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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this circular with the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.



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

(Incorporated in Hong Kong with limited liability)

(Stock code: 01203)

CONTINUING CONNECTED TRANSACTION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders in relation to the Transaction**

ALTUS CAPITAL LIMITED

Capitalised terms used in this cover page have the same meanings as defined in this circular.

A letter from the Independent Board Committee to the Independent Shareholders in relation to the Transaction is set out on pages 14 to 15 of this circular.

A letter from the Board is set out on pages 5 to 13 of this circular. A notice convening the EGM of the Company to be held at the Boardroom, Basement II, Wharney Hotel, No. 57-73 Lockhart Road, Wanchai, Hong Kong on Thursday, 15 June 2023 at 11:30 a.m. (or as soon thereafter following the conclusion or adjournment of the annual general meeting of the Company to be held at 11:00 a.m. on the same day and at the same place) is set out on pages 34 to 35 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

22 May 2023

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DEFINITIONS

In this circular (other than in the notice of EGM), unless the context otherwise requires, the following expressions shall have the following meanings:

“Announcement”	has the meaning as ascribed to it under the section headed “I. Introduction” in the letter from the Board contained in this circular;
“Articles of Association”	the articles of association of the Company;
“associate”	has the meaning ascribed to it under the Listing Rules;
“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;
“Competing Business”	has the meaning ascribed to it under section headed “7. Directors’ interest in competing business” in the appendix to this circular;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve, the New Electricity Transaction Agreement, the Transaction and the New Cap;
“Existing Cap”	has the meaning ascribed to it under the section headed “II. The Transaction – Existing Cap for 2023” in the letter from the Board contained in this circular;
“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”	中山粵海能源有限公司 (Zhongshan GDH Energy Co., Ltd.*), a direct non-wholly owned subsidiary of GDI established in the PRC;

DEFINITIONS

“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;
“GDH Zhongyue”	粵海中粵(中山)馬口鐵工業有限公司 (GDH Zhongyue (Zhongshan) Tinplate Industry Co., Ltd.*), a wholly-owned subsidiary of the Company established in the PRC;
“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 Government”	has the meaning ascribed to it under the section headed “II. The Transaction – Principal businesses of the Group and the connected persons” in the letter from the Board contained in this circular;
“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 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, Mr. LI Kar Keung, Caspar and Dr. WONG Yau Kar, David, being the independent non-executive Directors;

DEFINITIONS

“Independent Financial Adviser”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) 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 Transaction;
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM in respect of the Transaction;
“kWh”	kilowatt hour;
“Latest Practicable Date”	16 May 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this circular before its despatch;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers and set out in Appendix 10 to the Listing Rules;
“New Cap”	has the meaning ascribed to it under the section headed “II. The Transaction – Proposed New Cap for 2023” in the letter from the Board contained in this circular;
“New Electricity Transaction Agreement”	an agreement dated 28 April 2023 entered into between GDH Zhongyue and GDH Energy Service in respect of the purchase of electricity by GDH Zhongyue from GDH Energy Service for the six months ending 31 December 2023, as supplemented by the letter dated 28 April 2023 from GDH Zhongyue to GDH Energy Service in relation to the New Cap;
“Old Electricity Transaction Agreement”	an agreement dated 29 December 2022 entered into between GDH Zhongyue and GDH Energy Service in respect of the purchase of electricity by GDH Zhongyue from GDH Energy Service for the period from 1 January 2023 to 30 June 2023, as supplemented by the letter dated 29 December 2022 from GDH Zhongyue to GDH Energy Service in relation to the Existing Cap;

DEFINITIONS

“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;
“Previous Transactions”	has the meaning ascribed to it under the section headed “II. The Transaction – Historical transaction amounts” in the letter from the Board contained in this circular;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	the share(s) of the Company;
“Shareholder(s)”	the holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transaction”	the transaction contemplated under the New Electricity Transaction Agreement;
“Zhongshan Xingzhong”	中山興中集團有限公司 (Zhongshan Xingzhong Group Co., Ltd*), a company established in the PRC with limited liability; and
“%”	per cent.

For the purpose of this circular, unless otherwise indicated, the exchange rate of RMB1.00=HK\$1.1423 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.

References to time and dates in this circular are to Hong Kong time and dates.

* For identification purposes only

LETTER FROM THE BOARD



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

(Incorporated in Hong Kong with limited liability)

(Stock code: 01203)

Board of Directors:

Executive Directors:

CHEN Benguang (*Chairman*)

YANG Zhe (*General Manager*)

CHAU Wang Kei (*Chief Financial Officer*)

Registered Office:

Units 2905-08, 29th Floor

Shui On Centre

6-8 Harbour Road, Wanchai

Hong Kong

Non-Executive Director:

WANG Longhai

Independent Non-Executive Directors:

Gerard Joseph MCMAHON

LI Kar Keung, Caspar

WONG Yau Kar, David

22 May 2023

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

I. INTRODUCTION

Reference is made to the announcement of the Company dated 28 April 2023 (“**Announcement**”), which announced that GDH Zhongyue, a wholly-owned subsidiary of the Company, and GDH Energy Service have entered into the New Electricity Transaction Agreement on 28 April 2023, pursuant to which the Existing Cap was revised and the New Cap was set for the Transaction.

LETTER FROM THE BOARD

Reference is also made to the announcement of the Company dated 29 December 2022, which announced that GDH Zhongyue entered into the Old Electricity Transaction Agreement with GDH Energy Service, where the Existing Cap was set. The Old Electricity Transaction Agreement will expire on 30 June 2023.

The purpose of this circular is to provide you with, *inter alia*, (i) further details of the Transaction; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Transaction; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transaction; and (iv) a notice convening the EGM.

II. THE TRANSACTION

Pursuant to the New Electricity Transaction Agreement, GDH Zhongyue 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:	(i) GDH Zhongyue (ii) GDH Energy Service
Term:	1 July 2023 to 31 December 2023
Volume:	For the six months ending 31 December 2023: not exceeding 43,000,000 kWh; and the amount of electricity transacted shall be the actual volume of electricity consumed by GDH Zhongyue.

