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

(Incorporated in the Hong Kong with limited liability)

(Stock Code: 1203)

CONTINUING CONNECTED TRANSACTION
PURCHASE OF ELECTRICITY

ELECTRICITY TRANSACTION AGREEMENT

On 2 December 2020, Zhongyue Tinplate, a wholly-owned subsidiary of the Company, entered into the Electricity Transaction Agreement with GDH Energy Service, a subsidiary of GDI, for renewal of the Old Electricity Transaction Agreement.

THE LISTING RULES IMPLICATIONS

GDH is holding approximately 59.19% and 56.49% of the issued shares of the Company and GDI, respectively. By virtue of the above shareholding interests, GDI (being a subsidiary and thus an associate of GDH (being a substantial shareholder and connected person of the Company) as defined in the Listing Rules) is a connected person of the Company. GDH Energy Service (being an indirect subsidiary of GDI) is also a connected person of the Company. Therefore, the Transaction constitutes a continuing connected transaction of the Company under the Listing Rules.

Based on the estimated amount to be paid by Zhongyue Tinplate to GDI Group under the Transaction, the Annual Caps for each of the financial years ending 31 December 2021, 31 December 2022 and 31 December 2023 are set at RMB25,000,000 (equivalent to approximately HK\$29,457,500), RMB25,000,000 (equivalent to approximately HK\$29,457,500) and RMB25,000,000 (equivalent to approximately HK\$29,457,500), respectively. Since all applicable percentage ratios for the purpose of Chapter 14A of the Listing Rules in respect of the Annual Caps exceed 0.1% but are less than 5%, the Transaction is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

The Company will comply with the annual review requirements under Rules 14A.55 to 14A.57 of the Listing Rules in relation to the Transaction.

This announcement sets out, amongst other things, the details concerning the Electricity Transaction Agreement, including the background and the reasons for entering into the same, the historical transaction value (where applicable), the Annual Caps and how these were determined.

THE ELECTRICITY TRANSACTION AGREEMENT

Reference is made to the announcement of the Company dated 13 November 2019 in relation to the continuing connected transaction on the purchase of electricity. The Old Electricity Transaction Agreement will expire on 31 December 2020.

On 2 December 2020, Zhongyue Tinplate, a wholly-owned subsidiary of the Company, entered into the Electricity Transaction Agreement with GDH Energy Service, an indirect subsidiary of GDI, pursuant to which Zhongyue Tinplate agreed to purchase, and GDH Energy Service agreed to supply, electricity through the power grid operated by Guangdong Power Grid on a continuing basis on the following terms:

- Parties:** Zhongyue Tinplate
GDH Energy Service
- Term:** 1 January 2021 to 31 December 2023
- Volume:** Not exceeding 58,500,000 kWh per year and the amount of electricity transacted shall be the actual volume of electricity consumed by Zhongyue Tinplate.
- Unit price:** Zhongyue Tinplate shall purchase, and GDH Energy Service shall supply, electricity at a unit price which is calculated based on the government prescribed tariff at a discount rate of RMB0.05 per kWh (tax inclusive) determined after arm's length negotiation.

The government prescribed tariff on the sale of electricity is determined by the Guangdong Provincial Development and Reform Commission (which is subject to adjustment from time to time).

Payment terms: The fees for electricity payable by Zhongyue Tinplate shall be settled with Guangdong Power Grid on a monthly basis, which shall in turn be payable by Guangdong Power Grid to GDI Group after deduction of the Power Grid Fee charged by Guangdong Power Grid. The amount to be paid to GDI Group under the Transaction shall therefore be the remainder of the said fees for electricity after deduction of the Power Grid Fee charged by Guangdong Power Grid.

GDH Energy Service will source electricity from Zhongshan Energy, which is also a subsidiary of GDI and a holding company of GDH Energy Service and is principally engaged in the operation of power plants and if necessary, from other independent electricity suppliers.

BASIS AND REASONS FOR THE TRANSACTION AND THE ANNUAL CAPS

Historical transaction amount of the Old Electricity Transaction Agreement

The actual transaction amount under the Old Electricity Transaction Agreement and the previous agreements in respect of the purchase of electricity by Zhongyue Tinplate from GDH Energy Service (as the case may be) for each of the years ending 31 December 2018 and 31 December 2019 and the period from January to October 2020 are RMB24,232,000, RMB 23,432,000 and RMB23,475,200, respectively. The annual cap of the transaction under the Old Electricity Transaction Agreement (being RMB32,000,000) as disclosed in the announcement of the Company dated 13 November 2019 covers the year of 2020, and the relevant transaction amount from January to October 2020 did not exceed the cap amount.

Proposed Annual Caps for 2021 to 2023

The annual caps (the “**Annual Caps**”) for the estimated amount to be paid by Zhongyue Tinplate to GDI Group under the Transaction for each of the financial years ending 31 December 2021, 31 December 2022 and 31 December 2023 are expected to be RMB25,000,000 (equivalent to approximately HK\$29,457,500), RMB25,000,000 (equivalent to approximately HK\$29,457,500) and RMB25,000,000 (equivalent to approximately HK\$29,457,500), respectively.

Basis and reasons for the Transaction

The Annual Caps were determined after arm's length negotiation based on (i) the previous electricity consumption of Zhongyue Tinplate; (ii) the amount of electricity to be transacted between Zhongyue Tinplate and GDH Energy Service during the term of the Electricity Transaction Agreement; (iii) the estimated applicable unit price of electricity to be purchased under the Electricity Transaction Agreement; (iv) the estimated amount of Power Grid Fee to be deducted by Guangdong Power Grid under the Transaction; and (v) the overall administrative costs in relation to the Transaction.

