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粵海廣南(集團)有限公司

GDH GUANGNAN (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 01203)

MAJOR TRANSACTION MAIN CONTRACTOR CONSTRUCTION AGREEMENT

THE AGREEMENT

The Board is pleased to announce that, upon the conclusion of a tender process for selection of the main contractor for the development of a slaughterhouse and related facilities and works on the Land, on 28 April 2021, GDH Food Foshan, a subsidiary of the Company, entered into the Agreement with the Contractor in relation to the Construction on the Land at the Consideration of RMB252,201,091.23 (equivalent to approximately HK\$298,404,000), subject to adjustments (if any) as set out below.

THE LISTING RULES IMPLICATIONS

Since one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Agreement exceeds 25% but all of them are under 100%, the transactions contemplated under the Agreement will constitute a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the approval by the Shareholders. Since no Shareholder is required to abstain from voting if the Company were to convene an extraordinary general meeting for the approval of the Agreement and the transactions contemplated thereunder, and the Company has obtained a written approval for the Agreement and the transactions contemplated thereunder from GDH Limited (the controlling Shareholder of the Company holding 537,198,868 Shares, representing approximately 59.19% of the issued share capital of the Company as at the date of this announcement), an extraordinary general meeting of the Company to approve the Agreement and the transactions contemplated thereunder is not required pursuant to Rule 14.44 of the Listing Rules and will not be convened.

A circular containing further details of the Agreement is expected to be despatched to the Shareholders on or before 18 May 2021.

A. INTRODUCTION

The Board is pleased to announce that, upon the conclusion of a tender process for selection of the main contractor for the development of a slaughterhouse and related facilities and works on the Land, on 28 April 2021, GDH Food Foshan, a subsidiary of the Company, entered into the Agreement with the Contractor in relation to the construction of a slaughterhouse and related facilities and works on the Land (the “**Construction**”) at the Consideration of RMB252,201,091.23 (equivalent to approximately HK\$298,404,000), subject to adjustments (if any) as set out below.

B. THE AGREEMENT

A summary of the salient terms of the Agreement is set out below:

Parties

Principal (發包人) : GDH Food Foshan, a subsidiary of the Company
Contractor (承攬人) : 中國化學工程第四建設有限公司
(China National Chemical Engineering Fourth Construction Co., Ltd.*)

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Contractor and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected person(s).

Subject matter

The Contractor shall be appointed as the main contractor for the Construction undertaking, *inter alia*, construction works (main factory, animal quarantine inspection building, research and development building, office building, firefighting centre, firefighting pool, etc.); construction of general installation works (indoor water supply and drainage, lighting, lightning protection, ventilation, air conditioning, indoor firefighting works, outdoor electricity, outdoor water supply and drainage and firefighting works, gas works, hydraulic freight elevators, passenger elevators, canteen facilities, etc.) and other works; environmental protection system (sewage treatment system, waste gas treatment system, solid waste treatment, hazard-free treatment); plant master plan works (works in relation to earth, gates, roads and car parks and wall etc.), power transformation and distribution works, refrigeration equipment (including cold storage facility), in-plant road works (excluding municipal roads between east and west plots of the Land); temporary water supply and telegraph installation, etc. in relation to the Construction as specified in the Agreement.

Consideration and basis of determination of Consideration

The total consideration (“**Consideration**”) payable to the Contractor for the Construction shall be RMB252,201,091.23 (equivalent to approximately HK\$298,404,000), subject to adjustments (if any) in relation to change of works after on-site inspections, value-added tax and unbalanced offer price (as described below).

The Consideration comprises (i) sub-project fees (分部分項工程費)(“**Sub-project Fees**”), including construction fees for sub-projects of the works under the Construction as set out in the paragraph headed “Subject matter” above; (ii) measure fees (“**Measure Fees**”) in relation to the Construction, including (a) green construction and safety protection measure fees (綠色施工安全防護措施費)(“**Green Construction Measure Fees**”); (b) main contractor management fees (總承包管理費)(“**Management Fees**”) for the management of individual professional works; and (c) other measure fees (其它措施費)(“**Other Measure Fees**”), including, inter alia, moulding work fees (模板工程費), vertical transportation work fees (垂直運輸工程費) and certain regulatory fees in accordance with the requirements of the local government; and (iii) taxes in relation to the Construction under the applicable rules and regulations in the PRC (“**Taxes**”).

