鈞濠集團有限公司 *

# GRAND FIELD GROUP HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 115)**

# ANNOUNCEMENT
# (1) CLARIFICATION ON NEWS; AND
# (2) UPDATE ON RECENT DEVELOPMENT OF RESUMPTION OF TRADING

This announcement is made by Grand Field Group Holdings Limited (the "**Company**" together with its subsidiaries, the "**Group**") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and under Part XIVA of the Securities and Futures Ordinance (Cap. 571).

## CLARIFICATION ON NEWS

The board (the "**Board**") of directors (the "**Directors**") of the Company noticed some Company-related allegations appeared on the local newspaper and some PRC financial websites on 10 June 2013 and 11 June 2013. These allegations appeared on such local newspaper and PRC financial websites are along the following lines:

(i) **Allegation I:** the interest rate of the borrowings of the Group is 48%, which is much higher than 25% as stated in the Company's 2012 annual report;

(ii) **Allegation II:** The Company holds more than 50% of a parcel of land in Shenzhen (the "**Shenzhen Land**"), The interests in Shenzhen Land was previously registered under 深圳鈞濠計算機開發公司 ("**Shenzhen Computer**"), in which Mr. Tsang Wai Lun Wayland ("**Mr. Tsang**") is the general manager;

* *For identification purposes only*

(iii) **Allegation III:** while Mr. Tsang and his wife, Madam Kwok Wai Man Nancy ("**Madam Kwok**") (together the "**Tsangs**") were in imprisonment, the Group still paid them consultancy fees of HK$999,000 and HK$1,080,000 in 2011 and 2012 respectively under the item "consultancy fees". It is impossible for the Tsangs to act as consultants of the Group in 2011 and 2012 when they were under trial and were in imprisonment;

(iv) **Allegation IV:** the 315 million shares of the Company (the "**Shares**") that were obtained by the Tsangs by deception should all be cancelled. However, as more than 100 million of the aforesaid Shares had already been transferred, the remaining of which should be cancelled immediately. The proceeds of the aforesaid Shares should be returned to the Company in full. However, in so far no recovery action has been taken by the Company.

The Board strongly denies all of the above untrue and groundless accusations. All these claims alleged on the newspapers and websites were made without any supporting evidence and justifications. The Board would like to clarify that the allegations appeared in the news articles are misleading and inaccurate.

The Board would like to clarify that:

**Allegation I: Understatement on the Group's interest rate on borrowing**

The Directors confirm that, the interest rate of the Group's interest-bearing borrowings for the year ended 31 December 2012 is 25%, NOT 48% as stated in allegation I.

Subsequently, as disclosed in the announcement of the Company dated 22 February 2013, the Company entered into a supplemental loan agreement with the lender on 22 February 2013 (the "**Supplemental Loan Agreement**") for variation and/or extension of the repayment schedule of the first 3 instalments of the loan (the "**Instalments**"). An additional 5% interest per annum was incurred upon the extension and the interest rate of the Group's interest-bearing borrowings as at the date of this announcement is 30%.

**Allegation II: Alleged position of Mr. Tsang in Shenzhen Computer and understatement on the Group's interest in the Shenzhen Land**

At the time of the incorporation of Shenzhen Computer, Mr. Tsang was one of the directors, legal representative and general manager until he ceased to have any position in Shenzhen Computer on 1 July 2008. To the best knowledge, information and belief of the Directors, and having made all the reasonable enquiries, Mr. Tsang has NOT hold any position in Shenzhen Computer since 2 July 2008 and does NOT have any relationship with Shenzhen Computer and its ultimate beneficial owners and the Company possesses 50% interest in the Shenzhen Land. As such, allegation II is inaccurate.

Shenzhen Computer is owned as to (i) 99% by Massive Capital Group Limited ("**Massive Capital**"); a company wholly-owned by 張玉龍 ("**Mr. Zhang**"); and (ii) 1% by 深圳市均翔房地產經紀有限公司 ("**Shenzhen Jun Xiang**"); a company owned as to 90% by 馬學端 ("**Mr. Ma**") and 10% by 深圳市國金礦業有限公司 ("**Guo Jin Mining**"). Guo Jin Mining is owned as to 75% by Mr. Ma and 25% by 曾劍科 ("**Mr. Zeng Jian Ke**"). The legal representative and general manager of the Shenzhen Computer are both 黃子明 ("**Mr. Huang**").

