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GUANGNAN (HOLDINGS) LIMITED

廣南(集團)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1203)

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

CONNECTED TRANSACTIONS

On 10 August 2009, Zhongyue Posco (Qinhuangdao) entered into the Technical Guidance Agreements with POSCO, pursuant to which POSCO has agreed to provide technical guidance services to Zhongyue Posco (Qinhuangdao).

POSCO is a substantial shareholder of Zhongyue Posco (Qinhuangdao), an indirectly owned subsidiary of the Company, and therefore is a connected person of the Company under the Listing Rules and the First Technical Guidance Agreement and the Second Technical Guidance Agreement constitute connected transactions of the Company.

CONTINUING CONNECTED TRANSACTIONS

On 10 August 2009, Zhongyue Tinplate entered into the Sale and Purchase Framework Agreement with POSCO-Asia for the supply and sale of tinplate products by Zhongyue Tinplate to POSCO-Asia. POSCO-Asia is a wholly-owned subsidiary of POSCO, which is a substantial shareholder of Zhongyue Posco (Qinhuangdao), and therefore POSCO-Asia is a connected person of the Company under the Listing Rules. Thus, the supply and sale of tinplate products contemplated under the Sale and Purchase Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Reference is made to the announcement of the Company dated 5 December 2008. Pursuant to the Framework Agreement dated 11 December 2007, POSCO-China has been appointed as Zhongyue Posco (Qinhuangdao)'s export distributor and POSCO-China has nominated POSCO-Asia to carry out the related export distribution activities such that Zhongyue Posco (Qinhuangdao) will enter into individual sales contract with POSCO-Asia in relation to the supply and sale of tinsplate products. It is proposed that the Framework Agreement shall be renewed for one year commencing on 1 January 2010 and Zhongyue Posco (Qinhuangdao) will not give a written objection to the renewal of the Framework Agreement if the Company obtains the approval of GDH and the waiver of the Stock Exchange in the manner referred to in this announcement. The arrangements contemplated under the Framework Agreement (as renewed) will constitute continuing connected transactions of the Company under the Listing Rules because POSCO-China is a substantial shareholder of Zhongyue Posco (Qinhuangdao) and POSCO-Asia is a wholly-owned subsidiary of POSCO, which is also a substantial shareholder of Zhongyue Posco (Qinhuangdao), and therefore both POSCO-China and POSCO-Asia are connected persons of the Company under the Listing Rules.

Reference is further made to the announcement of the Company dated 8 January 2007. Pursuant to the Zhongyue Tinsplate Supply Agreement dated 14 September 2005 and renewed on 1 July 2009, the POSCO Group has been supplying blackplates to Zhongyue Tinsplate. Pursuant to the Zhongyue Posco Supply Agreement dated 21 December 2006, the POSCO Group has been supplying blackplates to Zhongyue Posco (Qinhuangdao). It is proposed that the Zhongyue Posco Supply Agreement shall be renewed for one year commencing on 1 October 2009 and Zhongyue Industry will not give a written objection to the renewal of the Zhongyue Posco Supply Agreement if the Company obtains the approval of GDH in the manner referred to in this announcement.

The arrangements contemplated under the Zhongyue Tinsplate Supply Agreement (as renewed) and the Zhongyue Posco Supply Agreement (as renewed) will constitute continuing connected transactions of the Company under the Listing Rules because both POSCO and POSCO-China are substantial shareholders of Zhongyue Posco (Qinhuangdao) and therefore are connected persons of the Company under the Listing Rules.

LISTING RULES IMPLICATIONS

The First Technical Guidance Agreement and the Second Technical Guidance Agreement constitute connected transactions for the Company and the transaction amounts thereunder, when aggregated, are subject to reporting and announcement requirements pursuant to Rule 14A.32 of the Listing Rules but are exempted from independent shareholders' approval requirements as all the applicable percentage ratios stipulated under Rule 14A.32 of the Listing Rules (other than the profits ratio) are less than 2.5%.

The maximum transaction amounts contemplated under the Sale and Purchase Framework Agreement for the year ending 31 December 2009 is subject to the reporting and announcement requirements pursuant to Rule 14A.34 of the Listing Rules but are exempted from independent shareholders' approval requirements as all of the applicable percentage ratios (other than the profits ratio) are less than 2.5%.

