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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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)**

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

**Independent Financial Adviser to the  
Independent Board Committee and Independent Shareholders  
of Guangnan (Holdings) Limited**



**CIMB Securities (HK) Limited**

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A letter from the Board is set out on pages 4 to 12 of this circular. A letter from the Independent Board Committee is set out on page 13 of this circular. A letter from CIMB Securities (HK) Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 23 of this circular.

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## DEFINITIONS

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

“Board”	the board of Directors;
“Company”	Guangnan (Holdings) Limited, the Shares of which are listed on the Stock Exchange;
“Directors”	the 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 its overseas customers;
“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 59.21% of the issued share capital of the Company as at the date of this circular;
“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;
“Independent Board Committee”	a committee of the Board comprising Mr. Gerard Joseph McMahon, Ms. Tam Wai Chu, Maria, and Mr. Li Kar Keung, Caspar, being the independent non-executive Directors;
“Independent Financial Adviser”	CIMB Securities (HK) Limited, a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) 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 Relevant Continuing Connected Transactions and the annual caps in relation to the Relevant Continuing Connected Transactions;

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## DEFINITIONS

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“Independent Shareholders”	has the meaning ascribed to it in Chapter 14A of the Listing Rules;
“Latest Practicable Date”	30 December 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“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-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;
“POSCO Group”	POSCO and its subsidiaries;
“PRC”	The People’s Republic of China;
“Price”	the contract 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);
“Relevant Continuing Connected Transactions”	(i) the continuing connected transactions to be conducted pursuant to the Framework Agreement (as renewed) and (ii) 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);
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
“Shares”	shares of HK\$0.50 each in the share capital of the Company;
“Shareholder(s)”	shareholder(s) of the Company;

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“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) Tinplate Industrial Co., Ltd.), an equity joint venture incorporated on 16 February 2007 in accordance with the 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 wholly foreign-owned enterprise 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 circular and for illustration purpose only; 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.*



**GUANGNAN (HOLDINGS) LIMITED**

**廣南(集團)有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 1203)**

*Executive Directors:*

Liang Jiang (*Chairman*)  
Li Li (*Deputy Chairman*)  
Tan Yunbiao (*General Manger*)  
Sung Hem Kuen (*Chief Financial Officer*)

*Registered office:*

22/F., Tesbury Centre  
No. 24–32 Queen's Road East  
Hong Kong

*Non-Executive Directors:*

Huang Xiaofeng  
Luo Fanyu  
Liang Jianqin

*Independent Non-Executive Directors:*

Gerard Joseph McMahon  
Tam Wai Chu, Maria  
Li Kar Keung, Caspar

5 January 2012

*To the Shareholders*

Dear Sirs,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

**1. INTRODUCTION**

Reference is made to the announcement dated 13 December 2011 regarding the continuing connected transactions arising from, inter alia, (i) the renewal of the Framework Agreement; and (ii) the renewal of the Zhongyue Tinplate Supply Agreement and the Zhongyue Posco Supply Agreement.

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## LETTER FROM THE BOARD

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### **2. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS CONTEMPLATED UNDER THE FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 13 December 2010. 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 the 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. It is proposed that the Framework Agreement shall be renewed for one year commencing on 1 January 2012 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 circular.

#### **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.

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## LETTER FROM THE BOARD

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### **Consideration for the supply and sale of tinplate products**

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 price of tinplate products and the Fee has been 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 favorable than those supplied by Zhongyue Posco (Qinhuangdao) or other members of the Group to independent third parties who are/were distributors of the Group. The consideration of tinplate products to be purchased by POSCO-Asia will be settled by letters of credit 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 the 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 continue to enable Zhongyue Posco (Qinhuangdao) to better distribute its tinplate products to overseas market.

The Board (including the independent non-executive Directors) 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 the Shareholders as a whole.

### **Historical cap and historical amounts**

As disclosed in the announcement dated 13 December 2010, the annual cap for the continuing connected transactions under the Framework Agreement for the year ended 31 December 2011 was US\$134,952,000 (approximately HK\$1,052,626,000). For the ten months ended 31 October 2011, according to the management accounts of Zhongyue Posco (Qinhuangdao), the aggregate amounts received or to be received by Zhongyue Posco (Qinhuangdao) from POSCO-Asia was approximately US\$97,224,000 (approximately HK\$758,347,000) (the "Historical Qinhuangdao Sales Amount").

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## LETTER FROM THE BOARD

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### **Proposed annual cap for 2012**

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 2012 will not exceed US\$130,095,000 (approximately HK\$1,014,741,000).

Such cap is determined by reference to (i) the Historical Qinhuangdao Sales Amount; (ii) the Company's projection of the production volume of tinplate products to be manufactured by Zhongyue Posco (Qinhuangdao) for the year ending 31 December 2012; (iii) the current selling price, which is determined based on market price, of tinplate products; and (iv) the anticipated demand of the customers of POSCO-Asia for the year ending 31 December 2012.

