



**GUANGDONG INVESTMENT LIMITED**  
**(粵海投資有限公司)**  
*(incorporated in Hong Kong with limited liability)*



**GUANGDONG BREWERY HOLDINGS LIMITED**  
**(粵海啤酒集團有限公司)\***  
*(incorporated in Bermuda with limited liability)*

**CONNECTED TRANSACTION**

On 28 March 2003, Morefit entered into the Agreement with SBA, a connected person of each of GDI and GDB as defined under the Listing Rules, for the acquisition of the Sale Shares and the Shareholder's Loan for the Consideration.

The Agreement constitutes a connected transaction of each of GDI and GDB under the Listing Rules. The Agreement is subject to the approval of the shareholders of GDB (excluding those shareholders prohibited by the Listing Rules from voting on the resolution) voting at a special general meeting convened to approve the Agreement pursuant to Rule 14.26 of the Listing Rules. As the controlling shareholder of GDB has confirmed in writing on 28 March 2003 that in the event that approval from GDB's shareholders in respect of the Agreement is required, it will vote in favour of the Agreement, the passing of any resolution in respect of the Agreement by the shareholders of GDB will be a foregone conclusion and no shareholder of GDB will be required to abstain from voting, the expense to GDB of holding a shareholders' meeting would be an unnecessary expense. In view of the aforesaid, GDB will apply to the Stock Exchange for a waiver from the requirement under the Listing Rules for GDB to hold a general meeting to seek shareholders' approval in respect of the Agreement. Approval of the shareholders of GDI is, however, not required pursuant to Rule 14.25(1) of the Listing Rules as the Consideration represents less than the higher of (i) HK\$10,000,000 and (ii) HK\$165,119,000, being the monetary threshold of 1 per cent. of the modified asset value of GDI Group as at 30 June 2002 as determined under the modified assets test under the Modified Calculation Concession. Details of the Agreement will be included in the next published annual report and accounts of GDI.

The respective directors of GDI and GDB (including their respective independent non-executive directors) consider that the Agreement is in the ordinary course of business of each of GDI and GDB and the terms of the Agreement have been negotiated on an arm's length basis and on normal commercial terms which are fair and reasonable so far as the respective shareholders of GDI and GDB are concerned.

**THE AGREEMENT DATED 28 MARCH 2003**

(a) **Background**  
Each of SK Companies is owned as to 60 per cent. by Shenzhen Kingway, 30 per cent. by Morefit and 10 per cent. by SBA. SK Companies are engaged in the brewing and packaging of beer under the brand name "Kingway" for distribution mainly in the PRC. SKB is engaged in the brewing and distribution of "Kingway" beer. SKP is engaged in the packaging of "Kingway" beer. SKU is engaged in the provision of water and electricity supplies to SKB and SKP.

(b) **Parties**  
Vendor : SBA  
Purchaser : Morefit

(c) **Sale of Sale Shares**  
Subject to the fulfillment of the condition precedent (as described in paragraph (e) below), SBA agreed to sell and Morefit agreed to acquire the Sale Shares with effect from the Sale Shares Completion.

(d) **Sale of Shareholder's Loan**  
Subject to the fulfillment of the condition precedent (as described in paragraph (e) below), SBA agreed to assign and transfer the Shareholder's Loan and Morefit agreed to accept the same with effect from the Loan Transfer Completion.

(e) **Condition precedent**  
The Agreement is conditional upon the approval of the shareholders of GDB (excluding those shareholders prohibited by the Listing Rules from voting on the resolution) voting at a special general meeting convened to approve the Agreement on the terms specified therein, or a waiver being granted to GDB by the Stock Exchange exempting the Agreement from the approval requirement on or before 31 May 2003 (or such later date as may be extended by SBA), failing which the Agreement shall be terminated and neither party shall have any claim against the other party.