LETTER FROM THE BOARD

Unit price: For the six months ending 31 December 2023, GDH Energy Service shall supply, and GDH Zhongyue shall purchase, electricity (i) as for 90% of the monthly consumption, at a price based on the consolidated tariff for monthly centralised electricity competitive transactions (currently being RMB0.463 per kWh with a plus/minus fluctuation within 20% (the maximum being RMB0.554 per kWh and the minimum being RMB0.372 per kWh, currently)) as announced by the Guangdong Electricity Exchange Centre, multiplied by a coefficient which is determined on the basis of consumption during the peak, normal or low period; and (ii) as for the remaining 10% of the monthly consumption, at a price based on the monthly consolidated tariff (currently being approximately RMB0.547 per kWh) in the day-ahead market as announced by the Guangdong Electricity Exchange Centre, multiplied by a coefficient which is determined on the basis of consumption during the peak, normal or low period. Such unit price has been determined after arm's length negotiation and in compliance with government guidelines.

Payment terms: The fees for electricity payable by GDH Zhongyue shall be settled with Guangdong Power Grid (being a third party independent of and not connected with the Group) on a monthly basis, which shall in turn be payable by Guangdong Power Grid to the GDI Group after deduction of the Power Grid Fee charged by Guangdong Power Grid. According to the requirement of the "Guangdong Electricity Market Retail Settlement Implementation Rules" (《廣東電力市場零售結算實施細則》) issued by the Guangdong Electricity Exchange Centre, electricity users shall settle their fees with the relevant power grid enterprise in the district. The amount to be received by the GDI Group under the relevant New Electricity Transaction Agreement 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 GDH Energy, which is also a subsidiary of GDI and the holding company of GDH Energy Service and is principally engaged in the operation of power plants and if necessary, from other independent electricity suppliers.

LETTER FROM THE BOARD

Historical transaction amounts

The table below summarises the historical amount of fees paid by GDH Zhongyue to the GDI Group in relation to the purchase of electricity during each of the two years ended 31 December 2022 and the three months ended 31 March 2023 (the “**Previous Transactions**”).

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the three months ended 31 March 2023
Actual amount of fees paid under the Previous Transactions	RMB29,621,000 (equivalent to approximately HK\$33,836,000)	RMB37,319,000 (equivalent to approximately HK\$42,629,000)	RMB8,505,000 (equivalent to approximately HK\$9,715,000)
Relevant annual cap	RMB36,000,000 (equivalent to approximately HK\$41,123,000)	RMB45,000,000 (equivalent to approximately HK\$51,404,000)	RMB22,800,000 (equivalent to approximately HK\$26,044,000) (for the six months ending 30 June 2023)

Existing Cap for 2023

Pursuant to the Old Electricity Transaction Agreement, the existing annual cap (the “**Existing Cap**”) for the transaction thereunder for the estimated amount to be paid by GDH Zhongyue to GDI Group for the transaction for the financial year ending 31 December 2023 is RMB22,800,000 (equivalent to approximately HK\$26,044,000).

Proposed New Cap for 2023

Pursuant to the Old Electricity Transaction Agreement (with respect to the purchase of electricity by GDH Zhongyue from GDH Energy Service for the six months ending 30 June 2023) and the New Electricity Transaction Agreement, the annual cap for the estimated amount to be paid by GDH Zhongyue to GDI Group under the Old Electricity Transaction Agreement and the New Electricity Transaction Agreement (as the case may be) for the financial year of 2023 will be revised from RMB22,800,000 (being the Existing Cap) to RMB46,400,000 (equivalent to approximately HK\$53,003,000) (“**New Cap**”).

LETTER FROM THE BOARD

To secure the Shareholders' interests, the Company has adopted certain internal control procedures, pursuant to which the finance department of the Company conducts monthly tracking, for the purpose of monitoring and verification of the progress of the Company's transactions. The audit committee of the Board conducts a rigorous review of continuing connected transactions to ensure the completeness and effectiveness of the internal control measures relating to continuing connected transactions of the Group. The Board considers that the above internal control procedures adopted by the Company in respect of the transaction under the New Electricity Transaction Agreement are appropriate and that they will give sufficient assurance to the Shareholders that the transaction under the New Electricity Transaction Agreement will be appropriately monitored by the Company and that the usage of annual cap will be monitored with the view that the annual cap will not be exceeded. The independent non-executive Directors and the auditor of the Company will also review the continuing connected transactions of the Company annually in accordance with the requirements of Rule 14A.55 and Rule 14A.56 of the Listing Rules, respectively. Together with the Group's procedures in relation to the pricing of the Transaction as described in the paragraph headed "Unit price" in the section headed "II. The Transaction" in this letter from the Board, the Board is of the view that the Company's internal control measures are sufficient to ensure that the Transaction will be conducted on normal commercial terms or better, fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

Basis and reasons for the New Cap and the Transaction

The New Cap is determined after arm's length negotiation between the parties and is based on: (i) the guidelines issued by the relevant authorities to companies which have entered into electricity supply agreements to enter into new electricity transaction agreements with its recommended terms to help balance the interests of the parties in the agreements. According to the "Notice of Relevant Matters in relation to the Transactions of 2023 Electricity Market" (《關於2023年電力市場交易有關事項的通知》) issued by the Energy Bureau of Guangdong Province (廣東省能源局) and the South China Energy Regulatory Office of National Energy Administration (國家能源局南方監管局) on 14 November 2022, with effect from 1 January 2023, industrial and commercial users with 10 kilovolts and more (including the Group) should participate in transaction in the electricity market directly. Power plants and electricity sale companies are required to enter into contracts with their customers with a medium to long term in 2023. The pricing of electricity shall be based on a base tariff with certain fluctuation, incorporating a mechanism with reference to consumption during the peak, normal or low period. Not less than 10% of electricity actually consumed shall be subject to pricing with reference to the market price. The transaction price per unit during the normal period shall be subject to an upper limit of RMB0.554 per kWh and a lower limit of RMB0.372 per kWh for each yearly contract. Considering that the above are requirements under the abovementioned notice and that there is no cap on the pricing with reference to the market price, the Company believes that the arrangement that 90% of the electricity consumption of GDH Zhongyue is subject to the said price range and 10% of its electricity consumption is determined with reference to the market price (as more particularly set out in the paragraph headed "II. The Transaction – Unit price" above) is in the interest of the Company and its Shareholders as a whole; (ii) the actual amount of fees paid by GDH Zhongyue to the GDI Group under the Previous Transactions as set out above; and (iii) the expectation that the volume of electricity to be consumed by GDH Zhongyue will reach the level of not more than 43,000,000 kWh for the six months ending 31 December 2023, considering the revenue growth of tinplate business and market development.