The Consideration shall be settled by GDH Food Foshan in the manner set out below:

(i) Prepayment

- (1) subject to the delivery of the Performance Guarantee and prepayment guarantee (being the guarantee for the performance of the Contractor’s obligations under the Agreement up to the amount of the Prepayment) to GDH Food Foshan from the Contractor, 3% of the Consideration (after deduction of Green Construction Measure Fees, Management Fees and certain estimated and provisional amounts) (“**Prepayment**”), shall be paid within 20 days from issuance of an entry notice of construction sites by GDH Food Foshan or the Construction Supervisor. In the event that the Contractor does not deliver the said prepayment guarantee to GDH Food Foshan, GDH Food Foshan shall not have the obligation to make the Prepayment;

- (2) the Prepayment shall be gradually deducted from the payments of Construction Fees in accordance with works progress as described below. When the evaluated construction price accumulates to 60% of the Consideration (after deduction of Green Construction Measure Fees, Management Fees and certain estimated and provisional amounts), the full amount of Prepayment shall have been deducted, provided that where there is any portion of Prepayment exceeding the amount of the relevant payment of Construction Fees, such excessive amount shall be deducted from the next subsequent payment of Construction Fees; and
- (3) in the event that GDH Food Foshan has made any payment of worker's wages deposits on behalf of the Contractor pursuant to the applicable laws and regulations, such amount shall be deducted from the Prepayment or subsequent payments of Construction Fees (as the case may be);

(ii) Green Construction Measure Fees

- (1) 50% of Green Construction Measure Fees (after deduction of deductible amounts (if any)) shall be paid within 30 days after the satisfaction of relevant conditions as approved by GDH Food Foshan subsequent to the submission of the plan of green construction and safety protection measures by the Contractor;
- (2) Green Construction Measure Fees incurred in accordance with the corresponding evaluation of the completed works shall be gradually deducted from the above prepaid amount; and
- (3) after the above prepaid amount has been deducted in full, the remainder of Green Construction Measure Fees shall be paid under the subsequent payments of Construction Fees as described below, calculated in accordance with the corresponding evaluation of the completed works;

(iii) Management Fees

Management Fees shall be paid in the following manner:

- (1) 30% of such Management Fees shall be paid to the Contractor after the signing of the contracts for the relevant professional works, implementation of site layout and submission of eligible work plan;
- (2) 90% of such Management Fees shall be paid to the Contractor after eligible inspection of the completion of such professional works and successful transmission of all works; and
- (3) the remainder of Management Fees shall be paid after completion of review on settlement of completion of such professional works;

(iv) Construction Fees

Sub-project Fees, Measure Fees and the relevant Taxes (together, the “**Construction Fees**”) (after deduction of deductible amounts (if any)) shall be paid in the following manner:

- (1) where the Contractor lodges an application for the work progress fees to GDH Food Foshan and Construction Supervisor in accordance with the Agreement, upon review and approval of such application for the relevant work progress fees by GDH Food Foshan and Construction Supervisor, 80% of the evaluated construction price (after deduction of deductible amounts (if any)) in respect of the completed works reviewed and confirmed by GDH Food Foshan and Construction Supervisor shall be paid to the Contractor for the relevant month;
- (2) if GDH Food Foshan determines that it is necessary to adjust the construction price for on-site permit and change of works, payment and deduction shall be made based on 80% of the evaluated construction price (after deduction of deductible amounts (if any)) in respect of the next subsequent payment of work progress fees;

- (3) when the works completed regarding certain land parcels, buildings, professional works or sections satisfy the relevant settlement conditions, upon written confirmation of both parties, an aggregate of 88% of the settlement price corresponding to the completion of such works (after deduction of deductible amounts (if any)) shall be paid to the Contractor; and
- (4) after eligible inspection of the completion, completion of construction filing, relocation of all equipment, machineries, materials and other articles of the Contractor from the worksite and delivery of the complete completion and settlement information to GDH Food Foshan and Construction Supervisor, an aggregate of 90% of the evaluated construction price (after deduction of deductible amounts (if any)) in respect of the completed works as reviewed and confirmed by GDH Food Foshan and Construction Supervisor shall be paid to the Contractor; and

