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



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 TRANSACTIONS THE 2024 ELECTRICITY AGREEMENTS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**

ALTUS CAPITAL LIMITED

All capitalised terms used herein shall have the same meanings as those set out in the section headed “Definitions” of this circular.

A letter from the Board is set out on pages 7 to 23 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 24 to 25 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the 2024 Electricity Agreements and the transactions contemplated thereunder is set out on pages 26 to 41 of this circular.

A notice convening the EGM to be held at the Boardroom, Basement II, Wharney Hotel, No. 57-73 Lockhart Road, Wanchai, Hong Kong on Friday, 31 May 2024 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 and at any adjournment thereof) is set out on pages 48 to 50 of this circular. A form of proxy for the EGM is enclosed with this circular. Whether or not you intend to attend the EGM in person, you are requested to complete the accompanying 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 48 hours before the time scheduled for the EGM or any adjournment thereof. Completion and return of the 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.

26 April 2024

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DEFINITIONS

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

“2024 Electricity Agreements”	collectively, (i) the 2024 Zhongyue Electricity Agreement; (ii) the 2024 GDH Food Foshan Electricity Agreement; (iii) the 2024 Runhehe Food Electricity Agreement; and (iv) the 2024 Guanglong Food Electricity Agreement, and each a “2024 Electricity Agreement”
“2024 GDH Food Foshan Electricity Agreement”	an agreement dated 28 March 2024 entered into between GDH Food Foshan and GDH Energy Service, together with the letter dated 28 March 2024 from GDH Food Foshan to GDH Energy Service
“2024 Guanglong Food Electricity Agreement”	an agreement dated 28 March 2024 entered into between Guanglong Food and GDH Energy Service, together with the letter dated 28 March 2024 from Guanglong Food to GDH Energy Service
“2024 Runhehe Food Electricity Agreement”	an agreement dated 28 March 2024 entered into between Runhehe Food and GDH Energy Service, together with the letter dated 28 March 2024 from Runhehe Food to GDH Energy Service
“2024 Zhongyue Electricity Agreement”	an agreement dated 28 March 2024 entered into between GDH Zhongyue and GDH Energy Service, together with the letter dated 28 March 2024 from GDH Zhongyue to GDH Energy Service
“Agreed Price”	has the meaning ascribed to it under the section headed “B. THE 2024 ELECTRICITY AGREEMENTS – Unit Price” in the “Letter from the Board” contained in this circular
“associate”	has the meaning ascribed thereto 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 (stock code: 01203)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve, the 2024 Electricity Agreements, the transactions contemplated thereunder and the Proposed Caps
“Electricity Market Guidelines”	has the meaning ascribed to it under the section headed “C. THE PROPOSED CAPS AND BASIS OF DETERMINATION – Basis of determination for the Proposed Caps” in the “Letter from the Board” contained in this circular
“Existing Cap”	has the meaning ascribed to it under the section headed “C. THE PROPOSED CAPS AND BASIS OF DETERMINATION – Existing caps and historical transaction amounts” in the “Letter from the Board” contained in this circular
“Existing Electricity Agreements”	collectively, (i) the Existing Zhongyue Electricity Agreement; (ii) the Existing GDH Food Foshan Electricity Agreement; (iii) the Existing Runhehe Food Electricity Agreement; and (iv) the Existing Guanglong Food Electricity Agreement, and each an “Existing Electricity Agreement”
“Existing GDH Food Foshan Electricity Agreement”	an agreement dated 15 December 2023 entered into between GDH Food Foshan and GDH Energy Service, together with the letter dated 15 December 2023 from GDH Food Foshan to GDH Energy Service, the details of which is set out in the announcement of the Company dated 15 December 2023
“Existing Guanglong Food Electricity Agreement”	an agreement dated 15 December 2023 entered into between Guanglong Food and GDH Energy Service, together with the letter dated 15 December 2023 from Guanglong Food to GDH Energy Service, the details of which is set out in the announcement of the Company dated 15 December 2023

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“Existing Runhehe Food Electricity Agreement”	an agreement dated 15 December 2023 entered into between Runhehe Food and GDH Energy Service, together with the letter dated 15 December 2023 from Runhehe Food to GDH Energy Service, the details of which is set out in the announcement of the Company dated 15 December 2023
“Existing Zhongyue Electricity Agreement”	an agreement dated 15 December 2023 entered into between GDH Zhongyue and GDH Energy Service, together with the letter dated 15 December 2023 from GDH Zhongyue to GDH Energy Service, the details of which is set out in the announcement of the Company dated 15 December 2023
“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 Dezhirun Food”	粵海德之潤食品(珠海)有限公司 (GDH Dezhirun Food (Zhuhai) Company Limited*), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“GDH Energy”	中山粵海能源有限公司 (Zhongshan GDH Energy Co., Ltd.*), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of GDI
“GDH Energy Service”	中山粵海能源服務有限公司 (Zhongshan GDH Energy Service Co., Ltd.*), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of GDI
“GDH Food Foshan”	粵海食品(佛山)有限公司 (GDH Food (Foshan) Co., Ltd*), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“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 company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

DEFINITIONS

“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 (stock code: 00270)
“Group”	the Company and its subsidiaries
“Guangdong Government”	the People’s Government of Guangdong Province
“Guangdong Holdings”	廣東粵海控股集團有限公司 (Guangdong Holdings Limited*), a company established in the PRC with limited liability 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 with limited liability
“Guanglong Food”	粵海廣龍食品(中山)有限公司 (GDH Guanglong Food (Zhongshan) Co., Ltd*), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Historical Transaction Amounts”	has the meaning ascribed to it under the section headed “C. THE PROPOSED CAPS AND BASIS OF DETERMINATION – Existing caps and historical transaction amounts” in the “Letter from the Board” contained in this circular
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company comprising all of the independent non-executive Directors, namely Mr. Gerard Joseph MCMAHON, Mr. LI Kar Keung, Caspar and Dr. WONG Yau Kar, David

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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the 2024 Electricity Agreements, the transactions contemplated thereunder and the Proposed Caps
“Independent Shareholders”	the shareholders of the Company other than those who are required to abstain from voting at the EGM pursuant to the Listing Rules
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and its respective directors, chief executive, controlling shareholders and substantial shareholders or any of its subsidiaries or their respective associates
“kWh”	kilowatt hour
“Latest Practicable Date”	22 April 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nanhai Investment”	廣東南海安全科技投資控股有限公司 (Guangdong Nanhai Security Technology Investment Holdings Company Limited*), a company established in the PRC with limited liability
“Power Grid Fees”	the fees and other related expenses to be 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

DEFINITIONS

“Proposed Cap(s)”	has the meaning ascribed to it under the section headed “C. THE PROPOSED CAPS AND BASIS OF DETERMINATION – The Proposed Caps” in the “Letter from the Board” contained in this circular
“RMB”	Renminbi, the lawful currency of the PRC
“Runhehe Food”	珠海市潤和合食品有限公司 (Zhuhai Runhehe Food Co., Ltd*), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“Shareholder(s)”	holder(s) of the shares in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhongshan Power”	Zhongshan Power (Hong Kong) Limited (中山電力(香港)有限公司), a company incorporated in Hong Kong with limited liability and a direct non-wholly owned subsidiary of GDI
“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
“%”	per cent.

For the purpose of this circular, unless otherwise indicated, the exchange rate of RMB1.00 = HK\$1.1019 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

In this circular, the English names of the PRC entities and technical terms are translations of their Chinese versions, and are included herein for identification purposes only. In the event of any inconsistency, the Chinese versions shall prevail.

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

26 April 2024

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
THE 2024 ELECTRICITY AGREEMENTS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A. INTRODUCTION

Reference is made to the announcement of the Company dated 28 March 2024 in relation to the entering into of the 2024 Electricity Agreements between the Group and GDH Energy Service.

LETTER FROM THE BOARD

Reference is also made to the announcement of the Company dated 15 December 2023 in relation to the Existing Electricity Agreements, pursuant to which each of GDH Zhongyue (a wholly-owned subsidiary of the Company), GDH Food Foshan, Runhehe Food and Guanglong Food (all being non-wholly owned subsidiaries of the Company) has been purchasing electricity (through the power grid operated by Guangdong Power Grid) from GDH Energy Service from 1 January 2024 to 31 May 2024.