As one or more of the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) of the proposed annual cap for each of the Relevant Continuing Connected Transactions for the year ending 31 December 2010 are more than 2.5% and each of the proposed annual caps is more than HK\$10,000,000, in accordance with Chapter 14A of the Listing Rules, they are subject to the approval of the independent shareholders of the Company at general meeting unless the conditions in Rule 14A.43 can be satisfied, in which case a written shareholder's approval as referred to therein may be accepted in lieu of holding a formal shareholders' meeting of the Company.

As GDH holds 537,198,868 Shares (representing approximately 59.32% of the Company's issued share capital) giving the right to attend and vote at the Company's shareholders' meeting, and none of the shareholders of the Company is required to abstain from voting if the Company were to convene a general meeting for the purpose of approving the Relevant Continuing Connected Transactions, and the Company is in the process of obtaining a written approval from GDH to approve the Relevant Continuing Connected Transactions in lieu of holding a formal shareholders' meeting of the Company (and the Company does not foresee any difficulty in obtaining such approval), upon the receipt of GDH's approval as aforesaid and the Stock Exchange granting the waiver pursuant to Rule 14A.43, no shareholders' meeting of the Company will therefore be held for the said purposes of the Listing Rules.

A circular containing, among others, (i) further details of the Relevant Continuing Connected Transactions; (ii) a letter from the independent board committee to the independent shareholders of the Company in relation to the Relevant Continuing Connected Transactions; (iii) a letter of advice from the independent financial adviser to the independent board committee and the independent shareholders of the Company in relation to the Relevant Continuing Connected Transactions, will be sent to the shareholders of the Company in due course.

I. CONNECTED TRANSACTIONS

On 10 August 2009, Zhongyue Posco (Qinhuangdao) entered into the First Technical Guidance Agreement and the Second Technical Guidance Agreement respectively with POSCO in respect of the provision of technical guidance services by POSCO to Zhongyue Posco (Qinhuangdao). POSCO is a substantial shareholder of Zhongyue Posco (Qinhuangdao), an indirectly owned subsidiary of the Company, and therefore is a connected person of the Company under the Listing Rules and the First Technical Guidance Agreement and the Second Technical Guidance Agreement constitute connected transactions of the Company.

The transaction amounts under the First Technical Guidance Agreement and the Second Technical Guidance Agreement, when aggregated, are subject to reporting and announcement requirements pursuant to Rule 14A.32 of the Listing Rules but are exempted from independent shareholders' approval requirements as all the applicable percentage ratios stipulated under Rule 14A.32 of the Listing Rules (other than the profits ratio) are less than 2.5%. In the event that the transaction amounts of the Technical Guidance Agreements exceeds 2.5% of the said relevant applicable ratios, appropriate disclosure will be made by the Company in accordance with the Listing Rules.

(A) First Technical Guidance Agreement

Parties

- (1) Zhongyue Posco (Qinhuangdao); and
- (2) POSCO.

Details of the technical guidance services to be provided by POSCO

POSCO shall despatch technical staff to Zhongyue Posco (Qinhuangdao) to provide 10 man-month on-site technical guidance services to the staff of Zhongyue Posco (Qinhuangdao) in the PRC in relation to the operation of electrolytic tinplate production machines.

Consideration for the provision of technical guidance services

The consideration that will be payable by Zhongyue Posco (Qinhuangdao) to POSCO for the provision of technical guidance services shall comprise:

- (i) an amount of US\$114,000 (approximately HK\$889,200), which shall be satisfied in the following manner:
 - (a) 50% of the consideration shall be paid by Zhongyue Posco (Qinhuangdao) to POSCO on or before 23 September 2009; and
 - (b) the remaining 50% shall be paid by Zhongyue Posco (Qinhuangdao) to POSCO on or before 31 January 2010;
- (ii) any additional man-hour incurred shall be charged at a rate of US\$65 per man-hour during the service period; and
- (iii) any additional man-day incurred after the service period shall be charged at a rate of US\$518 per man-day.

The Company expects that under normal circumstances, no additional costs would be incurred in the provision of the technical guidance services. In the event that additional costs are incurred, the Company will re-comply with the requirements under the Listing Rules.

The consideration shall be paid by Zhongyue Posco (Qinhuangdao) to POSCO by telegraphic transfer to a bank account to be designated by POSCO. The consideration was determined after arm's length negotiation between the parties taking into account the scope of service to be provided and the estimated time cost of the manpower involved.

