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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, a bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Grand Field Group Holdings Limited, you should at once hand this circular to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)**

**DISCLOSEABLE TRANSACTION**

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2 November 2006

\* For identification purpose only

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings, unless the context otherwise requires:–*

“Board”	the board of Directors
“Company”	Grand Field Group Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Directors”	directors of the Company
“Event(s)”	a folk cultural, recreational or other carnival event which the Joint Venture shall conduct, organize and operate within the territory of the PRC or Hong Kong
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joint Venture”	All Right Holdings Limited, a company incorporated in Hong Kong with limited liability and owned as to 10.88% by Party A; 78.26% by Party B; 5.43% by Party C and the remaining 5.43% by Party D
“JV Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Joint Venture
“JV Shareholders”	Party A, Party B, Party C and Party D
“Latest Practicable Date”	31 October 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Party A”	Highraise Management Limited, a company incorporated in the British Virgin Islands with limited liability, which is engaged in provision of management services and beneficially owned as to 30% by Fan Yan Kin Stephen, 5% by Alan S. Crow, 20% by Lo Chun Sing, 25% by Universal Talent Consultants Limited and 20% by Kwok Kwong Tsuen

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## DEFINITIONS

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“Party B”	Grand Field Group Investments (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
“Party C”	China Legend Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which is an investment holding company beneficially owned as to 24% by Chan Yui Chi Bernard, 12% by Lam Kai Sing, 56% by Chan Tai Yung and 8% by Sin Kin Yin
“Party D”	Good Legend Investments Limited, a company incorporated in the British Virgin Islands with limited liability, which is an investment holding company wholly and beneficially owned by Wong Ka Sing
“PRC”	the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	existing ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Shareholders’ Agreement”	a shareholders’ agreement dated 18 October 2006 entered into among Party A, Party B, Party C, Party D and the Joint Venture
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars
“%”	per cent.

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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Tsang Wai Lung, Wayland (*Chairman*)  
Madam Kwok Wai Man, Nancy  
Mr. Lau Tam Wah  
Mr. Siu King Nin, Peter

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Independent Non-Executive Directors:*

Mr. Hui Pui Wai, Kimber  
Mr. Lum Pak Sum  
Dr. Wong Yun Kuen

*Head office and*

*principal place of business:*  
Room 1201  
Righteous Centre  
585 Nathan Road  
Kowloon  
Hong Kong

2 November 2006

*To the Shareholders,*

Dear Sir or Madam,

### DISCLOSEABLE TRANSACTION

#### INTRODUCTION

On 18 October 2006, the Board announced that on 18 October 2006, Party A, Party B, being a wholly owned subsidiary of the Company, Party C and Party D and the Joint Venture entered into the Shareholders' Agreement pursuant to which the parties to the Shareholders' Agreement agree to form the Joint Venture with registered capital of HK\$1,840,000. Party A, Party B, Party C and Party D shall subscribe for 10.88%, 78.26%, 5.43% and 5.43% equity interest in the Joint Venture respectively and shall contribute their proportionate shares of interest in the Joint Venture in cash. The Joint Venture is set up for the purpose of organizing and holding folk cultural, recreational or other carnival events in the PRC.

\* For identification purpose only

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## LETTER FROM THE BOARD

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Pursuant to the Shareholders' Agreement, Party B shall pursuant to and in respect of each Event, procure the Company to provide (i) a corporate guarantee up to HK\$10,000,000 to the Joint Venture in favour of the financial institutions to secure the loan obligation of the Joint Venture; and (ii) a security against disposal of any of the imported machines and associated equipment and other recreational facilities which shall be used for the purposes of and during any folk cultural, recreational or other carnival event organised by the Joint Venture with the amount of such security to be limited to the extent of HK\$8,000,000.

As the applicable percentage ratio for the capital contribution and the provision of corporate guarantee and security by the Company pursuant to the Shareholders' Agreement is more than 5% and less than 25%, the entering into the Shareholders' Agreement constitutes a discloseable transaction for the Company under Rule 14.08 of the Listing Rules. The purpose of this circular is to give you further information on the Shareholders' Agreement.

