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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)

ISSUE OF CONVERTIBLE BONDS FOR LOAN SETTLEMENT

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On 30 August 2013, after trading hours, the Company entered into the Settlement Agreement with Thrive Season, pursuant to which, Thrive Season has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Bonds on and subject to the terms and conditions of the Settlement Agreement as described below.

Pursuant to the Settlement Agreement, Thrive Season has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Bonds in the principal amount of HK\$30,055,703, representing the outstanding amount of the Drawn-Down Loan for the settlement of the Drawn-Down Loan.

IMPLICATION UNDER THE LISTING RULES

As at the date of this announcement, Thrive Season, the ultimate beneficial owner and their associates are Independent Third Parties. The Conversion Shares will be issued and allotted pursuant to the general mandate granted to the Directors at the AGM. Application will be made by the Company to the Stock Exchange for the listing of and permission to deal in the Conversion Shares.

* *For identification purposes only*

Reference is made to the announcements of the Company dated 26 March 2012 and 22 February 2013 in relation to a loan agreement (the “Loan Agreement”) and the supplemental loan agreement to the Loan Agreement (the “Supplemental Loan Agreement”) (the “Announcements”). Unless the context requires otherwise, terms defined in the Announcements are used herein with those same meanings.

For the purpose of raising funds for daily operation and business development of the Company, the Company entered into the Loan Agreement with an independent third party, Thrive Season, for a loan of RMB41,000,000 (equivalent to approximately HK\$51,501,068) (the “Loan”) on 20 February 2012 and the terms and conditions to the Loan Agreement were amended in the Supplemental Loan Agreement dated 22 February 2013. Pursuant to the Loan Agreement and the Supplemental Loan Agreement, the Loan should be payable to the Company by 4 installments, of which the aggregate amount of the first 3 installments is RMB20,500,000 (equivalent to approximately HK\$25,750,534) while the amount of the 4th installment is RMB20,500,000 (equivalent to approximately HK\$25,750,534).

As at the date of this announcement, the Company has drawn down the first 3 installments of the Loan with an aggregate amount of RMB20,500,000 (equivalent to approximately HK\$25,750,534) and the 4th installment of the Loan amounting to RMB20,500,000 (equivalent to approximately HK\$25,750,534) has yet to be drawn down by the Company. The repayment date of the first 3 installments of the Loan in the total sum of RMB20,500,000 (equivalent to approximately HK\$25,750,534) will be on 27 November 2013 with an interest rate of 30% per annum.

On 30 August 2013, after trading hours, the Company entered into the Settlement Agreement with Thrive Season, pursuant to which, Thrive Season has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Bonds on and subject to the terms and conditions of the Settlement Agreement as described below.

As at the date of the Settlement Agreement, the Company was indebted to Thrive Season in the sum of RMB23,927,345 (equivalent to approximately HK\$30,055,703) which comprises principal of RMB20,500,000 (equivalent to approximately HK\$25,750,534) and accrued interests of RMB3,427,345 (equivalent to approximately HK\$4,305,169) due on 27 November 2013 (the “Drawn-Down Loan”) pursuant to the Loan Agreement dated 20 February 2012 and the Supplemental Loan Agreement dated 22 February 2013 entered into between the Company and Thrive Season. Pursuant to the Settlement Agreement, the Drawn-Down Loan will be settled by the issue of the Convertible Bonds. Also, as agreed by the Company and Thrive Season, the condition(s) precedent, regarding the repayment term, interest and other terms for

the 4th installment of the Loan in the sum of RMB20,500,000 (equivalent to approximately HK\$25,750,534) as stated in the Loan Agreement, the Company reserves its right to further negotiate on the details with Thrive Season. In addition, the Share Charge entered into between Grand Field Group Holdings (BVI) Limited (“Grand Field Group BVI”), a wholly-owned subsidiary of the Company, as chargor and Thrive Season as chargee on 20 February 2012 in which Grand Field Group BVI charged all its shares of Grand Field Group Limited, a wholly-owned subsidiary of Grand Field Group BVI, to Thrive Season as a security for repayment of the Loan, interests and other expenses shall be discharged.