To the best of the knowledge, information and belief of the Directors, none of them has any material interest in the Framework Agreement.

The Board (including the independent non-executive Directors) considers that the proposed cap is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **3. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS CONTEMPLATED UNDER THE ZHONGYUE TINPLATE SUPPLY AGREEMENT AND THE ZHONGYUE POSCO SUPPLY AGREEMENT**

Reference is made to the announcement of the Company dated 13 December 2010. Pursuant to the Zhongyue Tinplate Supply Agreement dated 14 September 2005, which was renewed on 1 July 2011, the POSCO Group has been supplying blackplates to Zhongyue Tinplate and pursuant to the Zhongyue Posco Supply Agreement dated 21 December 2006, which was renewed on 1 October 2011, 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 POSCO is a substantial shareholder of Zhongyue Posco (Qinhuangdao) and therefore POSCO Group is regarded as 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 may be) are the same as those in the original Zhongyue Tinplate Supply Agreement and the Zhongyue Posco Supply Agreement (as the case may be).

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## LETTER FROM THE BOARD

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### **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 2011 for one year. The Zhongyue Posco Supply Agreement was renewed on 1 October 2011 for one year.

### **Supply of blackplates by the POSCO Group**

The POSCO Group has been supplying blackplates, and after the renewal of the Zhongyue Tinplate Supply Agreement and 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 price 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 the 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 manufacture of blackplates), the continuing connected transactions to be conducted pursuant to the Zhongyue Tinplate Supply Agreement and the Zhongyue Posco Supply Agreement will assure stability in the supply of blackplates to the Group.

The Board (including the independent non-executive Directors) 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 Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### **Historical cap and historical amounts**

As disclosed in the announcement dated 13 December 2010, the annual cap for the supply of blackplates by the POSCO Group to Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao) on an aggregated basis for the year ended 31 December 2011 was US\$231,525,000 (approximately HK\$1,805,895,000). For the ten months ended 31 October 2011, 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 an aggregated basis was approximately US\$138,576,000 (approximately HK\$1,080,893,000) (“Historical Purchase Amount”).

### **Proposed annual cap for 2012**

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) on an aggregated basis for the year ending 31 December 2012 will not exceed US\$207,900,000 (approximately HK\$1,621,620,000).

Such cap is determined by reference to (i) the Historical Purchase Amount; (ii) the Company’s projection of the production volume of the tinplate products to be manufactured by Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao) for the year ending 31 December 2012; (iii) the current price level of blackplates; and (iv) the anticipated demand of the customers of Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao) for the year ending 31 December 2012.

To the best of the knowledge, information and belief of the Directors, none of them has any material interest in the Zhongyue Tinplate Supply Agreement and the Zhongyue Posco Supply Agreement.

The Board (including the independent non-executive Directors) considers that the proposed cap is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **4. LISTING RULES IMPLICATIONS**

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 2012 are more than 5% and each of the proposed annual caps is more than HK\$10,000,000, in accordance with Chapter 14A of the Listing Rules, the Company must re-comply with Rule 14A.35 (3) and (4) of the Listing Rules and therefore the Relevant Continuing Connected Transactions 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 of the Listing Rules.

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## LETTER FROM THE BOARD

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However:

- (a) GDH holds 537,198,868 Shares (representing approximately 59.21% of the Company's issued share capital) giving the right to attend and vote at the Company's Shareholders' meeting;
- (b) none of the Shareholders is required to abstain from voting if the Company were to convene a general meeting for the approval of the Relevant Continuing Connected Transactions;
- (c) the Company has obtained a written approval from GDH to approve the Relevant Continuing Connected Transactions in lieu of holding a formal Shareholders' meeting of the Company; and
- (d) the Stock Exchange has granted a waiver pursuant to Rule 14A.43 of the Listing Rules in relation to the Independent Shareholders' approval,

no Shareholders' meeting of the Company is required for the said purposes of the Listing Rules.

### 5. INFORMATION ON THE GROUP

#### **Information on the Company**

The Company and its subsidiaries are principally engaged in the manufacture and sale of tinplates and related products, 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.

**6. INFORMATION ON THE COUNTERPARTIES**

**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.

**7. INDEPENDENT ADVICE**

**Independent Board Committee**

An Independent Board Committee formed by the independent non-executive Directors (namely, Mr. Gerard Joseph McMahon, Ms. Tam Wai Chu, Maria and Mr. Li Kar Keung, Caspar) has been appointed by the Company to consider the terms of the Relevant Continuing Connected Transactions and the annual caps in relation thereto. The Independent Board Committee has been appointed to advise the Independent Shareholders as to whether the terms of the Relevant Continuing Connected Transactions and the annual caps in relation thereto are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**Independent Financial Adviser**

The Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Relevant Continuing Connected Transactions and the annual caps in relation to the Relevant Continuing Connected Transactions.