(B) Second Technical Guidance Agreement

Parties

- (1) Zhongyue Posco (Qinhuangdao); and
- (2) POSCO.

Details of the technical guidance services to be provided by POSCO

POSCO shall despatch technical staff to Zhongyue Posco (Qinhuangdao) to provide 25 man-month on-site technical guidance services to the staff of Zhongyue Posco (Qinhuangdao) in the PRC in relation to the operation of electrolytic tinplate production machines.

Consideration for the provision of technical guidance services

The consideration that will be payable by Zhongyue Posco (Qinhuangdao) to POSCO for the provision of technical guidance services shall comprise:

- (i) an amount of US\$288,932 (approximately HK\$2,253,670), which shall be satisfied in the following manner:
 - (a) 50% of the consideration shall be paid by Zhongyue Posco (Qinhuangdao) to POSCO on or before 30 September 2009; and
 - (b) the remaining 50% shall be paid by Zhongyue Posco (Qinhuangdao) to POSCO on or before 31 December 2009;
- (ii) any additional man-hour incurred shall be charged at a rate of US\$65 per man-hour during the service period; and
- (iii) any additional man-day incurred after the service period shall be charged at a rate of US\$518 per man-day.

The Company expects that under normal circumstances, no additional costs would be incurred in the provision of the technical guidance services. In the event that additional costs are incurred, the Company will re-comply with the requirements under the Listing Rules.

The consideration shall be paid by Zhongyue Posco (Qinhuangdao) to POSCO by telegraphic transfer to a bank account to be designated by POSCO. The consideration was determined after arm's length negotiation between the parties taking into account the scope of service to be provided and the estimated time cost of the manpower involved.

Reasons for entering into the Technical Guidance Agreements

The Board considers that it is in the interests of the Group for Zhongyue Posco (Qinhuangdao) to engage POSCO in the provision of technical guidance services as POSCO has extensive experience in the operation of electrolytic tinplate production machines and the technical guidance services to be provided by POSCO will allow Zhongyue Posco (Qinhuangdao) to enhance the effectiveness of its operational process and quality of tinplate products.

The Board (including the independent non-executive Directors) considers that the Technical Guidance Agreements fall under its ordinary and usual course of business and are on normal commercial terms which are fair and reasonable, and have been entered into after arm's length negotiation and are in the interests of the shareholders of the Company as a whole.

II. CONTINUING CONNECTED TRANSACTIONS

New Continuing Connected Transactions

(A) Sale and Purchase Framework Agreement

On 10 August 2009, Zhongyue Tinplate entered into the Sale and Purchase Framework Agreement with POSCO-Asia for the supply and sale of tinplate products by Zhongyue Tinplate to POSCO-Asia. POSCO-Asia is a wholly-owned subsidiary of POSCO, which is a substantial shareholder of Zhongyue Posco (Qinhuangdao) and therefore POSCO-Asia is a connected person of the Company under the Listing Rules. Thus, the supply and sale of tinplate products contemplated under the Sale and Purchase Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Parties

- (1) Zhongyue Tinplate; and
- (2) POSCO-Asia.

Term

The Sale and Purchase Framework Agreement shall commence upon obtaining the approval from GDH to 31 December 2010 (both dates inclusive) and thereafter renewable annually if the parties thereto do not have any written objection to such renewal on the date of expiration.

Consideration for the supply and sale of tinplate products

The price of tinplate products will be determined based on the prevailing market rate of tinplate products and after arm's length negotiation between Zhongyue Tinplate and POSCO-Asia. The tinplate products to be purchased by POSCO-Asia from Zhongyue Tinplate will be on terms no more favourable than those supplied by Zhongyue Tinplate or other members of the Group to independent third parties who are customers of the Group. The consideration of tinplate products to be purchased by POSCO-Asia will be settled by letters of credit, telegraphic transfer or otherwise as agreed from time to time by the relevant parties.

The Board considers that the supply and sale of tinplate products by Zhongyue Tinplate to POSCO-Asia will be carried out in the ordinary and usual course of business of Zhongyue Tinplate and on normal commercial terms from the perspective of Zhongyue Tinplate, and the terms of the transactions will be fair and reasonable and in the interests of the shareholders of the Company as a whole.

Reasons for the continuing connected transactions

The Board considers that it is in the interests of the Company and its shareholders for Zhongyue Tinplate to supply and sell tinplate products pursuant to the Sale and Purchase Framework Agreement as POSCO-Asia has extensive sales networks outside the PRC and that the supply and sale of tinplate products to POSCO-Asia will enable Zhongyue Tinplate to better distribute its tinplate products to overseas market.