LETTER FROM THE BOARD

With the adoption of the New Cap, GDH Zhongyue will continue to benefit from the stable electricity supply at a fair, reasonable and competitive price, which in turn will assist in stabilizing the operating cost of GDH Zhongyue. The Company will closely monitor, among others, the price and availability of electricity supply in the market and will consider whether to extend the term of the Transaction when appropriate.

In view of the above, the Directors (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) are of the view that the New Electricity Transaction Agreement was entered into in the ordinary and usual course of business of GDH Zhongyue and on normal commercial terms or better to the Group, and that the New Electricity Transaction Agreement, the New Cap and the terms of the Transaction are fair and reasonable and in the interests of the Company and the 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 total number of shares in issue 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

Based on the estimated aggregate amount to be paid by GDH Zhongyue to GDI Group under the Old Electricity Transaction Agreement and the New Electricity Transaction Agreement, the New Cap for the financial year ending 31 December 2023 is set at RMB46,400,000 (equivalent to approximately HK\$53,003,000).

Since one of the applicable percentage ratios for the purpose of Chapter 14A of the Listing Rules in respect of the New Cap exceeds 5%, the Transaction constitutes a non-exempt continuing connected transaction of the Company and the New Electricity Transaction Agreement and proposed New Cap will be subject to the reporting and announcement requirements, the annual review requirements, and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

The Company will seek the Independent Shareholders' approval in respect of the New Electricity Transaction Agreement, the Transaction and the New Cap at the EGM. To the best knowledge of the Company, other than GDH and Mr. Tsang Hon Nam, who is a director of GDI, which respectively held 537,198,868 Shares and 300,000 Shares (representing a total of approximately 59.22% of the total number of Shares in issue of the Company) as at the Latest Practicable Date, no Shareholder is required to abstain from voting in respect of such resolution at the EGM.

Principal businesses of the Group and the connected persons

The Group is principally engaged in the distribution and trading of fresh and live foodstuffs, provision of slaughtering service, manufacturing and sales of tinplate products and property leasing.

The principal business of GDH Zhongyue is the production and sales of tinplate products and property leasing. GDH Zhongyue is a wholly-owned subsidiary of the Company.

The principal business of GDH is investment holding. The Company understands from GDH that (i) GDH is wholly owned by Guangdong Holdings, a state-owned enterprise established in the PRC; and (ii) Guangdong Holdings is held as to 90% by the People's Government of Guangdong Province (the "**Guangdong Government**") and as to 10% by the Department of Finance of the Guangdong Province while State-owned Assets Supervision and Administration Commission of the Guangdong Government has been performing ownership and control functions in respect of Guangdong Holdings with the authorisation of the Guangdong Government.

GDI 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. GDI is owned as to 56.49% by GDH and is a subsidiary of Guangdong Holdings and GDH.

GDH Energy Service is a company established in the PRC with limited liability and is principally engaged in sale of electricity. GDH Energy Service is wholly owned by GDH Energy.

GDH Energy is principally engaged in power plant operation for the provision of electricity and steam supply and is owned as to: (i) 75% by Zhongshan Power (which, in turn, is owned as to 95% by GDI and as to 5% by Devon Investment Limited (which is an indirect wholly-owned subsidiary of Zhongshan Xingzhong)); and (ii) 25% by Zhongshan Xingzhong (which, in turn, is wholly-owned by the State-owned Assets Supervision and Administration Commission of Zhongshan Municipal Government). Therefore, GDH Energy is an indirect non-wholly owned subsidiary of GDI.

LETTER FROM THE BOARD

Independent Board Committee and Independent Financial Adviser

An Independent Board Committee comprising the independent non-executive Directors (namely, Mr. Gerard Joseph MCMAHON, Mr. LI Kar Keung, Caspar, Dr. WONG Yau Kar, David) has been appointed to consider the Transaction and the New Cap. Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Transaction and the New Cap.

III. EGM AND PROXY ARRANGEMENT

A notice convening the EGM to be held at the Boardroom, Basement II, Wharney Hotel, No. 57-73 Lockhart Road, Wanchai, Hong Kong on Thursday, 15 June 2023 at 11:30 a.m. (or as soon thereafter following the conclusion or adjournment of the annual general meeting of the Company to be held at 11:00 a.m. on the same day and at the same place) is set out on pages 34 to 35 of this circular. At the EGM, an ordinary resolution will be proposed for the approval of the New Electricity Transaction Agreement, the New Cap and the terms of the Transaction.

A form of proxy for use by the Shareholders at the EGM is enclosed with this circular. Whether or not you are able to attend and vote at the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

Pursuant to rule 13.39(4) of the Listing Rules, all votes of the Shareholders to be taken at the EGM shall be taken by a poll. The Company will appoint scrutineers to handle vote-taking procedures at the EGM.

The results of the poll will be published on the websites of the Stock Exchange and the Company as soon as possible after the EGM in accordance with rule 13.39(5) of the Listing Rules.

LETTER FROM THE BOARD

IV. CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' eligibility to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 12 June 2023 to Thursday, 15 June 2023 (both days inclusive), during which period no transfers of shares will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 9 June 2023.