ISSUE OF CONVERTIBLE BONDS

Pursuant to the Settlement Agreement, Thrive Season has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Bonds in the principal amount of HK\$30,055,703, representing the outstanding amount of the Drawn-Down Loan for the settlement of the Drawn-Down Loan. The principal terms of the Convertible Bonds are summarised as follows:

Issuer:	The Company
Principal amount:	HK\$30,055,703
Interest rate:	17%, commencing from 28 November 2013 to the Maturity Date and payable in every two months
Maturity Date and redemption:	Unless previously redeemed, converted, purchased or cancelled, the Company will on the Maturity Date, redeem the Convertible Bonds at 100% of its outstanding principal amount. If the Company early redeems the Convertible Bonds prior to the Maturity Date, the Company is obligated to repay immediately: (i) the outstanding amount of the principal of the Convertible Bonds; (ii) all accrued but unpaid interests (if any);

(iii) the interest difference of interest rate of the Loan and the coupon rate of the Convertible Bonds, i.e. $(30-17)\% = 13\%$ accrued from the date of the entering of the Settlement Agreement to the redemption date.

Ranking:

The Convertible Bonds constitute general and unsecured obligations of the Company and rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company.

The Conversion Shares to be issued upon conversion of the Convertible Bonds shall be fully paid, free and clear of encumbrances and rank pari passu in all respects with all other existing Shares outstanding at the registration date and the Bondholder shall be entitled in respect of its Conversion Shares to all dividends and other distributions on the record date of which falls after the registration date and to such amounts of dividends and other distributions as provided for under the terms and conditions of the Convertible Bonds the record date of which falls on or after the Conversion Date but prior to the registration date.

Conversion Period:

The Bondholder may exercise its Conversion Rights, subject as provided in the terms and conditions of the Convertible Bonds and applicable law, rules and regulations, at any time after the Issue Date until the Maturity Date (the “**Conversion Period**”).

Conversion Price:

The initial Conversion Price is HK\$0.156 per Conversion Share (subject to adjustments). The number of Conversion Shares to be issued on exercise of Convertible Rights shall be determined by dividing the principal amount (in HK\$) of such Bond to be converted by the Conversion Price in effect on the Conversion Date.

The initial Conversion Price is subject to adjustment in accordance with the terms and conditions of the Convertible Bonds, including, among other things, upon the occurrence of an alteration to the nominal value of the Shares as a result of consolidation, reclassification or subdivision, capitalisation of profits or reserves and rights issues of Shares or options over Shares at less than 90% of the Current Market Price. The Company will publish an announcement upon any adjustment to the Conversion Price.

Conversion restrictions:

Conversion Rights shall not be exercised by the Bondholder if:

- (i) the Company will be unable to meet the public float requirements under the Listing Rules;
- (ii) the Bondholder and parties acting in concert with it will directly or indirectly control or be interested in such percentage of voting rights of the Company which the Bondholder would be obliged to make a general offer under the Takeovers Code; or
- (iii) the Bondholder or the Company will as a result of the issue of the relevant Conversion Shares by exercising the Conversion rights, become the largest Shareholder.

Voting:

Other than meetings of the Bondholders, the Bondholders will not have any right to attend or vote at any meeting of the Company by virtue of them being Bondholders, and until and unless they have converted all or part of their Convertible Bonds into Shares entitling holders to attend or vote at the meetings of the Shareholders.

- Transferability: The Convertible Bonds and Conversion Shares issued upon conversion of the Convertible Bonds are only freely transferable or chargeable in the period after six (6) months from the Issue Date and any transfer of a Convertible Bonds may be effected in denominations of HK\$1,000,000. Unless approved by the Stock Exchange, the Convertible Bonds cannot be transferred to a connected person (as defined in the Listing Rules) if necessary
- Listing: No application will be made for the listing of, and permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock or securities exchange.
- Events of default: If, among others, any of the following events occurs, the holder(s) of the Convertible Bond may give notice to the Company that the Convertible Bond is due and payable at its principal amount:
- (i) the Company fails to pay the principal when due unless non-payment of such amount is due solely to administrative or technical error and payment is made within ten (10) Business Days of the due date for the payment thereof; or
 - (ii) the Company defaults in performance or observance or compliance with any of its other obligations set out in the Convertible Bond which default will constitute a material adverse effect on the Group's business, operations, assets, financial condition; or
 - (iii) an encumbrancer takes possession or a receiver, manager or other similar officer is appointed of the whole or any part of the undertaking, property, assets or revenues of the Company or its major subsidiaries and which will constitute a material adverse effect on the Group's business, operations, assets, financial condition; or

- (iv) the Company or its major subsidiaries becomes insolvent or is unable to pay its debts as they mature or applies for or consents to or suffers the appointment of any administrator, liquidator or receiver of the Company or its subsidiaries or the whole or any part of the undertaking, property, assets or revenues of the Company or its subsidiary or takes any proceeding under any law for a readjustment or deferment of its obligations or any part of them or makes or enters into a general assignment or compromise with or for the benefit of its creditors and which will constitute a material adverse effect on the Group's business, operations, assets, financial condition; or
- (v) an order is made or an effective resolution passed for winding-up of the Company or any of its major subsidiaries except in the case of winding-up of subsidiaries in the course of internal reorganisation.