The composition of the board of directors of the Shenzhen Computer comprises Mr. Huang, Mr. Zhang and 駱道培 ("**Mr. Luo**") and the composition of the board of directors of the Shenzhen Company comprises Mr. Ma Xuemian, Ms. Kwok Siu Wa, Alison (both of them were nominated by the Company) and 劉雀輝 ("**Mr. Liu**") (nominated by the Shenzhen Computer).

To the best knowledge, information and belief of the Director, and having made all reasonable enquiries. Massive Capital, Mr. Zhang, Shenzhen Jun Xiang, Mr. Ma, Guo Jin Mining, Mr. Zeng Jian Ke, Mr. Huang, Mr. Luo and Mr. Liu are all third parties independent to the Company and its connected person(s) (as defined under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**")) (the "**Independent Third Parties**"). Shenzhen Computer is one of the shareholders of the Shenzhen Company and one of the directors of the Shenzhen Company was nominated by Shenzhen Computer. All of them do not have any other relationship with the Group and its connected persons (as defined under the Listing Rules).

**Allegation III: Questioned consultancy services provided by Tsangs to the Group**

Pursuant to the joint undertaking by Mr. Tsang and Madam Kwok as disclosed in the announcement of the Company dated 10 July 2007, Mr. Tsang and Madam Kwok agreed that they would not undertake any management functions of the Group. Pursuant to the consultancy service agreement entered into between the Company and Grandfield Resources Company Limited ("**Grandfield Resources**") on 14 January 2011 (the "**Consultancy Service Agreement**") and as supplemented by a supplemental consultancy service agreement on 26 April 2012 (the "**Supplemental Consultancy Service Agreement**", and collectively known as "**Consultancy Service Agreements**"), Mr. Tsang acted as a business consultant to assist in various projects under the instructions and directions of the Group. He did not perform any management functions nor participate and influence any decision making of the Board. In addition, it was stated in the Consultancy Service Agreement that Mr. Tsang would not have rights to vote in any board meeting. Since the resignation of Madam Kwok on 11 July 2007, she does not have any involvement in the business operations of the Group.

Referring to the announcements of the Company dated 21 March 2007 and 23 July 2007, on 21 March 2007, the Tsangs had been charged by the Independent Commission Against Corruption in connection with their involvement in a transaction entered into the Company regarding an acquisition of a gas pipeline business in Chongqing in 2002 (the "**Charge**") (details of which please refer to the announcements of the Company dated 4 June 2002, 27 February 2003, 11 August 2003, and the circular of the Company dated 8 July 2002). The Tsangs had been on bail until the judgment of the Charge delivered on 7 December 2012 by the High Court of Hong Kong and the Tsangs were sentenced to imprisonment on the same day. The Consultancy Service Agreements were terminated on the same day when Tsangs were sentenced to imprisonment. As such, Mr. Tsang had been on bail during the time while he provided the said consultancy service to the Company in 2011 and 2012. Madam Kwok has never been hired by the Company since her resignation in 2007. The Board considers allegation III is incorrect.

The details of the Consultancy Service Agreements are stated as below:

**The Consultancy Service Agreement (as supplemented by the Supplemental Consultancy Service Agreement)**

**Date:**

14 January 2011 (as supplemented on 26 April 2012)

**Parties:**

(i) Grandfield Resources

(ii) The Company

**Major terms:**

Pursuant to the Consultancy Service Agreements, Mr. Tsang acted as a consultant of the Company to provide business consultation services to the Company including but not limited to (i) advise on the overall business development plan of the Company; (ii) advise on the overall strategic planning on the property development projects assigned by the Company from time to time and to assist in the execution of the projects under the instructions and directions of the Group.

**Annual Caps:**

The annual caps for the consultancy fees under the Consultancy Service Agreements is HK$1,000,000 per annum (the "**Annual Caps**"). The Annual Caps are calculated with reference to (i) the expertise and experience of Mr. Tsang in the property management and development industry; (ii) the market rate of the remuneration of similar positions; (iii) the market rate of similar consultancy service in the market; and (iv) the potential numbers of projects in which Mr. Tsang could contribute.