V. RECOMMENDATION

Having considered the reasons set out in the section headed "II. The Transaction" in the letter from the Board contained in this circular, the Directors (including the independent non-executive Directors, having considered the advice of the Independent Financial Adviser), are of the opinion that the New Electricity Transaction Agreement, the New Cap and the terms of the Transaction are fair and reasonable, on normal commercial terms or better to the Group and in the ordinary and usual course of business of the Company, and in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution regarding the same. An Independent Board Committee comprising the independent non-executive Directors (namely, Mr. Gerard Joseph MCMAHON, Mr. LI Kar Keung, Caspar and Dr. WONG Yau Kar, David) has been formed to consider the Transaction and the New Cap. Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Transaction and the New Cap. Your attention is drawn to (i) the letter setting out the advice from the Independent Board Committee to the Independent Shareholders, and (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 New Electricity Transaction Agreement, the New Cap and the terms of the Transaction, which are set out in this circular.

VI. FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
By order of the Board
GDH Guangnan (Holdings) Limited
CHEN Benguang
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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

(Incorporated in Hong Kong with limited liability)

(Stock code: 01203)

22 May 2023

*To the Independent Shareholders
of GDH Guangnan (Holdings) Limited*

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION

We refer to the circular of the Company dated 22 May 2023 (the “**Circular**”). Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders of GDH Guangnan (Holdings) Limited to consider the New Electricity Transaction Agreement, the New Cap and the terms of the Transaction, details of which are set out in the section headed “II. The Transaction” in the “Letter from the Board” contained in the Circular.

Your attention is drawn to the “Letter from the Board”, the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transaction as set out in the “Letter from the Independent Financial Adviser” as well as other additional information set out in other parts of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice of, and the principal factors and reasons considered by the Independent Financial Adviser in relation thereto as stated in its letter, we consider that the New Electricity Transaction Agreement, the New Cap and terms of the Transaction are fair and reasonable, on normal commercial terms (or better to the Group) and in the ordinary and usual course of business of the Company, and in the interests of the Company and its Shareholders as a whole. We therefore recommend that you vote in favour of the ordinary resolution to be proposed at the EGM to approve the New Electricity Transaction Agreement, the New Cap and the terms of the Transaction.

Yours faithfully,
The Independent Board Committee

Gerard Joseph MCMAHON

Independent

Non-executive Director

LI Kar Keung, Caspar

Independent

Non-executive Director

WONG Yau Kar, David

Independent

Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Altus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the New Electricity Transaction Agreement, the transactions contemplated thereunder and the New Cap, which have been prepared for the purpose of incorporation in this circular.

ALTUS

Altus Capital Limited
21 Wing Wo Street,
Central, Hong Kong

22 May 2023

To the Independent Board Committee and the Independent Shareholders

GDH GUANGNAN (HOLDINGS) LIMITED

Units 2905-08, 29th Floor
Shui On Centre, 6-8 Harbour Road
Wanchai, Hong Kong

Dear Sirs and Madams,

CONTINUING CONNECTED TRANSACTION PURCHASE OF ELECTRICITY NEW ELECTRICITY TRANSACTION AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the New Electricity Transaction Agreement and the transactions contemplated thereunder (including the New Cap) (the “**Transaction**”), details of which are set out in the “Letter from the Board” contained in the circular of the Company dated 22 May 2023 (the “**Circular**”). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 29 December 2022, which announced that GDH Zhongyue has entered into the Old Electricity Transaction Agreement with GDH Energy Service in relation to the purchase of electricity for the period from 1 January 2023 to 30 June 2023. In order to continue with such arrangement, on 28 April 2023, GDH Zhongyue and GDH Energy Service entered into the New Electricity Transaction Agreement, pursuant to which GDH Zhongyue agreed to purchase, and GDH Energy Service agreed to supply, electricity during the term from 1 July 2023 to 31 December 2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, GDH is holding approximately 59.19% and 56.49% of the total number of shares in issue 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. As at the Latest Practicable Date, GDH Energy Service was 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.

Based on the estimated amount to be paid by GDH Zhongyue to GDI Group under the Old Electricity Transaction Agreement and the New Electricity Transaction Agreement, the New Cap for the year ending 31 December 2023 is set at RMB46,400,000 (equivalent to approximately HK\$53,003,000).

Since one of the applicable percentage ratios for the purpose of Chapter 14A of the Listing Rules in respect of the New Cap exceed 5%, the Transaction constitutes a non-exempt continuing connected transaction of the Company and the New Electricity Transaction Agreement and proposed New Cap will be subject to the reporting and announcement requirements, the annual review requirements, and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Gerard Joseph MCMAHON, Mr. LI Kar Keung, Caspar and Dr. WONG Yau Kar, David, has been established to advise the Independent Shareholders as to (i) whether the New Electricity Transaction Agreement and the Transaction are conducted in the Group's ordinary and usual course of business and are in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the New Electricity Transaction Agreement and the Transaction is on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (iii) whether the New Cap is fair and reasonable; and (iv) how to vote in respect of the ordinary resolution to be proposed at the EGM approving the New Electricity Transaction Agreement, the Transaction and the New Cap (the "**Resolution**"), taking into account the recommendation of the Independent Financial Adviser.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the New Electricity Transaction Agreement and the Transaction are conducted in the Group's ordinary and usual course of business and are in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the New Electricity Transaction Agreement and the Transaction is on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (iii) whether the New Cap is fair and reasonable; and (iv) how the Independent Shareholders should vote in respect of the Resolution.

We acted as the independent financial adviser for the Company with regards to (i) the continuing connected transaction in relation to the revision of annual caps for the purchase of electricity, details of which were set out in a circular of the Company dated 24 May 2021; and (ii) the continuing connected transaction in relation to the purchase of electricity, details of which were set out in a circular of the Company dated 20 May 2022. Save for the aforesaid transactions, we have not acted as independent financial adviser or financial adviser in relation to any transactions of the Company in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the New Electricity Transaction Agreement, the Transaction and the New Cap is at market level and not conditional upon successful passing of the Resolution, and that our engagement is on normal commercial terms, we are independent of the Company.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others (i) the New Electricity Transaction Agreement; (ii) the Old Electricity Transaction Agreement; (iii) the annual report of the Company for the year ended 31 December 2022 (the "**2022 Annual Report**"); (iv) the announcement of the Company dated 29 December 2022 in relation to the Old Electricity Transaction Agreement; and (v) other information as set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Group (the "**Management**"). We have assumed that all the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and will continue to be so up to the date of EGM. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have no reason to believe that any such statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render them untrue, inaccurate or misleading.

