paragraph headed “Introduction” above.

2. The New Electricity Transaction Agreement

To assess the fairness and reasonableness of the terms of the New Electricity Transaction Agreement, we have considered the followings.

2.1 Key terms of the New Electricity Transaction Agreement

For details of the terms of the New Electricity Transaction 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 45,000,000 kWh for the six months ending 31 December 2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have performed random sample checks as further elaborated in the paragraph headed “2.2 Internal controls” below and noted that 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 2021 and the three months ended 31 March 2022 as elaborated in the paragraph headed “2.4 (i) Historical caps” and the potential business growth, the maximum volume of electricity to be consumed by GDH Zhongyue for the six months ending 31 December 2022 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 New Electricity Transaction Agreement.

- (ii) Unit price of electricity transacted shall be calculated (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.

We understand the above pricing mechanism is being formulated in compliance with the guidelines issued by the relevant authorities in the PRC in late 2021. Further, 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 unit price offered by GDH Energy Service is no less favourable to the Group than those offered by independent third parties. Therefore, we consider the unit price is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) The fees for electricity payable by GDH Zhongyue shall be settled with Guangdong Power Grid (being a third party independent of and not connected with the Group) 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.

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 six months ending 31 December 2022 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 offered by GDH Energy Service 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 New Electricity Transaction Agreement are on normal commercial terms and are fair and reasonable.

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 New Electricity Transaction Agreement" above, we have performed random sample checks on a total of ten monthly electricity bills of GDH Zhongyue, on the basis that three monthly electricity bills per year are randomly selected for the three years ended 31 December 2021 and one monthly electricity bill is randomly selected for the three months ended 31 March 2022 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 that 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We also noted that the Group has internal control procedures to obtain quotation(s) from independent electricity supplier(s) prior to entering into the electricity purchase agreement with GDH Energy Service. In this regard, as discussed in the paragraph headed “2.1 Key terms of the New Electricity Transaction Agreement” above, we understand the Company has obtained three quotations from independent electricity suppliers. We have obtained and reviewed the quotations and noted that the unit price 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 Cap is effective and sufficient.

2.3 Reasons for and benefits of the New Electricity Transaction Agreement

With reference to the paragraph headed “1.1 Principal businesses of the Group and connected persons” above, 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.

According to the 2021 Annual Report, the annual production capacity of GDH Zhongyue is 290,000 tonnes of tinplate products and 140,000 tonnes of blackplates. GDH Zhongyue contributes approximately 59.2% and 100% of the Group’s production capacity for tinplate products and blackplates respectively. Sales of tinplate and related products accounted for approximately 64.3% of the total revenue of the Group for the year ended 31 December 2021. Accordingly, by securing the supply of electricity at a fair, reasonable and competitive price will help to control the operating cost of the manufacturing units and to maintain and support the business operations of GDH Zhongyue, in particular, the production of tinplate products and blackplates, is a vital and integral part 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 New Electricity Transaction Agreement is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2.4 The New Cap

In general, the New 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 Original Electricity Transaction Agreement and the New Electricity Transaction Agreement entered into between GDH Zhongyue and GDH Energy Service.

(i) *Historical caps*

Below is a table setting out (i) the historical transaction amounts; (ii) the historical annual caps; (iii) the corresponding maximum usage in electricity; and (iv) the actual usage in electricity under the Previous Electricity Transaction Agreement as supplemented by the Supplemental Agreement and the Original Electricity Transaction Agreement in respect of the purchase of electricity by GDH Zhongyue from GDH Energy Service for the year ended 31 December 2021 and the three months ended 31 March 2022 respectively.

	For the year ended 31 December 2021	For the three months ended 31 March 2022
Purchase of electricity		
Historical transaction amount (<i>RMB'000</i>)	29,621	8,651
Historical annual cap (<i>RMB'000</i>)	36,000	22,000
		(for the six months ending 30 June 2022)
Utilisation rate	82.3%	78.6% ^{Note 1}
	For the year ended 31 December 2021	For the three months ended 31 March 2022
Actual usage of electricity (<i>kWh</i>)	73,500,000	17,798,000
Max. usage of electricity (<i>kWh</i>)	85,000,000	40,000,000
		(for the six months ending 30 June 2022)
Utilisation rate	86.5%	89.0% ^{Note 2}

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. The utilisation rate for the three months ended 31 March 2022 is calculated based on (i) historical transaction amount for the three months ended 31 March 2022; and divided by (ii) historical annual cap calculated on a pro-rate basis.
2. The utilisation rate for the three months ended 31 March 2022 is calculated based on (i) actual usage of electricity (kWh) for the three months ended 31 March 2022; and divided by (ii) max. usage of electricity (kWh) calculated on a pro-rate basis.

As shown in the above table, the utilisation rates of historical annual caps were relatively high at approximately 82.3% and 78.6% for the year ended 31 December 2021 and the three months ended 31 March 2022 respectively, while the underlying electricity consumption reached approximately 86.5% and 89.0% of the corresponding maximum limit respectively.

According to the 2021 Annual Report, the revenue generated from the tinplating segment (being the production and sales of tinplate and related products) increased significantly by approximately 47.6% to approximately HK\$3,123 million in 2021 from approximately HK\$2,116 million in 2020. We understand from the Management that in 2021, with the increased domestic demand for tinplate products, the Group produced 319,865 tonnes of tinplate products, representing an increase of approximately 4.0% as compared to that in 2020, which in turn, increased the electricity consumption by GDH Zhongyue.

