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粵海廣南(集團)有限公司

GDH GUANGNAN (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 01203)

CONTINUING CONNECTED TRANSACTIONS FINANCIAL SERVICES AGREEMENT

FINANCIAL SERVICES AGREEMENT

Reference is made to the announcement of the Company dated 2 December 2020 in relation to the continuing connected transaction for the provision of certain financial services. The Old Financial Services Agreement will expire on 31 December 2023. On 15 December 2023, the Company entered into the Financial Services Agreement with GDH Finance for renewal of the Old Financial Services Agreement, pursuant to which GDH Finance has agreed to provide certain financial services, including, *inter alia*, deposit and bills discounting services to the Group in accordance with the terms and conditions set out in the Financial Services Agreement. GDH Finance is a non-banking financial institution established with the approval of the NAFR.

THE LISTING RULES IMPLICATIONS

GDH is the controlling shareholder of the Company holding approximately 59.19% of the issued share capital of the Company. GDH is a wholly-owned subsidiary of Guangdong Holdings. As GDH Finance is owned by Guangdong Holdings and GDH Capital (a direct wholly-owned subsidiary of GDH) as to 71% and 29%, respectively, GDH Finance is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of each of the provision of deposit services and bills discounting services by GDH Finance to the Group under the Financial Services Agreement exceed 0.1% but all of the percentage ratios are under 5%, the provision of the deposit services and bills discounting services by GDH Finance to the Group and the proposed Caps will be subject to the reporting, announcement and annual review requirements of Chapter 14A of the Listing Rules, but are exempt from the independent Shareholders' approval under the Listing Rules.

INTRODUCTION

Reference is made to the Announcement in relation to the continuing connected transaction for the provision of certain financial services. The Old Financial Services Agreement will expire on 31 December 2023. On 15 December 2023, the Company entered into the Financial Services Agreement with GDH Finance for renewal of the Old Financial Services Agreement, pursuant to which GDH Finance has agreed to provide certain financial services, including, *inter alia*, deposit and bills discounting services to the Group in accordance with the terms and conditions set out in the Financial Services Agreement. GDH Finance is a non-banking financial institution established with the approval of the NAFR.

The Financial Services Agreement has a term commencing from 1 January 2024 and ending on 31 December 2026.

The Group utilizes the services of GDH Finance on a voluntary, non-exclusive basis and is not under any obligations to engage GDH Finance for any particular service. GDH Finance is merely one of a number of financial institutions providing financial services to the Group, and the Group has the right to choose the financial institution at its discretion to engage the financial services, with reference to its own business needs.

FINANCIAL SERVICES AGREEMENT

Date: 15 December 2023

Parties: (1) the Company; and
(2) GDH Finance

Term

The Financial Services Agreement has a term commencing from 1 January 2024 to 31 December 2026.

Financial services

The financial services to be provided under the Financial Services Agreement include the followings:

(i) Deposit services

GDH Finance shall provide certain deposit services to the Group, the principal terms and services are as follows:

- (a) in the event that the Group engages GDH Finance to provide electronic commercial bill acceptance and discounting and other bill services, the Group shall open accounts and deposit funds in GDH Finance, and choose to engage deposit services such as current deposits, term deposits, deposit at notice and bilateral deposits according to actual needs. GDH Finance will pay deposit interest accordingly;

- (b) the interest rate for the deposit of the Group's funds with GDH Finance shall be determined according to the principles of voluntariness, negotiation and mutual benefit, on the basis of the base interest rate offered by the People's Bank of China for the same period, taking into consideration the interest rates for the same type of deposit offered by the commercial banks in the PRC currently engaged for the same period, subject to compliance with the relevant requirements of the relevant regulatory bodies; and
- (c) the maximum daily balance (including interests) of the Group's deposit with GDH Finance shall not exceed RMB23,000,000.

Historical caps and historical amounts

As disclosed in the Announcement, the annual caps for the said deposit services of GDH Finance for each of the three years ending 31 December 2023 are RMB23,000,000, RMB23,000,000 and RMB23,000,000, respectively. The said annual cap for the year ending 31 December 2023 shall continue to apply.

For each of the years ended 31 December 2021 and 31 December 2022, the maximum daily balance (including interests) of the Group's deposit with GDH Finance, was approximately RMB22,009,000 and RMB15,020,000, respectively; and for the nine months ended 30 September 2023, the maximum daily balance (including interests) of the Group's deposit with GDH Finance, was approximately RMB10,929,000 (the "**Historical Deposit Amount**").