In light of the upcoming expiry of the Existing Electricity Agreements on 31 May 2024, on 28 March 2024, (i) GDH Zhongyue entered into the 2024 Zhongyue Electricity Agreement with GDH Energy Service; (ii) GDH Food Foshan entered into the 2024 GDH Food Foshan Electricity Agreement with GDH Energy Service; (iii) Runhehe Food entered into the 2024 Runhehe Food Electricity Agreement with GDH Energy Service; and (iv) Guanglong Food entered into the 2024 Guanglong Food Electricity Agreement with GDH Energy Service.

The purpose of this circular is to provide the Shareholders with, among other things, (i) details of the 2024 Electricity Agreements, the transactions contemplated thereunder and the Proposed Caps; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the 2024 Electricity Agreements, the transactions contemplated thereunder and the Proposed Caps; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) the notice convening the EGM.

B. THE 2024 ELECTRICITY AGREEMENTS

Save for (i) the parties to, (ii) the maximum volume of electricity to be purchased, and (iii) the condition precedent under each of the 2024 Electricity Agreements as more particularly described below, the principal terms of the 2024 Electricity Agreements are substantially the same and are summarised as follows:

Date: 28 March 2024

Parties: *2024 Zhongyue Electricity Agreement:*

- (i) GDH Zhongyue (as purchaser and user of electricity)
- (ii) GDH Energy Service (as supplier)

2024 GDH Food Foshan Electricity Agreement:

- (i) GDH Food Foshan (as purchaser and user of electricity)
- (ii) GDH Energy Service (as supplier)

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2024 Runhehe Food Electricity Agreement:

- (i) Runhehe Food (as purchaser and user of electricity)
- (ii) GDH Energy Service (as supplier)

2024 Guanglong Food Electricity Agreement:

- (i) Guanglong Food (as purchaser and user of electricity)
- (ii) GDH Energy Service (as supplier)

Term: 1 June 2024 to 31 December 2024

Maximum volume: *2024 Zhongyue Electricity Agreement:*

For the seven months ending 31 December 2024, not exceeding 49,000,000 kWh, being the expected maximum volume of electricity to be consumed by GDH Zhongyue.

2024 GDH Food Foshan Electricity Agreement:

For the seven months ending 31 December 2024, not exceeding 12,100,000 kWh, being the expected maximum volume of electricity to be consumed by GDH Food Foshan.

2024 Runhehe Food Electricity Agreement:

For the seven months ending 31 December 2024, not exceeding 5,300,000 kWh, being the expected maximum volume of electricity to be consumed by Runhehe Food.

2024 Guanglong Food Electricity Agreement:

For the seven months ending 31 December 2024, not exceeding 800,000 kWh, being the expected maximum volume of electricity to be consumed by Guanglong Food.

LETTER FROM THE BOARD

Unit Price: GDH Energy Service will supply, and each of GDH Zhongyue, GDH Food Foshan, Runhehe Food and Guanglong Food (as the case may be) will purchase, electricity at the following prices^(Note 1 and Note 5):

- (i) as to 90% of the monthly consumption, at the agreed price for the normal period (being RMB0.460 per kWh)^(Note 2) (the “**Agreed Price**”), multiplied by the coefficient corresponding to the peak, normal or low period^(Note 3) in which the relevant electricity consumption takes place; and
- (ii) as to the remaining 10% of the monthly consumption, at a price based on the monthly consolidated tariff in the day-ahead market* (日前市場月度綜合價)^(Note 4), multiplied by a coefficient corresponding to the peak, normal or low period in which the relevant electricity consumption takes place.

Payment terms: The electricity fee payable by each of GDH Zhongyue, GDH Food Foshan, Runhehe Food and Guanglong Food (as the case may be) shall be settled with Guangdong Power Grid^(Note 6) on a monthly basis, which shall in turn be payable by Guangdong Power Grid to GDH Energy Service after deduction of the Power Grid Fees to be charged by Guangdong Power Grid; the amount to be received by GDH Energy Service under the respective 2024 Electricity Agreements shall therefore be the remainder of the said electricity fee.

Condition precedent: *2024 Zhongyue Electricity Agreement:*

The 2024 Zhongyue Electricity Agreement is subject to and shall become effective on the date of approval of the 2024 Zhongyue Electricity Agreement and the transactions contemplated thereunder by the Independent Shareholders at the EGM in compliance with the Listing Rules having been obtained. The aforementioned condition precedent cannot be waived.

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If the aforementioned condition precedent cannot be satisfied within 12 months from the date of the 2024 Zhongyue Electricity Agreement (or such other date as GDH Zhongyue and GDH Energy Service may agree in writing), the 2024 Zhongyue Electricity Agreement will terminate.

2024 GDH Food Foshan Electricity Agreement:

The 2024 GDH Food Foshan Electricity Agreement is subject to and shall become effective on the date of approval of the 2024 GDH Food Foshan Electricity Agreement and the transactions contemplated thereunder by the Independent Shareholders at the EGM in compliance with the Listing Rules having been obtained. The aforementioned condition precedent cannot be waived.

If the aforementioned condition precedent cannot be satisfied within 12 months from the date of the 2024 GDH Food Foshan Electricity Agreement (or such other date as GDH Food Foshan and GDH Energy Service may agree in writing), the 2024 GDH Food Foshan Electricity Agreement will terminate.

2024 Runhehe Food Electricity Agreement:

The 2024 Runhehe Food Electricity Agreement is subject to and shall become effective on the date of approval of the 2024 Runhehe Food Electricity Agreement and the transactions contemplated thereunder by the Independent Shareholders at the EGM in compliance with the Listing Rules having been obtained. The aforementioned condition precedent cannot be waived.

If the aforementioned condition precedent cannot be satisfied within 12 months from the date of the 2024 Runhehe Food Electricity Agreement (or such other date as Runhehe Food and GDH Energy Service may agree in writing), the 2024 Runhehe Food Electricity Agreement will terminate.

LETTER FROM THE BOARD

2024 Guanglong Food Electricity Agreement:

The 2024 Guanglong Food Electricity Agreement is subject to and shall become effective on the date of approval of the 2024 Guanglong Food Electricity Agreement and the transactions contemplated thereunder by the Independent Shareholders at the EGM in compliance with the Listing Rules having been obtained. The aforementioned condition precedent cannot be waived.

If the aforementioned condition precedent cannot be satisfied within 12 months from the date of the 2024 Guanglong Food Electricity Agreement (or such other date as Guanglong Food and GDH Energy Service may agree in writing), the 2024 Guanglong Food Electricity Agreement will terminate.

Notes:

1. The pricing mechanism described herein is formulated in compliance with the Electricity Market Guidelines. According to the Electricity Market Guidelines, for retail electricity agreements that employ the “fixed price + linkage price + floating price (optional)” model, a minimum of 10% of the actual electricity consumption should be linked to the monthly consolidated tariff in the day-ahead market (being a linkage price). To comply with the requirements as specified in the Electricity Market Guidelines, 90% of the electricity to be purchased by the Group will be acquired at the Agreed Price, while the remaining 10% will be purchased at a price based on the monthly consolidated tariff in the day-ahead market.
2. The Agreed Price of RMB0.460 per kWh has been determined after arm’s length negotiation with reference to (i) the market reference price (being RMB0.463 per kWh) and (ii) the price range (the maximum being RMB0.554 per kWh and the minimum being RMB0.372 per kWh), which are specified under the Electricity Market Guidelines.
3. According to the Electricity Market Guidelines, the coefficient for the peak, normal or low period is 1.53:1:0.32 for Shenzhen City and 1.7:1:0.38 for other cities in Guangdong Province and such coefficient is subject to adjustment by the relevant electricity regulatory authorities based on market operations. Given that the coefficient for the peak, normal or low period is determined by the relevant electricity regulatory authorities and reflects the standardized approach to pricing electricity during different periods based on market dynamics, and considering the need to comply with the relevant requirements as stated in the Electricity Market Guidelines, the Company is of the view that the aforementioned coefficient is fair and reasonable.
4. As published by the Guangdong Electricity Exchange Centre from time to time.