(f) **Consideration**  
The Consideration in the sum of RMB75,000,000 in cash (equivalent to approximately HK\$70,668,000) comprises RMB15,000,000 (equivalent to approximately HK\$14,134,000) being the consideration for the sale and purchase of the Sale Shares and RMB60,000,000 (equivalent to approximately HK\$56,534,000) being the consideration for the assignment and transfer of the Shareholder's Loan. The consideration for the sale and purchase of the Sale Shares was determined with reference to the business enterprise value of SK Companies net of shareholders' loans as stated in the Valuation Report. The Consideration shall be payable by Morefit to SBA in the following manner:-

(i) **First Instalment**  
Within 5 Business Days from the date the condition precedent (as described in paragraph (e) above) is fulfilled, Morefit shall pay to SBA RMB45,000,000 (equivalent to approximately HK\$42,401,000) ("First Instalment") comprising RMB15,000,000 (equivalent to approximately HK\$14,134,000) being the full consideration for the sale and purchase of the Sale Shares and RMB30,000,000 (equivalent to approximately HK\$28,267,000) being part of the consideration for the assignment and transfer of the Shareholder's Loan.

(ii) **Second Instalment**  
Upon signing of the Share Agreement (as defined in paragraph (g) below) and the Loan Agreement (as defined in paragraph (g) below), Morefit shall provide SBA with an irrevocable guarantee given by Shenzhen Development Bank, PRC in favour of SBA to secure Morefit's payment obligation of RMB30,000,000 (equivalent to approximately HK\$28,267,000) ("Second Instalment"), being the remainder of the Consideration. The enforceability of such guarantee shall expire or terminate upon receipt of the Second Instalment by SBA or termination of the Agreement in accordance with the terms contained therein, whichever shall happen earlier.

Within 5 Business Days upon Sale Shares Completion, Morefit shall pay to SBA the Second Instalment.

The Consideration was negotiated between the parties on an arm's length basis and on normal commercial terms. The Consideration was determined with reference to the business enterprise value (defined in the Valuation Report to mean the total invested capital, net of the value of debt but including non-interest bearing shareholders' loans) of SK Companies net of shareholders' loans as stated in the Valuation Report and the amount of the Shareholder's Loan. Payment of the Consideration will be funded by internal resources of GDB Group.

(g) **Post First Instalment Obligations**  
Upon receipt of the First Instalment by SBA, the parties shall, inter alia, do the following:-

(i) Within 2 Business Days thereafter, inter alios, the parties shall enter into share sale agreement for the transfer of the 10 per cent. interest in each of SK Companies (together form the Sale Shares) ("Share Agreement") and the loan transfer agreement for the assignment and transfer of the Shareholder's Loan ("Loan Agreement");

(ii) SBA shall procure that the one director nominated by it to the respective board of the SK Companies shall resign from the directorship of SK Companies. Morefit shall appoint an additional director to the respective board of the SK Companies; and

(iii) the parties shall proceed to obtain the necessary governmental approvals and registrations in the PRC for the transfer of the Sale Shares and the Shareholder's Loan and the corresponding changes to the joint venture agreement and article of association of each of SK Companies.

(h) **Completion**  
(i) **Sale Shares**  
Unless otherwise waived by SBA, Sale Shares Completion shall take place when all the necessary approvals as required under the relevant PRC laws and regulations have been obtained, and all necessary changes of business registration have been completed.

(ii) **Shareholder's Loan**  
Within 5 Business Days from Sale Shares Completion, Morefit shall pay to SBA the Second Instalment whereupon the Loan Transfer Completion shall take place when simultaneously Morefit and SBA shall execute and deliver to each of SK Companies notice of the assignment and transfer of the Shareholder's Loan.