The Board (including the independent non-executive Directors) considers that the supply and sale of tinplate products to POSCO-Asia will be carried out in the ordinary and usual course of business of the Company and is on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

Historical amount

Zhongyue Tinplate had supplied tinplates and tinplate related products to POSCO-China prior to the entering into the Sale and Purchase Framework Agreement. The transaction amounts for the supply of tinplates and tinplate related products by Zhongyue Tinplate to POSCO-China were approximately US\$4,243,205 (approximately HK\$33,097,000) and approximately US\$2,340,128 (approximately HK\$18,253,000) for the year ended 31 December 2007 and the three months ended 31 March 2008 respectively and Zhongyue Tinplate has not supplied tinplates and tinplate related products to POSCO-China since then.

Proposed annual caps for 2009 and 2010

The Board estimates that the cap for the supply and sale of tinplate products to POSCO-Asia under the Sale and Purchase Framework Agreement for the year ending 31 December 2009 will not exceed US\$1,680,000 (approximately HK\$13,104,000) and the annual cap for the supply and sale of tinplate products to POSCO-Asia under the Sale and Purchase Framework Agreement for the year ending 31 December 2010 will not exceed US\$4,410,000 (approximately HK\$34,398,000).

Such caps are determined by reference to (i) the anticipated demands of customers of POSCO-Asia outside the PRC for the year ending 31 December 2009 and 31 December 2010, respectively; and (ii) the anticipated trend of the market price of tinplate products for the year ending 31 December 2009 and 31 December 2010, respectively.

The Board (including the independent non-executive Directors) considers that the proposed caps are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Renewal of Existing Continuing Connected Transactions

(B) Framework Agreement

Reference is made to the announcement of the Company dated 5 December 2008. Pursuant to the Framework Agreement dated 11 December 2007, POSCO-China has been appointed as Zhongyue Posco (Qinhuangdao)'s export distributor and POSCO-China has nominated POSCO-Asia to carry out the related export distribution activities such that Zhongyue Posco (Qinhuangdao) will enter into individual sales contract with POSCO-Asia in relation to the supply and sale of tinplate products. Such supply and sale of tinplate products contemplated under the Framework Agreement (as renewed) will constitute continuing connected transactions of the Company under the Listing Rules because POSCO-China is a substantial shareholder of Zhongyue Posco (Qinhuangdao) and POSCO-Asia is a

wholly-owned subsidiary of POSCO, which is also a substantial shareholder of Zhongyue Posco (Qinhuangdao), and therefore both POSCO-China and POSCO-Asia are connected persons of the Company under the Listing Rules.

The provisions relating to renewal of the Framework Agreement, the appointment of POSCO-China and the distribution of tinplate products by POSCO-Asia and the determination of the consideration under the Framework Agreement (as renewed) are the same as those in the original Framework Agreement, the details of which are set out below.

Renewal

The Framework Agreement is initially for a term of one year commencing on 1 January 2008 and renewable annually if the parties thereto do not have any written objection of such renewal on the date of expiration. Each party to the Framework Agreement may terminate it at its sole discretion by serving a notice of objection to such renewal to the other parties prior to the expiration of the Framework Agreement. It is proposed that the Framework Agreement shall be renewed for one year commencing on 1 January 2010 and Zhongyue Posco (Qinhuangdao) will not give a written objection to the renewal of the Framework Agreement if the Company obtains the approval of GDH and the waiver of the Stock Exchange in the manner referred to in this announcement below.

Distribution of tinplate products

Zhongyue Posco (Qinhuangdao) has appointed and, after the renewal of the Framework Agreement, will continue to appoint POSCO-China as its export distributor of its tinplate products and in this connection, if the Framework Agreement is renewed, POSCO-Asia will continue to carry out the related export distribution for POSCO-China. POSCO-China has assured Zhongyue Posco (Qinhuangdao) that at least 35% of its tinplate products will be exported. Such 35% sales assurance is a target under the Framework Agreement (as renewed) and there will be no consequence for any failure to achieve such target. Zhongyue Posco (Qinhuangdao) will enter into individual sales contracts with POSCO-Asia in relation to the supply and sale of tinplate products.