### THE SHAREHOLDERS' AGREEMENT DATED 18 OCTOBER 2006

#### Parties

- Party A : Highraise Management Limited, a company incorporated in the British Virgin Islands with limited liability, which is engaged in provision of management services and beneficially owned as to 30% by Fan Yan Kin Stephen, 5% by Alan S. Crow, 20% by Lo Chun Sing, 25% by Universal Talent Consultants Limited and 20% by Kwok Kwong Tsuen
- Party B : Grand Field Group Investments (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
- Party C : China Legend Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which is an investment holding company beneficially owned as to 24% by Chan Yui Chi Bernard, 12% by Lam Kai Sing, 56% by Chan Tai Yung and 8% by Sin Kin Yin
- Party D : Good Legend Investments Limited, a company incorporated in the British Virgin Islands with limited liability, which is an investment holding company wholly and beneficially owned by Wong Ka Sing
- the Joint Venture : All Rights Holdings Limited, a company incorporated in Hong Kong with limited liability and owned as to 10.88% by Party A; 78.26% by Party B; 5.43% by Party C and the remaining 5.43% by Party D

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## LETTER FROM THE BOARD

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To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Party A, Party C and Party D and their beneficial owners are third parties independent of the Company and the connected person(s) (as defined in the Listing Rules) of the Company.

### **Summary terms of the Shareholders Agreement**

Pursuant to the Shareholders' Agreement, 1,840,000 JV Shares of HK\$1.00 each will be allotted and will be taken up by Party A, Party B, Party C and Party D as to 200,000 JV Shares, 1,440,000 JV Shares, 100,000 JV Shares and 100,000 JV Shares respectively. Accordingly, the Joint Venture will be owned as to 10.88%, 78.26%, 5.43% and 5.43% by Party A, Party B, Party C and Party D respectively. The capital commitment of Party B for 78.26% equity interest in the Joint Venture is HK\$1,440,000 which shall be payable to the Joint Venture on the date of the Shareholders' Agreement and will be funded by the internal resources of the Company.

Pursuant to the Shareholders' Agreement, Party B shall pursuant to and in respect of each Event, procure the Company to provide (i) a corporate guarantee executed by the Company in favour of the banks for the purposes of procuring or otherwise guaranteeing due and punctual performance by the Joint Venture of all the obligations expressed to be imposed on or assumed by the Joint Venture in respect of and under any banking or trade finance facilities to be granted by licenced bank(s) in Hong Kong to and for use by the Joint Venture for the sole purpose of financing the operation of the business of the organization and the operation of Events, with such corporate guarantee to be limited to the extent of HK\$10,000,000 in aggregate; and (ii) appropriate security instruments, custom bond instruments and/or other documentation executed by the Company in favour of the relevant regulatory governmental authorities in the PRC for the purposes of providing security against disposal in any manner by any person within the territory of the PRC of any of the imported machines and associated equipment and other recreational facilities which shall be used for the purposes of and during an Event, with the amount of such security to be limited to the extent of HK\$8,000,000 in aggregate.

The capital commitment of Party A for 10.88% equity interest in the Joint Venture is HK\$200,000 which shall be payable to the Joint Venture within 7 days from the date of the Shareholders' Agreement and Party A shall enter into a management services agreement with the Joint Venture pursuant to which Party A shall enter into contracts with the relevant organizing agents and/or authorities for conducting and performing the services and obligations and to procure the provision of the facilities and services as required by the Events. The Company will comply with the Listing Rules when Party A enters into the management services agreement with the Joint Venture.

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## LETTER FROM THE BOARD

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The capital commitment of Party C for 5.43% equity interest in the Joint Venture is HK\$100,000 which shall be payable to the Joint Venture on the date of the Shareholders' Agreement and Party C shall provide an unsecured shareholder's loan of HK\$1,150,000 to the Joint Venture at an interest rate equivalent to 1% above the prevailing prime lending rate as quoted from time to time by the Hong Kong and Shanghai Banking Corporation Limited on the date of the Shareholders' Agreement.