**Historical figures**

As disclosed in the 2012 annual report and 2011 annual report of the Company, during the financial years 2012 and 2011, the Company provided HK$1,080,000 *(Note 1)* and HK$999,000 to Grandfield Resources respectively by adopting accrual basis accounting policies.

*Note(s):*

1. During the year ended 31 December 2012, the Group provided HK$1,080,000 consultancy fees to Grandfield Resources. Mr. Tsang and Madam Kwok are shareholders of Grandfield Resources, substantial shareholders and former directors of the Company. Mr. Tsang is also a director of Grandfield Resources. During the interim period ended 30 June 2013, the Board considered that as Grandfield Resources stopped to provide consultancy service to the Group on 7 December 2012, the consultancy fees for the period from 7 December 2012 to 31 December 2012 which was agreed between the Company and Mr. Tsang, the sole director of Grandfield Resources, to be HK$80,100 should therefore be revised. The said amount has been recognised as other income during the interim period ended 30 June 2013. As such, the actual cash payment of the consultancy fees by the Company was HK$999,900.

**Reason for and benefits of entering into of the Consultancy Service Agreements**

At the end of 2010, the Company was actively seeking an experienced professional as a key person for development in the PRC property industry. However, after a series of interviews and recruits, the Company failed to employ a suitable candidate for such position. Alternatively, the Board invited Mr. Tsang to provide professional advice to the Company with a view to leverage his experience and industry knowledge and deliver benefits to the Group.

Mr. Tsang has over 20 years' experiences in property development business in Guangdong Province as well as investment experience in the PRC. The Board is of the view that leveraging on Mr. Tsang's solid experiences and networks in the property development business would facilitate the progress of the property projects of the Group. The Consultancy Service Agreements were entered into by the Company to retain the services of Mr. Tsang for providing consultation in relation to the Company's property projects. The Directors are of the view that the terms and Annual Caps of the Consultancy Service Agreements were arrived at arm's length negotiation and on normal commercial terms and were fair and reasonable and the decision of hiring Mr. Tsang was in the interest of the Company and its shareholders as a whole.

**Information of Grandfield Resources**

Grandfield Resources is a company incorporated in Hong Kong with limited liability. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, Mr. Tsang and Madam Kwok are both shareholders of Grandfield Resources, with Mr. Tsang being the sole director of Grandfield Resources.

**Termination**

The Consultancy Service Agreements were terminated on 7 December 2012 and the Board currently does not have any intention to re-hire Grandfield Resources.

**Listing Rules Implication**

While entering into the Consultancy Service Agreement, Mr. Tsang was the director of Grandfield Resources and was a substantial shareholder of the Company and therefore he was a connected person to the Company.

The Board, having considered that the Consultancy Service Agreements were related to the usual and ordinary course of the Company's business of property development, property management and investment, was of the view that it did not constitute a transaction in nature as defined by the Listing Rules and therefore no size test was prepared at the time.

However, having consulted again the professional advice from the financial adviser and looking back in two years from now, given the relevant revenue test was more than 5% and less than 25% on an annual basis with the annual consideration less than HK$10,000,000 and the transaction was entered into between a company wholly owned by a connected person and the Company, the Directors are aware that the entering of the Consultancy Service Agreements constituted a continuing connected transaction which was subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but exempt from the approval from the independent shareholders of the Company.

Having evaluated and reviewed the abovementioned events, the Directors hereby declare that the Board will exercise extreme caution and will consult professionals, among others, financial advisers and auditors when entering into any agreement of similar type in the future.

**Allegation IV: No recovery action taken by the Company to claim back the loss arising from alleged deception by Tsangs**

