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鈞濠集團有限公司\*

**GRAND FIELD GROUP HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 115)**

## **VOLUNTARY ANNOUNCEMENT FORMATION OF A JOINT VENTURE COMPANY**

The Board is pleased to announce that on 9 June 2015 (after trading hours), Grand Field BVI, a wholly-owned subsidiary of the Company, entered into the Co-operation Agreement with the Partner, namely Zeabica Dairy Trading (Hong Kong) Co., Limited (康貝加乳業貿易(香港)有限公司) pursuant to which Grand Field BVI and the Partner have conditionally agreed to establish the JV Company, a limited liability company in Hong Kong.

Total investment and registered capital of the JV Company will be HK\$20,000,000 and HK\$2,000,000 respectively. The JV Company will be principally engaged in the trading and distribution of “ZEAFERN” brand milk powder and dairy products including butter, cheese, UHT milk in the PRC as well as other imported food products such as meats, packed foods, food ingredients and sea foods in the PRC and East Asian markets.

The difference between the total investment and registered capital of the JV Company is HK\$18,000,000. The respective amount of the future capital injection by Grand Field BVI and the Partner in relation to such difference will be in the form of shareholders’ loan in proportion to their respective shareholding in the JV Company. The timing and amount of the capital and shareholder’s loan injection will be subject to the fulfillment of all conditions precedent as set out in the section headed “Conditions Precedent” in this announcement.

\* *For identification purpose only*

Grand Field BVI shall invest a sum of HK\$1,200,000 for a 60% equity interest in the registered capital of the JV Company and the Partner shall invest a sum of HK\$800,000 for a 40% equity interest in the registered capital of the JV Company. All capital contribution by Grand Field BVI and the Partner will be settled in cash.

The investment injection in the JV Company shall be completed within seven (7) Business Days after the day of fulfillment of all the conditions precedent. After completion of the transaction, the JV Company will become a non-wholly owned subsidiary of the Company and its financial results will be consolidated into the financial statement of the Company.

As none of the applicable percentage ratio (as defined under the Listing Rules) under the Co-operation Agreement exceeds 5%. The total investment in the JV Company by Grand Field BVI and the Partner does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

**As the completion of the Co-operation Agreement is subject to certain conditions precedent as set out in this announcement, the investment injection into the JV Company may or may not materialise, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

## **INTRODUCTION**

The Board is pleased to announce that on 9 June 2015 (after trading hours), Grand Field BVI, a wholly-owned subsidiary of the Company, entered into the Co-operation Agreement with the Partner, namely Zeabica Dairy Trading (Hong Kong) Co., Limited (康貝加乳業貿易(香港)有限公司) pursuant to which Grand Field BVI and the Partner have conditionally agreed to establish the JV Company, a limited liability company in Hong Kong.

The Partner is owned as to 100% by Mr. Wang. To the best knowledge, information and believe of the Directors and after having made all reasonable enquiries, the Partner and Mr. Wang are Independent Third Parties. As at the date of this announcement, Mr. Wang personally held 29,340,000 Shares, representing approximately 3.17% equity interest in the Company and the Partner did not have any Share.

## **MAJOR TERMS OF THE CO-OPERATION AGREEMENT**

### **Formation of the JV Company**

Total investment and registered capital of the JV Company will be HK\$20,000,000 and HK\$2,000,000 respectively. The JV Company will be principally engaged in the trading and distribution of “ZEAFERN” brand milk powder and dairy products including butter, cheese, UHT milk in the PRC as well as other imported food products such as meats, packed foods, food ingredients and sea foods in the PRC and East Asian markets.

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### **Capital injection**

Grand Field BVI shall invest a sum of HK\$1,200,000 for a 60% equity interest in the registered capital of the JV Company and the Partner shall invest a sum of HK\$800,000 for a 40% equity interest in the registered capital of the JV Company. All capital contribution by Grand Field BVI and the Partner will be settled in cash.

The capital contribution of HK\$1,200,000 and the shareholders’ loan of HK\$10,800,000 to be payable by Grand Field BVI will be funded by the Group’s internal resources.

