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## **GREAT CHINA HOLDINGS LIMITED**

### **大中華集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 141)**

## **CONTINUING CONNECTED TRANSACTIONS**

### **THE MASTER SALES AGREEMENT**

On 11 May 2011, the Company (for itself and on behalf of each of its subsidiaries which sells the Animal Feed Products to COFCO Feed in accordance with the terms of the Master Sales Agreement) and COFCO Feed entered into the Master Sales Agreement whereby the Group agreed to sell and COFCO Feed agreed to purchase from the Group the Animal Feed Products (including fishmeal and tapioca chips) during the term of the Master Sales Agreement.

As of the date of this announcement, COFCO Hong Kong is interested in 45,058,000 Shares, representing approximately 17.22% of the issued share capital of the Company and hence a connected person of the Company. Since COFCO Hong Kong and COFCO Feed are fellow subsidiaries of COFCO, COFCO Feed is an associate of COFCO Hong Kong and a connected person of the Company.

### **LISTING RULES IMPLICATIONS**

As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Proposed Annual Caps exceed 5%, the Sales Transactions under the Master Sales Agreement constitute non-exempt continuing connected transactions and are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **THE PREVIOUS SALES TRANSACTIONS**

Prior to the entering into of the Master Sales Agreement, the Group commenced conducting the transactions in the same nature as the Sales Transactions contemplated under the Master Sales Agreement since late February 2011. The Previous Sales Transactions have been conducted on normal commercial terms and in the ordinary and usual course of business of the Group. Between the period from late February 2011 and the date hereof, the Previous Sales Transactions amounted to approximately US\$13 million (equivalent to approximately HK\$101 million). The Previous Sales Transactions constituted non-exempt continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

## **EGM**

The Company will convene the EGM at which resolutions will be proposed to ratify the Previous Sales Transactions and to approve the Master Sales Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps).

A circular containing, amongst other things, information on the Previous Sales Transactions, the Master Sales Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps), and the letters from the Independent Board Committee and the independent financial adviser containing their respective opinions on the Previous Sales Transactions, the Master Sales Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps), and the notice of the EGM is expected to be despatched to the Shareholders no later than 1 June 2011.

## **THE MASTER SALES AGREEMENT**

Date:

11 May 2011

Term:

With effect from the date of approval by the Independent Shareholders up to 31 December 2013

Parties:

- (i) the Company (for itself and on behalf of each of its subsidiaries which sells the Animal Feed Products to COFCO Feed in accordance with the terms of Master Sales Agreement), as seller; and
- (ii) COFCO Feed, as purchaser

### **Nature of transactions**

Pursuant to the Master Sales Agreement, the Group agreed to sell and COFCO Feed agreed to purchase from the Group the Animal Feed Products (including fishmeal and tapioca chips) during the term of the Master Sales Agreement.

The Group and COFCO Feed agreed that the Sales Transactions shall be conducted on normal commercial terms in particular, (i) the Sales Transactions will be on terms no more favourable than terms available to other Independent Third Parties; and (ii) the Sales Transactions will be in the ordinary and usual course of business of the Group and conducted after arm's length negotiations; and (iii) the annual consideration receivable by the Group under the Sales Transactions will not exceed the Proposed Annual Caps for the three years ending 31 December 2013.

## **Pricing basis**

The pricing of the Animal Feed Products has been and will be, determined with reference to:

- (i) the price set by the PRC government (if any); or
- (ii) if no such price is set by the PRC government, such market price (per unit) of the Animal Feed Products as agreed upon between the parties after negotiations.

## **Payment terms**

Details of the payment terms shall be agreed upon between the Group and COFCO Feed separately on a fair and reasonable basis.

## **Conditions precedent**

The Master Sales Agreement is conditional upon (i) the Company having complied with the requirements under the Listing Rules in connection with the Sale Transactions by issuance of an announcement and despatch of a circular to the Shareholders; and (ii) approval by the Independent Shareholders of the Master Sales Agreement and the Sales Transactions contemplated thereunder and the Proposed Annual Caps at the EGM.

## **Proposed Annual Caps**

The Proposed Annual Caps for the Sales Transactions for the three financial years ending 31 December 2011, 2012 and 2013 respectively are set out as follows:

<b>Financial year ending</b>	<b>Proposed Annual Caps (HK\$)</b>
31 December 2011	360,000,000
31 December 2012	415,000,000
31 December 2013	477,000,000

## **Basis of the Proposed Annual Caps**

The Proposed Annual Cap for the year ending 31 December 2011 is determined with reference to (i) the actual amount of the Animal Feed Products purchased by COFCO Feed from February 2011 to the date hereof, being approximately US\$13 million (equivalent to approximately HK\$101 million); and (ii) the buffer amount for the Sales Transactions.