Mandatory early redemption at
Suspension:

Upon occurrence of the event that the trading of the shares of the Company is suspended for more than 3 months, the Bondholder has the right to require the Company to redeem the Convertible Bonds with all redemptions including:

- (i) The outstanding amount of the principal of the Convertible Bonds;
- (ii) all accrued but unpaid interests (if any);
- (iii) the interest difference of interest rate of the Loan and the coupon rate of the Convertible Bonds, i.e $(30-17)\% = 13\%$ accrued from the date of the entering of the Settlement Agreement to the redemption date

Conversion Shares

Based on the initial Conversion Price of HK\$0.156 (subject to adjustments), a total of 192,664,762 Conversion Shares will be issued upon full conversion of the Convertible Bonds. Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the date of issue of the Conversion Shares, the Conversion Shares represent (i) approximately 7.66% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 7.11% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

The Conversion Shares will be allotted and issued pursuant to a general mandate granted to the Directors at the AGM.

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Conversion Price

The initial Conversion Price of HK\$0.156 per Conversion Share represents:

- (a) a discount of approximately 13.33% to the closing price of HK\$0.180 per Share as quoted on the Stock Exchange on 30 August 2013, being the Last Trading Day;
- (b) a discount of approximately 20% to the average closing price of approximately HK\$0.195 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

The Conversion Price of HK\$0.156 per Conversion Share was arrived at after arm's length negotiations between the Company and Thrive Season with reference to the recent trading prices of the Shares. The Directors consider that the Conversion Price and the terms of the Convertible Bonds to be issued pursuant to the Settlement Agreement are fair and reasonable and are in the interests of the Shareholders as a whole.

CONDITIONS

The issue of the Convertible Bonds is conditional upon the following conditions having been fulfilled:

- (a) the Stock Exchange granting the approval for the listing of, and permission to deal in, the Conversion Shares and such approval and permission having not subsequently been revoked prior to commencement of dealings in the issue of definitive certificate(s) for the Convertible Bonds; and
- (b) all necessary regulatory filings, notifications and approvals to the relevant authorities of competent jurisdiction or relevant regulatory bodies to enter into the Settlement Agreement and the agreements and documents contemplated therein having been obtained by the Company (if any) and such filings, notifications and approvals remain valid and effective.

COMPLETION

Completion of the issue of Convertible Bonds will take place on the third Business Day after the conditions mentioned above are fulfilled.

The conditions of the Settlement Agreement cannot be waived by the parties thereto. In the event that the completion of the issue of the Convertible Bonds could not take place on or before the Long Stop Date, the Settlement Agreement shall terminate and no party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Settlement Agreement save for any antecedent breach of any obligation thereof.

CHANGES OF SHAREHOLDING STRUCTURE

The changes of the shareholding structure of the Company as a result of the issue of Convertible Bonds are as follows (assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the date of issue of the Conversion Shares, as the case may be (other than the issue of the Conversion Shares)):

	As at the date of this announcement		Immediately after the issue and allotment of the Conversion Shares upon exercise of the Conversion Rights in full (for illustrative purpose only) (Note 1)	
	Number of Shares	% (Approx.)	Number of Shares	% (Approx.)
Hongkong Zhongxing Group Co., Limited (Note 2)	561,750,000	22.32	561,750,000	20.73
Rhenfield Development Corp. (Note 3)	479,050,000	19.03	479,050,000	17.68
Kwok Wai Man, Nancy (Note 3)	14,170,000	0.56	14,170,000	0.52
Tsang Wai Lun, Wayland (Note 3)	64,210,000	2.55	64,210,000	2.37
Thrive Season	–	–	192,664,762	7.11
Public Shareholders	<u>1,397,630,000</u>	<u>55.54</u>	<u>1,397,630,000</u>	<u>51.59</u>
Total	<u><u>2,516,810,000</u></u>	<u><u>100.00</u></u>	<u><u>2,709,474,762</u></u>	<u><u>100.00</u></u>

Note(s):

1. On the assumption that there are no other changes in the issued share capital of the Company.
2. Hongkong Zhongxing Group Co., Limited is wholly-owned by Mr. Li Yi. He is deemed to be interested in 561,750,000 Shares pursuant to the Part XV of the SFO.
3. Rhenfield Development Corp. is owned by Ms. Kwok Wai Man, Nancy (“Ms. Kwok”) and Mr. Tsang Wai Lun, Wayland (“Mr. Tsang”) in equal shares. Mr. Tsang and Ms. Kwok are deemed to be interested in 479,050,000 shares of the Company pursuant to the Part XV of the SFO. Mr. Tsang personally held 64,210,000 Shares while Ms. Kwok, spouse of Mr. Tsang, personally held 14,170,000 Shares. By virtue of the SFO, Mr. Tsang and Ms. Kwok are both deemed to be interested in 78,380,000 Shares. In conclusion, both Mr. Tsang and Ms. Kwok have an aggregate interest of 557,430,000 Shares, representing approximately 22.14% of the shareholding of the Company.

