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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)

**(1) DISCLOSEABLE TRANSACTION IN RELATION TO
FORMATION OF A PROJECT COMPANY BY
THE JV PARTNERS FOR ACQUISITION OF
LAND USE RIGHTS IN HANGZHOU CITY, THE PRC
AND
(2) UPDATE ON THE DEVELOPMENT OF THE COMPANY'S
INVESTMENT IN THE PROJECT COMPANY**

**THE FORMATION OF THE PROJECT COMPANY AND THE LAND
ACQUISITION**

On 26 February 2019, the Project Company was established under the laws of the PRC with limited liability for the Land Acquisition and the construction and development of picture and culture related projects and peripheral commercial facilities on the Land through the Project Company. As at the date of this announcement, the Project Company is owned by the JV Partners as to (i) 34% by Shenzhen Grandfield; (ii) 34% by Beiyong Movie; (iii) 26% by Bo Rui De Trading; and (iv) 6% by Fubei Investment.

* *For identification purpose only*

On 7 March 2019, one of the JV Partners namely Beiying Movie, won the bidding in respect of the land use rights of the Land situated at Hangzhou City, the PRC at the Consideration of RMB56,870,000. The Confirmation Letter was issued by the Hangzhou Planning and Natural Resources Bureau to Beiying Movie to record the winning of the bidding by Beiying Movie on 7 March 2019. On 14 March 2019, Beiying Movie and the Hangzhou Planning and Natural Resources Bureau entered into the Land Use Rights Grant Contract in respect of the Land Acquisition. On 25 April 2019, Beiying Movie, the Project Company and the Hangzhou Planning and Natural Resources Bureau further entered into the Supplemental Land Use Rights Grant Contract in respect of the Land Acquisition pursuant to which all parties to the Supplemental Land Use Rights Grant Contract mutually agreed that the purchaser of the Land shall be assigned to the Project Company under the same terms and conditions of the Land Use Rights Grant Contract and that all rights and obligations under the Land Use Rights Grant Contract shall be transferred to the Project Company effective on the date of the Supplemental Land Use Rights Grant Contract.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the total commitment of the Group to the Project Company exceeds 5% but is less than 25%, the formation of the Project Company to acquire the land use rights of the Land constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

BACKGROUND AND LATEST DEVELOPMENT OF THE FORMATION OF THE PROJECT COMPANY AND THE LAND ACQUISITION

On 26 February 2019, the Project Company was established under the laws of the PRC with limited liability for the Land Acquisition and the construction and development of picture and culture related projects and peripheral commercial facilities on the Land through the Project Company. As at the date of this announcement, the Project Company is owned by the JV Partners as to (i) 34% by Shenzhen Grandfield; (ii) 34% by Beiying Movie; (iii) 26% by Bo Rui De Trading; and (iv) 6% by Fubei Investment.

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When deciding to participate in the Land Acquisition and the development of the Land, the Company had considered the reasonable potential return and investment payback period based on the intended development plan negotiated among the JV Partners that a sizeable proportion of the Land would be developed into properties for sale. However, when finalizing the overall development plan of the Land, majority of the JV Partners (excluding Shenzhen Grandfield) considered adjusting the development plan of the Land to largely reduce the saleable portion of the properties while increasing the proportion of investment properties for leasing purposes. Despite several negotiations, Shenzhen Grandfield was unable to reach a mutual agreement with the other JV Partners on the development plan of the Land. The Company considered that fund collection period for leasing properties is relatively slow and investment payback period would be much longer when compared with properties for sale and therefore, the Company commenced negotiations with the other JV Partners on any possible exit plan for Shenzhen Grandfield's investment in the Project Company. The JV Partners mutually agreed, on best effort basis, to procure any interested party to take up the Company's 34% equity interest in the Project Company when opportunity arises.

As at the date of this announcement, the Company has not identified any potential purchaser and has not entered into any negotiation, arrangement and/or agreement in relation to any potential disposal of the Company's 34% equity interests in the Project Company. The Company will update the Shareholders and potential investor of the Company in relation to the development of the intended disposal or if there will be any further change in business strategies on the Company's investment in the Project Company by way of announcement in compliance with relevant requirements under the Listing Rules as and when appropriate.