LETTER FROM THE BOARD

5. The Company has also obtained three quotations from other electricity suppliers in the Guangdong Province which are Independent Third Parties, and noted that the unit price of electricity offered by GDH Energy Service is no less favourable than those offered by the Independent Third Parties. The selection of these independent electricity suppliers was primarily based on (i) the geographical proximity of the independent electricity supplier to the relevant slaughterhouses, tinplating factories and offices of the Group; and (ii) their capacity to supply the required volume of electricity to GDH Zhongyue, GDH Food Foshan, Runhehe Food and Guanglong Food, respectively. Therefore, the Company is of the view that the engagement of GDH Energy Service as the electricity supplier is fair and reasonable.
6. To the best of knowledge, information and belief of the Directors, Guangdong Power Grid is a third party independent of and not connected with the Group.

C. THE PROPOSED CAPS AND BASIS OF DETERMINATION

Existing caps and historical transaction amounts

The following table sets out the existing cap under each of the Existing Electricity Agreements, being the maximum amount to be paid by each of GDH Zhongyue, GDH Food Foshan, Runhehe Food and Guanglong Food (as the case may be) to GDH Energy Service with respect to the purchase of electricity for the five months ending 31 May 2024 (each an “Existing Cap”, collectively, the “Existing Caps”):

	For the five months ending 31 May 2024 (RMB)
The Existing Cap of each of the Existing Electricity Agreements:	
Existing Zhongyue Electricity Agreement	16,120,000
Existing GDH Food Foshan Electricity Agreement	3,200,000
Existing Runhehe Food Electricity Agreement	1,229,200
Existing Guanglong Food Electricity Agreement	<u>194,000</u>
	20,743,200
	(equivalent to approximately
Existing Caps	<u>HK\$22,857,000</u>

The following table sets out the historical amount of fees paid by each of GDH Zhongyue, GDH Food Foshan, Runhehe Food and Guanglong Food (as the case may be) under the respective Existing Electricity Agreements to GDH Energy Service in relation to the purchase of electricity for the period from 1 January 2024 to 29 February 2024 (the “Historical Transaction Amounts”):

LETTER FROM THE BOARD

**For the period from
1 January 2024 to
29 February 2024
(RMB)**

**The Historical Transaction Amounts of each of
the Existing Electricity Agreements**

Existing Zhongyue Electricity Agreement	5,196,000
Existing GDH Food Foshan Electricity Agreement	1,064,000
Existing Runhehe Food Electricity Agreement	273,000
Existing Guanglong Food Electricity Agreement	50,000

The Proposed Caps

The proposed caps (being the maximum amount of fees payable by each of GDH Zhongyue, GDH Food Foshan, Runhehe Food and Guanglong Food (as the case may be) to GDH Energy Service (after deducting the Power Grid Fees payable to Guangdong Power Grid) in relation to the purchase of electricity under each of the 2024 Electricity Agreements) for the transactions contemplated under each of the 2024 Electricity Agreements for the seven months ending 31 December 2024 (i.e. from 1 June 2024 to 31 December 2024) (each a “**Proposed Cap**”, collectively, the “**Proposed Caps**”) are set out in the table below:

**For the seven months ending
31 December 2024
(RMB)**

**The Proposed Cap of each of the 2024 Electricity
Agreements:**

2024 Zhongyue Electricity Agreement	23,230,000
2024 GDH Food Foshan Electricity Agreement	6,110,000
2024 Runhehe Food Electricity Agreement	2,500,000
2024 Guanglong Food Electricity Agreement	<u>380,000</u>

The Proposed Caps

32,220,000
(equivalent to approximately
HK\$35,503,000)

LETTER FROM THE BOARD

Basis of determination for the Proposed Caps

The Proposed Caps are determined after arm's length negotiations between the parties to the 2024 Electricity Agreements, and are based on:

- (a) the guidelines issued by the relevant authorities, namely, the Notice of Relevant Matters in relation to the Transactions of 2024 Electricity Market* (《關於2024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 21 November 2023, which set out the recommended terms for the transactions in the electricity market in Guangdong Province (the “**Electricity Market Guidelines**”);
- (b) the abovementioned Agreed Price (being RMB0.460 per kWh) under the 2024 Electricity Agreements, which has been determined after arm's length negotiation with reference to (i) the market reference price (being RMB0.463 per kWh) and (ii) the price range (the maximum being RMB0.554 per kWh and the minimum being RMB0.372 per kWh), which are specified under the Electricity Market Guidelines;
- (c) the Historical Transaction Amounts;
- (d) the actual consumption of electricity procured from GDH Energy Service for the year ended 31 December 2023 by GDH Zhongyue was approximately 72,890,000 kWh (for the avoidance of doubt, such information is not available for each of GDH Food Foshan, Runhehe Food and Guanglong Food as they only commenced purchase of electricity from GDH Energy Service since the beginning of 2024). The average monthly consumption of electricity by each of GDH Zhongyue, GDH Food Foshan, Runhehe Food and Guanglong Food was approximately 5,753,000 kWh, 1,325,000 kWh, 366,000 kWh and 68,000 kWh, respectively, for the period from 1 January 2024 to 29 February 2024. For the utilisation rate of the maximum electricity usage (on a pro rata basis) as stated in the corresponding electricity agreement with GDH Energy Service for each of GDH Zhongyue, GDH Food Foshan, Runhehe Food and Guanglong Food for the year ended 31 December 2023 (where applicable) and the two months ended 29 February 2024, please refer to the section headed “Principal Factors and Reasons Considered – 2. The 2024 Electricity Agreements – 2.4 The Proposed Caps” in the “Letter from the Independent Financial Adviser” in the circular; and

LETTER FROM THE BOARD

- (e) the expectation that the volume of electricity to be consumed by GDH Zhongyue, GDH Food Foshan, Runhehe Food and Guanglong Food will reach the level of not more than 49,000,000 kWh, 12,100,000 kWh, 5,300,000 kWh and 800,000 kWh, respectively, for the seven months ending 31 December 2024, which have taken into account the following:
- (i) **GDH Zhongyue:** The total estimated maximum level of electricity to be consumed for the year ending 31 December 2024 is 83,000,000 kWh (i.e. 34,000,000 kWh + 49,000,000 kWh pursuant to the Existing Zhongyue Electricity Agreement and the 2024 Zhongyue Electricity Agreement). Such maximum level represents an increase of approximately 13.9% over the actual electricity consumption by GDH Zhongyue for the year ended 31 December 2023. The Group strives to enhance its tinplating product mix and enhance its tinplating product quality so as to achieve market expansion to enlarge customer base, and in such context, the Company is of the view that the increase in the estimated maximum level of electricity is reasonable as it provides a buffer to accommodate any additional electricity demand of GDH Zhongyue in light of the potential growth in its tinplating business.
- (ii) **GDH Food Foshan:** The total estimated maximum level of electricity to be consumed for the year ending 31 December 2024 is 19,600,000 kWh (i.e. 7,500,000 kWh + 12,100,000 kWh pursuant to the Existing GDH Food Foshan Electricity Agreement and the 2024 GDH Food Foshan Electricity Agreement). The actual electricity consumption volume for the year ended 31 December 2023 of GDH Food Foshan was approximately 16,845,000 kWh (for the avoidance of doubt, such electricity was procured by GDH Food Foshan from an independent electricity supplier instead of GDH Energy Service). The estimated maximum level for 2024 represents an increase of approximately 16.4% over the actual electricity consumption by GDH Food Foshan for the year ended 31 December 2023. The Company noted that the fresh and live foodstuffs business of the Group experienced robust growth in 2023 and the live pig slaughtering volume in 2023 has also increased significantly as compared to 2022. The Group also adopts a continuous expansion strategy of its slaughtering business. Furthermore, it is a traditional trend for the demand of meat (including pork) to increase during the second half of the year due to a drop in temperature during winter and various festivities. Therefore, the Company anticipates a significant rise in slaughter capacity at GDH Food Foshan during the latter half of the year, resulting in increased electricity consumption for the machinery, equipment, and facilities associated with the slaughtering process. Due to the reasons as aforementioned, the Company is of the view that the increase in the estimated maximum level of electricity is reasonable as it provides a buffer to accommodate any additional electricity demand of

LETTER FROM THE BOARD

GDH Food Foshan in light of the growth of its fresh and live foodstuffs business, in particular the operation of its slaughterhouse, as well as the anticipated increase in slaughtering capacity during peak season.