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## LETTER FROM THE BOARD

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### 8. FURTHER INFORMATION

Your attention is drawn to (i) the letter setting out the advice from the Independent Board Committee to the Independent Shareholders, which is set out on page 13 of this circular; (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 terms of the Relevant Continuing Connected Transactions and the annual caps in relation thereto, which is set out on pages 14 to 23 of this circular; and (iii) the additional information set out in the Appendix of this circular.

Yours faithfully,  
By Order of the Board  
**GUANGNAN (HOLDINGS) LIMITED**  
**Liang Jiang**  
*Chairman*



**GUANGNAN (HOLDINGS) LIMITED**

**廣南(集團)有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 1203)**

5 January 2012

*To the Independent Shareholders*

Dear Sirs,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular of the Company dated 5 January 2012 (the “Circular”), of which this letter forms part. Terms defined herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

We, being the Directors constituting the Independent Board Committee, have been appointed by the Board to advise you as to whether the Relevant Continuing Connected Transactions and the annual caps in relation thereto are fair and reasonable insofar as the Independent Shareholders are concerned.

We wish to draw your attention to the letter from the Board, which is set out on pages 4 to 12 of the Circular, and the letter of advice from CIMB Securities (HK) Limited, the Independent Financial Adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders, setting out its advice to us in respect of the Relevant Continuing Connected Transactions and the annual caps in relation thereto, as set out on pages 14 to 23 of the Circular.

Having considered the terms of the Relevant Continuing Connected Transactions and the annual caps in relation thereto and the advice of CIMB Securities (HK) Limited, we are of the opinion that the terms of the Relevant Continuing Connected Transactions are on normal commercial terms, the Relevant Continuing Connected Transactions and the annual caps in relation thereto are fair and reasonable insofar as the Independent Shareholders are concerned and the Relevant Continuing Connected Transactions and the annual caps in relation thereto are in the interests of the Company and the Shareholders as a whole.

Yours faithfully,  
For and on behalf of  
the Independent Board Committee  
**Li Kar Keung, Caspar**  
*Independent non-executive Director*



**CIMB Securities (HK) Limited**

Units 7706–08, Level 77  
International Commerce Centre  
1 Austin Road West  
Kowloon, Hong Kong

5 January 2012

*To the Independent Board Committee and  
the Independent Shareholders of Guangnan (Holdings) Limited*

Dear Sirs,

## **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

### **INTRODUCTION**

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Relevant Continuing Connected Transactions and the proposed annual caps (the “Proposed Annual Caps”) in respect of the Framework Agreement (as renewed), Zhongyue Tinplate Supply Agreement (as renewed) and Zhongyue Posco Supply Agreement (as renewed), details of which are set out in the letter from the Board (the “Letter from the Board”) as contained in the circular of the Company to the Shareholders dated 5 January 2012 (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

The arrangements contemplated under the Framework Agreement (as renewed), Zhongyue Tinplate 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 POSCO-Asia is a wholly-owned subsidiary of POSCO, and therefore are connected persons of the Company under the Listing Rules.

An Independent Board Committee comprising Mr. Gerard Joseph McMahon, Ms. Tam Wai Chu, Maria and Mr. Li Kar Keung, Caspar, being the independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the Relevant Continuing Connected Transactions and the Proposed Annual Caps. As none of the Shareholders is required to abstain from voting if the Company was to convene a general meeting for the purpose of approving the Relevant Continuing Connected Transactions and the Proposed Annual Caps, the Company has obtained a written approval from GDH who holds approximately 59.21% of the Company’s issued share

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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capital to approve the Relevant Continuing Connected Transactions and the Proposed Annual Caps in lieu of holding a formal Shareholders' meeting of the Company. The Stock Exchange has granted the waiver pursuant to Rule 14A.43 of the Listing Rules, and no shareholders' meeting of the Company will be required to be convened for the approval of the Relevant Continuing Connected Transactions and the Proposed Annual Caps.

### **BASIS OF OUR OPINION**

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and senior management of the Company. The Directors have declared in a responsibility statement set out in the Appendix to the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and senior management of the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, POSCO or any of their respective subsidiaries or associates.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the Relevant Continuing Connected Transactions and the Proposed Annual Caps, we have considered the following principal factors and reasons:

#### **Background and rationale**

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

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

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York Stock Exchange, the London Stock Exchange and the Tokyo Stock Exchange as depository receipts. POSCO-China is a wholly-owned subsidiary of POSCO and is principally engaged in investment holding. POSCO-Asia is a wholly-owned subsidiary of POSCO and is principally engaged in the trading of steel and tinplate products.

Under usual and ordinary course of business of the Group, members of the Group have been (i) selling tinplate products to members of the POSCO Group; and (ii) purchasing blackplates from members of the POSCO Group. Set out below are the agreements governing the sale and purchase of tinplate products and blackplates by the Group to and from the POSCO Group.

