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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)

ANNOUNCEMENT

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

This announcement is made pursuant to Rule 13.18 of the Listing Rules.

The board of directors of the Company announces that ZIML (a wholly-owned subsidiary of the Company) has obtained a term loan facility in the principal amount of up to HK\$160,000,000. The Loan Agreement contains provisions which require GDH to maintain a minimum shareholding in, as well as an effective management control over, the Company.

This announcement is made pursuant to Rule 13.18 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The board of directors of Guangnan (Holdings) Limited (the "Company", together with its subsidiaries shall be referred to as the "Group") announces that on 14 June 2010, Zhongyue Industry Material Limited ("ZIML", a wholly-owned subsidiary of the Company) entered into a facility agreement (the "Loan Agreement") for a term loan facility in the principal amount of up to HK\$160,000,000; the lender for such loan facility is The Hongkong and Shanghai Banking Corporation Limited (the "Lender"). The loan facility is granted to ZIML for the purpose of financing its general corporate financing requirements. Under the Loan Agreement, the Company has agreed to guarantee in respect of the repayment obligation of ZIML. The loan facility is available for drawdown for a 3-month period and the loan(s) made under the Loan Agreement shall be repaid within 24 months from the date of the Loan Agreement.

It is provided in the Loan Agreement that if GDH Limited (“GDH”) ceases to maintain (i) a direct or indirect holding of 50% or more of the voting share capital of the Company, or (ii) an effective management control over the Company, the Lender shall, by not less than 15 days’ prior notice to ZIML, declare that all outstanding loan(s) under the Loan Agreement and all accrued interest and other amounts thereunder will become immediately due and payable. At the date of this announcement, GDH is the controlling shareholder of the Company and it holds approximately 59.30% of the existing issued share capital of the Company.

The Company shall continue to make relevant disclosure in the subsequent interim and annual reports of the Company pursuant to Rule 13.21 of the Listing Rules for as long as circumstances giving rise to the obligation under Rule 13.18 of the Listing Rules continue to exist.

By Order of the Board

LIANG Jiang

Chairman

Hong Kong, 14 June 2010

As at the date of this announcement, the Board is composed of four executive directors, namely Messrs. Liang Jiang, Li Li, Tan Yunbiao and Sung Hem Kuen; three non-executive directors, namely Mr. Huang Xiaofeng, Mr. 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.