- (iii) **Runhehe Food:** The total estimated maximum level of electricity to be consumed for the year ending 31 December 2024 is 8,150,000 kWh (i.e. 2,850,000 kWh + 5,300,000 kWh pursuant to the Existing Runhehe Food Electricity Agreement and the 2024 Runhehe Food Electricity Agreement). The actual electricity consumption volume for the year ended 31 December 2023 of Runhehe Food was approximately 4,592,000 kWh (for the avoidable of doubt, such electricity was procured by Runhehe Food from an independent electricity supplier instead of GDH Energy Service). The estimated maximum level for 2024 represents an increase of approximately 77.5% over the actual electricity consumption by Runhehe Food for the year ended 31 December 2023. However, it should be noted that (i) the new slaughterhouse of Runhehe Food only commenced operation in July 2023 and its slaughtering business was still at an initial stage, and therefore the capacity of the new slaughterhouse had not yet been fully utilised in 2023 and it is expected that the electricity usage will be significantly higher thereafter; and (ii) it is expected that the slaughtering volume will continually increase in 2024 as compared to 2023, which in turn resulting in increased electricity consumption for the machinery, equipment, and facilities associated with the slaughtering process. Coupled with the growth of the fresh and live foodstuffs business and slaughtering volume of the Group and the expected increase in seasonal demand for meat as mentioned in paragraph (ii) above, the Company is of the view that such maximum level of electricity is reasonable to provide a buffer to accommodate the potential growth in electricity demand of Runhehe Food to support the operation of its slaughterhouse.
- (iv) **Guanglong Food:** The total estimated maximum level of electricity to be consumed for the year ending 31 December 2024 is 1,250,000 kWh (i.e. 450,000 kWh + 800,000 kWh pursuant to the Existing Guanglong Food Electricity Agreement and the 2024 Guanglong Food Electricity Agreement). The actual electricity consumption volume for the year ended 31 December 2023 of Guanglong Food was approximately 884,000 kWh (for the avoidable of doubt, such electricity was procured by Guanglong Food from an independent electricity supplier instead of GDH Energy Service). The estimated maximum level for 2024 represents an increase of approximately 41.4% over the actual electricity consumption by Guanglong Food for the year ended 31 December 2023. However, it should be noted that the Group has undertaken a slaughtering capacity upgrade for Guanglong Food's slaughterhouse. Therefore, it is expected that the

LETTER FROM THE BOARD

slaughtering volume will increase in 2024 as compared to 2023, which in turn resulting in increased electricity consumption for the machinery, equipment, and facilities associated with the slaughtering process. Coupled with the growth of the fresh and live foodstuffs business and slaughtering volume of the Group and the expected increase in seasonal demand for meat as mentioned in paragraph (ii) above, the Company is of the view that such maximum level of electricity is reasonable to provide a buffer to accommodate the potential growth in electricity demand of Guanglong Food to support the operation of its slaughterhouse.

D. REASONS AND BENEFITS FOR ENTERING INTO THE 2024 ELECTRICITY AGREEMENTS

The Agreed Price has been arrived at after arm's length negotiation between the parties to the 2024 Electricity Agreements. It is set with reference to the abovementioned market reference price as stipulated in the Electricity Market Guidelines. The Group intends to continue the transactions under the Existing Electricity Agreements, so that each of GDH Zhongyue, GDH Food Foshan, Runhehe Food and Guanglong Food will be able to continue to enjoy a fair, reasonable and competitive price which will be conducive in stabilising the operating costs amid the competitive market in which they operate and supporting their daily operations.

Taking into account the above and the longstanding and satisfactory relationship between the Group and GDH Energy Service, the Directors are of the view that it would be beneficial to each of GDH Zhongyue, GDH Food Foshan, Runhehe Food and Guanglong Food to purchase electricity from GDH Energy Service by entering into the respective 2024 Electricity Agreements.

In light of the above, the Directors (including the independent non-executive Directors who have taken into account the advice of the Independent Financial Adviser) consider that the terms and conditions of the 2024 Electricity Agreements, the transactions contemplated thereunder and the Proposed Caps are fair and reasonable, on normal commercial terms or better, are entered into in the ordinary and usual course of business of the Group and are in the interests of the Company and its shareholders as a whole.

LETTER FROM THE BOARD

E. INTERNAL CONTROL MEASURES

The Group will adopt certain internal control measures in relation to the 2024 Electricity Agreements to secure the Shareholders' interests. Among which, the finance department of the Company will conduct monthly tracking, monitoring and verification of the relevant continuing connected transactions contemplated under the 2024 Electricity Agreements. Moreover, the audit committee of the Board will review the continuing connected transactions contemplated under the 2024 Electricity Agreements to ensure the completeness and effectiveness of the internal control measures.

The Board considers that the above internal control measures to be adopted by the Company in respect of the 2024 Electricity Agreements are appropriate and that they will give sufficient assurance to the Shareholders that the transactions contemplated under the 2024 Electricity Agreements will be appropriately monitored by the Company.

F. INFORMATION ON THE PARTIES TO THE 2024 ELECTRICITY AGREEMENTS

Information on the Company, GDH Zhongyue, GDH Food Foshan, Runhehe Food and Guanglong Food

The Company

The Company is a company incorporated in Hong Kong with limited liability whose shares are listed on the Main Board of the Stock Exchange and is principally engaged in investment holding. The Group is principally engaged in the distribution and trading of fresh and live foodstuffs, provision of slaughtering service, manufacturing and sale of tinsplate products and property leasing. The Company is held as to approximately 59.19% by GDH.

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 Guangdong Government and as to 10% by the Department of Finance of the Guangdong Government while the 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.

GDH Zhongyue

GDH Zhongyue is a company established in the PRC with limited liability and is principally engaged in the production and sale of tinsplate products and property leasing. GDH Zhongyue is a wholly-owned subsidiary of the Company.

LETTER FROM THE BOARD

GDH Food Foshan

GDH Food Foshan is a limited liability company established in the PRC and is principally engaged in the business of food production, food sales, livestock slaughtering, distribution and transportation services and cryogenic storage. GDH Food Foshan is owned as to 65% by GDH Guangnan Hong Company Limited (a wholly-owned subsidiary of the Company) and as to 35% by Nanhai Investment.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquires, save for Nanhai Investment's holding of the said 35% interest in GDH Food Foshan, Nanhai Investment 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).

Runhehe Food

Runhehe Food is a company established in the PRC with limited liability and is principally engaged in livestock slaughtering and the operation of slaughterhouse. Runhehe Food is an indirect non-wholly owned subsidiary of the Company. It is wholly-owned by GDH Dezhirun Food, which is in turn held as to (i) 66% by GDH Food (Zhuhai) Company Limited* (粵海食品(珠海)有限公司)(a wholly-owned subsidiary of GDH Guangnan Investment Company Limited, which is in turn wholly-owned by the Company); and (ii) 34% directly and indirectly by or for Ms. Yan Dandan (顏丹丹女士) (“**Ms. Yan**”) as beneficial owner.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquires, and other than the shareholding interests abovementioned, Ms. Yan is a third party independent of and not connected with the Company and its connected person(s).

Guanglong Food

Guanglong Food is a company established in the PRC with limited liability and is principally engaged in the pig slaughtering business. Guanglong Food is an indirect non-wholly owned subsidiary of the Company and is wholly owned by GDH Dezhirun Food.

Information on GDH Energy Service

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.

LETTER FROM THE BOARD

GDH Energy is a company established in the PRC with limited liability and is principally engaged in the power plant operation for the provision of electricity and steam supply. GDH Energy 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); 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* (中山市人民政府國有資產監督管理委員會)). Devon Investment Limited is an indirect wholly-owned subsidiary of Zhongshan Xingzhong.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquires, GDI is a company incorporated in Hong Kong with limited liability whose shares are listed on the Main Board of the Stock Exchange and 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 approximately 56.71% by GDH and is therefore a subsidiary of Guangdong Holdings and GDH. Accordingly, GDH Energy Service is an indirect non-wholly owned subsidiary of each of GDI and GDH.