Consideration for the supply and sale of tinplate products

The consideration (the "Consideration") for tinplate products to be purchased by POSCO-Asia from Zhongyue Posco (Qinhuangdao) for export distribution will be the Price minus the Fee. The Price will be determined based on the prevailing market prices of tinplate products and the Fee will be determined after arm's length negotiation between Zhongyue Posco (Qinhuangdao), POSCO-China and POSCO-Asia. The tinplate products to be purchased by POSCO-Asia from Zhongyue Posco (Qinhuangdao) for export distribution will be on terms no more favourable than those supplied by Zhongyue Posco (Qinhuangdao) or other members of the Group to independent third parties who are distributors of the Group. The consideration of tinplate products to be purchased by POSCO-Asia will be settled by letters of credit.

Reasons for the continuing connected transactions

The Board considers that it is in the interests of the Company and its shareholders for Zhongyue Posco (Qinhuangdao) to continue to (i) supply and sell tinplate products pursuant to the Framework Agreement; and (ii) appoint POSCO-China to be its export distributor with POSCO-Asia carrying out the export distribution on behalf of POSCO-China, as POSCO-Asia has extensive sales networks outside the PRC, and that the continuing connected transactions to be conducted pursuant to the Framework Agreement (as renewed) will enable Zhongyue Posco (Qinhuangdao) to better distribute its tinplate products to overseas market.

The Board considers that the continuing connected transactions to be conducted pursuant to the Framework Agreement (as renewed) will continue to be carried out in the ordinary and usual course of business of the Company and on normal commercial terms, and the terms of the transactions will continue to be fair and reasonable and in the interests of the Company and its shareholders as a whole.

Historical cap and proposed annual cap

Historical cap

As disclosed in the announcement dated 5 December 2008, the annual cap for the continuing connected transactions under the Framework Agreement for the year ending 31 December 2009 is US\$198,270,000 (approximately HK\$1,546,506,000). For the seven months ended 31 July 2009, according to the management accounts of Zhongyue Posco (Qinhuangdao), the aggregate of the Consideration received or to be received by Zhongyue Posco (Qinhuangdao) from POSCO-Asia was approximately US\$37,462,656 (approximately HK\$292,208,717) (the “Historical Consideration”).

Proposed cap for 2010

The Board estimates that the annual cap for the continuing connected transactions to be conducted pursuant to the Framework Agreement (as renewed) for the year ending 31 December 2010 will not exceed US\$124,609,000 (approximately HK\$971,950,200).

Such cap is determined by reference to (i) the amount of the Historical Consideration; (ii) the Company’s projection of the production of tinplate products to be manufactured by Zhongyue Posco (Qinhuangdao) for the year ending 31 December 2010; and (iii) the anticipated demand of the customers of POSCO-Asia for the year ending 31 December 2010, which is anticipated to be much higher than the year ending 31 December 2009 as a result of the gradual recovery of the global economy from the global recession and shrinking in demand for tinplate products in the first quarter of 2009.

(C) Zhongyue Tinplate Supply Agreement and Zhongyue Posco Supply Agreement

Reference is further made to the announcement of the Company dated 8 January 2007. Pursuant to the Zhongyue Tinplate Supply Agreement dated 14 September 2005 and renewed on 1 July 2009, the POSCO Group has been supplying blackplates to Zhongyue Tinplate and pursuant to the Zhongyue Posco Supply Agreement dated 21 December 2006, the POSCO Group has been supplying blackplates to Zhongyue Posco (Qinhuangdao). The supply of blackplates by the POSCO Group to Zhongyue Tinplate pursuant to the Zhongyue Tinplate Supply Agreement (as renewed) and

Zhongyue Posco (Qinhuangdao) pursuant to the Zhongyue Posco Supply Agreement (as renewed) will constitute continuing connected transactions of the Company under the Listing Rules because both POSCO and POSCO-China are substantial shareholders of Zhongyue Posco (Qinhuangdao) and therefore are connected persons of the Company under the Listing Rules.

The provisions relating to the renewal of the Zhongyue Tinplate Supply Agreement and the Zhongyue Posco Supply Agreement, the supply of blackplates by the POSCO Group to Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao) and the determination of the consideration under the Zhongyue Tinplate Supply Agreement and the Zhongyue Posco Supply Agreement (as the case maybe) are the same as those in the original Zhongyue Tinplate Supply Agreement and the Zhongyue Posco Supply Agreement (as the case maybe).