The forecast of annual increment of the Proposed Annual Caps at approximately 15% from the previous year for the two years ending 31 December 2012 and 2013 respectively is estimated on a prudent basis with respect to the estimated increase in demand on the Animal Feed Products of approximately 15% per annum.

## **REASONS AND BENEFITS OF ENTERING INTO OF THE MASTER SALES AGREEMENT**

The Company is an investment holding company and its subsidiaries are principally engaged in trading of animal feed (including fishmeal and tapioca chips), property investment and trading of properties. G.C. Luckmate Trading Limited, a wholly-owned subsidiary of the Group, has been engaging in trading of fishmeal products from various origins to the Far East for more than 20 years and is currently one of the largest fishmeal trading companies in Asia. “Luckmate” has developed into a strong and reputable brand, trusted by an array of well-established clientele.

COFCO Feed is principally engaged in import and export, domestic distribution and storage of feed products and processing and sales of compound, distilled and mixed feed products. COFCO Feed needs to import fishmeal products into the PRC through the Group by entering into the Master Sales Agreement. The Board considers that the Master Sales Agreement will facilitate the Group to establish a long-term and stable relationship with COFCO Feed which will in turn provide a secure source of revenue for the Group.

Based on the aforesaid and given that the Sales Transactions will continue on a recurring basis, the Directors, excluding the independent non-executive Directors who will express their opinion after considering the advice from the independent financial adviser, are of the view that the Master Sales Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps) are (i) negotiated on an arm’s length basis and on normal commercial terms; and (ii) fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As of the date of this announcement, COFCO Hong Kong is interested in 45,058,000 Shares, representing approximately 17.22% of the issued share capital of the Company and hence a connected person of the Company. Since COFCO Hong Kong and COFCO Feed are fellow subsidiaries of COFCO, COFCO Feed is an associate of COFCO Hong Kong and a connected person of the Company. The Sales Transactions contemplated under the Master Sales Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Proposed Annual Caps exceed 5%, the Sales Transactions under the Master Sales Agreement are subject to the reporting, annual review, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

## **THE PREVIOUS SALES TRANSACTIONS**

Prior to the entering into of the Master Sales Agreement, the Group commenced conducting the transactions in the same nature as the Sales Transactions contemplated under the Master Sales Agreement since late February 2011. The Previous Sales Transactions have been conducted on normal commercial terms and in the ordinary and usual course of business of the Group.

In late February 2011, the Group received the first purchase order (the “First Purchase Order”) of the Animal Feed Products from COFCO Feed (as importer for another end-use purchaser). Since the First Purchase Order was issued in the name of the end-use purchaser,

staff from the Group's trading department was not aware of the fact that a transaction pursuant to the First Purchase Order, if concluded, would constitute a continuing connected transaction of the Company. Subsequently, the Group received the second purchase order (the "Second Purchase Order") from COFCO Feed (as purchaser and in its own name) in the total amount of approximately US\$3.4 million (equivalent to approximately HK\$26.4 million). Due to the change of the key personnel responsible for reviewing and monitoring the transaction amounts of the Group's continuing connected transactions, the Company only became aware in the Company's review of the Group's transactions with connected persons conducted in early April 2011 that the Previous Sales Transactions constituted non-exempt continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Between the period from late February 2011 and the date hereof, the Previous Sales Transactions amounted to approximately US\$13 million (equivalent to approximately HK\$101 million).

As soon as the Company was aware that the Previous Sales Transactions constituted non-exempt continuing connected transactions of the Company under Chapter 14A of the Listing Rules, the management of the Company took immediate actions, including but not limited to that (i) the Company engaged a Hong Kong legal counsel to draft relevant documentation (including but not limited to the Master Sales Agreement, announcement and circular) and an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Previous Sales Transactions as well as the Sales Transactions contemplated under the Master Sales Agreement; (ii) the Company sent the draft Master Sales Agreement to COFCO Feed for review in early April 2011; and (iii) the Company is prepared to seek Independent Shareholders' approval and ratification on the Previous Sale Transactions and will comply with all requirements under Chapter 14A of the Listing Rules in respect of the Sales Transactions with COFCO Feed as contemplated under the Master Sales Agreement.