G. LISTING RULES IMPLICATIONS

GDH is holding approximately 59.19% of the total number of issued shares of the Company and thus, GDH is a substantial shareholder, hence a connected person of the Company. Further, GDH is holding approximately 56.71% of the total number of issued shares of GDI, and GDH Energy Service is a non-wholly owned subsidiary of GDI (and, hence, also of GDH), GDH Energy Service is an associate of GDI and GDH and thus a connected person of the Company. As GDH Zhongyue, GDH Food Foshan, Runhehe Food and Guanglong Food are all subsidiaries of the Company, the entering into of the 2024 Electricity Agreements constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

On the basis that (i) each of the 2024 Electricity Agreements is in relation to the purchase of electricity by a subsidiary of the Group from GDH Energy Service and was entered into on the same date, and (ii) each of the 2024 Electricity Agreements and the Existing Electricity Agreements is in relation to the purchase of electricity by a subsidiary of the Group from GDH Energy Service and was entered into within a 12-month period, the transactions contemplated under the 2024 Electricity Agreements and the Existing Electricity Agreements have been aggregated pursuant to the Listing Rules. As, on an aggregate basis, the highest applicable percentage ratio in respect of the Proposed Caps set for the 2024 Electricity Agreements and the Existing Caps set for the Existing Electricity Agreements exceed 5%, the 2024 Electricity Agreements, the transactions contemplated thereunder and the Proposed Caps are subject to the annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors has any material interest in the 2024 Electricity Agreements and required to abstain from voting on the relevant Board resolutions.

H. EGM AND PROXY ARRANGEMENT

A notice convening the EGM to be held at the the Boardroom, Basement II, Wharney Hotel, No. 57-73 Lockhart Road, Wanchai, Hong Kong on Friday, 31 May 2024 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 48 to 50 of this circular. At the EGM, ordinary resolutions will be proposed for the approval of the 2024 Electricity Agreements, the transactions contemplated thereunder and the Proposed Caps.

Any Shareholder with a material interest in the 2024 Electricity Agreements and the transactions contemplated thereunder and its/his close associates are required to abstain from voting on the relevant proposed resolutions 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 resolutions at the EGM.

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

I. 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 Tuesday, 28 May 2024 to Friday, 31 May 2024 (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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 27 May 2024.

J. RECOMMENDATION

Your attention is drawn to:

- (i) the letter from the Independent Board Committee (comprising Mr. Gerard Joseph MCMAHON, Mr. LI Kar Keung, Caspar and Dr. WONG Yau Kar, David, all being independent non-executive Directors) set out in pages 24 to 25 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders concerning the fairness and reasonableness of the 2024 Electricity Agreements, the transactions contemplated thereunder and the Proposed Caps; and
- (ii) the letter from the Independent Financial Adviser set out on pages 26 to 41 of this circular which contains its recommendations to the Independent Board Committee and the Independent Shareholders on whether the terms and conditions of the 2024 Electricity Agreements, the transactions contemplated thereunder and the Proposed Caps are fair and reasonable, on normal commercial terms or better and are in the interest of the Company and the Shareholders as a whole, and the principal factors and reasons taken into account by the Independent Financial Adviser in arriving at its recommendations.

Based on the reasons set out hereinabove, the Board recommends the Independent Shareholders to vote in favour of the proposed ordinary resolutions set out in the notice convening the EGM in respect of the 2024 Electricity Agreements, the transactions contemplated thereunder and the Proposed Caps.

K. 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



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

(Incorporated in Hong Kong with limited liability)

(Stock code: 01203)

26 April 2024

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS
THE 2024 ELECTRICITY AGREEMENTS

We refer to the circular of the Company to the Shareholders dated 26 April 2024 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise you as to whether, in our opinion, (i) the terms and conditions of the 2024 Electricity Agreements are fair and reasonable; (ii) the 2024 Electricity Agreements and the transactions contemplated thereunder are entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group; and (iii) the 2024 Electricity Agreements, the transactions contemplated thereunder and the Proposed Caps are in the interests of the Company and the Shareholders as a whole.

Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2024 Electricity Agreements, the transactions contemplated thereunder and the Proposed Caps.

We would like to draw your attention to the letter from the Board set out on pages 7 to 23 of the Circular which contains, among other things, information on the 2024 Electricity Agreements, the transactions contemplated thereunder and the Proposed Caps, and the letter from the Independent Financial Adviser set out on pages 26 to 41 of the Circular which contains its advice in respect of the 2024 Electricity Agreements, the transactions contemplated thereunder and the Proposed Caps.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the 2024 Electricity Agreements, the transactions contemplated thereunder and the Proposed Caps, as well as the opinion and advice of the Independent Financial Adviser contained in their letter as set out on pages 26 to 41 of the Circular, we are of the opinion that (i) the terms and conditions of the 2024 Electricity Agreements are fair and reasonable and on normal commercial terms or better; (ii) the entering into of the 2024 Electricity Agreements and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group; and (iii) the 2024 Electricity Agreements, the transactions contemplated thereunder and the Proposed Caps are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions in respect of the 2024 Electricity Agreements, the transactions contemplated thereunder and the Proposed Caps to be proposed at the EGM.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Gerard Joseph MCMAHON **LI Kar Keung, Caspar** **WONG Yau Kar, David**
Independent Non-Executive Directors

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 2024 Electricity Agreements, the transactions contemplated thereunder and the Proposed Caps, which have been prepared for the purpose of incorporation in this circular.

ALTUS

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

26 April 2024

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 TRANSACTIONS THE 2024 ELECTRICITY AGREEMENTS

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 2024 Electricity Agreements, the transactions contemplated thereunder and the Proposed Caps, details of which are set out in the “Letter from the Board” contained in the circular of the Company dated 26 April 2024 (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 15 December 2023 in relation to the Existing Electricity Agreements, pursuant to which each of GDH Zhongyue (a wholly-owned subsidiary of the Company), GDH Food Foshan, Runhehe Food and Guanglong Food (all being non-wholly owned subsidiaries of the Company) has been purchasing electricity (through the power grid operated by Guangdong Power Grid) from GDH Energy Service from 1 January 2024 to 31 May 2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In order to continue with such arrangements, on 28 March 2024, (i) GDH Zhongyue entered into the 2024 Zhongyue Electricity Agreement with GDH Energy Service; (ii) GDH Food Foshan entered into the 2024 GDH Food Foshan Electricity Agreement with GDH Energy Service; (iii) Runhehe Food entered into the 2024 Runhehe Food Electricity Agreement with GDH Energy Service; and (iv) Guanglong Food entered into the 2024 Guanglong Food Electricity Agreement with GDH Energy Service, pursuant to which each of GDH Zhongyue, GDH Food Foshan, Runhehe Food and Guanglong Food agreed to purchase, and GDH Energy Service agreed to supply electricity during the term from 1 June 2024 to 31 December 2024.

LISTING RULES IMPLICATIONS

GDH is holding approximately 59.19% of the total number of issued shares of the Company and thus, GDH is a substantial shareholder, hence a connected person of the Company. Further, GDH is holding approximately 56.71% of the total number of issued shares of GDI, and GDH Energy Service is a non-wholly owned subsidiary of GDI (and, hence, also of GDH), GDH Energy Service is an associate of GDI and GDH and thus a connected person of the Company. As GDH Zhongyue, GDH Food Foshan, Runhehe Food and Guanglong Food are all subsidiaries of the Company, the entering into of the 2024 Electricity Agreements constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

On the basis that (i) each of the 2024 Electricity Agreements is in relation to the purchase of electricity by a subsidiary of the Group from GDH Energy Service and was entered into on the same date; and (ii) each of the 2024 Electricity Agreements and the Existing Electricity Agreements is in relation to the purchase of electricity by a subsidiary of the Group from GDH Energy Service and was entered into within a 12-month period, the transactions contemplated under the 2024 Electricity Agreements and the Existing Electricity Agreements have been aggregated pursuant to the Listing Rules. As, on an aggregate basis, the highest applicable percentage ratio in respect of the Proposed Caps set for the 2024 Electricity Agreements and the Existing Caps set for the Existing Electricity Agreements exceed 5%, the 2024 Electricity Agreements, the transactions contemplated thereunder and the Proposed Caps are subject to the annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 2024 Electricity Agreements and the transactions contemplated thereunder 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 2024 Electricity Agreements and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (iii) whether the Proposed Caps are fair and reasonable; and (iv) how to vote in respect of the ordinary resolutions to be proposed at the EGM approving the 2024 Electricity Agreements, the transactions contemplated thereunder and the Proposed Caps (the "**Resolutions**"), taking into account the recommendation of 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 2024 Electricity Agreements and the transactions contemplated thereunder 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 2024 Electricity Agreements and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (iii) whether the Proposed Caps are fair and reasonable; and (iv) how the Independent Shareholders should vote in respect of the Resolutions.