(v) ***Remainder of Consideration***

the remainder of the Consideration shall be paid in the following manner:

- (1) upon written confirmation of the settlement price for the completion of works (竣工結算總額) by both parties, the Contractor shall apply to GDH Food Foshan for payment of the said settlement price and GDH Food Foshan shall pay to the Contractor up to 97% of the said settlement price (after deduction of deductible amounts (if any)); and
- (2) the remaining 3% of the settlement price for the completion of works (竣工結算總額), being quality bond, shall be paid to the Contractor (after deduction of deductible amounts (if any)) (a) within 30 days from the expiry of one year from the completion and eligible inspection of the Construction as to 50% provided that GDH Food Foshan has no objection; and (b) within 30 days from the expiry of the two-year defects liability period as to the remainder.

Taxes corresponding to each payment above shall be paid according to the relevant policy and requirements in conjunction with the said relevant payment.

Each of the above payments, with the exception of Prepayment, shall be made within 28 days from the receipt of the tax invoice for the relevant payment by GDH Food Foshan from the Contractor.

The above payments may be made by either wire transfer or bank acceptance draft (as the case may be) provided that at least 40% of the Consideration shall be paid by bank acceptance draft and GDH Food Foshan shall have the right to adjust the payment methods based on this principle.

The Consideration is expected to be funded by the internal resources and/or borrowings of the Group.

The Consideration was determined based on the bidding price offered by the Contractor.

Adjustment mechanism for the Consideration

The Consideration may be adjusted based on the mechanism as follows:

(i) Value-added tax rate adjustments according to the PRC government policy

in the event that there is any adjustment to the applicable value-added tax rate according to the PRC government policy, the adjusted value-added tax rate would be adopted (and reflected in the value-added tax invoices to be issued by the Contractor), and the amount of the adjustment shall be calculated based on the project price under the Agreement and the difference between the then original and the adjusted value-added tax rates at the relevant time;

(ii) Change of works after on-site inspections

in the event that GDH Food Foshan would need to make changes to the original works under the Construction, it shall give the Contractor a written notice in respect of the change of works and provide the corresponding plan or explanation for the change of works. The Contractor shall implement the change of works in accordance with the written notice and relevant instructions of GDH Food Foshan.

According to the terms of the Agreement, the construction price for new projects due to change of works shall be determined in the following manner:

- (1) where there is an identically applicable item in the Agreement, the new works shall apply the same integrated unit price as the item. Where there are several applicable items, the new works shall apply the integrated unit price most favorable to GDH Food Foshan, unless GDH Food Foshan considers it obviously unreasonable;
- (2) where there is a similarly applicable item in the Agreement, its integrated unit price shall be used as price determination basis for the new works, subject to adjustment with reference to the price of main materials and equipment, unless GDH Food Foshan considers it obviously unreasonable; and
- (3) where there is no identically or similarly applicable item in the Agreement or GDH Food Foshan considers the integrated unit price obviously unreasonable, the contract price of the new works shall be jointly negotiated and confirmed by the parties with reference to the benchmarks or regulations issued by the relevant official departments of the PRC and market prices (as applicable); and

(iii) Unbalanced offer price

before the signing of the Agreement, GDH Food Foshan has the right to conduct a full review of the rationality of the Contractor's commercial offer price. If there are obvious unbalanced offer price list items (as further explained below) in the offer price, GDH Food Foshan shall revise the integrated unit price of unbalanced offer price list items with the total bid price remaining unchanged.