REASONS FOR THE ISSUE OF THE CONVERTIBLE BONDS

The Company is principally engaged in investment holding. The Group is principally engaged in property development, property management and investment. The Directors consider that the issue of Convertible Bonds with a three-year maturity period could restructure the nature of the Drawn-Down Loan from a current liability to a non-current liability of the Company and hence could slow down the pace of cash outflow of the Company to repay the Drawn-Down Loan which could eventually strengthen the working capital position of the Group to maintain more sufficient internal resources for the Group's daily operation and future business development. The Directors consider that the issue of the Convertible Bonds does not have an immediate dilution effect on the shareholding of the Company. The Directors also consider that the issue of the Convertible Bonds will provide an opportunity for the Company, if the Conversion Rights are exercised, to further enlarge and strengthen its capital base.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

There has not been any fund raising exercise effected by the Company in the twelve months immediately preceding the date of this announcement.

IMPLICATION UNDER THE LISTING RULES

As at the date of this announcement, Thrive Season, the ultimate beneficial owner and their associates are Independent Third Parties. The Conversion Shares will be issued and allotted pursuant to the general mandate granted to the Directors at the AGM. Application will be made by the Company to the Stock Exchange for the listing of and permission to deal in the Conversion Shares.

Completion of the issue of Convertible Bonds under the Settlement Agreement is subject to the satisfaction of the conditions precedent mentioned in this announcement.

As the Settlement Agreement may or may not be completed, and the Convertible Bonds may or may not be issued, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“AGM”	the annual general meeting convened by the Company on 10 June 2013
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Bondholder”	the holder of the Convertible Bonds
“Bond Issue”	the proposed issue of the Convertible Bonds
“Business Day(s)”	any day (other than a Saturday, Sunday or public holidays) on which the licensed banks are generally open for business in Hong Kong during their normal business hours
“Company”	Grand Field Group Holdings Limited (stock code: 115), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the of the Stock Exchange
“Convertible Bonds”	the convertible bonds in the principal amount of HK\$30,055,703 issued by the Company pursuant to the Settlement Agreement
“Conversion Date”	the date on which the Conversion Rights are exercised in accordance with the terms and conditions of the Convertible Bonds

“Conversion Price”	conversion price of the Convertible Bonds, initially being HK\$0.156 per Conversion Share (subject to adjustments)
“Conversion Rights”	the rights attaching to the Convertible Bonds to convert the principal amount of the Convertible Bonds or part thereof into Conversion Shares
“Conversion Shares”	192,664,762 new Shares (subject to adjustment) to be allotted and issued upon exercise of the Conversion Rights attaching to the Convertible Bonds by the Bondholder(s)
“Directors”	directors (including the independent non-executive directors) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Parties”	third parties independent to the Company and its connected person(s) (as defined under the Listing Rules)
“Issue Date”	being the date of issue of the Convertible Bonds
“Last Trading Day”	30 August 2013, being the last trading day of the Shares on the Stock Exchange prior to the entering into of the Settlement Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 November 2013 or such other date as may be agreed by the parties under the Settlement Agreement
“Maturity Date”	the 3th anniversary of the Issue Date
“PRC”	the People’s Republic of China

“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Settlement Agreement”	the conditional agreement dated 30 August 2013 and entered into between the Company and Thrive Season in relation to the issue of Convertible Bonds for the settlement of the Drawn-Down Loan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases
“Thrive Season”	Thrive Season Limited, a company incorporated in the British Virgin Islands
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“RMB”	Reminbi, the lawful currency of the PRC
“%”	per cent

By order of the Board
Grandfield Group Holdings Limited
Ma Xuemian
Chairman

Hong Kong, 30 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.

For the purpose of this announcement, unless otherwise indicated, conversion of HK\$ into RMB are calculated at the approximate exchange rate of HK\$1.00 to RMB0.79610. This exchange rate is for purpose of illustration only and do not constitute a representation that any amount have been, could have been, or may be, exchanged at this or another rate.