Proposed annual caps for 2024 to 2026

The Board, having considered (i) Historical Deposit Amount; (ii) the historical cash position of the Group; (iii) the expected growth of the business operations of the Group and (iv) the expected amount of interest income from GDH Finance, proposed that the maximum daily deposit balance (including interests) of the aggregated deposits placed by the Group with GDH Finance pursuant to the Financial Services Agreement shall not exceed RMB23,000,000, RMB23,000,000 and RMB23,000,000 respectively, for each of the three years ending 31 December 2026 and such have been set as the annual caps for the said deposit services (the "**Deposit Services Caps**").

(ii) Bills discounting services

GDH Finance shall provide certain bills discounting services to the Group pursuant to which the Group shall be entitled to transfer electronic commercial bills to GDH Finance to obtain funds at a certain discount rate taking into account, inter alia, face value of the bills, payment date of the bills, bills issuing bank and capital sufficiency of GDH Finance, etc., and after deducting the service fees below. The principal terms and services are as follows:

- (a) the Group and GDH Finance will enter into a separate agreement in respect of each engagement of bills discounting services;
- (b) the pricing of the service fees of such bills discounting services to be charged by GDH Finance shall not exceed the standard rate for the same type of services provided by other commercial banks to the Group; and

- (c) The aggregate transaction amount of electronic commercial bills to be transferred to GDH Finance under the bills discounting services shall not exceed RMB23,000,000, RMB23,000,000 and RMB23,000,000, respectively, for each of the three years ending 31 December 2026.

Historical caps and historical amounts

As disclosed in the Announcement, the annual caps for the said bills discounting services of GDH Finance for each of the three years ending 31 December 2023 are RMB23,000,000, RMB23,000,000 and RMB23,000,000, respectively. The said annual cap for the year ending 31 December 2023 shall continue to apply.

For the each of the years ended 31 December 2021 and 31 December 2022, and the nine months ended 30 September 2023, no bills discounting service of GDH Finance was engaged by the Group.

Proposed annual caps for 2024 to 2026

The Board, having considered (i) the historical cash position of the Group; (ii) the liquidity of the business operations of the Group and (iii) working capital financial channels, proposed that the aggregate transaction amount of electronic commercial bills to be transferred to GDH Finance for the bills discounting services shall not exceed RMB23,000,000, RMB23,000,000 and RMB23,000,000 respectively, for each of the three years ending 31 December 2026 and such have been set as the annual caps for the said bills discounting services (the “**Bills Discounting Services Caps**”).

(iii) Other terms of the Financial Services Agreement

In addition to the abovementioned deposit and bills discounting services, GDH Finance has also agreed to provide certain other financial services including electronic commercial bill acceptance services, settlement services, loans and guarantee services to the Group under the Financial Services Agreement.

In respect of the provision of electronic commercial bill acceptance services, and settlement services by GDH Finance to the Group, as the Group expects that all the percentage ratios (if applicable) of the relevant annual fees payable by the Group to GDH Finance, when aggregated with service fees for the abovementioned bills discounting services, will be below 0.1%, the provision of such financial services by GDH Finance to the Group will be exempt from the reporting, announcement and independent Shareholders’ approval requirements under the Listing Rules according to Rule 14A.76.

In respect of the provision of loans and guarantee services by GDH Finance to the Group, it will constitute financial assistance to be provided by a connected person of the Company for the benefit of the Company. As such services are on normal commercial terms or better to the Group, and no security over the assets of the Group will be granted in respect of such services, such services are exempted under Rule 14A.90 of the Listing Rules from all reporting, announcement and independent shareholders’ approval requirements.

INTERNAL CONTROL PROCEDURES

To secure the Shareholders' interests, GDH Finance has given certain undertakings under the Financial Services Agreement and the Company has adopted certain internal control procedures, pursuant to which the finance department of the Company conducts monthly tracking, monitoring and verification of the progress of the Company's transactions. The audit committee of the Board continues to conduct a rigorous review of continuing connected transactions to ensure the completeness and effectiveness of the internal control measures relating to continuing connected transactions.

The Board considers that the above internal control procedures adopted by the Company in respect of the transactions under the Financial Services Agreement are appropriate and that they will give sufficient assurance to the Shareholders that the transactions under the Financial Services Agreement will be appropriately monitored by the Company.