If the above unbalanced offer price cannot be effectively corrected prior to the signing of the Agreement, the integrated unit price of unbalanced offer price list items during the term of the Agreement shall be implemented as follows:

(1) Criteria for determining unbalanced offer price

unbalanced offer price refers to the integrated unit price in the Contractor's list item, which exceeds 10% of the integrated unit price of the corresponding item compiled according to 2013 Construction Project Bill of Quantities Pricing Specification (《2013年建设工程工程量清单计价规范》) (GB50500-2013) (“**2013 Pricing Specification**”) and the corresponding project pricing specifications, or GDH Food Foshan has proof or reasonable explanation that such integrated unit price is significantly higher than the reasonable market price; and

(2) Measures for revising unbalanced offer price

where the actual work quantities for the implementation of unbalanced offer price list items differ by more than 10% from the corresponding work quantities in the bidding list, GDH Food Foshan shall have the right to directly revise the unbalanced offer price with reference to the 2013 Pricing Specification and the corresponding project pricing specifications, and the Contractor shall unconditionally cooperate and perform the contract at the revised price.

Other terms

The Agreement has become effective on the date this announcement.

The Construction shall be completed in 244 days from the commencement of works according to the instruction of GDH Food Foshan.

Guarantee

The Contractor shall give an irrevocable guarantee in favour of GDH Food Foshan in respect of the performance of the obligations under the Agreement by the Contractor (“**Performance Guarantee**”), up to a maximum amount of 10% of contractual tentative total price, being RMB25,220,109 (equivalent to approximately HK\$29,840,400), for the period from the date of the relevant bank guarantee (銀行保函) to 28 days after the completion and eligible inspection of the Construction.

C. REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT

As disclosed in the announcement of the Company dated 12 April 2021, the Group has won the bid for the land use rights of the Land in Foshan, the PRC for the purpose of developing the slaughterhouse construction projects. GDH Food Foshan engaged the Contractor as the main contractor for the Construction under the said projects. By implementing the slaughterhouse construction projects, the Group shall be able to establish a stable and unified mechanism regarding farming, slaughtering, processing, cold chain logistics and product sales. It shall also facilitate the Group’s branding development and promote production-marketing integration so as to better serve the customers in the Nanhai District and the Guangdong-Hong Kong-Macao Greater Bay Area for their demand of quality meat products. In the future, the chilled meat produced by the slaughter house of GDH Food Foshan can be used for supply to Hong Kong, thereby enhancing the Group’s market competitiveness in the live and foodstuff business.

GDH Food Foshan has selected the Contractor according to the specifications as stated in the tender notice taking into account the technical expertise, experience and the proposed construction price of the bidders. The Contractor has the required technical expertise and extensive experience in the construction business in the PRC. To engage the Contractor for carrying out the Construction will ensure that the Construction will be completed up to the standard as required by the Group as well as effectively minimising management and operational costs of the Group.

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

D. INFORMATION ON THE GROUP

The Group is principally engaged in the manufacture and sale of tinplates and related products, distribution and sales of fresh and live foodstuffs, foodstuffs trading and leasing of properties.

GDH Food Foshan is a company established with limited liability in the PRC and is owned as to 65% by the Company and 35% by Xinying Enterprise. GDH Food Foshan is principally engaged in the business of food production, food business, livestock slaughtering, city distribution and transportation services, road cargo transportation, low temperature storage and manure treatment of livestock and poultry.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for Xinying Enterprise's holding of the said 35% interest in GDH Food Foshan, Xinying Enterprise and its ultimate beneficial owner (being the State-owned Assets Supervision and Administration Commission of Nanhai District of Foshan City* (佛山市南海區國有資產監督管理局)) are third parties independent of and not connected with the Company and its connected person(s).

E. INFORMATION ON THE CONTRACTOR

The Company understands that the Contractor is principally engaged in installation of equipment, wiring, pipeline, electrical, instrumentation and its overall production equipment for industrial construction projects, equipment installation and construction for industrial and civil construction projects, municipal public engineering construction business; professional business of environmental protection engineering and the construction of power facilities. The Company understands that the direct controlling shareholder of the Contractor is China National Chemical Engineering Co, Ltd. (中國化學工程股份有限公司), whose shares are listed and traded on the Shanghai Stock Exchange (上海證券交易所) in the form of A shares, and its ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會).

