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粵海制革有限公司
GUANGDONG TANNERY LIMITED

(Incorporated in Hong Kong with limited liability)

CONNECTED TRANSACTION
DISPOSAL OF SHARES AND SHAREHOLDER'S LOAN

On 16 April 2003, the Company entered into the Agreement with GAML, a connected person of the Company as defined under the Listing Rules, for the disposition of the Sale Shares and the Loan for the Total Consideration.

The Transactions constitute a connected transaction of the Company under Rule 14.25(1) of the Listing Rules and, therefore, are subject to the disclosure requirements set out therein. Details of the Transactions will be included in the next published annual report and accounts of the Company in accordance with Rule 14.25(1) (A) to (D) of the Listing Rules.

The Board (including the independent non-executive directors of the Company) considers that the Transactions were in the ordinary course of business of the Company and the terms of the Agreement were negotiated on an arm's length basis and were on normal commercial terms which are fair and reasonable so far as the shareholders of the Company are concerned.

AGREEMENT FOR THE SALE AND PURCHASE OF THE SHARES IN AND THE LOAN TO PRIZED TIME LIMITED DATED 16 APRIL 2003 (THE "AGREEMENT")

Parties

- (i) Guangdong Tannery Limited (the "Company"), as vendor; and
- (ii) Guangdong Assets Management Limited ("GAML"), as purchaser.

Particulars of the Agreement

Pursuant to the Agreement, (i) the Company has agreed to sell and GAML has agreed to purchase two shares of US\$1.00 par value each (the "Sale Shares") in the share capital of Prized Time Limited ("PTL"), being the entire issued share capital of PTL; and (ii) the Company has agreed to assign and transfer and GAML has agreed to accept the right, title and interest in and the full benefit and advantage of the shareholder's loan of HK\$8,075,984.40 (the "Loan") due and owing by PTL to the Company as at the completion date (the "Completion Date") of the said sale and purchase, which is the date of signing

of the Agreement. The Loan is free of interest, unsecured and repayable on demand. The completion of the said sale and purchase is subject to the payment of the Total Consideration for the sale and purchase of the Sale Shares and the Loan and the delivery of, inter alia, certain corporate documents of PTL.

PTL is a property holding company holding title to the properties (the “Properties”) which were acquired by PTL in 1998. The Properties, which represent all of the assets of PTL, comprise Units 1801, 1802, 1803, 1804, 1805, 1806, 1807 and 1808 of Guangdong Group Building, 555 Dong Feng East Road (the “Land”), Dongshan District, Guangzhou, Guangdong Province, the People’s Republic of China (“PRC”) together with the land use rights of the Land granted for a term of 50 years commencing from 14 January 1994 to 13 January 2044. The construction of the buildings was completed in 1995 and the aggregate gross floor area of the buildings is approximately 1,428.57 sq.m. The Properties are not subject to any encumbrances.

The net liabilities of PTL as at 31 December 2002 and 31 March 2003 were approximately HK\$9,890,000 and HK\$ 9,830,000 respectively.

Consideration

The total consideration (the “Total Consideration”) in the sum of HK\$8,076,000 comprises HK\$15.60 being the consideration for the sale and purchase of the Sale Shares and HK\$8,075,984.40 being the consideration for the assignment and transfer of the Loan. The Total Consideration shall be paid by GAML to the Company in cash in full upon the Completion Date.

The Total Consideration was based on an independent valuation of the Properties of HK\$8,000,000 as at 31 December 2002 prepared by RHL Appraisal Ltd, an independent valuer. The valuation was made on the basis of open market value. The terms of the Agreement were negotiated on an arm’s length basis between the Company and GAML and were determined on normal commercial terms.

The Group suffers an accumulated net loss of HK\$10,397,586.36 arising from the investment in PTL and such disposal.

Reasons for Entering into the Agreement

The Company, an investment holding company, and its subsidiaries (the “Group”) are principally engaged in the processing and sale of leather products.

As the Group has decided to consolidate its business operations in the PRC to its existing PRC headquarters in Foshan, the PRC, it no longer requires the Properties as its office space in the PRC. The Company, as a result, entered into the Agreement with GAML in order to reduce the operating and administrative expenses of the Group. The sale proceeds arising from the transactions under the Agreement (the “Transactions”) will be used solely as general working capital of the Group. The Group has not identified any new project or target of investment.

The board of directors of the Company (the “Board”) (including the independent non-executive directors of the Company) considers that the Transactions were in the ordinary course of business of the Company, and the terms of the Agreement were negotiated on an arm’s length basis and were on normal commercial terms which are fair and reasonable so far as the shareholders of the Company are concerned.

Connected Transaction

GDH Limited (“GDH”), which holds approximately 71.56% interest in the Company, is a substantial shareholder (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”)) of the Company. GAML, being a wholly-owned subsidiary of GDH, is an associate (as defined under the Listing Rules) of GDH and, therefore, a connected person of the Company.

Accordingly, the Transactions constitute a connected transaction of the Company under Rule 14.25(1) of the Listing Rules and are subject to the disclosure requirements set out therein.

Details of the Transactions will be included in the next published annual report and accounts of the Company in accordance with Rule 14.25(1) (A) to (D) of the Listing Rules.

By Order of the Board
Xiong Guangyang
Chairman

Hong Kong, 16 April 2003

Please also refer to the published version of this announcement in The Standard.