The capital commitment of Party D for 5.43% equity interest in the Joint Venture is HK\$100,000 which shall be payable to the Joint Venture on the date of the Shareholders' Agreement and Party D shall provide an unsecured shareholder's loan of HK\$1,150,000 to the Joint Venture at an interest rate equivalent to 1% above the prevailing prime lending rate as quoted from time to time by the Hong Kong and Shanghai Banking Corporation Limited on the date of the Shareholders' Agreement.

During the continuance of the Shareholders' Agreement, each of the JV Shareholders shall procure that neither of its director(s) nor shareholder(s) do or be permitted to (i) either solely or jointly with or on behalf of any person directly or indirectly carry on or be engaged or interested whether as an employee, consultant or otherwise in any business or trade which is similar to the business of the organization and the operation of Events; (ii) solicit (other than by general advertising) the custom of any person who is or has been a client of the business of the organization and the operation of Events for the purpose of offering to that client services similar to those of the business of the organization and the operation of Events; or cause or permit any person directly or indirectly under its control to do any of the foregoing acts or things, without the prior written consent of the other JV Shareholders (to the exclusion of Party A).

Completion of the establishment of the Joint Venture shall take place upon the signing of the Shareholders' Agreement. As Party B holds 78.26% of the equity interest in the Joint Venture, the Joint Venture is a non-wholly owned subsidiary of the Company and the financials of the Joint Venture will be consolidated in the financial statements of the Group after completion of the Shareholders' Agreement.

The Shareholders' Agreement shall be terminated on the date falling two years from the date of the Shareholders' Agreement.



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## LETTER FROM THE BOARD

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### **The Joint Venture**

The Joint Venture was incorporated in Hong Kong with limited liability on 4 August 2006. The authorized share capital and the paid up capital of the Joint Venture are HK\$4,000,000 and HK\$1,840,000 respectively. Each of Party A, Party B, Party C and Party D desires to combine their interest to establish a joint venture through the medium of the Joint Venture for the purpose of carrying on the business of the organization and the operation of a folk cultural, recreational or other carnival event which the Joint Venture shall conduct, organize and operate within the territory of the PRC or Hong Kong.

The Joint Venture shall use its best endeavours to implement its business plan to conduct, organize and operate four Events in Shenzhen, Chengdu and Beijing as scheduled pursuant to the Shareholders Agreement.

The board of the directors of the Joint Venture will comprise six directors and each of Party A, Party B, Party C and Party D shall be entitled to appoint one director, three directors, one director and one director to the board of directors of the Joint Venture respectively. It is expected that Mr. Tsang Wai Lun, Wayland, Madam Kwok Wai Man, Nancy and Mr. Siu King Nin, Peter will be appointed by Party B as directors of the Joint Venture. One of the beneficial owners of Party A, Mr. Alan S. Crow, is a renowned carnival event organizer and has 30 years of experience in operating carnival business. In addition to Mr. Alan S. Crow, Party A will also bring in a strong management team to manage all aspects of organizing carnival events. As Party A will enter into a management services agreement with the Joint Venture to perform the required services for organizing the Events, the Directors consider that the Joint Venture will be operated by a strong management team with sufficient expertise in managing carnival business operation.

### **REASONS FOR THE SHAREHOLDERS AGREEMENT**

The principal activities of the Group are property development and property investment in the PRC.

It is the corporate strategy of the Group to actively pursue and diversify investment opportunities in other fields with promising growing prospect. As mentioned in the 2005 annual report of the Company, besides the development of the property projects in the PRC, the Group is also actively to explore development opportunities in the PRC. The Group has tried to diversify the risks of the principal business of the Group by identifying strategic investments to make profits in advantageous market conditions.

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## LETTER FROM THE BOARD

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As the economic as well as the personal income continues to grow in the PRC, there is an increasing willingness in personal consumption such as entertainment expenditures in recent years. In view of the huge market in the PRC, it is expected that the Events to be organized by the Joint Venture in the major cities in the PRC will become top attractions for local Chinese. As such, the Board is of the view that the entering into the Shareholders' Agreement represents an excellent opportunity for the Company to invest in a unique business with vast market potential and an objective to achieve reasonable return for the Group and considered that the terms of the Shareholders' Agreement are fair and reasonable and the investment in the Joint Venture is in the interests of the Company and the Shareholders as a whole.

