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

*(Incorporated in the Hong Kong with limited liability)*

**(Stock Code: 01203)**

**DISCLOSEABLE AND CONNECTED TRANSACTION**  
**ACQUISITION OF THE REMAINING**  
**34% EQUITY INTEREST IN**  
**A NON-WHOLLY OWNED SUBSIDIARY**

**EQUITY TRANSFER AGREEMENT**

On 6 June 2022, Purchaser (being a wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with POSCO and POSCO-China, pursuant to which, Purchaser as purchaser has conditionally agreed to acquire, and POSCO and POSCO-China as vendors have conditionally agreed to sell the Equity Interest, being 34% of the equity interest in Target Company (held by POSCO and POSCO-China as to 24% and 10%, respectively), for a total consideration of RMB85,000,000 (equivalent to approximately HK\$100,155,500).

As of the date of this announcement, Target Company is owned as to 66% by GDH Zhongyue Industrial (an indirect wholly-owned subsidiary of the Company), 24% by POSCO and 10% by POSCO-China, respectively. Upon Completion, Target Company will be owned as to 66% by GDH Zhongyue Industrial and 34% by Purchaser, respectively, and, accordingly, an indirect wholly-owned subsidiary of the Company.

**LISTING RULES IMPLICATIONS**

As all the applicable percentage ratios in respect of the Acquisition exceeds 5% but are less than 25% as determined in accordance with Rule 14.07 of the Listing Rules, the Acquisition constitutes a discloseable transaction for the purpose of Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As POSCO and POSCO-China hold 24% and 10% equity interest in Target Company (being a non-wholly owned subsidiary but not an insignificant subsidiary (as defined under Chapter 14A of the Listing Rules) of the Company), respectively, they are substantial shareholders of Target Company and, accordingly, connected persons of the Company at the subsidiary level under the Listing Rules. Therefore, the Acquisition constitutes a connected transaction of the Company and is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

However, by virtue of Rule 14A.101 of the Listing Rules, since (i) the Acquisition is between the Group and its connected persons at the subsidiary level on normal commercial terms or better; (ii) the Board has approved the Acquisition; and (iii) the independent non-executive Directors have confirmed that the terms of the Acquisition are fair and reasonable and the Acquisition is on normal commercial terms or better and in the interests of the Company and its shareholders as a whole, the Acquisition is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

On 6 June 2022, Purchaser (being a wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with POSCO and POSCO-China, pursuant to which, Purchaser as purchaser has conditionally agreed to acquire, POSCO and POSCO-China as vendors have conditionally agreed to sell the Equity Interest, being 34% of the equity interest in Target Company (held by POSCO and POSCO-China as to 24% and 10%, respectively), for a total consideration of RMB85,000,000 (equivalent to approximately HK\$100,155,500).

As of the date of this announcement, Target Company is owned as to 66% by GDH Zhongyue Industrial (an indirect wholly-owned subsidiary of the Company), 24% by POSCO and 10% by POSCO-China, respectively. Upon Completion, Target Company will be owned as to 66% by GDH Zhongyue Industrial and 34% by Purchaser, respectively, and, accordingly, an indirect wholly-owned subsidiary of the Company.

## **THE EQUITY TRANSFER AGREEMENT**

A summary of the principal terms of the Equity Transfer Agreement is set out below:

### **Date**

6 June 2022

## **Parties**

- (i) Purchaser
- (ii) Vendors (being (1) POSCO; and (2) POSCO-China)

## **Asset to be acquired**

Pursuant to the Equity Transfer Agreement, Purchaser has conditionally agreed to acquire the Equity Interest (being 34% of the equity interest in Target Company) from Vendors (comprising (i) 24% of the equity interest in Target Company to be acquired from POSCO; and (ii) 10% of the equity interest in Target Company to be acquired from POSCO-China) in accordance with the terms and conditions of the Equity Transfer Agreement. Please refer to the section headed “Information on Target Company” in this announcement for details of Target Company.

## **Consideration and basis of determination of the Consideration**

The total consideration (“**Consideration**”) for the Acquisition is RMB85,000,000 (equivalent to approximately HK\$ 100,155,500), which was arrived at after arm’s length negotiations between the Group and the Vendors after taking into account (i) the unaudited net asset value of Target Company as at 31 December 2021 in the amount of HK\$398,092,000 on the basis of the unaudited accounts of Target Company prepared in accordance with the HKFRSs; and (ii) the past earnings and financial performance of the Target Company.

