

TRANSACTIONS DISCLOSED IN ACCORDANCE WITH THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED

During the year, the Group has the following connected transactions which are required to be disclosed in the annual report in accordance with the disclosure requirements of the Listing Rules. Details are as follows:–

1. On 25 September 2001, the Company and Richway Resources Limited (“Richway”) signed a conditional agreement for the acquisition (“Acquisition”) of Zhongyue Industry Material Limited (“Zhongyue”) and its subsidiaries (collectively “Zhongyue Group”) 中山中粵馬口鐵工業有限公司 (Zhongshan Zhongyue Tinplate Industrial Co. Ltd.) (“Zhongyue Tinplate”) and 中山市山海實業有限公司 (Zhongshan Shan Hai Industrial Co. Ltd.) (“Shan Hai Industrial”). Richway is a wholly-owned subsidiary of GDH Limited (“GDH”), a substantial shareholder of the Company. Details relating to the Acquisition were contained in the announcement dated 27 September 2001 and the circular of the Company dated 5 November 2001.

The Acquisition was complete on 3 December 2001. The Directors of the Company, including the Independent Non-executive Directors, believe that the consolidated net asset value of Zhongyue as at date of completion was not less than the net asset value warranted by Richway as HK\$235 million. The Directors of the Company, including the Independent Non-executive Directors, consider that Richway has fulfilled its obligations of the warranted net asset value under the agreement relating to the Acquisition.

- 2(a) Following completion of the Acquisition on 3 December 2001, the agreement by Shan Hai Industrial for leasing a parcel of land in Zhongshan to and the provision of staff quarters and utilities to GD Decorative Material (Zhong Shan) Co., Ltd. (“GD Decorative”) (the “Leasing”) in its ordinary course of business and on normal commercial terms became connected transactions of the Company. GD Decorative is a subsidiary of GDH. Details of the Leasing are contained in the circular of the Company dated 5 November 2001.
- 2(b) Following completion of the Acquisition on 3 December 2001, the provision by Zhongyue Tinplate of electricity/water to GD Decorative (the “Provision of Utilities”) in its ordinary course of business and on normal commercial terms became connected transactions of the Company. Details of the Provision of Utilities are contained in the circular of the Company dated 5 November 2001.

The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) has granted conditional waivers to the Company for strict compliance with the disclosure requirements under rule 14.25(1) of the Listing Rules in respect of the transactions described in 2(a) and 2(b) above.

TRANSACTIONS DISCLOSED IN ACCORDANCE WITH THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED

All the Independent Non-executive Directors have reviewed the transactions described in 2(a) and 2(b) above for the period from 3 December 2001 to 31 December 2001 and confirmed that these transactions were:–

- (i) entered into by the Company, Shan Hai Industrial and Zhongyue Tinplate in their ordinary and usual course of business;
- (ii) conducted on normal commercial terms or on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
- (iii) entered into in accordance with the terms of agreements governing the Leasing and Provision of Utilities or on terms no less favourable than those available to or from independent third parties.

All the Independent Non-executive Directors also confirmed that the aggregate amount of the Leasing and Provision of Utilities for the period from 3 December 2001 to 31 December 2001 did not exceed the Cap Amounts of HK\$2 million for the Leasing and HK\$2.7 million for the Provision of Utilities or has been less than 3% of the book value of the audited net tangible assets of the Group at 31 December 2001.

The Company's auditors have also reviewed the transactions described in 2(a) and 2(b) and confirmed in its letter to the Board of Directors of the Company, a copy of which has been provided to the Stock Exchange, that:–

- (i) the Leasing and Provision of Utilities have received the approval of the Company's Board of Directors;
- (ii) the Leasing and Provision of Utilities have been entered into such that the aggregate amount has not exceeded the Cap Amounts of HK\$2 million for the Leasing and HK\$2.7 million for the Provision of Utilities or has been less than 3% of the book value of the audited net tangible assets of the Group at 31 December 2001; and
- (iii) the Leasing and Provision of Utilities have been entered into in accordance with the terms of agreement governing the Leasing and Provision of Utilities or on terms no less favourable than those available to or from independent third parties.

3. Management Contract

On 1 December 2000, the Company entered into with Nam Yue (Group) Co. Ltd. (“NYG”), an independent party at that time, a management services contract (the “Contract”). Pursuant to the Contract, the Company agreed to provide management services to Nam Yue Foodstuff & Aquatics Co. Ltd. (“NY Foodstuff”), the then subsidiary of NYG, for a term of two years commencing on 1 January 2000. After the completion of the debt restructuring of the Company and its subsidiaries on 22 December 2000, NYG and NY Foodstuff became subsidiaries of GDH Limited. As such, NYG and NY Foodstuff became connected persons of the Company and the Contract constituted a connected transaction of the Company. The Contract was entered into by the Company in its ordinary course of business and on normal commercial terms. The monthly management services fee of HK\$90,000 was determined by both parties on an arm’s length basis.