Renewal

The Zhongyue Tinplate Supply Agreement is initially for a term of one year commencing on 1 July 2005 and renewable annually thereafter if the parties thereto have no objection. The Zhongyue Posco Supply Agreement is initially for a term of one year commencing on 1 October 2006 and renewable annually thereafter if the parties thereto have no objection. The Zhongyue Tinplate Supply Agreement was renewed on 1 July 2009. It is proposed that the Zhongyue Posco Supply Agreement shall be renewed for one year commencing on 1 October 2009 and Zhongyue Industry will not give a written objection to the such renewal if the Company obtains the approval of GDH and the waiver of the Stock Exchange in the manner referred to in this announcement below.

Supply of blackplates by the POSCO Group

The POSCO Group has been supplying blackplates, and after the renewal of the Zhongyue Posco Supply Agreement, will continue to supply blackplates to Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao), respectively.

Consideration for the purchase of blackplates

The price of blackplates supplied by the POSCO Group to Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao) has been and will be determined based on the prevailing market rate of blackplates and after arm's length negotiation among the parties concerned.

The consideration of blackplates purchased by Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao) will be settled by letters of credit, documents against acceptance or otherwise as agreed from time to time by the relevant parties.

Reasons for the continuing connected transactions

The Board considers that it is in the interests of the Company and its shareholders for Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao) to purchase blackplates from the POSCO Group, as POSCO is a market leader in the steel production business (which includes the manufacture of blackplates), the continuing connected transactions to be conducted pursuant to the Zhongyue Tinplate Supply Agreement and Zhongyue Posco Supply Agreement will assure stability in the supply of blackplates to the Group.

The Board considers that the supply of blackplates by the POSCO Group to Zhongyue Tinplate pursuant to the Zhongyue Tinplate Supply Agreement (as renewed) and Zhongyue Posco (Qinhuangdao) pursuant to the Zhongyue Posco Supply Agreement (as renewed) will continue to be carried out in the ordinary and usual course of business of Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao), respectively, and on normal commercial terms from the perspective of Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao), respectively, and the terms of the transactions will continue to be fair and reasonable and in the interests of the shareholders of the Company as a whole.

Historical cap and proposed annual cap

Historical cap

As disclosed in the announcement dated 8 January 2007, the annual cap for the supply of blackplates by the POSCO Group to Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao) on aggregated basis for the year ending 31 December 2009 is US\$317,830,000 (approximately HK\$2,479,074,000). For the seven months ended 31 July 2009, according to the management accounts of Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao), the supply of blackplates by the POSCO Group to Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao) on aggregated basis was approximately US\$56,354,645 (approximately HK\$439,566,231) (“Historical Purchases”).

Proposed cap for 2010

The Board estimates that the annual cap for the supply of blackplates by the POSCO Group to Zhongyue Tinplate pursuant to the Zhongyue Tinplate Supply Agreement (as renewed) and Zhongyue Posco (Qinhuangdao) pursuant to the Zhongyue Posco Supply Agreement (as renewed) for the year ending 31 December 2010 will not exceed US\$235,200,000 (approximately HK\$1,834,560,000). Such cap is determined with reference to (i) the amount of the Historical Purchases; (ii) the Company’s projection of the production of the tinsplates and related products to be manufactured by Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao), which in turn are based on:

1. the Company’s projection of the production of tinsplates and related products to be manufactured by Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao) for the year ending 31 December 2010;
2. the current price level of blackplates;
3. the anticipated price level of blackplates for the year ending 31 December 2010, which is anticipated to be higher than those for the year ending 31 December 2009; and
4. the anticipated demand of the customers of Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao) for the year ending 31 December 2010, which is anticipated to be much higher than the year ending 31 December 2009 as a result of the gradual recovery of the global economy from the global recession and shrinking in demand for tinsplate products in the first quarter of 2009.

LISTING RULES IMPLICATIONS

The First Technical Guidance Agreement and the Second Technical Guidance Agreement constitute connected transactions for the Company and the transaction amounts thereunder, when aggregated, are subject to reporting and announcement requirements pursuant to Rule 14A.32 of the Listing Rules but are exempted from independent shareholders' approval requirements as all the applicable percentage ratios stipulated under Rule 14A.32 of the Listing Rules (other than the profits ratio) are less than 2.5%.

The maximum transaction amount contemplated under the Sale and Purchase Framework Agreement for the year ending 31 December 2009 is subject to the reporting and announcement requirements pursuant to Rule 14A.34 of the Listing Rules but are exempted from independent shareholders' approval requirements as all of the applicable percentage ratios (other than the profits ratio) are less than 2.5%.