Reference is made to the announcements of the Company dated 4 June 2002, 27 February 2002, 27 February 2003 and 11 August 2003, the circular of the Company dated 8 July 2002 and the annual report for the year ended 31 December 2003 (the "**Acquisition Related Documents**"). Capitalised terms in this announcement shall have the same meaning as those defined in the Acquisition Related Documents unless otherwise defined herein. On 4 June 2002, the Group entered into a sale & purchase agreement with the Vendors to purchase 75% interest in Sino Richest Limited, which engaged in developing and constructing gas pipeline business initially in Chongqing (the "**Chongqing Gas Pipeline Business**") with a consideration of HK$63 million by way of issuing 315 million new Shares (the "**Acquisition**"). As stated in the Acquisition Related Documents, the Vendors and their ultimate beneficial owner were Independent Third Parties and Mr. Tsang was a Director. As a result, the 315 million Shares in question issued and allotted to the Vendors (the "**Alleged Questioned Shares**") in relation to the Acquisition were not allotted to Tsangs and/or their connected persons (as defined under the Listing Rules). As such, given the confirmation of the Vendors as Independent Third Parties in the Acquisition Related Documents and Mr. Tsang was a Director at the time of Acquisition, the Directors do not see any solid evidence as stated in allegation IV that the Alleged Questioned Shares were obtained by Tsangs.

The Directors, after due investigation, also confirm that so far as the records from the Company's branch share registrar and transfer office in Hong Kong (the "**Registrar**") are concerned, the Vendors had no longer been the registered shareholders of the Company (the "**Shareholders**") of any Share either jointly or severally. The Board, based on the records from the Registrar, confirms that, to the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, no Alleged Questioned Shares were transferred to any connected persons (as defined under the Listing Rules) of the Tsangs. As such, the Directors do not see any solid evidence that the Alleged Questioned Shares have been transferred by the Tsangs or the Tsangs had received any proceeds.

The Directors, having consulted an independent legal adviser, further confirm that there is no legal basis that the Alleged Questioned Shares need to be cancelled given that the issuance and allotment of the 315 million Shares is valid based on that (i) the then board of the Company at the time of the Acquisition have complied with the announcement and reporting requirements under the Listing Rules; (ii) all conditions previously stated in the Acquisition Related Documents had been fulfilled prior to the issuance and allotment of the 315 million consideration Shares; and (iii) the Shares so issued and allotted which, according to the Registrar's records, were transferred to unidentified persons and therefore could not be identified from other Shares issued before or after the material time. In any event, there is no legal basis to cancel the Shares or any part thereof if they had been transferred to bona fide purchasers.

Referring to the Acquisition Related Documents, the consideration of the Acquisition was HK$63 million which was arrived at after arm's length negotiations between the Company and the Vendors with reference to the appraised value of HK$106 million of Chongqing JV prepared by an independent firm of professional valuer. The consideration was settled by the issuance and allotment of 315 million new Shares to the Vendors.

As disclosed in the announcement of the Company dated 11 August 2003, on 31 July 2003, the Company disposed of the Chongqing Gas Pipeline Business including a Shareholder's loan of approximately HK$72 million to one of the Vendors at a consideration of HK$32 million (the "**Disposal**"). As at the date of the Disposal, Chinatex Oil & Gas Company Limited, a wholly-owned subsidiary of the Company and one of the shareholders (through its 80% equity interest in Sino Richest Limited) of the Chongqing JV, had net liabilities of approximately HK$9 million. As a result, there was a net realized loss of approximately HK$31 million following completion of the Disposal. The then Board was of the view that the consideration of HK$32 million was fair and reasonable and in the interest of the Company and the Shareholders as a whole, taking into account that (i) the Company would not be able to pursue the Chongqing Gas Pipeline Business alone and (ii) if the Disposal was not proceeded, the Company would bear the risk of making full provision of diminution for the Chongqing JV investment. The details of the Disposal were disclosed in the announcement.

Subsequently, under the District Court Case No.DCCC24/2008, the Tsangs were charged together with other defendants 4 charges in relation to the Acquisition. The particulars of which are as follows:–

Charge 1 against the Tsangs alleged a conspiracy between the Tsangs and other between 1 February and 30 September 2002, together with three other persons, to defraud the Company, its shareholders and investors and the Stock Exchange by dishonestly representing that there was a genuine intention to acquire an interest in Chongqing JV with a view to causing the Shareholders to approve the issue and allotment of consideration Shares; the Stock Exchange to grant the listing of and permission to deal in those Shares; and the Company to issue those Shares.

Charge 2 charged Mr. Tsang with a conspiracy to publish a false statement in that Mr. Tsang, with the intent to deceive the Shareholders about its affairs, conspired with three other persons to publish an announcement on 4 June 2002 which to their knowledge was false or misleading as to the fair market value of the Chongqing JV.