We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business, financial conditions and affairs or future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background

1.1 Principal businesses of the Group and connected persons

The Group is principally engaged in the distribution and trading of fresh and live foodstuffs, provision of slaughtering service, manufacturing and sales of tinplate products and property leasing.

GDH Zhongyue, a wholly-owned subsidiary of the Company, is principally engaged in the production and sales of tinplate products and property leasing.

The principal businesses of GDI Group include water resources, property investment and development, department store operation, hotel ownership, operation and management, investments in energy projects and road and bridge operation.

GDH Energy Service is principally engaged in sale of electricity and is wholly-owned by GDH Energy. The principal business of GDH Energy is power plant operation for the provision of electricity and steam supply and is owned as to: (i) 75% by Zhongshan Power (which, in turn, is owned as to 95% by GDI and as to 5% by Devon Investment Limited (which is an indirect wholly-owned subsidiary of Zhongshan Xingzhong)); and (ii) 25% by Zhongshan Xingzhong (which, in turn, is wholly-owned by the State-owned Assets Supervision and Administration Commission of Zhongshan Municipal Government). Therefore, GDH Energy is an indirect non-wholly owned subsidiary of GDI.

Given that electricity is the major source of power for the production lines of GDH Zhongyue, it is within its ordinary and usual course of business to purchase electricity for operational use.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.2 The previous electricity transaction agreements

To enable GDH Zhongyue to secure stable electricity supply for its normal business operations at a fair, reasonable and competitive price, GDH Zhongyue entered into electricity transaction agreements with GDH Energy Service since 2018 with consecutive renewals.

As the Old Electricity Transaction Agreement will expire on 30 June 2023, the New Electricity Transaction Agreement represents a continuation of the existing arrangement in respect of GDH Zhongyue's purchase of electricity from GDH Energy Service.

2. The New Electricity Transaction Agreement

To assess the fairness and reasonableness of the terms of the New Electricity Transaction Agreement, we have considered the followings.

2.1 Key terms of the New Electricity Transaction Agreement

For details of the terms of the New Electricity Transaction Agreement, please refer to the "Letter from the Board" of the Circular.

- (i) The amount of electricity transacted shall be the actual volume of electricity consumed by GDH Zhongyue and in any event not exceeding 43,000,000 kWh for the six months ending 31 December 2023.

We have performed random sample checks as further elaborated in the paragraph headed "2.2 Internal controls" below and noted that the amount of electricity is being charged according to GDH Zhongyue's actual volume of electricity consumed. Taking into account the actual electricity consumption for the year ended 31 December 2022 and the three months ended 31 March 2023 as elaborated in the paragraph headed "2.4 (i) Historical cap" and the potential business recovery and growth, the maximum volume of electricity to be consumed by GDH Zhongyue for the six months ending 31 December 2023 provides an assurance to GDH Zhongyue on the continued supply of electricity, which is a key power supply for its operations. In addition, there is no obligation for GDH Zhongyue to use up the maximum volume of electricity as stipulated in the New Electricity Transaction Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) Unit price of electricity transacted shall be calculated (i) as for 90% of the monthly consumption, at a price based on the consolidated tariff for monthly centralised electricity competitive transactions (currently being RMB0.463 per kWh with a plus/minus fluctuation within 20% (the maximum being RMB0.554 per kWh and the minimum being RMB0.372 per kWh, currently)) as announced by the Guangdong Electricity Exchange Centre, multiplied by a coefficient which is determined on the basis of consumption during the peak, normal or low period; and (ii) as for the remaining 10% of the monthly consumption, at a price based on the monthly consolidated tariff (currently being approximately RMB0.547 per kWh) in the day-ahead market as announced by the Guangdong Electricity Exchange Centre, multiplied by a coefficient which is determined on the basis of consumption during the peak, normal or low period. Such unit price has been determined after arm's length negotiation and in compliance with government guidelines.

We understand that the above pricing mechanism is being formulated in compliance with the guidelines issued by the relevant authorities in the PRC. Further, we understand that the Company has obtained two quotations from other electricity suppliers in the Guangdong Province, which are independent third parties. We have reviewed the quotations and noted that the unit price offered by GDH Energy Service is no less favourable to the Group than those offered by independent third parties. Therefore, we consider the unit price is fair and reasonable.

- (iii) The fees for electricity payable by GDH Zhongyue shall be settled with Guangdong Power Grid (being a third party independent of and not connected with the Group) on a monthly basis, which shall in turn be payable by Guangdong Power Grid to the GDI Group after deduction of the Power Grid Fee charged by Guangdong Power Grid. According to the requirement of the "Guangdong Electricity Market Retail Settlement Implementation Rules" (《廣東電力市場零售結算實施細則》) issued by the Guangdong Electricity Exchange Centre, electricity users shall settle their fees with the relevant power grid enterprise in the district. The amount to be received by the GDI Group under the relevant New Electricity Transaction Agreement 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 GDH Energy, which is also a subsidiary of GDI and the holding company of GDH Energy Service and is principally engaged in the operation of power plants and if necessary, from other independent electricity suppliers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In light of the above, (i) the fees payable is based on the actual volume of electricity consumed by GDH Zhongyue; (ii) the maximum volume of electricity to be consumed by GDH Zhongyue for the six months ending 31 December 2023 provides an assurance to GDH Zhongyue on the continued supply of electricity, which is a key power supply for its operation; (iii) there is no obligation for GDH Zhongyue to use up the maximum volume of electricity; (iv) the unit price offered by GDH Energy Service is no less favourable to the Group than those offered by independent third parties; and (v) the fees are settled on a monthly basis first with Guangdong Power Grid, which is in line with the regulations issued by Guangdong Electricity Exchange Centre, we consider the terms of the New Electricity Transaction Agreement are on normal commercial terms and are fair and reasonable.