THE LAND USE RIGHTS GRANT CONTRACTS

Principal terms of the Land Use Rights Grant Contracts are set out below:

- Date : 14 March 2019 (as supplemented on 25 April 2019)
- Parties : (1) Hangzhou Planning and Natural Resources Bureau
(as the seller);

(2) Beiying Movie (as the transferor);

(3) the Project Company (as the purchaser).
- Land : The land parcel situated at Hangzhou Fu Chun Wan New Town* (杭州富春灣新城) with a total site area of 50,344 sq.m. and gross floor area of not less than 100,688 sq.m. and not more than 110,756.80 sq.m.
- Consideration : RMB56,870,000
- Payment terms : The Consideration shall be paid by the Project Company within 60 days upon the date of the Land Use Rights Grant Contract. As at the date of this announcement, the Consideration has been fully settled by the Project Company.
- Use of the Land : The Land is designated for cultural innovation industries usage with a term of 50 years.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, Hangzhou Planning and Natural Resources Bureau is Independent Third Party.

INFORMATION OF THE PROJECT COMPANY

On 26 February 2019, the Project Company was established under the laws of the PRC with limited liability for the Land Acquisition and the construction and development of picture and culture related projects and peripheral commercial facilities on the Land through the Project Company. As at the date of this announcement, the Project Company is owned by the JV Partners as to (i) 34% by Shenzhen Grandfield; (ii) 34% by Beiying Movie; (iii) 26% by Bo Rui De Trading; and (iv) 6% by Fubei Investment.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, save for the business partnership in the Project Company, each of Beiying Movie, Bo Rui De Trading, Fubei Investment and their respective ultimate beneficial owners are Independent Third Parties.

Set out below are principal terms mutually agreed among the JV Partners to operate the Project Company:

Business scope of the Project Company

The Project Company is a single purpose joint venture company for the Land Acquisition and development of the Land and shall be principally engaged in the construction and development of picture and culture related projects and peripheral commercial facilities in Zhejiang Province.

Registered capital of the Project Company

The registered capital of the Project Company is RMB88,180,000, which shall be contributed by the JV Partners as to (i) RMB29,981,200 by Shenzhen Grandfield; (ii) RMB29,981,200 by Beiying Movie; (iii) RMB22,926,800 by Bo Rui De Trading; and (iv) RMB5,290,800 by Fubei Investment, representing 34%, 34%, 26% and 6% equity interests in the Project Company respectively. As at the date of this announcement, Shenzhen Grandfield has injected RMB30,000,000 in cash into the Project Company via the Group's internal resources. As at the date of this announcement, the capital verification procedure has yet to be processed and the amount injected by Shenzhen Grandfield was recognised as shareholder's loan in the books and records of the Project Company.

Board composition of the Project Company

The board of directors of the Project Company consists of three directors, one of whom was nominated by Shenzhen Grandfield, one of whom was nominated by Beiying Movie and one of whom was nominated by Bo Rui De Trading. The chairman of the board of directors of the Project Company is the director nominated by Shenzhen Grandfield and is also act as the legal representative of the Project Company.

Financing of the Project Company

The Consideration of the land use rights of the Land was satisfied by the Project Company by means of the capital contributed by the JV Partners. Future operation of the Project Company shall be initially financed by (i) the remaining capital contributed by the JV Partners; and (ii) external borrowings from banks and/or other financial institutions. The land use right of the Land and any properties under construction developed by the Project Company in future shall be used as collateral. Save for the committed registered capital contributed or to be contributed by respective JV Partners, there is no binding capital commitment on each of the JV Partners in respect of the Project Company.

In the event that the Project Company requires additional funds to finance its operation in the future and the JV Partners mutually agreed to provide additional capital commitments as and when the need arise. The Company will comply with the applicable announcement and other requirements under the Listing Rules in relation to the further capital injections as and when appropriate.

Profit sharing

Any profit of the Project Company shall be shared by the JV Partners (i) in proportion to their respective equity interests in the Project Company; or (ii) in the event that any JV Partners has not paid up its portion of committed registered capital, whether in whole or in part, at the time of profit sharing, then in proportion to their respective actual paid up registered capital.

Right of first refusal

In the event that any JV Partners proposes to transfer or sell its interests in the Project Company, the other party shall have the right of first refusal to purchase such interests.

Other terms

The Project Company must not, without the JV Partners unanimous consent:

- (a). change the nature or scope of its business, and if there are changes then they must still be consistent with the scope or purpose specified in the auction documents of the Land;
or
- (b). enter into any transactions which are not on an arm's length basis.

As at the date of this announcement, the Project Company is in the process of completing the application procedures in obtaining the state-owned land use rights certificate with the relevant PRC governmental authority.