During the negotiation process of the Master Sales Agreement with COFCO Feed, it took considerable turnaround time for the Company to send to and obtain a revised draft Master Sales Agreement from COFCO Feed. The Company eventually obtained the final approval from COFCO Feed on the Master Sales Agreement today and the parties executed the Master Sales Agreement on the same day. Particulars of the Master Sales Agreement are disclosed in the paragraph headed "The Master Sales Agreement" in this announcement pursuant to the requirements of the Listing Rules.

Since the Previous Sales Transactions were conducted in the ordinary and usual course of business of the Group and such transactions did not in the Board's views constitute price-sensitive information of the Company, the Board considers that the impact of such delay in compliance with the Listing Rules is limited.

## **EGM**

The Company will convene the EGM at which resolutions will be proposed to ratify the Previous Sales Transactions and to approve the Master Sales Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps). In accordance with the Listing Rules, the votes at the EGM shall be taken by poll.

Since COFCO Hong Kong is an associate of COFCO Feed under the Listing Rules, COFCO Hong Kong is treated to have a material interest in the Previous Sales Transactions and the Sales Transactions as contemplated under the Master Sales Agreement. Accordingly, COFCO Hong Kong and its associates are required to abstain from voting for the resolutions to be

proposed at the EGM to ratify the Previous Sales Transactions and to approve the Master Sales Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps).

To the best of the Directors' knowledge, information and belief, as of the date of this announcement, save for COFCO Hong Kong and its associates, no other Shareholders are required to abstain from voting in respect of any of the resolutions to be proposed at the EGM.

The Independent Board Committee comprising all independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Previous Sales Transactions, the Master Sales Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps) and an independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Previous Sales Transactions, the Master Sales Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps).

A circular containing, amongst other things, information on the Previous Sales Transactions, the Master Sales Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps), and the letters from the Independent Board Committee and the independent financial adviser containing their respective opinions on the Previous Sales Transactions, the Master Sales Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps), and the notice of the EGM is expected to be despatched to the Shareholders no later than 1 June 2011.

## **DEFINITIONS**

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

“Animal Feed Products”	the products sold by the Group to COFCO Feed pursuant to the Previous Sales Transactions and the Sales Transactions under the Master Sales Agreement including fishmeal and tapioca chips
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“COFCO”	COFCO Corporation (中糧集團有限公司), a wholly state-owned company incorporated in the PRC in September 1952 and the holding company of each of COFCO Feed and COFCO Hong Kong
“COFCO Feed”	COFCO Feed Co., Ltd. (中糧飼料有限公司), a company established in the PRC with limited liability
“COFCO Hong Kong”	COFCO (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a substantial Shareholder
“Company”	Great China Holdings Limited (stock code: 141), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and held at which resolutions will be proposed to ratify the Previous Sales Transactions and to approve the Master Sales Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps) by the Independent Shareholders
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely Mr. Lawrence Kam Kee Yu, Mr. David Hon To Yu and Mr. Hsu Chou Wu
“Independent Shareholders”	Shareholders other than COFCO Hong Kong and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Sales Agreement”	the Master Sales Agreement dated 11 May 2011 entered into between the Company (for itself and on behalf of each of its subsidiaries which sells the Animal Feed Products to COFCO Feed in accordance with the terms of the Master Sales Agreement) and COFCO Feed in respect of the Sales Transactions
“PRC”	the People’s Republic of China
“Previous Sales Transactions”	the Sales Transactions entered into between the Group and COFCO Feed since late February 2011 and up to the date of this announcement
“Proposed Annual Caps”	the maximum aggregate annual value of the Sales Transactions under the Master Sales Agreement for the sales of the Animal Feed Products for the three years ending 31 December 2011, 2012 and 2013 respectively
“Sales Transactions”	the sales of the Animal Feed Products by the Group to COFCO Feed under the Master Sales Agreement
“Shareholder(s)”	holder(s) of the Shares
“Shares”	the ordinary shares of HK\$0.2 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“US\$”	United States dollar, the lawful currency of the United States of America
“%”	per cent.

By Order of the Board  
**Great China Holdings Limited**  
**Joseph Siu Kwan CHENG**  
*Company Secretary*

Hong Kong, 11 May 2011

*As at the date of this announcement, the Board comprises four executive directors, namely, Mr. Rustom Ming Yu HO, Mr. John Ming Tak HO, Mr. Patrick Kwok Wai POON and Mr. Maung Tun MYINT; one non-executive director, namely, Ms. Daphne Yu Gia HO; and three independent non-executive directors, namely, Mr. Lawrence Kam Kee YU BBS, MBE, JP, Mr. David Hon To YU and Mr. Hsu Chou WU.*