**REASONS FOR THE TRANSACTION**

GDI Group is principally engaged in utilities, infrastructure, property investment and hotels. GDB Group is engaged in the production, distribution and sale of beers mainly in the PRC. In view of the increasing demand of beer in the PRC, the respective directors of GDI and GDB (including their respective independent non-executive directors) consider it beneficial to both GDI and GDB to increase GDB's investment in the brewery industry in the PRC by increasing GDB's interest and thereby profit sharing in SK Companies. Immediately following the Sale Shares Completion, GDB's interest in each of SK Companies shall be increased from approximately 87 per cent. to approximately 97 per cent, and GDI's interest therein will thus be increased from approximately 62.62 per cent. to approximately 69.82 per cent. SK Companies suffered a net loss of RMB47,771,000 (equivalent to approximately HK\$45,012,000) for the financial year of 2000 and had a net profit before and after taxation of RMB4,348,000 (equivalent to approximately HK\$4,097,000) for the financial year of 2001. SK Companies were not required to make any tax payment for the financial year of 2001 as they were able to take advantage of the accumulated loss of the previous years.

The respective directors of GDI and GDB (including their respective independent non-executive directors) consider that the Transaction is in the ordinary business of both GDI and GDB, and that the terms of the Agreement have been negotiated on an arm's length basis and are normal commercial terms which are fair and reasonable so far as the respective shareholders of GDI and GDB are concerned.

**CONNECTED TRANSACTION**

SBA, being a substantial shareholder of each of SK Companies, is a connected person of each of GDI and GDB under the Listing Rules. Accordingly, the Transaction constitutes a connected transaction of each of GDI and GDB under the Listing Rules. The latest published consolidated net tangible assets of GDB Group as at 30 June 2002 amounted to approximately HK\$1,140,203,000. The Consideration therefore represents 6.2 per cent. of the latest published consolidated net tangible assets of GDB Group. Accordingly, the Agreement is subject to the approval of the shareholders of GDB (excluding those shareholders prohibited by the Listing Rules from voting on the resolution) voting at a special general

meeting convened to approve the Agreement pursuant to Rule 14.26 of the Listing Rules. However approval of the shareholders of GDI is not required pursuant to Rule 14.25(1) of the Listing Rules as the Consideration represents less than the higher of (i) HK\$10,000,000 and (ii) HK\$165,119,000, being the monetary threshold of 1 per cent. of the modified asset value of GDI Group as at 30 June 2002 as determined under the modified assets test under the Modified Calculation Concession. Details of the Agreement will be included in the next published annual report and accounts of GDI.

As at the date hereof, GDI has an approximate 71.98 per cent. interest in GDB and is GDB's controlling shareholder. Reference is made to the announcement of 26 February 2003 of GDI and GDB respectively, in which GDI and GDB respectively announced that on that day, GDI entered into a conditional agreement with GDH Limited for the sale and purchase of, inter alia, GDI's entire interest in GDB. It is anticipated that completion of the said agreement will take place soon after the issuance of this announcement subject to the fulfillment of the conditions set out in the said agreement including, inter alia, the approval of the independent shareholders of GDI. Accordingly, upon completion of the said agreement, GDH Limited will be interested in approximately 71.98 per cent. of GDB and thereby become GDB's controlling shareholder. GDH Limited has confirmed in writing on 28 March 2003 that in the event that approval from GDB's shareholders in respect of the Agreement is required, it will vote in favour of the Agreement. SBA is the only connected person interested in the Transaction and would be the only connected person required to abstain from voting at the shareholders' meeting to approve the Transaction. However since SBA does not have any interest in the issued share capital of GDB, no shareholder of GDB would be required to abstain from voting.

Since the passing of any resolution in respect of the Agreement by the shareholders of GDB will be a foregone conclusion and no shareholder of GDB will be required to abstain from voting, the expense to GDB of holding a shareholders' meeting would be an unnecessary expense. In view of the aforesaid, GDB will apply to the Stock Exchange for a waiver from the requirement under the Listing Rules for GDB to hold a general meeting to seek shareholders' approval in respect of the Agreement.

