

*The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**RICHFIELD GROUP HOLDINGS LIMITED**  
**田 生 集 團 有 限 公 司\***

*(incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 8136)**

**CONNECTED TRANSACTION  
AND  
RESUMPTION OF TRADING**

**Connected transaction**

Reference is made to the announcement of the Company dated 18 April 2007 and the Circular. Reference is also made to the announcement of the Company dated 30 May 2008 in relation to, among other things, the possible extension of the time for fulfillment of the profit guarantee of Richfield Realty.

Based on the estimation of the management of Richfield Realty, the unaudited net profit before payment of the bonus payable to the management of Richfield Realty (if any) and after tax and any extraordinary or exceptional items of Richfield Realty for the 12-month period commencing from the Completion Date (subject to audit) was approximately HK\$40,000,000. On this basis, there would be an estimated shortfall of approximately HK\$110,000,000. The Shortfall is mainly the result of the drastic surge in property prices during the second half of 2007. However, Shareholders should note that the Actual Profit and the Shortfall are subject to the audit of the accounts of Richfield Realty for the year ended 28 May 2008.

On 12 June 2008, the Vendor as a chargor has executed the Share Charge in favour of the Purchaser as a chargee in respect of the first fixed charge over 760,000,000 issued Shares beneficially owned by the Vendor. Having considered the prospects of the business of the property assembly and brokerage and the potential of Richfield Realty, the Vendor, the Purchaser and Mr. Au entered into the Settlement Agreement on 12 June 2008, details of which are set out below.

\* For identification purpose only

As at the date of this announcement, the Vendor is interested in 760,000,000 issued Shares, representing approximately 26% of the existing share capital of the Company. By virtue of the Vendor's interests in the Company and the Settlement Agreement, the transactions contemplated under the Settlement Agreement constitute a connected transaction of the Company under Rule 20.13 of the GEM Listing Rules and are subject to the approval of the Independent Shareholders at the EGM. The Vendor, the Guarantor and their respective associates have to abstain from voting at the EGM. The resolution in respect of the Settlement Agreement and the transactions contemplated thereunder to be proposed at the EGM for approval by the Independent Shareholders will be taken by a poll.

The Independent Board Committee will be established to advise the Independent Shareholders in respect of the terms of the Settlement Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, further details of the Settlement Agreement, the recommendation of the Independent Board Committee, the advice of the independent financial adviser to the Independent Board Committee and Independent Shareholders, and a notice of the EGM will be despatched to the Shareholders as soon as practicable and in accordance with the GEM Listing Rules.

### **Resumption of trading**

At the request of the Company, trading in the Shares on the GEM Board of the Stock Exchange was suspended with effect from 9:30 a.m. on 13 June 2008 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the Shares on the GEM Board of the Stock Exchange with effect from 9:30 a.m. on 16 June 2008.

Reference is made to the announcement of the Company dated 18 April 2007 and the Circular. Reference is also made to the announcement of the Company dated 30 May 2008 in relation to, among other things, the possible extension of the time for fulfillment of the profit guarantee of Richfield Realty.

### **BACKGROUND**

On 10 April 2007, the Purchaser entered into the Acquisition Agreement with the Vendor and the Guarantor in relation to the Acquisition. The Consideration was determined by taking into account of the Base Profit. The Consideration represented a price earnings multiple of 3.98 times the Base Profit taking into consideration the potential profitability of the projects on hand engaged by Richfield Realty, the progress of the projects for the next 12 months, the probability of success of the projects, the anticipated selling price of the properties successfully consolidated and the business expansion in terms of the number of projects in progress and the number of staff employed.

Mr. Au, the then sole beneficial owner of the entire issued share capital of Richfield Realty before the Completion has guaranteed in favour of the Group that Richfield Realty could achieve the Base Profit. Should Richfield Realty fail to achieve the Base Profit, the product of the shortfall and 3.98 (being the price earnings multiple) shall set off against the face value of the Promissory Note and Convertible Bonds issued to the Vendor which is wholly owned by Mr. Au. If such product exceeds the face value of the Promissory Note and Convertible Bonds for the time being outstanding, the Vendor shall compensate the Group in cash. Details of the Acquisition are set out in the Circular.

The Completion took place on 29 May 2007 and the Convertible Bonds in the aggregate principal amount of HK\$456,000,000 were duly issued to the Vendor as part of the Consideration. The Convertible Bonds were fully converted by the Vendor into an aggregate of 760,000,000 Shares representing approximately 26% of the existing issued share capital of the Company. Accordingly, the Vendor is a connected person of the Company pursuant to Rule 20.11 of the GEM Listing Rules.

Based on the estimation of the management of Richfield Realty, the unaudited net profit before payment of the bonus payable to the management of Richfield Realty (if any) and after tax and any extraordinary or exceptional items of Richfield Realty for the 12-month period commencing from the Completion Date (subject to audit) was approximately HK\$40,000,000. On this basis, there would be an estimated shortfall of approximately HK\$110,000,000. The Shortfall is mainly the result of the drastic surge in property prices during the second half of 2007. However, Shareholders should note that the Actual Profit and the Shortfall are subject to the audit of the accounts of Richfield Realty for the year ended 28 May 2008.