### **Obligations and undertakings by the Partner**

Pursuant to the Co-operation Agreement, upon completion of the formation of the JV Company, the Partner agreed to:

- i) Upon the establishment of the JV Company, the Partner shall transfer at nil consideration the entire domestic and foreign customer resources and business orders under the New Zealand dairy and food brand “ZEAFERN” to the JV Company for its operation. The entire dairy product operation of the Partner in the PRC, Hong Kong and overseas shall be consolidated into the JV Company for its operation and obtain the exclusive dealership right of the “ZEAFERN” Products in both domestic and foreign market within three years.

- ii) During the effective period of the Co-operation Agreement and one year thereafter, the Partner and/or its senior management, directors, shareholders and associates and their agents shall not, by themselves or through cooperation or engagement, with any other third parties, with or without remuneration, be engaged in dairy product trading business which relates to or competes with the JV Company in the PRC, Hong Kong and overseas.

### **Composition of the board of directors of the JV Company**

The board of directors of the JV Company shall comprise three members. Grand Field BVI will nominate two members, including the chairman, while the Partner will nominate one member who will also hold office as the chief executive officer of the JV Company.

### **Scope of business of the JV Company**

The scope of business of the JV Company will include the trading and wholesale of “ZEAFERN” brand milk powder, butter, cheese, UHT milk in the PRC, as well as other imported food products such as meats, packed foods, food ingredients, and sea foods in the PRC and Eastern Asia markets.

### **Revenue target and profit target**

Pursuant the Co-operation Agreement, the JV Company has setup a revenue target and profit target (net profit after taxation but before extraordinary or exceptional items) upon completion of the investment injection into the JV Company as below:

	<b>Revenue target</b>		<b>Profit target</b>	
	<i>RMB'000</i>	<i>HK\$'000</i>	<i>RMB'000</i>	<i>HK\$'000</i>
Year 1	200,000	250,000	8,000	10,000
Year 2	400,000	500,000	16,000	20,000
Year 3	600,000	750,000	20,000	25,000

### **Profit distribution**

70% of the annual net profit after taxation (if any) of the JV Company will be distributed to Grand Field BVI and the Partner pro rata to their respective share capital in the JV Company.

## Share reward

Pursuant to the Co-operation Agreement, in the event that the JV Company has recorded an aggregate three year's audited net profit (net profit after taxation but before extraordinary or exceptional items) of not less than RMB68,000,000 (equivalent to approximately HK\$85,000,000), the JV Company will issue and allot reward shares to the Partner as a reward for its contribution to the JV Company to the effect of the second column of the following list:–

	<b>Shareholding in the JV Company upon completion of the investment contribution</b>	<b>Upon issue and allotment of the reward shares of the JV Company to the Partner</b>
Grand Field BVI	60%	51%
The Partner	40%	49%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## Put option

Upon the signing of the Co-operation Agreement, in consideration of HK\$1.00, the Partner has granted to Grand Field BVI the option to put Grand Field BVI's share in the JV Company to the Partner by way of sale at the price equivalent to Grand Field BVI's total investment costs in the JV Company (i.e. the capital contribution of HK\$2,000,000 and any outstanding shareholder's loan at the time Grand Field BVI exercise the put option) in the event that the JV Company could not achieve the above-mentioned revenue target and profit target and incurred net loss.

## Conditions Precedent

Under the Co-operation Agreement, completion of the investment injection will be conditional on the satisfaction of the followings conditions on or before the Long Stop Date:

The Partner shall accommodate Grand Field BVI in performing to completion a due diligence exercise on the following matters, including but not limited to provision by the Partner of such concrete evidences, the results of which shall be to the satisfaction of Grand Field BVI:

- i) the successful establishment of the JV Company;
- ii) current customer resources of and business orders of the Partner;
- iii) relevant experience of the Partner in operating of the relevant business;
- iv) the Partner's ability to attain the expected sales turnover and expected profit;
- v) the Partner's financial strength to continue the operation of the relevant business; and
- vi) all relevant letters of intent/agreements that give consents of manufacturing enterprises for the manufacturing of products under the JV Company, and all relevant letters of intent/agreements that give consents of distribution enterprises for off-taking of the products by the JV Company having been obtained by the Partner
- vii) the JV Company having obtained all requisite licences, permits and approvals (where applicable) by the relevant regulatory authorities in the PRC, Hong Kong or any other relevant jurisdictions for the purposes of carrying on the scope of business of the JV Company.

If any of the above conditions i) - vii) are not complied with on or before the Long Stop Date, all obligations and responsibilities under the Co-operation Agreement will become invalid and the Co-operation Agreement will be terminated. In the event of the termination, subject to the provision stated in the Co-operation Agreement, neither Grand Field BVI nor the Partner shall have any liabilities towards each other.