The Consideration shall be paid by Purchaser in cash from the Group’s internal resources in the following manner:

- (i) As to RMB60,000,000 (equivalent to approximately HK\$70,698,000) for the acquisition of 24% of the equity interest in Target Company (“**POSCO Consideration**”):
  - (a) the amount of the POSCO Consideration to be paid to an escrow account opened in the name of the Purchaser within seven Business Days after the date of Equity Transfer Agreement (inclusive); and
  - (b) the amount of the POSCO Consideration, after deducting the amount of relevant tax required to be withheld and paid by Purchaser on behalf of POSCO in accordance with the relevant PRC laws and regulations, to be released to an account designated by POSCO on the date of Completion (in the event that POSCO has obtained the official approval of waiver of such tax by the relevant tax authority, full amount of the POSCO Consideration shall be released to the account designated by POSCO); and
- (ii) as to RMB25,000,000 (equivalent to approximately HK\$29,457,500) for the acquisition of 10% of the equity interest in Target Company (“**POSCO-China**”)

**Consideration”):**

- (a) full amount of POSCO-China Consideration to be paid to an escrow account opened in the name of the Purchaser within seven Business Days after the date of Equity Transfer Agreement (inclusive); and
- (b) full amount of POSCO-China Consideration to be released to an account designated by POSCO-China on the date of Completion.

**Conditions Precedent**

Pursuant to the Equity Transfer Agreement, the Acquisition is conditional upon the fulfillment or, where applicable, waiver or postponement of the following conditions (the “**Conditions Precedent**”):

- (a) the representations and warranties of the parties in the Equity Transfer Agreement being true and accurate as at the date of Equity Transfer Agreement and the date of Completion (save certain representations and warranties being true and accurate as at certain specified dates);
- (b) Purchaser having paid the relevant amounts to the escrow accounts as set out above;
- (c) the registration for the industrial and commercial change in respect of the Acquisition having been completed at the relevant authority; and
- (d) Target Company has obtained the relevant foreign exchange business registration certificate (外匯業務登記憑證).

Each party shall not be entitled to waive or postpone the fulfillment of the Conditions Precedent above for which it is responsible for.

**Other terms and conditions**

Purchaser shall apply for the registration for the industrial and commercial change in respect of the Acquisition at the relevant market regulatory administration in the PRC within seven Business Days after receiving the relevant necessary documents from Vendors (which shall be provided within three Business Days from the payment of the relevant amounts by Purchaser to the escrow accounts above). Vendors shall endeavour to cooperate with Purchaser in respect of such registration. Within seven Business Days after the completion of the industrial and commercial change in respect of the Acquisition, the Purchaser shall proceed with the relevant application and submit the relevant documents or information to the relevant tax authority in respect of the withholding tax for the POSCO Consideration or the relevant tax benefits; and the Target Company and Purchaser shall proceed to obtain the relevant foreign exchange business registration certificate (外匯業務登記憑證) in respect of the POSCO

Consideration.

Completion shall occur on the second Business Day after the date on which all the Conditions Precedent are fulfilled or, where applicable, waived or postponed to such other date as agreed by the parties, in writing.

The Equity Transfer Agreement may be terminated in the following manners:

- (i) if agreed by all parties in writing;
- (ii) if notified by a party to the other parties in writing of the occurrence of any of the following before Completion:
  - (a) any Conditions Precedent not being satisfied (or waived in writing) within three months after the date of the Equity Transfer Agreement;
  - (b) the representations or warranties of the other party being materially untrue or with material omission when they were made or on the date of Completion;
  - (c) the other party committing a material breach of the Equity Transfer Agreement, and the defaulting party failing to rectify the same within 10 days following the relevant written notice issued by the non-defaulting party;
  - (d) the other party entering into any voluntary or compulsory winding-up proceedings (unless such proceedings are withdrawn within 30 days of commencement), or the other party being declared bankrupt by a court or other governmental authority; or
  - (e) as a result of any material changes to the applicable PRC laws or their interpretations, Korean laws or regulatory documents; or any governmental authority's revision, supplementation or revocation to the applicable laws and regulations or their interpretations, the main purpose of the Equity Transfer Agreement cannot be achieved or the Purchaser cannot realize its main interests under the Equity Transfer Agreement.