4. Dongguan Guangnan Stock Development Co., Ltd. (“Dongguan Guangnan”), a 51%-owned subsidiary of the Company, has in its ordinary and usual course of business (i) purchased vaccines and livestock from 廣東省東莞食品進出口公司大嶺山豬場(Dalingshan Pig Farm of Dongguan Foodstuffs Imp. & Exp. Co. of Guangdong) (“Dalingshan Pig Farm”) amounted to about Renminbi (“RMB”) 2.73 million; (ii) sold livestock to 廣東省東莞食品進出口公司(Dongguan Foodstuffs Imp. & Exp. Co. of Guangdong) (“Dongguan Foodstuffs”) amounted to about RMB3.70 million; and (iii) purchased feed and additives from 東莞廣利飼料公司(Dongguan Guangli Feed Co. Ltd.) (“Dongguan Guangli”) amounted to about RMB5.03 million (collectively called the “Dongguan Guangnan Transactions”).

Dongguan Foodstuffs is a substantial shareholder with a 49% interest in Dongguan Guangnan. Dalingshan Pig Farm is a wholly owned company of Dongguan Foodstuffs. Dongguan Guangli is a 30% owned associate company of Dongguan Foodstuffs. Hence, all of Dongguan Foodstuffs, Dalingshan Pig Farm and Dongguan Guangli are connected persons of the Company.

5. 東莞金皇食品有限公司 (Dongguan Jinhuang Food Co. Ltd.), an indirect wholly owned subsidiary of the Company, has in its ordinary course of business purchased livestock from and sold feed to 廣東省東莞食品進出口公司橫瀝豬場 (Hengli Pig Farm of Dongguan Foodstuffs Imp. & Exp. Co. of Guangdong) (“Hengli Pig Farm”) amounted to about RMB6.24 million. Hengli Pig Farm is a wholly owned company of Dongguan Foodstuffs and is therefore a connected person of the Company.

TRANSACTIONS DISCLOSED IN ACCORDANCE WITH THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED

6. 高要廣南畜牧發展有限公司 (Gaoyao Guangnan Stock Development Co., Ltd.) (“Gaoyao Guangnan”), a 51%-owned subsidiary of the Company, has a sum due from 廣東省高要食品進出口公司 (Gaoyao Foodstuffs Imp. & Exp. Co., of Guangdong) (“Gaoyao Foodstuff”) amounting to approximately RMB1.68 million which has been brought forward since 1997 from the amount of approximately RMB153,000, as shown in the financial statements of Gaoyao Guangnan. Such amount is unsecured and interest free. The Group is in negotiation with Gaoyao Foodstuffs for the repayment of the outstanding amount.

Gaoyao Foodstuff is a substantial shareholder with a 49% interest in Gaoyao Guangnan and is therefore a connected person of the Company.

7. At the balance sheet date, loans previously made by Guangnan Supermarket Development Limited (“GSDL”), a wholly-owned subsidiary, to Guangdong Guangnan Tianmei Food Development Company Limited (“Tianmei”), a 55%-owned subsidiary, are outstanding in an aggregate amount of RMB49 million. These loans are unsecured, interest-bearing at a range from 11.5% per annum to 12% per annum. Moreover, GSDL has a sum due from Tianmei, amounting to HK\$21.1 million at the balance sheet date, which are unsecured and interest-free. In July 2001, application has been made by its major creditor to the court in the PRC for putting Tianmei into liquidation. As such, Tianmei has been de-consolidated from the consolidated financial statements of the Company as at the balance sheet date and the amounts due from Tianmei have been fully provided for.
8. At the balance sheet date, the loan in the sum of HK\$41 million was owed to the Company by Guangnan (KK) Supermarket Limited (“Guangnan KK”), a 70%-owned subsidiary. Such loan was made for its general working capital secured by a first floating charge over Guangnan KK’s undertaking, property and assets and interest bearing at Hong Kong dollar prime rate. Guangnan KK commenced liquidation in June 2001. As such, Guangnan KK has been de-consolidated from the consolidated financial statements of the Company as at the balance sheet date and the amounts due from Guangnan KK have been fully provided for.
9. At the balance sheet date, the Company also has a sum due from Guangnan KK totalling HK\$108.8 million. Such amounts are unsecured, interest free, except certain loans amounting to HK\$49.1 million, which are unsecured and interest-bearing at a range from Hong Kong dollar prime rate per annum to 11.5% per annum. Guangnan KK commenced liquidation in June 2001. As such, Guangnan KK has been de-consolidated from the consolidated financial statements of the Company as at the balance sheet date and the amounts due from Guangnan KK have been fully provided for.

TRANSACTIONS DISCLOSED IN ACCORDANCE WITH THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED

10. At the balance sheet date, loans previously made by Guangnan Fresh and Live Foodstuffs Limited, a wholly-owned subsidiary, to Guangnan KK are outstanding in an aggregate amount of HK\$23.5 million. These loans are unsecured, interest-bearing at a range from Hong Kong dollar prime rate plus 1% per annum to 8% per annum. Guangnan KK commenced liquidation in June 2001. As such, Guangnan KK has been de-consolidated from the consolidated financial statements of the Company as at the balance sheet date and the amounts due from Guangnan KK have been fully provided for.

11. At the balance sheet date, loans previously made by GSDL to Guangnan KK are outstanding in an aggregate amount of HK\$29.3 million of which HK\$12.5 million are unsecured and interest-bearing at 3.5% per annum. The remaining loans of HK\$16.8 million are unsecured and interest-free. Also, GSDL has sums of HK\$2.6 million due from Guangnan KK. Such an amount is unsecured and interest-free. Guangnan KK commenced liquidation in June 2001. As such, Guangnan KK has been de-consolidated from the consolidated financial statements of the Company as at the balance sheet date and the amounts due from Guangnan KK have been fully provided for.