As one or more of the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) of the proposed annual cap for each of the Relevant Continuing Connected Transactions for the year ending 31 December 2010 are more than 2.5% and each of the proposed annual caps is more than HK\$10,000,000, in accordance with Chapter 14A of the Listing Rules, they are subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules and will be subject to the annual review requirements of Rules 14A.37 and 14A.38.

However, since:

- (i) GDH holds 537,198,868 Shares (representing approximately 59.32% of the Company's issued share capital) giving the right to attend and vote at the Company's shareholders' meeting;
- (ii) none of the shareholders of the Company is required to abstain from voting if the Company were to convene a general meeting for the approval of the Relevant Continuing Connected Transactions; and
- (iii) the Company is in the process of obtaining a written approval from GDH to approve the Relevant Continuing Connected Transactions in lieu of holding a formal shareholders' meeting of the Company,

if the written approval from GDH is obtained and the Stock Exchange grants the waiver pursuant to Rule 14A.43, no shareholders' meeting of the Company will be required for the purposes of the Listing Rules. An application will be made by the Company to the Stock Exchange in accordance with Rule 14A.43 of the Listing Rules for waiving the independent shareholders' approval requirement.

An independent board committee comprising the independent non-executive Directors is appointed to consider the terms of the Relevant Continuing Connected Transactions and the relevant annual caps and to advise the independent shareholders of the Company as to whether the Relevant Continuing Connected Transactions and the relevant annual caps are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole. An independent financial adviser will be appointed to advise the independent board committee of the Company and the independent shareholders of the Company on the fairness and reasonableness of the terms of the Relevant Continuing Connected Transactions and the relevant annual caps.

INFORMATION ON THE COMPANY

The Company and its subsidiaries are principally engaged in manufacture and sale of tinplates and related products, development and leasing of properties, distribution and sales of fresh and live foodstuffs and foodstuffs trading.

INFORMATION ON ZHONGYUE INDUSTRY

Zhongyue Industry is an indirect wholly-owned subsidiary of the Company and is an investment holding company of its subsidiaries which are principally engaged in the manufacture and sale of tinplates and related products.

INFORMATION ON ZHONGYUE POSCO (QINHUANGDAO)

Zhongyue Posco (Qinhuangdao) is an indirect non wholly-owned subsidiary of the Company and is principally engaged in the manufacture and sale of tinplates and related products.

INFORMATION ON ZHONGYUE TINPLATE

Zhongyue Tinplate is an indirect wholly-owned subsidiary of the Company and is principally engaged in the manufacture and sale of tinplates and related products.

INFORMATION ON POSCO

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 as registered common stock and on the New York Stock Exchange, the London Stock Exchange and the Tokyo Stock Exchange as depository receipts.

INFORMATION ON POSCO-CHINA

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

INFORMATION ON POSCO-ASIA

POSCO-Asia is a wholly-owned subsidiary of POSCO and is principally engaged in the trading of steel and tinplate products.

DESPATCH OF CIRCULAR

A circular containing, among others, (i) further details of the Relevant Continuing Connected Transactions; (ii) a letter from the independent board committee to the independent shareholders of the Company in relation to the Relevant Continuing Connected Transactions; (iii) a letter of advice from the independent financial adviser to the independent board committee and the independent shareholders of the Company in relation to the Relevant Continuing Connected Transactions, will be sent to the shareholders of the Company in due course.

DEFINITIONS

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

“Board”	the board of Directors;
“Company”	Guangnan (Holdings) Limited, the shares of which are listed on the Stock Exchange;
“Directors”	directors of the Company;
“Fee”	1.5% of free on board (“FOB”) Qinhuangdao price of each individual sales contract to be entered into between POSCO-Asia and its overseas customers for the sale of tinplate products supplied by Zhongyue Posco (Qinhuangdao). The FOB Qinhuangdao price is the price of the relevant tinplate products only, which is different from the Price, as the Price may include the transportation expenses, insurance and other related expenses to be incurred for the delivery of tinplate products from Qinhuangdao to the overseas customers;
“First Technical Guidance Agreement”	the first technical guidance agreement dated 10 August 2009 entered into between Zhongyue Posco (Qinhuangdao) and POSCO of which the services shall be provided from August 2009 to January 2010;
“Framework Agreement”	the framework agreement dated 11 December 2007 entered into between Zhongyue Posco (Qinhuangdao), POSCO-China and POSCO-Asia;
“GDH”	GDH Limited, a company incorporated in Hong Kong with limited liability and is the controlling shareholder of the Company holding approximately 59.32% of the issued share capital of the Company as at the date of this announcement;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“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”	株式會社 POSCO (POSCO Co., Ltd.), a company incorporated in Korea, the shares of which are listed and traded on the Korea Stock Exchange as registered common stock and on the New York Stock Exchange, the London Stock Exchange and the Tokyo Stock Exchange as depository receipts;
“POSCO Group”	POSCO and its subsidiaries;
“POSCO-Asia”	POSCO Asia Company Limited (浦亞實業有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of POSCO;