## **Completion**

The investment injection in the JV Company shall be completed within seven (7) Business Days after the day of fulfillment of all the conditions precedent. After completion of the transaction, the JV Company will become a non-wholly owned subsidiary of the Company and its financial results will be consolidated into the financial statement of the Company.

## **INFORMATION OF THE PARTNER**

Zeabica Dairy Trading (Hong Kong) Co., Limited (康貝加乳業貿易(香港)有限公司) is highly experienced and has a long history in trading of dairy products from New Zealand. It holds exclusive regional dealership rights in “ZEAFERN” brand dairy products in Greater China and Asia regions, and has established close working relationship with the enterprises in the dairy industry of New Zealand. Furthermore, New Zealand is one of the major sources of global dairy products supply.

## **REASONS AND BENEFITS OF THE CO-OPERATION AGREEMENT**

The Company is principally engaged in investment holding. The Group is principally engaged in investment holding, property development and property investment. It has been the strategy of the Group to explore new potential projects in order to diversify business risk as well as broaden income source of the Group and eventually maximizing Shareholders’ values. The Board sees increasing demand and huge business opportunities for milk powder importing in the PRC following the relaxation of the One-Child policy in 2013, fast aging population and fast growing middle classes, which require quality food products including dairy products, enriched nutritional milk products, high quality beef and lamb, sea foods etc.. The Directors consider that the Co-operation Agreement has been entered into on normal commercial terms, and the terms and conditions therein are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATION**

As none of the applicable percentage ratio (as defined under the Listing Rules) under the Co-operation Agreement exceeds 5%. The total investment in the JV Company by Grand Field BVI and the Partner does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

**As the completion of the Co-operation Agreement is subject to certain conditions precedent as set out in this announcement, the investment injection into the JV Company may or may not materialise, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

## **DEFINITION**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Board”	the board of Directors
“Business Day”	a day (excluding a Saturday, Sunday or public holiday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“BVI”	the British Virgin Islands
“Company”	Grand Field Group Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected persons”	having the meaning ascribed to it under the Listing Rules
“Completion”	completion of the Co-operation Agreement
“Co-operation Agreement”	the co-operation agreement dated 9 June 2015 entered into between Grand Field BVI and the Partner in relation to the formation of the JV Company
“Directors”	directors of the Company



“Grand Field BVI”	Grand Field Group Investments (BVI) Limited, a company incorporated in BVI and a wholly-owned subsidiary of the Company and being a party to the Co-operation Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a third party independent of the Company and the connected persons (as defined under the Listing Rules) of the Company
“JV Company”	G&H International Holding Limited (濠康國際控股有限公司), a company to be incorporated in Hong Kong with limited liability pursuant to the Co-operation Agreement and to be held as to 60% by Grand Field BVI and 40% by the Partner
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	Tuesday, 8 September 2015 (or such later date as Grand Field BVI and the Partner may mutually agree)
“Mr. Wang”	Mr. Wang Dustin Daqing (王大清先生)
“Partner”	Zeabica Dairy Trading (Hong Kong) Co., Limited (康貝加乳業貿易(香港)有限公司), a company incorporated in Hong Kong with limited liability and wholly-owned by Mr. Wang. It is a party to the Co-operation Agreement
“PRC”	the People’s Republic of China and for the sole purpose of this announcement shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“Share(s)”	existing ordinary share(s) of HK\$0.01 each in the share capital of the Company

“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

By order of the Board of  
**Grand Field Group Holdings Limited**  
**Ma Xuemian**  
*Chairman*

Hong Kong, 9 June 2015

\* *For identification only*

*For the purpose of this announcement, translations of RMB into HK\$ are made for illustration purpose only at the exchange rate of RMB0.80 to HK\$1.00.*

*As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. Ma Xuemian, Mr. Kwok Siu Bun, Ms. Chow Kwai Wa, Anne and Ms. Kwok Siu Wa, Alison; one non-executive Director, namely, Ms. Tsang Tsz Tung Debbie (with Mr. Kwok Siu Bun as alternative); and three independent non-executive Directors, namely, Mr. Hui Pui Wai, Kimber, Mr. Liu Chaodong and Ms. Chui Wai Hung.*