We acted as the independent financial adviser for the Company with regards to the continuing connected transactions in relation to the purchase of electricity, details of which were set out in the circulars of the Company dated 20 May 2022 and 22 May 2023 respectively. 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 2024 Electricity Agreements, the transactions contemplated thereunder and the Proposed Caps is at market level and not conditional upon successful passing of the Resolutions, and that our engagement is on normal commercial terms, we are independent of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others (i) the 2024 Electricity Agreements; (ii) the Existing Electricity Agreements; (iii) the annual results announcement of the Company for the year ended 31 December 2023 (the “**2023 Annual Results Announcement**”); (iv) the announcement of the Company dated 15 December 2023 in relation to the Existing Electricity Agreements; 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.

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 sale of tinplate products and property leasing.

GDH Zhongyue is principally engaged in the production and sale of tinplate products and property leasing.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

GDH Food Foshan is principally engaged in the business of food production, food sales, livestock slaughtering, distribution and transportation services and cryogenic storage.

Runhehe Food is principally engaged in the livestock slaughtering and the operation of slaughterhouse.

Guanglong Food is principally engaged in the pig slaughtering business.

GDH Energy Service is principally engaged in sale of electricity.

Taking into account the principal businesses of GDH Zhongyue, GDH Food Foshan, Runhehe Food and Guanglong Food as described above, we consider that electricity is the major source of power for their respective operations and it is within their ordinary and usual course of businesses to purchase electricity for operational use.

1.2 The previous electricity 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 agreements with GDH Energy Service since 2018 with consecutive renewals.

As announced by the Company on 15 December 2023, in view of the operational needs of GDH Food Foshan, Runhehe Food and Guanglong Food, and considering that the unit price offered by GDH Energy Service was lower than those of their then existing electricity suppliers, each of GDH Food Foshan, Runhehe Food and Guanglong Food commenced purchase of electricity from GDH Energy Service since the beginning of 2024.

As the Existing Electricity Agreements will expire on 31 May 2024, the 2024 Electricity Agreements represent a continuation of the existing arrangements in respect of GDH Zhongyue, GDH Food Foshan, Runhehe Food and Guanglong Food's purchase of electricity from GDH Energy Service.

2. The 2024 Electricity Agreements

To assess the fairness and reasonableness of the terms of the 2024 Electricity Agreements, we have considered the followings.

2.1 Key terms of the 2024 Electricity Agreements

For details of the terms of the 2024 Electricity Agreements, please refer to the "Letter from the Board" of the Circular. As the principal terms of each of the 2024 Electricity Agreements are substantially the same, our analysis of their fairness and reasonableness will be of similar focus and approach.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (i) The amount of electricity transacted shall be the actual volume of electricity consumed by GDH Zhongyue, GDH Food Foshan, Runhehe Food and Guanglong Food and in any event not exceeding 49,000,000 kWh, 12,100,000 kWh, 5,300,000 kWh and 800,000 kWh respectively for the seven months ending 31 December 2024.

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, GDH Food Foshan, Runhehe Food and Guanglong Food’s actual volume of electricity consumed. Taking into account the actual electricity consumption for the year ended 31 December 2023 and the two months ended 29 February 2024 as elaborated in the paragraph headed “2.4 The Proposed Caps” below and the potential business growth, the maximum volume of electricity to be consumed by GDH Zhongyue, GDH Food Foshan, Runhehe Food and Guanglong Food for the seven months ending 31 December 2024 provides an assurance to each of GDH Zhongyue, GDH Food Foshan, Runhehe Food and Guanglong Food on the continued supply of electricity, which is a key power supply for their operations. In addition, there is no obligation for GDH Zhongyue, GDH Food Foshan, Runhehe Food and Guanglong Food to use up the maximum volume of electricity as stipulated in the respective 2024 Electricity Agreements.

- (ii) Unit price of electricity transacted shall be calculated (i) as to 90% of the monthly consumption, at the agreed price for the normal period (being RMB0.460 per kWh), multiplied by the coefficient corresponding to the peak, normal or low period in which the relevant electricity consumption takes place; and (ii) as to the remaining 10% of the monthly consumption, at a price based on the monthly consolidated tariff in the day-ahead market, multiplied by a coefficient corresponding to the peak, normal or low period in which the relevant electricity consumption takes place.

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 three quotations from other electricity suppliers in the Guangdong Province, which are Independent Third Parties. We understand that the Company has selected these three electricity suppliers based on their locations (i.e. in the Guangdong Province) and their capacity to supply the required volume of electricity to GDH Zhongyue, GDH Food Foshan, Runhehe Food and Guanglong Food. We consider that the quotations obtained by the Company is reasonable in assessing the fairness and reasonableness of the unit price offered by GDH Energy Service. We have reviewed all of the three 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 that the unit price is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) The electricity fee payable by each of GDH Zhongyue, GDH Food Foshan, Runhehe Food and Guanglong Food 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 GDH Energy Service after deduction of the Power Grid Fee charged by Guangdong Power Grid. The amount to be received by GDH Energy Service under the respective 2024 Electricity Agreements shall therefore be the remainder of the said electricity fee.

In light of the above, (i) the fees payable are based on the actual volume of electricity consumed by GDH Zhongyue, GDH Food Foshan, Runhehe Food and Guanglong Food respectively; (ii) the maximum volume of electricity to be consumed by GDH Zhongyue, GDH Food Foshan, Runhehe Food and Guanglong Food for the seven months ending 31 December 2024 provide assurance on the continued supply of electricity, which is a key power supply for their operations; (iii) there are no obligations for GDH Zhongyue, GDH Food Foshan, Runhehe Food and Guanglong Food to use up the respective 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 Power Exchange Centre, we consider that the terms of the 2024 Electricity Agreements 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 Group'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 2024 Electricity Agreements" above, we have performed sample checks on a total of seven monthly electricity bills on the following basis: (i) for GDH Zhongyue, three monthly electricity bills are randomly selected for the year ended 31 December 2023 and one monthly electricity bill is randomly selected for the two months ended 29 February 2024 respectively; and (ii) for each of GDH Food Foshan, Runhehe Food and Guanglong Food, one monthly electricity bill is randomly selected for the two months ended 29 February 2024. 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 that the amount of electricity is being charged according to the respective actual volume of electricity consumed by GDH Zhongyue, GDH Food Foshan, Runhehe Food and Guanglong Food.

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We also note that the Group has internal control procedures to obtain quotation(s) from independent electricity supplier(s) prior to entering into the electricity agreements with GDH Energy Service. In this regard, as discussed in the paragraph headed “2.1 Key terms of the 2024 Electricity Agreements” above, we understand that the Company has obtained three 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 continue to conduct review of the continuing connected transactions contemplated under the 2024 Electricity Agreements to ensure the completeness and effectiveness of the internal control measures 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 2024 Electricity Agreements, the transactions contemplated thereunder and the monitoring of the Proposed Caps are effective and sufficient.

2.3 Reasons for and benefits of the 2024 Electricity Agreements

With reference to the paragraph headed “1.1 Principal businesses of the Group and connected persons” above, (i) GDH Zhongyue is the principal subsidiary of the Group engaging in tinplating business; and (ii) GDH Food Foshan, Runhehe Food and Guanglong Food are the principal subsidiaries of the Group engaging in fresh and live foodstuffs business.