“POSCO-China”	浦項(中國)投資有限公司 (POSCO-China Holding Corporation), a company incorporated in the PRC and a wholly-owned subsidiary of POSCO;
“PRC”	the People’s Republic of China (which, for the purposes of this announcement, excluding Hong Kong, Macau and Taiwan);
“Price”	the contract price of each individual sales contract to be entered into between POSCO-Asia and its overseas customers for the sale of the tinsplate products supplied by Zhongyue Posco (Qinhuangdao);
“Relevant Continuing Connected Transactions”	the continuing connected transactions to be conducted pursuant to the Sale and Purchase Framework Agreement, the continuing connected transactions to be conducted pursuant to the Framework Agreement (as renewed) and the supply of blackplates by the POSCO Group to Zhongyue Tinsplate pursuant to the Zhongyue Tinsplate Supply Agreement (as renewed) and Zhongyue Posco (Qinhuangdao) pursuant to the Zhongyue Posco Supply Agreement (as renewed);
“Sale and Purchase Framework Agreement”	the sale and purchase framework agreement dated 10 August 2009 entered into between Zhongyue Tinsplate and POSCO-Asia;
“Second Technical Guidance Agreement”	the second technical guidance agreement dated 10 August 2009 entered into between Zhongyue Posco (Qinhuangdao) and POSCO of which the services shall be provided from August 2009 to December 2009;
“Shares”	shares of HK\$0.50 each in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Technical Guidance Agreements”	First Technical Guidance Agreement and Second Technical Guidance Agreement;
“US\$”	United States dollar, the lawful currency of the United States of America;
“Zhongyue Industry”	Zhongyue Industry Material Limited (中粵材料有限公司), a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company;
“Zhongyue Posco (Qinhuangdao)”	中粵浦項(秦皇島)馬口鐵工業有限公司 (Zhongyue Posco (Qinhuangdao) Tinsplate Industrial Co., Ltd.), a 外商合資有限公司 (foreign joint venture limited company) incorporated 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;
“Zhongyue Posco Supply Agreement”	the agreement dated 21 December 2006 entered into between POSCO, POSCO-China and Zhongyue Industry for the supply of blackplates by the POSCO Group to Zhongyue Posco (Qinhuangdao);

- “Zhongyue Tinplate” 中山中粵馬口鐵工業有限公司 (Zhongshan Zhongyue Tinplate Industrial Co., Ltd.), a Sino-foreign equity joint venture company established in the PRC on 22 June 1989 and is currently an indirect wholly-owned subsidiary of the Company;
- “Zhongyue Tinplate Supply Agreement” the agreement dated 14 September 2005 entered into between POSCO, POSCO-China and Zhongyue Tinplate for the supply of blackplates by the POSCO Group to Zhongyue Tinplate; and
- “%” per cent.

Conversion of Hong Kong dollars into United States dollars is based on the exchange rate of US\$1.00 = HK\$7.80.

The exchange rate referred to above is for the use in this announcement and for illustration purpose only, and no representation is made or given that any amount in any currency referred to above can be converted at such rate or any other rate.

By Order of the Board
Liang Jiang
Chairman

Hong Kong, 10 August 2009

As at the date of this announcement, the Board comprises three executive Directors, namely Messrs. Liang Jiang, Tan Yunbiao and Sung Hem Kuen, three non-executive Directors, namely Messrs. Huang Xiaofeng, Luo Fanyu and Ms. Hou Zhuobing, and three independent non-executive Directors, namely Mr. Gerard Joseph McMahon, Ms. Tam Wai Chu, Maria and Mr. Li Kar Keung, Caspar.