### *Framework Agreement*

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. It is proposed that the Framework Agreement shall be renewed for one year commencing on 1 January 2012. Pursuant to the Framework Agreement, Zhongyue Posco (Qinhuangdao) will continue to appoint POSCO-China as its export distributor for the sale of its tinplate products and POSCO-China will continue to nominate POSCO-Asia to carry out the related export distribution activities for POSCO-China. Zhongyue Posco (Qinhuangdao) will enter into individual sales contract with POSCO-Asia in relation to the supply and sale of tinplate products. POSCO-China has assured that at least 35% of the tinplate products produced by Zhongyue Posco (Qinhuangdao) will be exported. However, such 35% sales assurance is only a target aiming to be achieved by the parties to the Framework Agreement and there will be no consequence for any failure to achieve such target. The Board considers that it is in the interests of the Company and the Shareholders for Zhongyue Posco (Qinhuangdao) to continue to (i) supply and sell tinplate products pursuant to the Framework Agreement (as renewed); 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 transactions to be conducted pursuant to the Framework Agreement (as renewed) will continue to enable Zhongyue Posco (Qinhuangdao) to better distribute its tinplate products to overseas market.

### *Zhongyue Tinplate Supply Agreement and Zhongyue Posco Supply Agreement*

Pursuant to the Zhongyue Tinplate Supply Agreement which was renewed on 1 July 2011 for one year and the Zhongyue Posco Supply Agreement which was renewed on 1 October 2011 for one year, the POSCO Group has been supplying blackplates, and after the renewal of the Zhongyue Tinplate Supply Agreement and the Zhongyue Posco Supply Agreement, will continue to supply blackplates to Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao), respectively. The Board considers that it is in the interests of the Company and the 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, including the manufacture of blackplates, and the transactions to be

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conducted pursuant to the Zhongyue Tinplate Supply Agreement (as renewed) and Zhongyue Posco Supply Agreement (as renewed) will assure stability in the supply of blackplates to the Group.

### *Views*

Given the fact that (i) the nature of the Relevant Continuing Connected Transactions is in line with the usual and ordinary course of business of the Group; (ii) the Relevant Continuing Connected Transactions will enable Zhongyue Posco (Qinhuangdao) to better distribute its tinplate products to overseas market and ensure a stable supply of blackplates to the Group; and (iii) the Relevant Continuing Connected Transactions will be conducted on normal commercial terms and on terms no more favourable than terms available to independent third parties (as explained below), we consider that the Relevant Continuing Connected Transactions as contemplated under the Framework Agreement (as renewed), the Zhongyue Tinplate Supply Agreement (as renewed) and Zhongyue Posco Supply Agreement (as renewed) are in the interests of the Company and the Shareholders as a whole.

### **Basis of determination**

Pursuant to the Framework Agreement, the consideration of the tinplate products to be purchased by POSCO-Asia from Zhongyue Posco (Qinhuangdao) for the export distribution to be carried out by POSCO-Asia will be the Price minus the Fee (being 1.5% of free on board 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 Price will be determined based on the prevailing market price of tinplate products and the Fee has been determined after arm's length negotiation between Zhongyue Posco (Qinhuangdao), POSCO-China and POSCO-Asia. In considering the reasonableness of the Fee, we have reviewed a distribution agreement between the Group and an independent distribution agent entered into in February 2008 but expired in January 2009 (the "Independent Distribution Agreement"). We note that the commission payable to the independent distribution agent of 1.34% is slightly less than the Fee. There were no new distribution agreements between the Group and any independent distribution agent since 2009. As advised by the management of the Company, the commission rates payable to distribution agents are normally determined based on their ability of generating sales to the Group. As advised by the management of the Company, POSCO-China has been exporting approximately 60%, 66% and 68% of the total sales of Zhongyue Posco (Qinhuangdao) through the overseas sales network of POSCO-Asia in the Middle East, the Southeast Asia, Europe and Africa in 2009, 2010 and the first ten months of 2011, respectively. We note that the actual sales volume under the Independent Distribution Agreement represented less than 10% of the total sales volume generated by POSCO-Asia under the Framework Agreement in 2008. In addition, we also noted from the Independent Distribution Agreement that the independent distribution agent was only responsible for distribution in the Chongqing and Sichuan Province of the PRC, whereas POSCO-Asia has extensive sales network overseas. As such, the substantial sales-generating potential of POSCO-China was considered a valuable competency which can justify the

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slightly higher commission rate than that payable to the independent distribution agent under the Independent Distribution Agreement. Given the above, we find the explanation given by the management of the Company commercially acceptable.

Zhongyue Posco (Qinhuangdao) did not engage any independent distribution agent since 2009 and its tinplate products were sold either through POSCO-Asia or sold directly to end customers. Despite the difference in pricing basis, we consider the price for selling of tinplate products to direct end customers still provides a reasonable reference in accessing the selling price of tinplate products to POSCO-Asia. As an additional reference, we have reviewed, on a sample basis, sales invoices for the selling of tinplate products by Zhongyue Posco (Qinhuangdao) directly to independent end customers and sales invoices to POSCO-Asia and noted that the selling prices of tinplate products to independent end customers were comparable to the consideration received from POSCO-Asia based on a Price minus the Fee basis.