Charge 3 alleged a conspiracy between the Tsangs and others, between 1 March and 11 August 2003, to defraud the Shareholders as well the Stock Exchange by dishonestly concealing the fact that there had been no genuine acquisition of Chongqing JV and by falsely representing that there had been a genuine disposal of that business.

Charge 4 was levelled not only against the Tsangs but also against other defendants. It asserted that between 1 March and 31 July 2003, "knowing or having reasonable grounds to believe that property, namely HK$32 million Hong Kong currency, in whole or in part directly or indirectly represented proceeds of an indictable offence, they conspired together and with another person, to deal with the said property."

After a trial at District Court, the Tsangs were convicted of Charges 1, 3 and 4 and Charge 2 was acquitted. The Tsangs appealed against those convictions to the Court of Appeal who allowed their appeal on Charge 1 but dismissed those on Charges 3 and 4 (CACC 96/2010). The case is now pending the decision of the application for leave to appeal to the Court of Final Appeal.

The Board has alerted that as a result of the Acquisition and the Disposal, the Company on accounting record had suffered a loss of approximately HK$31 million which may need to be claimed back. The Board, having sought legal advice, opines that it is pre-mature to discuss the possibility of any claim against the Tsangs for damages taking into account that the Tsangs have lodged an appeal against the decision of the Court of Appeal. Subject to the result of such appeal, the Board will seek legal advice as to whether any appropriate action could be taken for recovery of the loss suffered by the Company in respect thereof.

As a prudent and responsible board of directors that seeks long term interest for the Company, the Board has taken a series of actions to protect the Shareholder's interest, including filing the action derivative suit in 2010 for compensations on the damages and harm that were caused by the former Board and Hongkong Zhongxing Group Company Limited, a substantial Shareholder. The Directors always act in good faith and in the honest belief that the actions taken were in the best interests of the Company and its shareholders.

In conclusion, regarding to the above allegations, the Board has consulted legal advisers and hereby announces that the Company reserves the rights to take any legal action against the source of the publications on any defamatory statements as well as any false accusations that could create public hatred.

## UPDATE ON RECENT DEVELOPMENT OF RESUMPTION OF TRADING

Reference is made to the announcement of the Company dated 31 May 2013. On 30 May 2013, the Company received a letter from the listing division of the Stock Exchange conditionally agreeing the trading in Shares to be resumed, which subjects to the publication of a resumption announcement upon obtaining prior satisfaction from the Stock Exchange before the resumption of trading in the Shares.

The resumption announcement is required to disclose the following matters:

(i) the Board's view on whether and how the Company has addressed the resumption conditions imposed by the Stock Exchange by its letter dated 18 April 2011, including the auditors' concerns raised through the emphasis of matters (details please refer to the announcement of the Company dated 21 April 2011);

(ii) details of the cash flow forecast for the 18 months ending 30 June 2014 together with the relevant key assumptions and the view of the auditors on the forecast; and

(iii) details of the Company's business operations.

As at the date of this announcement, the Company is in the process of (i) finalising the cash flow forecast; and (ii) the Company's auditors to review the cash flow forecast with a view to issue a letter regarding, among other things, the sufficiency of working capital of the Group.

The Company will take appropriate actions to fulfill the above condition as soon as practicable and will make further announcement to inform the Shareholders as and when appropriate.

## SUSPENSION OF TRADING

Trading in the shares of the Company has been suspended since 27 March 2009 and will remain suspended until further announcement.

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

Hong Kong, 9 August, 2013

*As at the date of this announcement, the board of Directors comprises four executive Directors, namely Mr. Ma Xuemian, Mr. Kwok Siu Bun, Ms. Chow Kwai Wa, Anne, and Ms. Kwok Siu Wa, Alison; two non-executive Directors, namely Mr. Lim Francis and Mr. Chen Mudong (with Mr. Lim Francis as alternate); and three independent non-executive Directors, namely Mr. David Chi-ping Chow (with Mr. Lim Francis as alternate), Mr. Liu Chaodong and Ms. Chui Wai Hung.*

*The Chinese translation of this announcement is for reference only. In case of any inconsistency, the English version shall prevail.*