REASONS FOR AND BENEFITS OF THE FINANCIAL SERVICES AGREEMENT

The Company entered into the Financial Services Agreement with GDH Finance based on the fact that GDH Finance has the professional qualifications to provide the required financial services, which is beneficial for the Group to broaden its financing channels and obtain convenient and high-quality financial services. In addition, entering into the Financial Services Agreement can improve the Group's capital utilisation efficiency and make the Group more flexible in its capital use.

The Directors (including the independent non-executive Directors) consider that the Financial Services Agreement has been negotiated on arm's length basis and is on normal commercial terms. The terms of the Financial Services Agreement, the transactions contemplated thereunder, the Deposit Services Caps and Bills Discounting Services Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

To the best of the knowledge, information and belief of the Directors, save for Mr. Wang Longhai, the non-executive Director, is also a director of GDH Finance, none of them has any material interest in the Financial Services Agreement and the transactions contemplated thereunder. Mr. Wang Longhai has abstained from the relevant Board resolutions passed.

LISTING RULES IMPLICATIONS

GDH is the controlling shareholder of the Company holding approximately 59.19% of the issued share capital of the Company. GDH is a wholly-owned subsidiary of Guangdong Holdings. As GDH Finance is owned by Guangdong Holdings and GDH Capital (a direct wholly-owned subsidiary of GDH) as to 71% and 29%, respectively, GDH Finance is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of each of the provision of deposit services and bills discounting services by GDH Finance to the Group under the Financial Services Agreement exceed 0.1% but all of the percentage ratios are under 5%, the provision of the deposit services and bills discounting services by GDH Finance to the Group and the proposed Caps will be subject to the reporting, announcement and annual review requirements of Chapter 14A of the Listing Rules, but are exempt from the independent Shareholders' approval under the Listing Rules.

INFORMATION ON THE PARTIES

The Company

The Company is principally engaged in investment holding. The subsidiaries of the Company are primarily engaged in distribution and trading of fresh and live foodstuffs, provision of slaughtering service, manufacturing and sales of tinsplate products and property leasing.

GDH Finance

The Company understands that GDH Finance is principally engaged in the following businesses:

- (a) financial consultancy, credit verification and related consultancy and agency services;
- (b) handling receipt and payment of transaction funds;
- (c) insurance agency;
- (d) provision of guarantees;
- (e) provision of entrusted loan and entrusted investment services;
- (f) provision of bill acceptance and discounting services;
- (g) handling internal transfers and provision of settlement and clearing services;
- (h) deposit services; and
- (i) handling loans and financial leases.

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 2 December 2020;
“Bills Discounting Services Caps”	has the meaning ascribed to it under “II. Financial Services Agreement - (ii) Bills discounting services” of this announcement;
“Board”	the board of Directors;
“Caps”	the Deposit Services Caps and the Bills Discounting Services Caps;
“Company”	GDH Guangnan (Holdings) Limited (粵海廣南(集團)有限公司), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“Deposit Services Caps”	has the meaning ascribed to it under “II. Financial Services Agreement - (i) Deposit services” of this announcement;
“Director(s)”	the director(s) of the Company;
“Financial Services Agreement”	the financial services agreement entered into between the Company and GDH Finance on 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 Capital”	廣東粵海資本集團有限公司(GDH Capital Group Co., Ltd.*), a limited liability company established in the PRC, a direct wholly-owned subsidiary of GDH;
“GDH Finance”	GDH Finance Co., Ltd. (粵海集團財務有限公司), a limited liability company established in the PRC;
“Group”	the Company and its subsidiaries;
“Guangdong Holdings”	廣東粵海控股集團有限公司(Guangdong Holdings Limited*), a limited liability company established in the PRC and the ultimate holding company of the Company;

“Historical Deposit Amount”	has the meaning ascribed to it under “II. Financial Services Agreement - (i) Deposit services” of this announcement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“NAFR”	the National Administration of Financial Regulation of PRC;
“Old Financial Services Agreement”	the financial services agreement entered into between the Company and GDH Finance on 2 December 2020;
“PRC”	the People’s Republic of China;
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00=HK\$1.0992 has been used, where applicable, for purpose of illustration only and it does not constitute any representation that any amount has been, could have been or may be exchanged at that rate or at any other rate.

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

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

Hong Kong, 15 December 2023

As at the date of this announcement, 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 Mr. Wang Longhai; and three independent non-executive Directors, namely Mr. Gerard Joseph McMahon, Mr. Li Kar Keung, Caspar and Dr. Wong Yau Kar, David.