Given the above, we are of the opinion that the Fee is no more favourable as compared with the commission payable to the independent distribution agent after taking into account the significant historical sales volume generated by POSCO-China in 2009, 2010 and the first ten months of 2011 and we consider that the terms of the Framework Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Pursuant to the Zhongyue Tinplate Supply Agreement and Zhongyue Posco Supply Agreement, as 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 price of blackplates and after arm's length negotiation among the parties concerned. We have reviewed, on a sample basis, sales invoices from independent third parties for the Group's purchase of blackplates and note that the prices of blackplates purchased from POSCO Group were comparable to the prices of blackplates purchased from the independent third parties and we consider that the terms of the Zhongyue Tinplate Supply Agreement and Zhongyue Posco Supply Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

## **The Proposed Annual Caps**

### *Framework Agreement*

The proposed annual cap for the transactions contemplated under the Framework Agreement (as renewed) will not exceed US\$130,095,000 (approximately HK\$1,014,741,000) for the year ending 31 December 2012. The Directors have determined the proposed annual cap with reference to the following principal factors:

- the aggregate amounts received or to be received by Zhongyue Posco (Qinhuangdao) from POSCO-Asia of approximately US\$97,224,000 (approximately HK\$758,347,000) for the ten months ended 31 October 2011 (the “Historical Qinhuangdao Sales Amount”);
- the Company’s projection of the production volume of the tinplate products to be manufactured by Zhongyue Posco (Qinhuangdao) for the year ending 31 December 2012;
- the current selling price, which is determined based on market price, of tinplate products; and
- the anticipated demand of the customers of POSCO-Asia for the year ending 31 December 2012.

We note that the proposed annual cap for the transactions contemplated under the Framework Agreement for the year ending 31 December 2012 represents an increase to the annualised amount of the Historical Qinhuangdao Sales Amount. We understand from the management of the Company that it is a strategy of the Group to increase its production volume of the tinplate products in order to increase the Group’s turnover and profit from operations by lowering the unit production cost and achieving economies of scale. We note from the Company’s interim report for six months ended 30 June 2011 (the “Interim Report”) that, the increasingly sufficient supply of major raw materials, excessive supply in the iron and steel industry and the pressure on the selling price of tinplate products under intense competition, coupled with the rise in various costs, all contributed to the lower gross profit margin of the Group’s tinplating business for the first half of 2011. It is expected that the prices of iron and steel products will remain volatile in the second half of the year. As such, the Group will take advantage of the increasingly sufficient supply of major raw materials to fully utilise the production capacity of its tinplating plants based in the northern and southern China in order to lower the unit production cost and achieve economies of scale. We have also reviewed the information provided by the management of the Company including, (i) the projected production volume of tinplate products by Zhongyue Posco (Qinhuangdao) of 180,000 tonnes for the year ending 31 December 2012 of which we note is within the maximum annual production capacity of Zhongyue Posco (Qinhuangdao) of 250,000 tonnes; and (ii) the anticipated demand from the customers of POSCO-Asia of tinplate products for the year ending 31 December 2012 with reference to the Historical Qinhuangdao Sales Amount and the discussion between the management of POSCO-Asia and the Company, and concur that the basis of estimating the volume for the relevant proposed annual cap is reasonable. We have also reviewed the historical selling

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price of the tinplate products of Zhongyue Posco (Qinhuangdao) for the first ten months of 2011 and noted that the price of tinplate products used in determining the proposed annual cap is comparable to the historical selling price of the tinplate products.

### *Zhongyue Tinplate Supply Agreement and Zhongyue Posco Supply Agreement*

The proposed annual cap for the transactions contemplated under the Zhongyue Tinplate Supply Agreement (as renewed) and Zhongyue Posco Supply Agreement (as renewed) on an aggregated basis will not exceed US\$207,900,000 (approximately HK\$1,621,620,000) for the year ending 31 December 2012. The Directors have determined the proposed annual cap with reference to the following principal factors:

- the historical supply of blackplates by the POSCO Group to Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao) on an aggregated basis of approximately US\$138,576,000 (approximately HK\$1,080,893,000) for the ten months ended 31 October 2011 (the “Historical Purchase Amount”);
- the Company’s projection of the production volume of tinplate products to be manufactured by Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao) for the year ending 31 December 2012;
- the current price level of blackplates; and
- the anticipated demand of the customers of Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao) for the year ending 31 December 2012.