**GENERAL**

TIS Securities (HK) Limited has been appointed as the independent financial adviser to advise the shareholders of GDB on whether the terms of the Agreement are fair and reasonable in so far as the shareholders of GDB are concerned. A circular containing details of the Agreement, Valuation Report and the recommendation of the independent financial adviser will be despatched by GDB to its shareholders as soon as practicable.

**TERMS USED IN THIS ANNOUNCEMENT**

"Agreement"	a conditional agreement dated 28 March 2003 entered into between SBA and Morefit
"Business Day"	a day (not being a Saturday, Sunday or Hong Kong public holiday) on which banks are open for business in Hong Kong
"Consideration"	the sum of RMB75,000,000 (equivalent to approximately HK\$70,668,000) in cash being the aggregate consideration for the acquisition of the Sale Shares (RMB15,000,000 (equivalent to approximately HK\$14,134,000)) and the Shareholder's Loan (RMB60,000,000 (equivalent to approximately HK\$56,534,000))
"GDB"	Guangdong Brewery Holdings Limited
"GDB Group"	GDB and its subsidiaries
"GDI"	Guangdong Investment Limited
"GDI Group"	GDI and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Loan Transfer Completion"	completion of the assignment and transfer of the Shareholder's Loan
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Modified Calculation Concession"	the Modified Calculation Concession in relation to notifiable transactions in accordance with the guidelines for issuers with negative or negligible net tangible assets issued by the Stock Exchange as described in the announcements dated 3 May 2001, 24 August 2001 and 9 October 2001 respectively
"Morefit"	Morefit Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of GDB
"PRC"	the People's Republic of China
"Sale Shares"	10 per cent. interest each in SK Companies
"Sale Shares Completion"	completion of the sale and purchase of the Sale Shares
"SBA"	深圳市寶安區投資管理有限公司 (Shenzhen Bao An District Investment Management Company Limited), a company established in the PRC and a substantial shareholder of each of SK Companies
"Shareholder's Loan"	the loan in the aggregate sum of RMB60,000,000 (equivalent to approximately HK\$56,534,000) representing the principal amount and interest thereon due and owing by SK Companies to SBA as at the date of the Agreement
"Shenzhen Kingway"	深圳金威啤酒有限公司 (Shenzhen Kingway Brewery Co., Ltd.), a company established in the PRC and is owned as to 95 per cent. by GDB and 5% by an independent third party which is not a connected person of GDB as defined in the Listing Rules
"SKB"	深圳金威啤酒釀造有限公司 (Shenzhen Kingway Brewing Co., Ltd.), a sino-foreign equity joint venture established in the PRC and is owned as to 60 per cent. by Shenzhen Kingway, 30 per cent. by Morefit and 10 per cent. by SBA
"SK Companies"	SKB, SKP and SKU
"SKP"	深圳金威啤酒包裝有限公司 (Shenzhen Kingway Packaging Co., Ltd.), a sino-foreign equity joint venture established in the PRC and is owned as to 60 per cent. by Shenzhen Kingway, 30 per cent. by Morefit and 10 per cent. by SBA
"SKU"	深圳金威啤酒公用工程有限公司 (Shenzhen Kingway Utility Co., Ltd.), a sino-foreign equity joint venture established in the PRC and is owned as to 60 per cent. by Shenzhen Kingway, 30 per cent. by Morefit and 10 per cent. by SBA
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transaction"	the transactions under the Agreement
"Transaction Completion"	Sale Shares Completion and Loan Transfer Completion
"Valuation Report"	a valuation report dated 28 February 2003 prepared by RHL Appraisal Limited on the business enterprise value of SK Companies
"HK\$"	Hong Kong dollars
"RMB"	Renminbi, the lawful currency of the PRC

For illustrative purposes of this announcement, RMB1.0613=HK\$1.00

By order of the Board of  
**Guangdong Investment Limited**  
Li Wenyue  
Chairman

By order of the Board of  
**Guangdong Brewery Holdings Limited**  
Ye Xuquan  
Chairman

Hong Kong, 28 March 2003

\* For identification purposes only