Set out below are certain key unaudited financial figures of the Project Company for the period since its date of incorporation on 26 February 2019 to 30 June 2019:

	For the period since date of incorporation on 26 February 2019 to 30 June 2019 <i>Approx. RMB</i> (Unaudited)
Net loss before taxation	878,300
Net loss after taxation	878,300

Unaudited net liabilities of the Project Company as at 30 June 2019 was approximately RMB878,300.

INFORMATION OF THE LAND

The Land is situated at Hangzhou Fu Chun Wan New Town* (杭州富春灣新城) with a total site area of 50,344 sq.m. and gross floor area of not less than 100,688 sq.m. and not more than 110,756.8 sq.m. The Land is designated for cultural innovation industries usage with a term of 50 years. The Land is expected to be developed as a integrated large-scale picture and culture related industry base and peripheral commercial facilities.

INFORMATION ON THE JV PARTNERS

Shenzhen Grandfield is a company established under the laws of the PRC with limited liability and is indirectly wholly-owned by the Company.

Beiyong Movie is a company established under the laws of the PRC with limited liability and is principal engaged in the operation of picture and culture related projects and property development.

Bo Rui De Trading is a company established under the laws of the PRC with limited liability and is principal engaged in general trading.

Fubei Investment is a company established under the laws of the PRC with limited liability and is principal engaged in investment management.

FINANCIAL IMPACT ON THE FORMATION OF THE PROJECT COMPANY

The Company is indirectly interested in 34% equity interests in the Project Company. Therefore, the Project Company is an associated company of the Company and the Company's interest in the Project Company is accounted for using the equity method of accounting.

REASONS FOR AND BENEFITS OF THE LAND ACQUISITION, THE ESTABLISHMENT OF THE PROJECT COMPANY FOR THE LAND ACQUISITION AND THE INTENTION OF THE COMPANY TO DISPOSE OF THE COMPANY'S EQUITY INTERESTS IN THE PROJECT COMPANY

The Group is principally engaged in investment holdings, property development, property investment and trading of commodities.

It is the Company's long term business direction to source for investment opportunities in real estate and related projects targeting second and/or third tier cities in the PRC. Hangzhou is one of the key cities where the PRC government has recently focused on developing cultural tourism.

The Land is situated in Fuyang district, Hangzhou. The Land is about 35 kilometers from downtown Hangzhou and is not far from nearby high-speed rail station and subway station. The Land is accessible by public transportation. When deciding to participate in the Land Acquisition and the development of the Land, the Company had considered the reasonable potential return and investment payback period based on the intended development plan negotiated among the JV Partners that a sizeable proportion of the Land would be developed into properties for sale.

By establishment of the Project Company, the Group could benefit from the cooperation with the JV Partners and grasp the market opportunities and enhance its investment portfolio in the real estate market in the PRC. The Group could also leverage on the financial resources and expertise of the JV Partners in developing the Land and to exert the JV Partners' respective strength into the development of the project to create a greater return for the Shareholders.

The Directors believe the cooperation could enhance the efficiency and effectiveness in development of the project and in turn brings a greater return to the Group. The Directors are of the view that the Land Acquisition and the transactions contemplated thereunder including the establishment of the Project Company are in the ordinary and usual course of business of the Company and the terms of the cooperation among the JV Partners including the financing and profit distribution arrangements of the Project Company are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

When deciding to participate in the Land Acquisition and the development of the Land, the Company had considered the reasonable potential return and investment payback period based on the intended development plan negotiated among the JV Partners that a sizeable proportion of the Land would be developed into properties for sale. However, when finalizing the overall development plan of the Land, majority of the JV Partners (excluding Shenzhen Grandfield) considered adjusting the development plan of the Land to largely reduce the saleable portion of the properties while increasing the proportion of investment properties for leasing purposes. Despite several negotiations, Shenzhen Grandfield was unable to reach a mutual agreement with the other JV Partners on the development plan of the Land. The Company considered that fund collection period for leasing properties is relatively slow and investment payback period would be much longer when compared with properties for sale and therefore, to dispose of the Company's equity interests in the Project Company would allow the Company to divest its investment in the Project Company at early stage and strengthen its financial resources for general working capital needs and to explore any future investment opportunity as and when appropriate. As at the date of this announcement, the Group has not identified any specific potential target for investment and has not entered into any negotiation, arrangement or agreement in relation to any potential new project. The Company will update the Shareholders and potential investor of the Company in relation to the development of the intended disposal or if there will be any further change in business strategies on the Company's investment in the Project Company by way of announcement in compliance with relevant requirements under the Listing Rules as and when appropriate.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the total commitment of the Group to the Project Company exceeds 5% but is less than 25%, the formation of the Project Company to acquire the land use rights of the Land constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