2.2 Internal controls

We have obtained and reviewed the Group's internal control procedures and noted that the finance department of the Group will conduct monthly tracking, monitoring and verification of the progress of the Company's transactions in relation to the purchase of electricity from GDH Energy Service. In this regard, as mentioned in the paragraph headed "2.1 Key terms of the New Electricity Transaction Agreement" above, we have performed random sample checks on a total of ten monthly electricity bills of GDH Zhongyue, on the basis that three monthly electricity bills per year are randomly selected for the three years ended 31 December 2022 and one monthly electricity bill is randomly selected for the three months ended 31 March 2023 respectively. We have cross-checked the electricity usage as stipulated in the electricity bills with the monthly breakdown of electricity transacted with GDH Energy Service, which we understand from the Management that such data has been confirmed with GDH Energy Service on a monthly basis. We noted that the electricity usage data are in line and therefore, believe the amount of electricity is being charged according to GDH Zhongyue's actual volume of electricity consumed.

We also noted that the Group has internal control procedures to obtain quotation(s) from independent electricity supplier(s) prior to entering into the electricity purchase agreement with GDH Energy Service. In this regard, as discussed in the paragraph headed "2.1 Key terms of the New Electricity Transaction Agreement" above, we understand that the Company has obtained two quotations from independent electricity suppliers. We have obtained and reviewed the quotations and noted that the unit price offered by GDH Energy Service is no less favourable to the Group than those offered by independent third parties. In addition, the audit committee of the Board will conduct review of the Transaction to ensure completeness and effectiveness of the internal control measures relating to the continuing connected transactions of the Group.

In view of the above, we concur with the Management's view that the Group's internal control measures in relation to the Transaction and the monitoring of the New Cap is effective and sufficient.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2.3 Reasons for and benefits of the New Electricity Transaction Agreement

With reference to the paragraph headed “1.1 Principal businesses of the Group and connected persons” above, GDH Zhongyue is principally engaged in the production and sales of tinplate products and property leasing. GDH Zhongyue has various production lines in Zhongshan City, Guangdong Province in the PRC.

According to the 2022 Annual Report, the annual production capacity of GDH Zhongyue is 290,000 tonnes of tinplate products and 140,000 tonnes of blackplates. GDH Zhongyue contributes approximately 59.2% and 100% of the Group’s production capacity for tinplate products and blackplates respectively. Sales of tinplate and related products accounted for approximately 33.9% of the total revenue of the Group for the year ended 31 December 2022. Accordingly, by securing the supply of electricity at a fair, reasonable and competitive price will help to control the operating cost of the manufacturing units and to maintain and support the business operations of GDH Zhongyue, in particular, the production of tinplate products and blackplates, is a vital and integral part to the Group’s business operations and financial performance.

In view of the above, we concur with the Management’s view that the entering into of the New Electricity Transaction Agreement is in the interests of the Company and the Shareholders as a whole.

2.4 The New Cap

In general, the New Cap in relation to the purchase of electricity by GDH Zhongyue from GDH Energy Service is determined, principally, with reference to the estimated annual maximum electricity consumption of GDH Zhongyue (in terms of kWh). Such maximum electricity consumption amount is included in the Old Electricity Transaction Agreement and the New Electricity Transaction Agreement entered into between GDH Zhongyue and GDH Energy Service.

(i) Historical caps

Below is a table setting out (i) the historical transaction amounts; (ii) the historical annual caps; (iii) the corresponding maximum usage in electricity; and (iv) the actual usage in electricity for the year ended 31 December 2022 and the three months ended 31 March 2023 respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	For the year ended 31 December 2022	For the three months ended 31 March 2023
Purchase of electricity		
Historical transaction amount (<i>RMB'000</i>)	37,319	8,505
Historical annual cap (<i>RMB'000</i>)	45,000	22,800 (for the six months ending 30 June 2023)
Utilisation rate	82.9%	74.6% ^{Note 1}
	For the year ended 31 December 2022	For the three months ended 31 March 2023
Actual usage of electricity (<i>kWh</i>)	76,410,352	16,178,800
Maximum usage of electricity (<i>kWh</i>)	85,000,000	40,000,000 (for the six months ending 30 June 2023)
Utilisation rate	89.9%	80.9% ^{Note 2}

Notes:

1. The utilisation rate for the three months ended 31 March 2023 is calculated based on (i) historical transaction amount for the three months ended 31 March 2023; and divided by (ii) historical annual cap calculated on a pro-rata basis.
2. The utilisation rate for the three months ended 31 March 2023 is calculated based on (i) actual usage of electricity (kWh) for the three months ended 31 March 2023; and divided by (ii) maximum usage of electricity (kWh) calculated on a pro-rata basis.

As shown in the above table, the utilisation rates of historical annual caps were relatively high at approximately 82.9% and 74.6% for the year ended 31 December 2022 and the three months ended 31 March 2023 respectively, while the underlying electricity consumption reached approximately 89.9% and 80.9% of the corresponding maximum limit respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the 2022 Annual Report, due to the adverse impact brought about by the COVID-19 pandemic, the demand for tinplate products decreased in 2022, which led to a decrease in the Group's revenue generated from the tinplating segment (being the production and sales of tinplate and related products) by approximately 9.8% to approximately HK\$2,816 million in 2022 from approximately HK\$3,123 million in 2021. In terms of production volume, the Group produced 288,000 tonnes of tinplate products in 2022, representing a decrease of approximately 10.0% as compared to that in 2021. Notwithstanding this, as the integral part of production capacity for the Group's tinplate products, GDH Zhongyue produced 198,000 tonnes of tinplate products in 2022, representing only a slight decrease of approximately 1.2% as compared to that in 2021. As such, the actual electricity usage remained to be at a relatively high level as compared to the historical annual cap.