According to the 2023 Annual Results Announcement, we note that the tinplating business and fresh and live foodstuffs business are the principal activities of the Group contributing approximately 21.7% and 78.1% to its total revenue during the year ended 31 December 2023 respectively. Considering that electricity is the vital source of power for operations for both the tinplating business and fresh and live foodstuffs business, securing the supply of electricity at a fair, reasonable and competitive price will help to control the operating costs and is beneficial to the Group’s business operations and financial performance.

Further, as mentioned in the paragraph headed “1.2 The previous electricity agreements” above, the Group has procured electricity from GDH Energy Service since 2018 with consecutive renewals. With such business relationship and proven track record in business transactions between the Group and GDH Energy Service, we note from the Management that electricity supplied by GDH Energy Service has been stable, providing reliable support for the Group’s operations at competitive prices. Therefore, in view of the benefits that can brought to the Group as elaborated above, the continuity of the business relationship with GDH Energy Service is beneficial to the development of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In view of the above, we concur with the Management's view that the entering into of the 2024 Electricity Agreements are in the interests of the Company and the Shareholders as a whole.

2.4 The Proposed Caps

In general, the Proposed Caps in relation to the purchase of electricity by each of GDH Zhongyue, GDH Food Foshan, Runhehe Food and Guanglong Food from GDH Energy Service is determined, principally, with reference to their respective estimated maximum electricity consumption (in terms of kWh). Such maximum electricity consumption amounts are included in the Existing Electricity Agreements and the 2024 Electricity Agreements.

(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 2023 (where applicable) and the two months ended 29 February 2024 respectively.

	For the year ended 31 December 2023	For the two months ended 29 February 2024
GDH Zhongyue		
Historical transaction amount (<i>RMB</i>)	35,598,000	5,196,000
Historical annual cap/Existing Cap (<i>RMB</i>)	46,400,000	16,120,000 (for the five months ending 31 May 2024)
Utilisation rate	76.7%	80.6% ^{Note 1}
Actual usage of electricity (<i>kWh</i>)	72,890,000	11,506,000
Maximum usage of electricity (<i>kWh</i>)	83,000,000	34,000,000 (for the five months ending 31 May 2024)
Utilisation rate	87.8%	84.6% ^{Note 2}

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	For the year ended 31 December 2023	For the two months ended 29 February 2024
GDH Food Foshan		
Historical transaction amount (RMB)	N/A	1,064,000
Existing Cap (RMB)	N/A	3,200,000 (for the five months ending 31 May 2024)
Utilisation rate	N/A	83.1% ^{Note 1}
Actual usage of electricity (kWh)	N/A	2,552,000
Maximum usage of electricity (kWh)	N/A	7,500,000 (for the five months ending 31 May 2024)
Utilisation rate	N/A	85.1% ^{Note 2}
Runhehe Food		
Historical transaction amount (RMB)	N/A	273,000
Existing Cap (RMB)	N/A	1,229,200 (for the five months ending 31 May 2024)
Utilisation rate	N/A	55.5% ^{Note 1}
Actual usage of electricity (kWh)	N/A	705,000
Maximum usage of electricity (kWh)	N/A	2,850,000 (for the five months ending 31 May 2024)
Utilisation rate	N/A	61.8% ^{Note 2}

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	For the year ended 31 December 2023	For the two months ended 29 February 2024
Guanglong Food		
Historical transaction amount (RMB)	N/A	50,000
Existing Cap (RMB)	N/A	194,000 (for the five months ending 31 May 2024)
Utilisation rate	N/A	64.4% <i>Note 1</i>
Actual usage of electricity (kWh)	N/A	135,000
Maximum usage of electricity (kWh)	N/A	450,000 (for the five months ending 31 May 2024)
Utilisation rate	N/A	75.0% <i>Note 2</i>

Notes:

1. The utilisation rate for the two months ended 29 February 2024 is calculated based on (i) historical transaction amount for the two months ended 29 February 2024; and divided by (ii) Existing Cap for the five months ending 31 May 2024 calculated on a pro-rata basis.
2. The utilisation rate for the two months ended 29 February 2024 is calculated based on (i) actual usage of electricity (kWh) for the two months ended 29 February 2024; and divided by (ii) maximum usage of electricity (kWh) for the five months ending 31 May 2024 calculated on a pro-rata basis.

As shown in the above table, for the year ended 31 December 2023, GDH Zhongyue's utilisation rate of historical annual cap was relatively high at approximately 76.7%, while the underlying electricity consumption reached approximately 87.8% of the corresponding maximum limit. Such information was not available for GDH Food Foshan, Runhehe Food and Guanglong Food as they started purchasing electricity from GDH Energy Service in 2024.

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For the two months ended 29 February 2024, the utilisation rates of historical annual caps (on a pro-rata basis) for each of GDH Zhongyue, GDH Food Foshan, Runhehe Food and Guanglong Food ranged from approximately 55.5% to 83.1%, while the underlying electricity consumption ranged from approximately 61.8% to 85.1% of the corresponding maximum limits respectively.

According to the 2023 Annual Results Announcement, the Group's revenue generated from the tinplating segment decreased by approximately 20.1% to approximately HK\$2,251 million in 2023 as compared to 2022. Such decrease was mainly due to the drop in selling price of tinplate products resulted from intensified competition of the tinplating industry. In terms of production volume, the Group produced 287,000 tonnes of tinplate products in 2023, representing a marginal decrease of approximately 0.3% as compared to that in 2022. As the integral part of production capacity for the Group's tinplate products, GDH Zhongyue produced 195,000 tonnes of tinplate products in 2023, representing a slight decrease of approximately 1.5% as compared to that in 2022. As such, the actual electricity usage remained to be at a relatively high level as compared to the historical annual cap.

In terms of the Group's fresh and live foodstuffs business, it experienced a robust growth in revenue by approximately 48.2% to approximately HK\$8,115 million in 2023 as compared to 2022. In terms of live pig slaughtering volume, we note from the 2023 Annual Results Announcement that it exceeded 3.09 million heads in 2023, representing a significant increase of approximately 118.0% as compared to 2022. Coupled with the Group's continuous expansion strategy of the slaughtering business, it is expected that each of GDH Food Foshan, Runhehe Food and Guanglong Food would require substantial volume of electricity in 2024 to support the operations of their respective slaughterhouses.

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(ii) *Proposed Caps*

	For the seven months ending 31 December 2024
GDH Zhongyue	
The Proposed Cap (RMB)	23,230,000
Maximum usage of electricity (kWh)	49,000,000
GDH Food Foshan	
The Proposed Cap (RMB)	6,110,000
Maximum usage of electricity (kWh)	12,100,000
Runhehe Food	
The Proposed Cap (RMB)	2,500,000
Maximum usage of electricity (kWh)	5,300,000
Guanglong Food	
The Proposed Cap (RMB)	380,000
Maximum usage of electricity (kWh)	800,000
The Proposed Caps (RMB)	32,220,000
	(equivalent to approximately HK\$35,503,000)

We understand from the Management that the Proposed Caps of RMB32,220,000 for the seven months ending 31 December 2024 is derived based on (i) the estimated maximum volume of electricity to be consumed by each of GDH Zhongyue, GDH Food Foshan, Runhehe Food and Guanglong Food for the seven months ending 31 December 2024 (to be further discussed below); and (ii) the pricing mechanism as elaborated in the paragraph headed “2.1 Key terms of the 2024 Electricity Agreements” above, which we understand that 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 Proposed Caps is in line with that as stipulated in the guidelines. For information about the aforesaid guidelines, please refer to the paragraph headed “Basis of determination for the Proposed Caps” in the “Letter from the Board” of the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With respect to the estimated maximum volume of electricity to be consumed by each of GDH Zhongyue, GDH Food Foshan, Runhehe Food and Guanglong Food, we have considered the followings:

- **GDH Zhongyue:** the total estimated maximum level of electricity to be consumed for the year ending 31 December 2024 is 83,000,000 kWh (i.e. 34,000,000 kWh + 49,000,000 kWh pursuant to the 2024 Zhongyue Electricity Agreement and the Existing Zhongyue Electricity Agreement). Such maximum level represents an increase of approximately 13.9% over the actual electricity consumption by GDH Zhongyue for the year ended 31 December 2023. We consider that such increase is reasonable to provide an assurance to GDH Zhongyue in light of the potential growth in tinsplating business. In this regard, we note from the 2023 Annual Results Announcement 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.
- **GDH Food Foshan:** the total estimated maximum level of electricity to be consumed for the year ending 31 December 2024 is 19,600,000 kWh (i.e. 7,500,000 kWh + 12,100,000 kWh pursuant to the 2024 GDH Food Foshan Electricity Agreement and the Existing GDH Food Foshan Electricity Agreement). As there are only two months’ actual data available for electricity consumption under the Existing GDH Food Foshan Electricity Agreement, we have additionally obtained GDH Food Foshan’s actual electricity consumption volume for the year ended 31 December 2023. As advised by the Management, the actual consumption for 2023 amounted to approximately 16,845,000 kWh. Therefore, the estimated maximum level for 2024 represents an increase of approximately 16.4% over this amount. Taking into account the significant increase in segment revenue of fresh and live foodstuffs business and the slaughtering volume in 2023 as elaborated in the paragraph headed “2.4(i) Historical caps” above, as well as the Group’s continuous expansion strategy of the slaughtering business as mentioned in the 2023 Annual Results Announcement, we consider that such level of increase is reasonable to provide an assurance to GDH Food Foshan to accommodate the potential growth in electricity demand required to support the operation of its fresh and live foodstuffs business, in particular, the slaughterhouse.

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- **Runhehe Food:** the total estimated maximum level of electricity to be consumed for the year ending 31 December 2024 is 8,150,000 kWh (i.e. 2,850,000 kWh + 5,300,000 kWh pursuant to the 2024 Runhehe Food Electricity Agreement and the Existing Runhehe Food Electricity Agreement). By virtue of the same reason as discussed above, we have additionally obtained Runhehe Food's actual electricity consumption for the year ended 31 December 2023, being approximately 4,592,000 kWh. The estimated maximum level for 2024 represents an increase of approximately 77.5% over this amount. As advised by the Management, (i) the new slaughterhouse of Runhehe Food only commenced operation in July 2023, where the electricity usage was significantly higher thereafter; and (ii) it is expected that the slaughtering volume will gradually increase in 2024 as compared to 2023, which in turn will expect to consume more electricity. In this regard, we have obtained the monthly breakdown of electricity consumption of Runhehe Food in 2023 and noted the same. On this basis, coupled with the historical robust growth in segment revenue and slaughtering volume as well as the Group's strategy as abovementioned, we consider that such maximum level of electricity is reasonable to provide an assurance to Runhehe Food to accommodate the potential growth in electricity demand required to support the operation of its slaughterhouse.
- **Guanglong Food:** the total estimated maximum level of electricity to be consumed for the year ending 31 December 2024 is 1,250,000 kWh (i.e. 450,000 kWh + 800,000 kWh pursuant to the 2024 Guanglong Food Electricity Agreement and the Existing Guanglong Food Electricity Agreement). By virtue of the same reason as discussed above, we have additionally obtained Guanglong Food's actual electricity consumption for the year ended 31 December 2023, being approximately 884,000 kWh. The estimated maximum level for 2024 represents an increase of approximately 41.4% over this amount. As advised by the Management, the Group has undertaken a slaughtering capacity upgrade for Guanglong Food's slaughterhouse and therefore expect the slaughtering volume will increase in 2024 as compared to 2023. On this basis, coupled with the historical robust growth in segment revenue and slaughtering volume as well as the Group's strategy as abovementioned, we consider that such maximum level of electricity is reasonable to provide an assurance to Guanglong Food to accommodate the potential growth in electricity demand required to support the operation of its slaughterhouse.

Taking into account the above, we are of the view that the Proposed Caps have been fairly and reasonably arrived at.

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RECOMMENDATION

Having considered the above principal factors, we are of the view that (i) the 2024 Electricity Agreements and the transactions contemplated thereunder 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 2024 Electricity Agreements and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Proposed Caps have been fairly and reasonably arrived at.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the Resolutions approving the 2024 Electricity Agreements, the transactions contemplated thereunder and the Proposed Caps to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Jeanny Leung
Responsible Officer

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 interest	Number of Shares held	Long/Short position	Approximate percentage of interests 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 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	Type of securities	Number of securities held	Long/Short position	Approximate percentage of interest held ^(Note 1)
Guangdong Holdings <i>(Note 2)</i>	Shares	537,198,868	Long position	59.19%
GDH <i>(Note 2)</i>	Shares	537,198,868	Long position	59.19%

Notes:

1. The approximate percentage of interests held was calculated on the basis of 907,593,285 Shares in issue as at the Latest Practicable Date.
2. The attributable interest which Guangdong Holdings has in the Company is held through its wholly-owned subsidiary, namely GDH.
3. As at the Latest Practicable Date, none of the Directors had 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	Percentage of interests held by that shareholder
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%
珠海市凱博農牧有限公司 (Zhuhai Kaibo Farming Company Limited*)	GDH Dezhirun Food	Long position	17.33%
Ms. Yan Dandan (顏丹丹女士)	GDH Dezhirun Food	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.*)	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.)* (“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%
珠海小眾網絡科技有限公司 (Zhuhai Xiaozhong Network Technology Co., Ltd.*)	粵海利昌食品(珠海)有限公司 (GDH Lichang Food (Zhuhai) Co., Ltd.*)	Long position	33%

Name of shareholder interested in 10% or more of the subsidiary of the Company	Name of subsidiary of the Company	Long/short position	Percentage of interests held by that shareholder
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.*)	Long position	45%
廣州鄉下生鮮貿易有限公司	粵海食品(廣州)有限公司 (GDH Food (Guangzhou) Co., Ltd.*) (formally known as 廣州鄉下生鮮農業科技有限 公司)(Guangzhou Rural Fresh Agricultural Technology Co., Ltd.))	Long position	49%

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 2023, being the date to which the 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 2023, 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 Company.

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 who has given opinion or advice which is contained herein:

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 26 April 2024 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 ON DISPLAY

An electronic copy of each of the 2024 Electricity Agreements will be published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.gdguangnan.com>) for a period of 14 days from the date of this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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

(Incorporated in Hong Kong with limited liability)

(Stock code: 01203)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary general meeting (the “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 Friday, 31 May 2024 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 and at any adjournment thereof) for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company. Unless otherwise specified, capitalised terms defined in the circular dated 26 April 2024 issued by the Company (the “Circular”) shall have the same meanings when used herein.

ORDINARY RESOLUTIONS

1. “**THAT** the 2024 Zhongyue Electricity Agreement, the transactions contemplated thereunder and the relevant Proposed Cap be and are hereby approved and confirmed.”
2. “**THAT** the 2024 GDH Food Foshan Electricity Agreement, the transactions contemplated thereunder and the relevant Proposed Cap be and are hereby approved and confirmed.”
3. “**THAT** the 2024 Runhehe Food Electricity Agreement, the transactions contemplated thereunder and the relevant Proposed Cap be and are hereby approved and confirmed.”
4. “**THAT** the 2024 Guanglong Food Electricity Agreement, the transactions contemplated thereunder and the relevant Proposed Cap be and are hereby approved and confirmed.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

5. “**THAT** any one director of the Company be and is hereby authorized to take up any steps and execute such other documents as he considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the 2024 Electricity Agreements or the transactions contemplated thereunder.”

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

Hong Kong, 26 April 2024

Registered Office:

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

Notes:

- (a) A shareholder entitled to attend and vote at the EGM may appoint a proxy to attend and vote in his place and such proxy needs not be a shareholder of the Company. A shareholder holding two or more shares may appoint more than one proxy.
- (b) 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.
- (c) 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.
- (d) 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 27 May 2024.
- (e) The register of members of the Company will be closed from Tuesday, 28 May 2024 to Friday, 31 May 2024 (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. Holders of shares of the Company whose names appear on the Register of Members of the Company on Friday, 31 May 2024 (i.e the record date) are entitled to attend and vote at the EGM following completion of the registration procedures of the share transfers.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (f) 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.
- (g) 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.