## **INFORMATION ON THE GROUP**

The Group is principally engaged in the manufacturing and sales of tinplate products, property leasing, the distribution and trading of fresh and live foodstuffs and provision of slaughtering service.

GDH is holding approximately 59.19% of the total number of shares in issue 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 Guangdong State-owned Assets Supervision and Administration Commission of the State Council has been performing ownership and control functions in respect of Guangdong Holdings with the authorisation of the Guangdong Government.

## **INFORMATION ON THE PURCHASER**

The principal business of Purchaser is investment holding. Purchaser is a wholly-owned subsidiary of the Company.

## **INFORMATION ON VENDORS**

The Company understands that POSCO is a company incorporated in Korea and is principally engaged in the manufacture and distribution of rolled steel products and plates, the shares of which are listed and traded on the Korea Stock Exchange, the New York Stock Exchange, the London Stock Exchange and the Tokyo Stock Exchange. The Company understands from the website of POSCO ([www.posco.co.kr](http://www.posco.co.kr)) that as of 31 December 2021, its total issued stock was owned as to 9.25% by The National Pension Service of Korea.

The Company understands that POSCO-China is a wholly-owned subsidiary of POSCO and is principally engaged in investment holding.

As at the date of this announcement, POSCO and POSCO-China hold 24% and 10% equity interest in Target Company (being a non-wholly owned subsidiary but not an insignificant subsidiary (as defined under Chapter 14A of the Listing Rules) of the Company), respectively. Accordingly, they are substantial shareholders of Target Company and connected persons of the Company at the subsidiary level under the Listing Rules. Upon Completion, Vendors will cease to be connected persons of the Company under the Listing Rules.

The original contribution by each of POSCO and POSCO-China to the registered capital of Target Company in 2007 was US\$7,200,000 and US\$3,000,000, respectively.

## **INFORMATION ON TARGET COMPANY**

Target Company is principally engaged in the manufacture and sale of tinplates and related products. It is established under the laws of the PRC on 16 February 2007 and has a registered capital of US\$30,000,000 (equivalent to approximately HK\$234,000,000) as at the date of this announcement (contributed by GDH Zhongyue Industrial, POSCO and POSCO-China as to US\$19,800,000, US\$7,200,000 and US\$3,000,000, respectively).

As at the date of this announcement, Target Company is owned as to (i) 66% by GDH Zhongyue Industrial; (ii) 24% by POSCO; and (iii) 10% by POSCO-China.

Upon Completion, Target Company will be owned as to 66% by GDH Zhongyue

Industrial and 34% by Purchaser, respectively, and, accordingly, an indirect wholly-owned subsidiary of the Company.

### **Financial information of Target Company**

Set out below is certain financial information of Target Company (prepared in accordance with the HKFRSs, for each of the financial year ended 31 December 2021 (unaudited) and 31 December 2020 (unaudited), respectively:

	<b>For the year ended</b>	<b>For the year ended</b>
	<b>31 December 2021</b>	<b>31 December 2020</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Net profit (before tax)	Approximately HK\$35,208,000	Approximately HK\$ 8,862,000
Net profit (after tax)	Approximately HK\$35,256,000	Approximately HK\$8,473,000

The unaudited net asset value of Target Company as at 31 December 2021 was approximately HK\$398,092,000 on the basis of the unaudited accounts of Target Company for the year ended 31 December 2021 prepared in accordance with the HKFRSs.

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

The Group is principally engaged in the manufacturing and sales of tinsplate products, property leasing, the distribution and trading of fresh and live foodstuffs and provision of slaughtering service. Upon Completion, Target Company will become an indirect wholly-owned subsidiary of the Company. The Board considers this would facilitate better implementation of the operating philosophies and strategies of the Company into Target Company.

The Board (including the independent non-executive Directors) considers that the terms and conditions of the Acquisition are fair and reasonable, on normal commercial terms or better and are in the interests of the Company and the Shareholders as a whole.

No Director has any material interest in the Acquisition and was required to abstain from voting on the Directors' resolutions approving the Acquisition and the entering into

of the Equity Transfer Agreement by the Company.