The Company is aware that this announcement in respect of the total commitment of the Group to the Project Company for the Land Acquisition constituted a late announcement under the Listing Rules in relation to notifiable transactions. The Directors genuinely misinterpreted the Listing Rules that the formation of the Project Company for the Land Acquisition was engaging in a single purpose project which was of revenue nature in the ordinary and usual course of business of the Company and was therefore did not fall within the definition of “transactions” under Rule 14.04(1)(f) of the Listing Rules. Having received the guidance and advice from the Company’s financial adviser, the Company accepted that the nature of the development of the Land, which partly involved investment properties held for leasing purposes, was indeed contained capital element and such arrangement fall within the definition of “transactions” under Rule 14.04(1)(f) of the Listing Rules and is subject to notification and announcement requirements under the Listing Rules.

To the best of knowledge, information and belief of the Directors, other than the formation of the Project Company for the Land Acquisition, the Company complies with the listing rules requirements under Rule 14.34 of the Listing Rules.

In order to reduce the risk of recurrence of such breaches, in the event that the Directors have doubts as to the interpretation of the Listing Rules, the Directors will consult appropriate professional parties so as to ensure that their apprehension and interpretation of the Listing Rules are correct prior to proceed with any action. In addition, the Board has resolved to engage a professional advisory firm to provide enhanced compliance training to the Group’s staff and Directors.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Beiyong Movie”	Beiyong Movie Industry Development (Ningbo) Limited* (北影電影產業園開發(寧波)有限公司), a company established under the laws of the PRC with limited liability, being one of the JV Partners
“Bo Rui De Trading”	Shenzhen Bo Rui De Trading Limited* (深圳市博銳德商貿有限公司), a company established under the laws of the PRC with limited liability, being one of the JV Partners
“Board”	the board of Directors
“Company”	Grand Field Group Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on Main Board of the Stock Exchange
“Confirmation Letter”	a confirmation letter issued to Beiyong Movie by the Hangzhou Planning and Natural Resources Bureau dated 7 March 2019 in respect of the winning of the bid for the land use rights of the Land by Beiyong Movie
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	RMB56,870,000, being the consideration payable by the Project Company for the acquisition of the land use rights of the Land
“Director(s)”	the director(s) of the Company

“Fubei Investment”	Hangzhou Fubei Investment Management Limited* (杭州富北投資管理有限公司), a company established under the laws of the PRC with limited liability, being one of the JV Partners
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent to the Company and its connected persons (as defined under the Listing Rules)
“JV Partners”	Shenzhen Grandfield, Beiying Movie, Bo Rui De Trading and Fubei Investment, being all partners of the Project Company
“Land”	The land parcel situated at Hangzhou Fu Chun Wan New Town* (杭州富春灣新城) with a total site area of 50,344 sq.m. and gross floor area of not less than 100,688 sq.m. and not more than 110,756.80 sq.m.
“Land Acquisition”	the acquisition of the Land by the Project Company
“Land Use Rights Grant Contract”	the land use rights grant contract dated 14 March 2019 entered into between Hangzhou Planning and Natural Resources Bureau as the seller and Beiying Movie as the purchaser
“Land Use Rights Grant Contracts”	the Land Use Rights Grant Contract and the Supplemental Land Use Rights Grant Contract
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Project Company”	Zhejiang Beishen Cultural and Travel Development Company Limited* (浙江北深文旅發展有限公司), a company established under the laws of the PRC with limited liability, being the subject entity for the Land Acquisition and the development of the project on the Land. As at the date of this announcement, the Project Company is owned as to (i) 34% by Shenzhen Grandfield; (ii) 34% by Beiyong Movie; (iii) 26% by Bo Rui De Trading; and (iv) 6% by Fubei Investment
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.1 each in the share capital of the Company
“Shenzhen Grandfield”	Grandfield Real Estate Development (Shenzhen) Limited* (鈞濠房地產開發(深圳)有限公司), a company established under the laws of the PRC with limited liability, being an indirect wholly-owned subsidiary of the Company and one of the JV Partners
“sq.m.”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Land Use Rights Grant Contract”	the supplemental land use rights grant contract dated 25 April 2019 entered into among Hangzhou Planning and Natural Resources Bureau, Beiyong Movie and the Project Company in respect of the Land Acquisition

* For identification purposes only

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“%” per cent.

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

Hong Kong, 12 September 2019

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 Charmaine and Ms. Kwok Siu Wa Alison; and three independent non-executive Directors, namely Mr. Hui Pui Wai Kimber, Mr. Liu Chaodong and Mr. Wong Sze Lok.