(ii) New Cap

	For the year ending 31 December 2022
Original Electricity Transaction Agreement (<i>RMB</i>)	22,000,000 (equivalent to approximately HK\$27,126,000)
New Electricity Transaction Agreement (<i>RMB</i>)	23,000,000 (equivalent to approximately HK\$28,359,000)
Aggregate annual cap (<i>RMB</i>)	45,000,000 (equivalent to approximately HK\$55,485,000)
Max. usage of electricity (<i>kWh</i>)	85,000,000 ^{Note 1}

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Note:

1. The maximum usage of electricity for the year ending 31 December 2022 is calculated based on the sum of (i) the maximum usage of electricity for the six months ending 30 June 2022 of 40,000,000 kWh according to the Original Electricity Transaction Agreement; and (ii) the maximum usage of electricity for the six months ending 31 December 2022 of 45,000,000 kWh according to the New Electricity Transaction Agreement.

We understand from the Management that the New Cap of RMB45,000,000 for the year ending 31 December 2022 is derived based on (i) the estimated maximum volume of electricity of 85,000,000 kWh per year to be consumed by GDH Zhongyue, which such maximum level represents an increase of approximately 15.6% over the actual electricity consumption by GDH Zhongyue for the year ended 31 December 2021. 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 abovementioned. 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 increase the electricity consumption. We also noted that such annual maximum level is the same as that under the Previous Electricity Transaction Agreement as supplemented by the Supplemental Agreement; and (ii) the pricing mechanism as elaborated in the paragraph headed "2.1 Key terms of the New Electricity Transaction Agreement" above, which we understand such pricing mechanism is being formulated in compliance with the guidelines issued by the relevant authorities in the PRC in late 2021. In this regard, we have obtained and reviewed the aforesaid guidelines and noted that the pricing mechanism adopted for calculating the New Cap is in line with that as stipulated in the guidelines. For key terms of the aforesaid guidelines, please refer to the paragraph headed "Basis and reasons for the New Cap and the Transaction" in the "Letter from the Board" of the Circular.

Taking into account of, amongst others, (i) the relatively high utilisation rates of historical annual caps for the year ended 31 December 2021 and the three months ended 31 March 2022; (ii) the estimated maximum volume of electricity of 85,000,000 kWh per year in deriving the New Cap is to provide assurance to GDH Zhongyue in light of the potential business growth and the Group's strategy as abovementioned; and (iii) the pricing mechanism adopted in deriving the New Cap is being formulated in compliance with the guidelines issued by the relevant authorities in the PRC in late 2021, we are of the view that the New Cap is derived at fairly and reasonably.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors, we are of the view that (i) the New Electricity Transaction 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 terms of the New Electricity Transaction Agreement and the Transaction are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the New Cap has 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 New Electricity Transaction Agreement, the Transaction and the New Cap to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Jeanny Leung
Executive 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.

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 interest 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 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 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 interest held (Note)
Guangdong Holdings	537,198,868	Long position	59.19%
GDH	537,198,868	Long position	59.19%

Notes:

- 1 The attributable interest which Guangdong Holdings has in the Company is held through its 100% direct interest in GDH.
- 2 As at the Latest Practicable Date, none of the Directors was a director or an employee of Guangdong Holdings and/or GDH.

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 interest held
Guangdong Nanhai Safety Technology Investment Holding Co., Ltd. (formerly known as 佛山市南海區信盈企業策劃總公司 (Foshan City Nanhai District Xinying Enterprise Planning Corporation*))	粵海食品(佛山)有限公司 (GDH Food (Foshan) Co., Ltd.*)	Long position	35%
Skymax Trading Limited	GDH Guangnan Live Pigs Trading Limited	Long position	49%
POSCO Holdings Inc. (formerly known as POSCO Co., Ltd.)	GDH 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 2021, 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 2021, 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

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 20 May 2022 and was made by the Independent Financial Adviser for incorporation in this circular.

10. GENERAL

- (i) The company secretary of the Company is Mr. Chau Wang Kei, a member of the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst; and
- (ii) The registered office of the Company is situated at Units 2905-08, 29th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.gdguangnan.com) for a period of 14 days from the date of this circular:

- (i) the Original Electricity Transaction Agreement;
- (ii) the New Electricity Transaction Agreement;
- (iii) the letter from the Independent Board Committee as set out in this circular; and
- (iv) the letter from the Independent Financial Adviser as set out in this circular.

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, 10 June 2022 at 11:30 a.m. (or as soon thereafter following the conclusion or adjournment of the annual general meeting of the Company to be held at 11:00 a.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 New Electricity Transaction Agreement dated 29 April 2022 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 20 May 2022 of which this notice forms part, the New Cap (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 New Electricity Transaction Agreement or the Transaction.”

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

Hong Kong, 20 May 2022

NOTICE OF EGM

Registered Office:

Units 2905-08, 29th Floor
Shui On Centre
6-8 Harbour Road,
Wanchai
Hong Kong

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 Monday, 6 June 2022.
- 5) The register of members of the Company will be closed from Tuesday, 7 June 2022 to Friday, 10 June 2022 (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 Mr. CHEN Benguang, Mr. HE Jinzhou and Mr. 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.