F. LISTING RULES IMPLICATIONS

Since one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Agreement exceeds 25% but all of them are under 100%, the transactions contemplated under the Agreement will constitute a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the approval by the Shareholders. Since no Shareholder is required to abstain from voting if the Company were to convene an extraordinary general meeting for the approval of the Agreement and the transactions contemplated thereunder, and the Company has obtained a written approval for the Agreement and the transactions contemplated thereunder from GDH Limited (the controlling Shareholder of the Company holding 537,198,868 Shares, representing approximately 59.19% of the issued share capital of the Company as at the date of this announcement), an extraordinary general meeting of the Company to approve the Agreement and the transactions contemplated thereunder is not required pursuant to Rule 14.44 of the Listing Rules and will not be convened.

G. DESPATCH OF CIRCULAR

A circular containing further details of the Agreement is expected to be despatched to the Shareholders on or before 18 May 2021.

H. DEFINITIONS

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

“Agreement”	《粵海食品(佛山)有限公司肉品加工項目施工總承包合同》(GDH Food (Foshan) Co., Ltd. Meat Processing Project Main Contractor Construction Agreement*) dated 28 April 2021 between GDH Food Foshan and the Contractor in respect of the main contractor construction on the Land;
“Board”	the board of Directors;
“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;
“Consideration”	has the meaning ascribed to it under the section headed “B. The Agreement – Consideration and basis of determination of Consideration” in this announcement;
“Construction”	has the meaning ascribed to it under the section headed “A. Introduction” in this announcement;
“Construction Fees”	has the meaning ascribed to it under the section headed “B. The Agreement – Consideration and basis of determination of Consideration” in this announcement;
“Construction Supervisor”	a legal entity or an organization appointed by GDH Food Foshan to supervise the Construction as in accordance with the applicable rules and regulations in the PRC, being a third party independent of and not connected with the Company and its connected person(s);

“Contractor”	中國化學工程第四建設有限公司 (China National Chemical Engineering Fourth Construction Co., Ltd.*), a company established in the PRC;
“Directors”	the directors of the Company;
GDH Food Foshan	粵海食品(佛山)有限公司 (GDH Food (Foshan) Co., Ltd.*) (formerly known as 佛山市南海潤圓食品有限公司 (Foshan Nanhai Runyuan Food Co., Ltd.*)), a company established in the PRC and a subsidiary of the Company;
“Green Construction Measure Fees”	has the meaning ascribed to it under the section headed “B. The Agreement – Consideration and basis of determination of Consideration” in this announcement;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Land”	two pieces of land located at the south of Changxing Road* (長興路) and the north of Guangsan Expressway* (廣三高速), Changhongling Industrial Park* (長虹嶺工業園區) of Shishan Town* (獅山鎮), Nanhai District (南海區), Foshan City (佛山市), Guangdong Province, the PRC (Parcel No. YDCR44060500601632), with a total site area of approximately 34,368.60 sq.m.;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time;
“Management Fees”	has the meaning ascribed to it under the section headed “B. The Agreement – Consideration and basis of determination of Consideration” in this announcement;

“Measure Fees”	has the meaning ascribed to it under the section headed “B. The Agreement – Consideration and basis of determination of Consideration” in this announcement;
“Performance Guarantee”	has the meaning ascribed to it under the section headed “B. The Agreement – Guarantee” in this announcement;
“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;
“Prepayment”	has the meaning ascribed to it under the section headed “B. The Agreement – Consideration and basis of determination of Consideration” in this announcement;
“Other Measure Fees”	has the meaning ascribed to it under the section headed “B. The Agreement – Consideration and basis of determination of Consideration” in this announcement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	the share(s) of the Company;
“Shareholder(s)”	the shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Sub-project Fees”	has the meaning ascribed to it under the section headed “B. The Agreement – Consideration and basis of determination of Consideration” in this announcement;

“Taxes”	has the meaning ascribed to it under the section headed “B. The Agreement – Consideration and basis of determination of Consideration” in this announcement;
“Xinying Enterprise”	佛山市南海區信盈企業策劃總公司 (Foshan City Nanhai District Xinying Enterprise Planning Corporation*), a company established in the PRC;
“2013 Pricing Specification”	has the meaning ascribed to it under the section headed “B. The Agreement – Adjustment mechanism for the Consideration” in this announcement; and
“%”	per cent.

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00 = HK\$1.1832 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, 28 April 2021

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.