We note that the proposed annual cap on an aggregated basis for the transactions contemplated under the Zhongyue Tinplate Supply Agreement and Zhongyue Posco Supply Agreement for the year ending 31 December 2012 represents an increase to the annualised amount of the Historical Purchase Amount. As mentioned above, we understand from the management of the Company that it is a strategy of the Group to increase its production volume of the tinplate products. As blackplates are key raw materials for the production of tinplate products and one tonne of tinplate products would require about one tonne of blackplates to produce, the demand of blackplates by the Group is also expected to increase. We have also reviewed the information provided by the management of the Company including, (i) the expected production volume of tinplate products to be manufactured by Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao) of 210,000 tonnes and 180,000 tonnes, respectively, for the year ending 31 December 2012; and (ii) the expected demand of blackplates by Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao) for the year ending 31 December 2012. We concur with the view of the management of the Company that the basis of estimating the volume for the proposed annual cap is reasonable based on the above information. We have also reviewed the historical purchase price of the blackplates of Zhongyue Tinplate and Zhongyue Posco (Qinhuangdao) for the first ten months of 2011 and noted that the price of blackplates used in determining the proposed annual cap is comparable to the historical purchase price of the blackplates.

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### *Views*

Based on the above, we are of the view that the Proposed Annual Caps for the Relevant Continuing Connected Transactions are fair and reasonable so far as the Company and the Independent Shareholders are concerned. However, as the Proposed Annual Caps relate to future events and are based on assumptions which may or may not remain valid for the entire period up to 31 December 2012, we express no opinion as to how closely the actual amounts of the Relevant Continuing Connected Transactions will correspond with the Proposed Annual Caps.

### **Requirements by the Listing Rules regarding the Relevant Continuing Connected Transactions**

Pursuant to Rules 14A.37 to 14A.40 of the Listing Rules, the Relevant Continuing Connected Transactions are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the Relevant Continuing Connected Transactions and confirm in the annual report and accounts that the Relevant Continuing Connected Transaction have been entered into:
  - in the ordinary and usual course of business of the Group;
  - either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than the terms available to or from (as appropriate) independent third parties; and
  - in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.
- (b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock exchange at least 10 business days prior to the bulk printing of the Company's annual report) confirming that the Relevant Continuing Connected Transactions:
  - have received the approval of the Board;
  - are in accordance with the pricing policies of the Group if the transactions involve provision of goods or services by the Group;
  - have been entered into in accordance with the terms of the relevant agreements governing the Relevant Continuing Connected Transactions; and
  - have not exceeded the Proposed Annual Caps.

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- (c) the Company shall allow, and shall procure the relevant counter-parties to the Relevant Continuing Connected Transactions shall allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Relevant Continuing Connected Transactions. The Board must state in the annual report whether its auditors have confirmed the matters stated in paragraph (b); and
- (d) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (a) and/or (b) respectively.

In light of the reporting requirements for the Relevant Continuing Connected Transactions, in particular, (i) the restriction of the value of the Relevant Continuing Connected Transactions by way of the Proposed Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms of the Relevant Continuing Connected Transactions and the Proposed Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Relevant Continuing Connected Transactions and safeguard the interests of the Independent Shareholders.

### RECOMMENDATION

Having considered the principal factors and reasons referred to the above, in particular that:

- the Relevant Continuing Connected Transactions will enable Zhongyue Posco (Qinhuangdao) to better distribute its tinplate products to overseas market and ensure a stable supply of blackplates to the Group;
- the terms, including the pricing basis, of the Framework Agreement, the Zhongyue Tinplate Supply Agreement and the Zhongyue Posco Supply Agreement are fair and reasonable; and
- the basis for determining the proposed annual caps for the transactions contemplated under the Framework Agreement (as renewed), the Zhongyue Tinplate Supply Agreement (as renewed) and the Zhongyue Posco Supply Agreement (as renewed) is reasonable,

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we consider that the entering into of the Framework Agreement (as renewed), the Zhongyue Tinplate Supply Agreement (as renewed) and the Zhongyue Posco Supply Agreement (as renewed) is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, the terms of the Framework Agreement (as renewed), the Zhongyue Tinplate Supply Agreement (as renewed) and the Zhongyue Posco Supply Agreement (as renewed) are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and the basis for determining the Proposed Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Yours faithfully,  
For and on behalf of  
**CIMB Securities (HK) Limited**  
**Alex Lau**                      **Mabel Lam**  
*Head*                              *Director*  
*Corporate Finance*    *Corporate Finance*

**1. DIRECTORS ' RESPONSIBILITY**

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 executives of the Company in the Shares, underlying Shares or 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 or short positions which the Directors or the chief executives of the Company were taken or deemed to have under such provisions of the SFO); or (ii) recorded 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

**I Long positions in ordinary shares***(i) The Company*

Name of Directors	Number of ordinary shares held (personal interests)	Approximate % of issued share capital held
Liang Jiang	1,210,000	0.133%
Li Li	1,417,000	0.156%
Tan Yunbiao	240,000	0.026%
Sung Hem Kuen	180,000	0.020%
Gerard Joseph McMahan	300,000	0.033%
Tam Wai Chu, Maria	200,000	0.022%
Li Kar Keung, Caspar	100,000	0.011%

