

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

1. 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 Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The transactions described in A, B and C below (collectively the "Transactions") are ongoing connected transactions in respect of which the Stock Exchange has granted conditional waivers to the Company in 2001 for Shan Hai Transaction and Tinplate Transaction, and in 2003 for Guangnan Zhanjiang Transaction from strict compliance with the disclosure requirements under the then Listing Rules.

On 31 March 2004, the Listing Rules were revised and new requirements were imposed, inter alia, on continuing connected transactions. Please refer to the announcement made by the Company on 12 April 2005 for details of the continuing connected transactions.

Details of the Transactions during the year are as follows:

- 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") ("Shan Hai Transaction") in its ordinary course of business and on normal commercial terms for approximately HK\$1,691,000. GD Decorative is a subsidiary of GDH Limited ("GDH"), substantial shareholder of the Company.
- 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 ("Tinplate Transaction") in its ordinary course of business and on normal commercial terms for approximately HK\$1,793,000.
- C. Guangnan (Zhan Jiang) Jiafeng Feed Co. Ltd. ("Guangnan Zhanjiang") has in its ordinary course of business and on normal commercial terms purchased barley malt sprouts from Guangzhou Malting Co., Limited ("Guangzhou Malting") for approximately HK\$2,180,000 ("Guangnan Zhanjiang Transaction"). Guangzhou Malting is an indirect subsidiary of GDH.

On 1 December 2004, the Company entered into a transfer of interest agreement to dispose of all its interest in Guangnan Zhanjiang. The disposal was complete on 28 December 2004 and since then the Guangnan Zhanjiang Transaction is no longer connected transaction of the Company.

All the Independent Non-executive Directors have reviewed the Transactions described in A, B and C above and confirmed that the Transactions are:

- (i) entered into by Shan Hai Industrial, Zhongyue Tinplate and Guangnan Zhanjiang in their ordinary and usual course of businesses;
- (ii) conducted on normal commercial terms or on terms no less favourable than those available to or from independent third parties; and

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- (iii) entered into in accordance with the terms of agreements governing the Transactions or on terms that are 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:

- (i) the aggregate amount for the year ended 31 December 2004 did not exceed the cap amounts of HK\$2,000,000 for the Shan Hai Transaction and HK\$2,700,000 for the Tinsplate Transaction and has been less than 3% of the book value of the audited net tangible assets of the Group at 31 December 2004;
- (ii) the aggregate value of the Guangnan Zhanjiang Transaction for the year ended 31 December 2004 did not exceed the higher of HK\$10,000,000 and 3% of the book value of the audited net tangible assets of the Group at 31 December 2004.

The Company's auditors have also reviewed the 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:

- (1) the Transactions have received the approval of the Board of Directors of the Company;
  - (2) the Shan Hai and Tinsplate Transactions have been entered into such that the aggregate amount has not exceeded the Cap Amount of HK\$2,000,000 for the leasing of land and the provisions of staff quarters and utilities and HK\$2,700,000 for the provisions of electricity and water and has been less than 3% of the book value of the audited net tangible assets of the Group at 31 December 2004;
  - (3) the Guangnan Zhanjiang Transaction has been entered into such that the aggregate amount of the transaction as stated in the announcement dated 15 May 2003 has not exceeded the Cap Amount of HK\$10,000,000 and has been less than 3% of the book value of the audited net tangible assets of the Group at 31 December 2004;
  - (4) the 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; and
  - (5) the Shan Hai and Tinsplate Transactions have been entered into in accordance with the pricing policies of the Group.
2. As at 22 July 2004, 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, had 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 had been brought forward since 1997 as shown in the financial statements of Gaoyao Guangnan. Such amount was unsecured and interest free.

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On 22 July 2004, Gaoyao Foodstuffs, Gaoyao Guangnan and the Company entered into an assignment of debt pursuant to which Gaoyao Guangnan assigned the amount due from Gaoyao Foodstuffs to it amounting to approximately RMB1,680,000 to the Company for setting off the sum of RMB600,000 then owing by Gaoyao Guangnan to the Company. Please refer to the announcement issued by the Company on 29 December 2004 for details.

On 23 July 2004, the Company entered into a sale and purchase agreement to dispose of its 51% interest in Gaoyao Guangnan. At the balance sheet date, there is HK\$282,000 due from Gaoyao Foodstuffs to the Company.

3. 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.
4. 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.
5. 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.
6. 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.

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7. 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.