## **LISTING RULES IMPLICATIONS**

As all the applicable percentage ratios in respect of the Acquisition exceeds 5% but are less than 25% as determined in accordance with Rule 14.07 of the Listing Rules, the Acquisition constitutes a discloseable transaction for the purpose of Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As POSCO and POSCO-China hold 24% and 10% equity interest in Target Company (being a non-wholly owned subsidiary but not an insignificant subsidiary (as defined under Chapter 14A of the Listing Rules) of the Company), respectively, they are substantial shareholders of Target Company and, accordingly, connected persons of the Company at the subsidiary level under the Listing Rules. Therefore, the Acquisition constitutes a connected transaction of the Company and is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

However, by virtue of Rule 14A.101 of the Listing Rules, since (i) the Acquisition is between the Group and its connected persons at the subsidiary level on normal commercial terms or better; (ii) the Board has approved the Acquisition; and (iii) the independent non-executive Directors have confirmed that the terms of the Acquisition are fair and reasonable and the Acquisition is on normal commercial terms or better and in the interests of the Company and its shareholders as a whole, the Acquisition is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	Purchaser’s acquisition of 34% equity interest in Target Company from POSCO and POSCO-China collectively pursuant to the Equity Transfer Agreement;
“Board”	the board of Directors;
“Business Day”	a day on which commercial banks are open for business in the Mainland China;
“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;

“Consideration”	has the meaning ascribed to it under the section headed “Consideration and basis of determination of the Consideration” in this announcement;
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Equity Transfer Agreement;
“Conditions Precedent”	has the meaning ascribed to it under the section headed “Conditions Precedent” in this announcement;
“Director(s)”	the directors of the Company;
“Equity Interest”	the 34% equity interest in Target Company held by POSCO and by POSCO-China collectively as of the date of this announcement and to be acquired by Purchaser pursuant to the Equity Transfer Agreement;
“Equity Transfer Agreement”	the equity transfer agreement dated 6 June 2022 entered into between Purchaser as purchaser, POSCO and by POSCO-China as vendors, in relation to the sale and purchase of 34% equity interest in Target Company;
“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 Zhongyue Industrial”	GDH Zhongyue Industrial Material Limited (粵海中粵材料有限公司), an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong;
“Group”	the Company and its subsidiaries;
“Guangdong Government”	the People’s Government of Guangdong Province of 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;

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKFRSs”	all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“POSCO”	POSCO Holdings Inc. (formerly known as POSCO Co., Ltd.), a company incorporated in Korea, the shares of which are listed and traded on the Korea Stock Exchange, the New York Stock Exchange, the London Stock Exchange and the Tokyo Stock Exchange; and a connected person of the Company;
“POSCO Consideration”	has the meaning ascribed to it under the section headed “Consideration and basis of determination of the Consideration” of this announcement;
“POSCO-China”	浦項（中國）投資有限公司 (POSCO-China Holding Corporation*), a company established in the PRC and a wholly-owned subsidiary of POSCO; and a connected person of the Company;
“POSCO-China Consideration”	has the meaning ascribed to it under the section headed “Consideration and basis of determination of the Consideration” of this announcement;
“PRC”	the People’s Republic of China;
“Purchaser”	廣東粵海廣南投資有限公司 (GDH Guangnan Investment Company Limited*), a company established in the PRC and a wholly-owned subsidiary of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“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;
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules;
“Target Company”	粵海中粵浦項（秦皇島）馬口鐵工業有限公司（GDH Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd.*), an equity joint venture established on 16 February 2007 in accordance with PRC law which is 66% indirectly owned by the Company, 24% owned by POSCO and 10% owned by POSCO-China as of the date of this announcement;
“US\$”	United States dollar, the lawful currency of the United States of America;
“Vendors”	POSCO and POSCO-China; and “Vendor” shall mean any one of them; and
“%”	per cent.

For the purpose of this announcement, unless otherwise indicated, the exchange rates of RMB1.00=HK\$1.1783 and US\$1.00=HK\$7.8 has been used, where applicable, for purpose of illustration only and it does not constitute any representation that any amount has been, could have been or may be exchanged at that rate or at any other rate.

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

By Order of the Board

**Chen Benguang**

*Chairman*

Hong Kong, 6 June 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.*