*(ii) Guangdong Investment Limited (“GDI”)*

<b>Name of Director</b>	<b>Number of ordinary shares held (personal interests)</b>	<b>Approximate % of issued share capital held</b>
Liang Jianqin	100,000	0.002%

*(iii) Kingway Brewery Holdings Limited*

<b>Name of Director</b>	<b>Number of ordinary shares held (personal interests)</b>	<b>Approximate % of issued share capital held</b>
Luo Fanyu	86,444	0.005%
Liang Jianqin	56,222	0.003%

*(iv) Guangdong Tannery Limited*

<b>Name of Director</b>	<b>Number of ordinary shares held (personal interests)</b>	<b>Approximate % of issued share capital held</b>
Luo Fanyu	70,000	0.013%

*Note:* GDI, Kingway Brewery Holdings Limited and Guangdong Tannery Limited are associated corporations of the Company within the meaning of Part XV of the SFO.

## II Long positions in options relating to ordinary shares

### (i) The Company

#### (a) Share option scheme adopted on 11 June 2004

Name of Directors	Date of grant of share options (dd.mm.yyyy)	Number of share options held on Latest Practicable Date	Total consideration paid for share options granted (HK\$)	Exercisable period of share options (dd.mm.yyyy)	Price per share to be paid on exercise of share options (HK\$)
Liang Jiang	09.03.2006	2,000,000	1	09.06.2006–08.03.2016	1.66
Tan Yunbiao	09.03.2006	2,000,000	1	09.06.2006–08.03.2016	1.66
Luo Fanyu	09.03.2006	200,000	1	09.06.2006–08.03.2016	1.66
Li Kar Keung, Caspar	09.03.2006	200,000	1	09.06.2006–08.03.2016	1.66

#### (b) Share option scheme adopted on 29 December 2008 (“2008 Share Option Scheme”)

Name of Directors	Date of grant of share options (dd.mm.yyyy)	Number of share options held on Latest Practicable Date	Total consideration paid for share options granted (HK\$)	Price per share to be paid on exercise of share options (HK\$)
Liang Jiang	30.12.2008	645,000	—	0.75
	05.07.2010	3,100,000	—	1.45
Li Li	05.07.2010	1,090,000	—	1.45
Tan Yunbiao	30.12.2008	360,000	—	0.75
	05.07.2010	2,100,000	—	1.45
Sung Hem Kuen	30.12.2008	270,000	—	0.75
	05.07.2010	1,860,000	—	1.45

*Notes to the above share options granted pursuant to the 2008 Share Option Scheme:*

- (1) The option period of all the share options is 5.5 year from the date of grant.
- (2) Any share option is only exercisable during the option period after it has become vested.
- (3) The normal vesting scale of the share options is as follows:

<b>Date</b>	<b>Percentage vesting</b>
The date which is two years after the date of grant	40%
The date which is three years after the date of grant	30%
The date which is four years after the date of grant	10%
The date which is five years after the date of grant	20%

- (4) The vesting of the share options is further subject to the achievement of such performance targets as determined by the Board upon grant of share options and stated in the offer of grant.
- (5) The leaver vesting scale of the share options that would apply in the event of the grantee ceasing to be an eligible person under certain special circumstances (less the percentage which has already vested under the normal vesting scale or lapsed) is as follows:

<b>Date</b>	<b>Percentage vesting</b>
On or before the date which is four months after the date of grant	0%
After the date which is four months after but before the date which is one year after the date of grant	10%
On or after the date which is one year after but before the date which is two years after the date of grant	25%
On or after the date which is two years after but before the date which is three years after the date of grant	40%
On or after the date which is three years after but before the date which is four years after the date of grant	70%
On or after the date which is four years after the date of grant	80%
	The remaining 20% also vests upon passing the overall performance appraisal for those four years

*(ii) GDI*

Name of Director	Date of grant of share options ( <i>dd.mm.yyyy</i> )	Number of share options held on Latest Practicable Date	Total consideration paid for share options granted ( <i>HK\$</i> )	Price per share to be paid on exercise of share options ( <i>HK\$</i> )
Huang Xiaofeng	24.10.2008	5,700,000	—	1.88

*Notes to the above share options granted pursuant to the share option scheme adopted by GDI on 24 October 2008:*

- (1) The option period of all the share options is 5.5 years from the date of grant.
- (2) Any share option is only exercisable during the option period after it has become vested.
- (3) The normal vesting scale of the share options is as follows:

Date	Percentage vesting
The date which is two years after the date of grant	40%
The date which is three years after the date of grant	30%
The date which is four years after the date of grant	10%
The date which is five years after the date of grant	20%

- (4) The vesting of the share options is further subject to the achievement of such performance targets as determined by the board of directors of GDI upon grant and stated in the offer of grant.
- (5) The leaver vesting scale of the share options that would apply in the event of the grantee ceasing to be an eligible person under certain special circumstances (less the percentage which has already vested under the normal vesting scale or lapsed) is as follows:

Date	Percentage vesting
On or before the date which is four months after the date of grant	0%
After the date which is four months after but before the date which is one year after the date of grant	10%
On or after the date which is one year after but before the date which is two years after the date of grant	25%
On or after the date which is two years after but before the date which is three years after the date of grant	40%
On or after the date which is three years after but before the date which is four years after the date of grant	70%
On or after the date which is four years after the date of grant	80% The remaining 20% also vests upon passing the overall performance appraisal for those four years

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interests or, short positions in Shares, underlying Shares and debentures of the Company and 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 or short positions which the Directors or the chief executives of the Company were taken or deemed to have under such provisions of the SFO); or (ii) recorded 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.