It is expected that the entering into the Shareholders' Agreement will not have any adverse effect on the earnings, assets and liabilities of the Group.

### **ADDITIONAL INFORMATION**

Your attention is drawn to the additional information contained in the appendix to this circular.

By Order of the Board  
**Grand Field Group Holdings Limited**  
**Tsang Wai Lun, Wayland**  
*Chairman*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors jointly and severally accept responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries and that to the best of their knowledge and belief there are no other facts the omission of which would made any statement therein misleading.

## 2. DISCLOSURE OF INTERESTS

### Interests of Directors in the Company

#### (i) Long positions in Shares

As at the Latest Practicable Date, the interests and long positions of the Directors in the share capital of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of director	Number of ordinary shares held			Total interests	Total interests as percentage of the issued share capital
	Personal interest	Family interests	Corporate interests		
Mr. Tsang Wai Lun, Wayland	64,210,000	–	735,050,000 <i>(Note)</i>	799,260,000	38.78%
Madam Kwok Wai Man, Nancy	13,170,000	–	735,050,000 <i>(Note)</i>	748,220,000	36.31%
Mr. Lau Tam Wah	4,200,000	–	–	4,200,000	0.20%

*Note:* These interests relate to the same shares held through Rhenfield Development Corp., the entire issued capital of which is owned by Mr. Tsang Wai Lun, Wayland and Madam Kwok Wai Man, Nancy in equal shares.

*(ii) Share options of the Company*

The Board had granted 79,050,000 options to certain Directors and employees of the Group under the Company's share option scheme adopted on 4 August 1999 which was subsequently terminated by the Company in the Company's annual general meeting held on 23 June 2006 and 35,560,000 options were still outstanding as at the Latest Practicable Date as tabled below would remain effective and exercisable by terms therein:-

Name or category of participant	Date of grant	Exercise price (HK\$)	Exercise period	Outstanding as at the Latest Practicable Date
Other employees, in aggregate	25/11/2003	0.0650	25/11/2003 to 24/11/2006	35,560,000

*(iii) Shares in subsidiaries of the Company*

Each of Mr. Tsang Wai Lun, Wayland and Madam Kwok Wai Man, Nancy also has interests in the following non-voting deferred shares in the following subsidiaries of the Company:

	Grand Field Group Limited	Ka Fong Industrial Company Limited	Kwan Cheung Holdings Limited	Shing Fat Hong Limited
Mr. Tsang Wai Lun, Wayland	1 share of HK\$100	1,000 share of HK\$100 each	1 share of HK\$100	1 share of HK\$1
Madam Kwok Wai Man, Nancy	1 share of HK\$100	1,000 share of HK\$100 each	1 share of HK\$100	1 share of HK\$1

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange.

### Interests of substantial Shareholders in the Company

So far as is known to the Directors, as at the Latest Practicable Date, the persons other than a Director or chief executive of the Company who has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 336 of the SFO, who is expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had any options in respect of such capital, were as follows:

<b>Name of shareholders</b>	<b>Number of ordinary shares</b>	<b>Percentage of interest</b>
Worldgate Developments Ltd.	126,000,000	6.2%
Logistics China Enterprises Ltd.	126,000,000	6.2%

Save as disclosed above, the Directors and the chief executive of the Company were not aware that there was any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group or had any options in respect of such capital.

**Service contracts**

There is no existing or proposed service contract between any of the Directors and the Company or any of its members (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensations)).

**Interests in other competing business**

Each of the Directors has confirmed that he and their respective associates (as defined under the Listing Rules) do not have any interests in a business apart from the Group's business which directly competes with and will have material adverse impact on the Group.

**3. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

**4. GENERAL**

- (a) The secretary and qualified accountant of the Company is Mr. Kam Ying Fai *FCCA, CPA*.
- (b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and principal place of business in Hong Kong is situated at Room 1201, Righteous Centre, 585 Nathan Road, Kowloon, Hong Kong.
- (c) The Hong Kong branch share registrar of the Company is Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.