(ii) *New Cap*

	For the year ending 31 December 2023
New Cap (<i>RMB</i>)	46,400,000 (equivalent to approximately HK\$53,003,000)
Maximum usage of electricity (<i>kWh</i>)	83,000,000 ^{Note 1}

Note:

1. The maximum usage of electricity for the year ending 31 December 2023 is calculated based on the sum of (i) the maximum usage of electricity for the six months ending 30 June 2023 of 40,000,000 kWh according to the Old Electricity Transaction Agreement; and (ii) the maximum usage of electricity for the six months ending 31 December 2023 of 43,000,000 kWh according to the New Electricity Transaction Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We understand from the Management that the New Cap of RMB46,400,000 for the year ending 31 December 2023 is derived based on (i) the estimated maximum volume of electricity of 83,000,000 kWh per year to be consumed by GDH Zhongyue, which such maximum level represents an increase of approximately 8.6% over the actual electricity consumption by GDH Zhongyue for the year ended 31 December 2022. Such increase is to provide an assurance to GDH Zhongyue in light of the potential recovery and growth in tinsplating business. In this regard, we noted from the 2022 Annual Report that it is the Group's strategy to (a) enrich its tinsplating product mix; and (b) enhance its tinsplating product quality so as to achieve market expansion to enlarge customer base, which in turn may increase demand for GDH Zhongyue's electricity consumption; and (ii) the pricing mechanism as elaborated in the paragraph headed "2.1 Key terms of the New Electricity Transaction Agreement" above, which we understand such pricing mechanism is being formulated in compliance with the guidelines issued by the relevant authorities in the PRC. In this regard, we have obtained and reviewed the aforesaid guidelines and noted that the pricing mechanism adopted for calculating the New Cap is in line with that as stipulated in the guidelines. For key terms of the aforesaid guidelines, please refer to the paragraph headed "Basis and reasons for the New Cap and the Transaction" in the "Letter from the Board" of the Circular.

Taking into account of, amongst others, (i) the relatively high utilisation rates of historical annual caps for the year ended 31 December 2022 and the three months ended 31 March 2023; (ii) the estimated maximum volume of electricity of 83,000,000 kWh per year in deriving the New Cap is to provide assurance to GDH Zhongyue in light of the potential business recovery and growth and the Group's strategy as abovementioned; and (iii) the pricing mechanism adopted in deriving the New Cap is being formulated in compliance with the guidelines issued by the relevant authorities in the PRC, we are of the view that the New Cap is derived at fairly and reasonably.

RECOMMENDATION

Having considered the above principal factors, we are of the view that (i) the New Electricity Transaction Agreement and the Transaction are conducted in the Group's ordinary and usual course of business and are in the interests of the Company and the Shareholders as a whole; (ii) the terms of the New Electricity Transaction Agreement and the Transaction are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the New Cap has been fairly and reasonably arrived at.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the Resolution approving the New Electricity Transaction Agreement, the Transaction and the New Cap to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Jeanny Leung
Executive Director

*Ms. Jeanny Leung (“**Ms. Leung**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial advisor or independent financial advisor in various corporate finance transactions.*

1. RESPONSIBILITY STATEMENT

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. INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and 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 and short positions which the Directors or the chief executive of the Company were taken or deemed to have under such provisions of the SFO); or (ii) entered 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 were as follows:

Interests and short positions in the Company:

Name of Director	Capacity/nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interest held (Note)
LI Kar Keung, Caspar	Personal	100,000	Long Position	0.011%

Note: The approximate percentage of interests held was calculated on the basis of 907,593,285 ordinary Shares in issue as at the Latest Practicable Date.

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

3. INTERESTS AND SHORT POSITIONS OF 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 or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Number of ordinary shares beneficially held	Long/short position	Approximate percentage of interest held (Note)
Guangdong Holdings	537,198,868	Long position	59.19%
GDH	537,198,868	Long position	59.19%

Notes:

- The approximate percentage of interests held was calculated on the basis of 907,593,285 Shares 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.
- As at the Latest Practicable Date, none of the Directors held any position in Guangdong Holdings or GDH.

Save as disclosed below, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no other person (other than a Director or chief executive of the Company) was directly or indirectly interested in 10% or more of the issued shares carrying rights to vote in all circumstances at general meetings of other member(s) of the Group or had any option in respect of such issued shares:

Name of shareholder interested in 10% or more of the subsidiary of the Company	Name of subsidiary of the Company	Long/short position	Approximate percentage of interest held
廣東南海安全科技投資控股有限公司 (Guangdong Nanhai Safety Technology Investment Holding Co., Ltd.*)	粵海食品(佛山)有限公司 (GDH Food (Foshan) Co., Ltd.*)	Long position	35%
Skymax Trading Limited	GDH Guangnan Live Pigs Trading Limited	Long position	49%
Mr. Ngan Yik Kuen (顏驛權先生)	Brilliant Food Products Limited	Long position	30%

Name of shareholder interested in 10% or more of the subsidiary of the Company	Name of subsidiary of the Company	Long/short position	Approximate percentage of interest held
珠海市凱博農牧有限公司 (Zhuhai Kaibo Farming Company Limited*)	粵海德之潤食品(珠海)有限公司 (GDH Dezhirun Food (Zhuhai) Co., Ltd.*) (formally know as 珠海德之潤實業有限公司 (Zhuhai Dezhirun Industrial Co., Ltd.)) (“ GDH Dezhirun ”)	Long position	17.33%
Ms. Yan Dandan (顏丹丹女士)	GDH Dezhirun	Long position	11.67%
珠海華川農產品有限公司 (Zhuhai Huachuan Agricultural Products Co., Ltd.*)	粵海民源食品(珠海)有限公司 (GDH Minyuan Food (Zhuhai) Co., Ltd.*) (formally known as 珠海中珠民源食品有限公司 (Zhuhai Zhongzhu Minyuan Food Co., Ltd.))	Long position	20%
珠海利之人諮詢服務有限公司 (Zhuhai Lizhiren Consulting Service Co., Ltd.*)	粵海利之源農產品(珠海)有限公司 (GDH Lizhiyuan Agricultural Products (Zhuhai) Co., Ltd.*) (formally known as 珠海中珠利之源農產品有限公司 (Zhuhai Zhongzhu Lizhiyuan Agricultural Products Co., Ltd.)) (“ GDH Lizhiyuan ”)	Long position	35%
珠海市利源農畜產品有限公司 (Zhuhai Liyuan Agricultural and Livestock Products Co., Ltd.*)	GDH Lizhiyuan	Long position	10%
珠海市仁德食品有限公司 (Zhuhai Rende Food Co., Ltd.*)	粵海利昌食品(珠海)有限公司 (GDH Lichang Food (Zhuhai) Co., Ltd.*) (formally known as 珠海中珠利昌食品有限公司 (Zhuhai Zhongzhu Lichang Food Co., Ltd.))	Long position	33%
中山市儒子牛餐飲管理有限公司 (Zhongshan Ruziniu Catering Management Co., Ltd.*)	粵海儒子源食品(珠海)有限公司 (GDH Ruziyuan Food (Zhuhai) Co., Ltd.*) (formally known as 珠海市儒子源食品有限公司 (Zhuhai Ruziyuan Food Co., Ltd.))	Long position	45%