#### Arrangements to acquire Shares or debentures

Except for the share options held by the Directors as mentioned above, as at the Latest Practicable Date, none of the Company or any of its subsidiaries, its holding companies or any subsidiary of its holding companies was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

#### 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 and chief executive of the Company) had interests or short positions in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital:

Name of substantial Shareholder	Number of Shares beneficially held	Approximate % of issued share capital held	Long/short positions
廣東粵海控股有限公司 (Guangdong Holdings Limited) ("Guangdong Holdings")	537,198,868	59.21%	Long Position
GDH	537,198,868	59.21%	Long Position

*Notes:*

- The approximate percentage of interests held was calculated on the basis of 907,293,285 ordinary shares of the Company in issue as at the Latest Practicable Date.
- The attributable interest which Guangdong Holdings has in the Company is held through its 100% direct interest in GDH.

Name of subsidiaries	Name of substantial shareholder	Approximate % of issued share capital held	Long/short positions
Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd.	POSCO	34%	Long Position
Guangnan Live Pigs Trading Limited	Skymax Trading Limited	49%	Long Position

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who had, directly or indirectly, interests in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital.

### 3. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration proceedings of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

### 4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading positions of the Company since 31 December 2010, being the date to which the latest published audited consolidated financial statement of the Group were made up.

### 5. EXPERT

- (a) The qualification of the expert who has given opinion or advice which is contained in this circular is as follows:

Name	Qualification
CIMB Securities (HK) Limited	A licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

- (b) As at the Latest Practicable Date, CIMB Securities (HK) Limited did not have any shareholding in the Group 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 they have any interest, direct or indirect, in any assets which had, since 31 December 2010, being 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.
- (c) CIMB Securities (HK) Limited has given and has not withdrawn written consent to the issue of this circular with the inclusion herein of its letter, and reference to its name in the form and context in which it appears.

## **6. DIRECTORS ' SERVICE CONTRACT**

As at the Latest Practicable Date, none of the Directors had a service contract with any member of the Group that is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

## **7. DIRECTORS ' INTERESTS IN COMPETING BUSINESS**

Mr. Huang Xiaofeng, a Director, is also a director of Guangdong Holdings and GDH. Messrs. Liang Jiang and Luo Fanyu, the Directors, are also directors of GDH. GDH is a wholly-owned subsidiary of Guangdong Holdings. Guangdong Holdings and its subsidiaries other than the Group (the "Guangdong Holdings Group") have a wide range of business interests which include leasing of properties. Both the Guangdong Holdings Group and the Group have been engaged in the business of properties leasing. The Directors do not believe that there exists any direct or indirect competition in any material respect between any business of any Director and those of the Group.

Save as disclosed in this circular, none of the Directors and their associates (as defined in the Listing Rules) has any other interests in any business which competes, or is likely to compete, with the business of the Group.

## **8. OTHER INTERESTS OF THE DIRECTORS**

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2010, the date to which the latest published audited consolidated financial statements of the Group were made up, 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; and none of the Directors was materially interested in any contract or arrangement which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Group.

**9. MISCELLANEOUS**

- (a) The registered office of the Company is located at 22/F., Tesbury Centre, No. 24–32 Queen’s Road East, Hong Kong.
- (b) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (c) Ms. Lo Wing Suet was appointed the company secretary of the Company in April 2009. She is an associate member of both The Institute of Chartered Secretaries and Administrators in the United Kingdom and the Hong Kong Institute of Chartered Secretaries.
- (d) The English text of this circular shall prevail over the Chinese text.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of the Company at 22/F., Tesbury Centre, No. 24–32 Queen’s Road East, Hong Kong during normal business hours on any weekday, except public holidays, from the date of this circular up to 19 January 2012:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the financial years ended 31 December 2009 and 31 December 2010 respectively;
- (c) the letter dated 5 January 2012 from CIMB Securities (HK) Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 14 to 23 of this circular;
- (d) the letter of consent referred to in the paragraph headed “Expert” in this appendix;
- (e) the letter from the Independent Board Committee, the text of which is set out on page 13 of this circular;
- (f) the Framework Agreement;
- (g) the Zhongyue Tinsplate Supply Agreement;
- (h) the Zhongyue Posco Supply Agreement; and
- (i) this circular.