

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. The transactions described in 1(a), 1(b) and 2 below are ongoing connected transactions in respect of which 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.

Details of the connected transactions are as follows:

- 1(a). 中山市山海實業有限公司 (Zhongshan Shan Hai Industrial Co., Ltd.) (“Shan Hai Industrial”) has leased a parcel of land in Zhongshan to and has provided 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 which constituted connected transactions of the Company. GD Decorative is a subsidiary of GDH Limited, the substantial shareholder of the Company. Details of the Leasing are contained in the circular of the Company dated 5 November 2001.
- 1(b). 中山中粵馬口鐵工業有限公司 (Zhongshan Zhongyue Tinplate Industrial Co., Ltd.) (“Zhongyue Tinplate”) has provided electricity/water to GD Decorative (the “Provision of Utilities”) in its ordinary course of business and on normal commercial terms which constituted connected transactions of the Company. Details of the Provision of Utilities are contained in the circular of the Company dated 5 November 2001.

All the Independent Non-executive Directors have reviewed the transactions described in 1(a) and 1(b) above (collectively “Shan Hai and Tinplate Transactions”) for the year ended 31 December 2002 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 businesses;
- (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.

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All the Independent Non-executive Directors also confirmed that the aggregate amount of the Leasing and Provision of Utilities for the year ended 31 December 2002 did not exceed the cap amounts of HK\$2,000,000 for the Leasing and HK\$2,700,000 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 2002.

The Company's auditors have also reviewed the Shan Hai and Tinplate Transactions 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 Shan Hai and Tinplate Transactions have received the approval of the Company's Board of Directors;
 - (ii) the Shan Hai and Tinplate Transactions have been entered into such that the aggregate amount has not exceeded the Cap Amounts of HK\$2,000,000 for the Leasing and HK\$2,700,000 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 2002; and
 - (iii) the Shan Hai and Tinplate Transactions have been entered into in accordance with the terms of agreement governing the transactions or on terms no less favourable than those available to or from independent third parties.
2. Dongguan Guangnan Stock Development Co., Ltd. ("Dongguan Guangnan"), 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"), 東莞廣利飼料公司 (Dongguan Guangli Feed Co. Ltd.) ("Dongguan Guangli") and 廣東省東莞食品進出口公司 (Dongguan Foodstuffs Imp. & Exp. Co. of Guangdong) ("Dongguan Foodstuffs") entered into connected transactions including: (a) purchase of vaccines and livestock from Dalingshan Pig Farm; (b) sales of livestock to Dongguan Foodstuffs; and (c) purchase of feed and additives from Dongguan Guangli (collectively "Dongguan Guangnan Transactions"). Details of the Dongguan Guangnan Transactions were contained in the announcement of the Company dated 11 July 2002.

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All the Independent Non-executive Directors have reviewed the Dongguan Guangnan Transactions described above for the year ended 31 December 2002 and confirmed that these transactions were:—

- (i) carried out in the ordinary and usual course of Dongguan Guangnan's business;
- (ii) conducted either on normal commercial terms or, if there are insufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Dongguan Guangnan than terms available to or from independent third parties; and
- (iii) fair and reasonable and in the interests of the shareholders of the Company as a whole.

All the Independent Non-executive Directors also confirmed that the aggregate value of each of the Dongguan Guangnan Transactions for the year ended 31 December 2002 of the Company did not exceed the higher of HK\$10,000,000 and 3% of the book value of the audited net tangible asset value of the Group at 31 December 2002.

The Company's auditors have also reviewed the Dongguan Guangnan Transactions 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 Dongguan Guangnan Transactions have received the approval of the Company's Board of Directors;
- (ii) the Dongguan Guangnan Transactions have been entered into such that the aggregate amount of each of the transactions as stated in the announcement dated 11 July 2002 has not exceeded the Cap Amount of HK\$10,000,000 or has been less than 3% of the book value of the audited net tangible assets of the Group at 31 December 2002;
- (iii) the Dongguan Guangnan Transactions have been entered into in line with the Company's pricing policy, which is at prices determined based on the prevailing market prices of livestock, vaccines, feed and/or additives; and
- (iv) the Dongguan Guangnan Transactions have been entered into in accordance with the terms of the agreement governing the transactions or on terms no less favourable than those available to or from independent third parties.

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3. At the balance sheet date, 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 Foodstuffs”) amounting to approximately RMB1,680,000 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. The amount due from Gaoyao Foodstuffs has been fully provided for as at the balance sheet date.

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

4. 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 RMB8,000,000. 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\$59,600,000 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.
5. At the balance sheet date, the loan in the sum of HK\$25,000,000 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.

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6. At the balance sheet date, the Company also has a sum due from Guangnan KK totalling HK\$108,800,000. Such amounts are unsecured, interest free, except certain loans amounting to HK\$53,700,000, 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.
7. 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\$23,500,000. 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.
8. At the balance sheet date, loans previously made by GSDL to Guangnan KK are outstanding in an aggregate amount of HK\$29,300,000 of which HK\$12,500,000 are unsecured and interest-bearing at 3.5% per annum. The remaining loans of HK\$16,800,000 are unsecured and interest-free. Also, GSDL has sums of HK\$2,600,000 due from Guangnan KK. Such an amount is unsecured and interest-free, except certain advances amounting to HK\$2,000,000, which are unsecured and interest-bearing at a range of 7.75% per annum to 8.5% 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.