The Transaction will enable Zhongyue Tinplate to benefit from the stable electricity supply at a fair, reasonable and competitive price which is relatively lower than the normal on-grid tariffs charged by Guangdong Power Grid, which in turn will lower the operating cost of the manufacturing units. The terms of the Transaction, were negotiated on an arm's length basis between the parties.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the Electricity Transaction Agreement was entered into, in the ordinary and usual course of business of Zhongyue Tinplate and on normal commercial terms or better to the Group, and that the terms of the Transaction are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

To the best of the knowledge, information and belief of the Directors, none of them has any material interest in the Transaction. No Director was required to abstain from the relevant board resolutions passed.

CONNECTED PERSONS

GDH is holding approximately 59.19% and 56.49% of the issued shares of the Company and GDI, respectively. By virtue of the above shareholding interests, GDI (being a subsidiary and thus an associate of GDH (being a substantial shareholder and connected person of the Company) as defined in the Listing Rules) is a connected person of the Company. GDH Energy Service is indirectly held as to 71.25% by GDI and, accordingly, is also a connected person of the Company. Therefore, the Transaction constitutes a continuing connected transaction of the Company under the Listing Rules.

LISTING RULES IMPLICATIONS

On the basis set out above and the estimated amount to be paid by Zhongyue Tinplate to GDI Group under the Transaction, the Annual Caps for each of the financial years ending 31 December 2021, 31 December 2022 and 31 December 2023 are set at RMB25,000,000 (equivalent to approximately HK\$29,457,500), RMB25,000,000 (equivalent to approximately HK\$29,457,500) and RMB25,000,000 (equivalent to approximately HK\$29,457,500), respectively. Since all applicable percentage ratios for the purpose of Chapter 14A of the Listing Rules in respect of the Annual Caps exceed 0.1% but are less than 5%, the Transaction is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

The Company will comply with the annual review requirements under Rules 14A.55 to 14A.57 of the Listing Rules in relation to the Transaction.

PRINCIPAL BUSINESSES OF THE COMPANY AND THE CONNECTED PERSONS

The principal business of the Company is investment holding. The subsidiaries of the Company are primarily engaged in the production and sales of tinplates and related products, leasing of properties, distribution and sales of fresh and live foodstuffs and food stuffs trading.

The principal business of Zhongyue Tinplate is the production and sales of tinplate products and property leasing.

The principal business of GDH is investment holding. GDH is a wholly-owned subsidiary of Guangdong Holdings, which is principally engaged in investment holding.

The principal business of Zhongshan Energy is power plant operation providing electricity and steam supply. GDH Energy Service is principally engaged in sale of electricity.

GDI Group is principally engaged in investment holding, water resources, property investment and development, department store operation, hotel ownership, operation and management, investments in energy projects and road and bridge operation.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“Annual Caps”	has the meaning ascribed to it under the section headed “Basis and reasons for the Transaction and the Annual Caps” of this announcement;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Company”	GDH Guangnan (Holdings) Limited (粵海廣南 (集團) 有限公司), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“Electricity Transaction Agreement”	an agreement dated 2 December 2020 entered into between Zhongyue Tinplate and GDH Energy Service in respect of the purchase of electricity by Zhongyue Tinplate from GDH Energy Service;
“GDH”	GDH Limited (粵海控股集團有限公司), a company incorporated in Hong Kong with limited liability and the immediate holding company of the Company;
“GDH Energy Service”	中山粵海能源服務有限公司 (Zhongshan GDH Energy Service Co., Ltd.*), an indirect subsidiary of GDI established in the PRC and directly wholly-owned by Zhongshan Energy;
“GDI”	Guangdong Investment Limited (粵海投資有限公司), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange;
“GDI Group”	GDI and its subsidiaries;
“Group”	the Company and its subsidiaries;
“Guangdong Holdings”	廣東粵海控股集團有限公司 (Guangdong Holdings Limited*), a limited liability company established in the PRC and the ultimate holding company of the Company;

“Guangdong Power Grid”	廣東電網有限責任公司 (Guangdong Power Grid Company Limited*), a company established in the PRC;
“HK\$”	Hong Kong dollars, the legal currency of Hong Kong;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“kWh”	kilowatt hour;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“Old Electricity Transaction Agreement”	an agreement dated 13 November 2019 entered into between Zhongyue Tinplate and GDH Energy Service in respect of the purchase of electricity by Zhongyue Tinplate from GDH Energy Service;
“Power Grid Fee”	the fee charged by Guangdong Power Grid for the transmission and distribution of electricity services provided through the power grid operated by Guangdong Power Grid;
“PRC”	the People’s Republic of China and, for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transaction”	the transaction contemplated under the Electricity Transaction Agreement;
“Zhongshan Energy”	中山粵海能源有限公司 (Zhongshan GDH Energy Co., Ltd.*), a subsidiary of GDI established in the PRC;
“Zhongyue Tinplate”	粵海中粵 (中山) 馬口鐵工業有限公司 (GDH Zhongyue (Zhongshan) Tinplate Industry Co., Ltd.*(formerly known as Zhongshan Zhongyue Tinplate Industrial Co., Ltd.)), a wholly-owned subsidiary of the Company established in the PRC; and
“%”	per cent.

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

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

By order of the Board
Chen Benguang
Chairman

Hong Kong, 2 December 2020

As at the date of this announcement, the Board is composed of three Executive Directors, namely Messrs. Chen Benguang, He Jinzhou and Chau Wang Kei; one Non-Executive Director, namely Mr. Wang Longhai; and three Independent Non-Executive Directors, namely Mr. Gerard Joseph McMahon, Mr. Li Kar Keung, Caspar and Dr. Wong Yau Kar, David.