Save as disclosed herein, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, there was no other person, other than Directors or chief executive of the Company and (in the case of the other members of the Group) other than the Company, who had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which latest published audited consolidated financial statements of the Company were made up.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

6. DIRECTORS' INTEREST IN CONTRACTS

As at the Latest Practicable Date:

- (i) none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2022, being the date to which the latest published audited accounts of the Company were made up; and
- (ii) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Group.

7. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date and so far as the Directors were aware, none of the Directors or their respective close associates had an interest in any business that competes with or is likely to compete with the business of the Group.

8. LITIGATION

As at the Latest Practicable Date, so far as was known to the Directors, none of the members of the Group was engaged in any litigation, arbitration or administration proceedings of material importance and there was no litigation, arbitration or administration proceedings or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

9. QUALIFICATION AND CONSENT OF THE EXPERT

- (i) The following is the qualification of the expert which has given opinion or advice which is contained in this circular:

Name	Qualification
Altus Capital Limited	A corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

- (ii) As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding in the Company 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 it have any interest, direct or indirect, in any assets which had, since 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.
- (iii) The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which they appear. The letter of the Independent Financial Adviser contained herein was issued on 22 May 2023 and was made by the Independent Financial Adviser for incorporation in this circular.

10. GENERAL

- (i) The company secretary of the Company is Mr. Liu Wai Kin, an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom; and
- (ii) The registered office of the Company is situated at Units 2905-08, 29th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.gdguangnan.com) for a period of 14 days from the date of this circular:)

- (i) the Old Electricity Transaction Agreement;
- (ii) the New Electricity Transaction Agreement;
- (iii) the letter from the Independent Board Committee as set out in this circular; and
- (iv) the letter from the Independent Financial Adviser as set out in this circular.

NOTICE OF EGM



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

(Incorporated in Hong Kong with limited liability)

(Stock code: 01203)

CONTINUING CONNECTED TRANSACTION AND NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (“EGM”) of GDH Guangnan (Holdings) Limited (the “**Company**”) will be held at the Boardroom, Basement II, Wharney Hotel, No. 57-73 Lockhart Road, Wanchai, Hong Kong on Thursday, 15 June 2023 at 11:30 a.m. (or as soon thereafter following the conclusion or adjournment of the annual general meeting of the Company to be held at 11:00 a.m. on the same day and at the same place) (or any adjournment thereof) for the purpose of considering and, if thought fit, approve the following resolution as an ordinary resolution of the Company (with or without modifications):

ORDINARY RESOLUTION

- (a) **“THAT** the New Electricity Transaction Agreement dated 28 April 2023 referred to in the section headed “II. The Transaction” in the “Letter from the Board” contained in the circular (the “**Circular**”) of the Company dated 22 May 2023 of which this notice forms part, the New Cap (as defined in the Circular) and the terms of the Transaction (as defined in the Circular) be and are hereby approved, confirmed and ratified; and
- (b) **THAT** any one director of the Company be and is hereby authorized to take up any steps and execute such other documents as they consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the New Electricity Transaction Agreement or the Transaction.”

By order of the Board
GDH Guangnan (Holdings) Limited
CHEN Benguang
Chairman

Hong Kong, 22 May 2023

NOTICE OF EGM

Registered Office:

Units 2905-08, 29th Floor
Shui On Centre
6-8 Harbour Road, Wanchai
Hong Kong

Notes:

- 1) A shareholder entitled to attend and vote at the above meeting may appoint one or more proxies to attend and vote in his place and such proxy need not be a shareholder of the Company.
- 2) A form of proxy is enclosed. To be valid, the form of proxy together with the power of attorney (if any) or other authority (if any) under which it is signed (or a notarially certified copy of such power or authority) must be delivered to the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the meeting or adjourned meeting. The appointment of a proxy will not prevent a shareholder from subsequently attending and voting at the meeting or any adjourned meeting if he so wishes. If a shareholder who has lodged a form of proxy attends the meeting, his form of proxy will be deemed to have been revoked.
- 3) In the case of joint shareholders, the vote of the senior who tenders a vote, whether in person, or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority will be determined by the order in which the names stand in the Company's register of members in respect of the joint holding.
- 4) In order to qualify for attending and voting at the meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 9 June 2023.
- 5) The register of members of the Company will be closed from Monday, 12 June 2023 to Thursday, 15 June 2023 (both days inclusive), for the purpose of determining shareholders' eligibility to attend and vote at the EGM, during which period no transfers of shares will be registered.
- 6) Pursuant to Rule 13.39(4) of the Listing Rules, the resolution set out in this notice will be voted by way of a poll.
- 7) If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in force in Hong Kong at 9:00 a.m. on the date of the EGM, the EGM will be automatically adjourned. The Company will post an announcement on the websites of the Company and the Stock Exchange to notify Shareholders of the date, time and place of the rescheduled meeting.

As at the date of this notice, the Board is composed of three executive Directors, namely Mr. CHEN Benguang, Mr. YANG Zhe and Mr. CHAU Wang Kei; one non-executive Director, namely WANG Longhai; and three independent non-executive Directors, namely Mr. Gerard Joseph MCMAHON, Mr. LI Kar Keung, Caspar and Dr. WONG Yau Kar, David.