On 12 June 2008, the Vendor as a chargor has executed the Share Charge in favour of the Purchaser as a chargee in respect of the first fixed charge over 760,000,000 issued Shares beneficially owned by the Vendor and the market value of such Shares was HK\$69,160,000 as at the date of the Settlement Agreement. Having considered the prospects of the business of the property assembly and brokerage and the potential of Richfield Realty, the Vendor, the Purchaser and Mr. Au entered into the Settlement Agreement on 12 June 2008, details of which are set out below.

## **SETTLEMENT AGREEMENT**

Date: 12 June 2008

Parties: (i) Richfield (Holdings) Limited, a company wholly owned by Mr. Au (as the Vendor);  
(ii) Vastwood Limited, a wholly-owned subsidiary of the Company (as the Purchaser);  
and  
(iii) Mr. Au (as the Guarantor)

To the best of the Directors' knowledge, the Vendor is an investment holding company.

### **Settlement arrangement:**

Pursuant to the Settlement Agreement, the Vendor has irrevocably warranted and guaranteed to the Purchaser that the New Guaranteed Profit for the 36-month period commencing from 1 April 2008 will not be less than the amount calculated as follows:

**New Guaranteed Profit** = ((Guaranteed Profit – Actual Profit) x 3.98 – HK\$120,000,000 (being the face value of the Promissory Note)) x 1.06 (being the interest rate)

If the actual audited net profit before payment of the bonus payable to the management of Richfield Realty (if any) and after tax and any extraordinary or exceptional items of Richfield Realty for the 36-month period commencing from 1 April 2008 (the “Third Actual Profit”) is less than the New Guaranteed Profit, then the Vendor shall pay to the Purchaser an amount calculated as follows:

$$B = (\text{New Guaranteed Profit} - \text{Third Actual Profit})$$

where B is the amount to be paid by the Vendor to the Purchaser. In such event, the Purchaser or its nominee(s) has right to release the share certificates of the securities charged by the Vendor to the Purchaser under the Share Charge. The Vendor and the Purchaser shall jointly procure the disposal of such securities charged under the Share Charge at the then best price reasonably obtainable and thereafter, pay the net proceeds from such sale to the Purchaser promptly after completion of such sale with the balance (if any) of the net proceeds returned to the Vendor. The Vendor has also agreed that the Purchaser can use any dividends, payments, interest or other amounts with respect to the securities charged under the Share Charge (the “Other Monies”) held by the Purchaser to set off any shortfall by subtracting such net proceeds from B. The Vendor has undertaken to the Purchaser that it will, contemporaneously upon the payment of such net proceeds to the Purchaser and setting off such Other Monies against the shortfall, pay to the Purchaser any shortfall by subtracting such net proceeds and Other Monies from B in cash.

Should Richfield Realty record a loss after summing up the audited net profits and/or net losses before payment of the bonus payable to the management of Richfield Realty (if any) and after tax and any extraordinary or exceptional items of Richfield Realty in its audited financial statements for the years ending 31 March 2009, 31 March 2010 and 31 March 2011 respectively, the Third Actual Profit for the said three financial years shall be deemed as zero.

If any of the following circumstances exist, the Purchaser shall release all the securities charged under the Share Charge to the Vendor or its nominee(s) within seven Business Days:

- (1) the actual audited net profits before payment of the bonus payable to the management of Richfield Realty (if any) and after tax and any extraordinary or exceptional items of Richfield Realty for the year ended 31 March 2009 (the “First Actual Profit”) is equal to or more than the New Guaranteed Profit;
- (2) the actual audited net profits before payment of the bonus payable to the management of Richfield Realty (if any) and after tax and any extraordinary or exceptional items of Richfield Realty for the two years ended 31 March 2010 (the “Second Actual Profit”) is equal to or more than the New Guaranteed Profit; or
- (3) the actual audited net profits before payment of the bonus payable to the management of Richfield Realty (if any) and after tax and any extraordinary or exceptional items of Richfield Realty for the three years ended 31 March 2011 is equal to or more than the New Guaranteed Profit.

**Consideration:**

In consideration of the Purchaser agreeing to amend the terms in respect of the Guaranteed Profit, the Vendor agreed that the Purchaser has no obligation to pay:

- (i) any outstanding principal sum and interest accrued in accordance with the provisions of the Promissory Note and the Promissory Note shall be returned to the Purchaser for cancellation upon completion of the Settlement Agreement. As at the date of the Settlement Agreement, the outstanding principal sum of the Promissory Note was HK\$120,000,000 and the outstanding amount of the interest accrued but not paid to the Vendor was approximately HK\$1.2 million which was calculated at the rate of 1% per annum; and
- (ii) any interest accrued in accordance with the provisions of the Convertible Bonds. As at the date of the Settlement Agreement, the interest accrued but not paid to the Vendor amounted to approximately HK\$0.4 million which was calculated at the rate of 1% per annum.

The consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor by reference to the estimated Shortfall, the outstanding principal sum of the Promissory Note and the calculation of the New Guaranteed Profit.

**Conditions:**

Completion of the Settlement Agreement is conditional upon the passing by the Independent Shareholders at the EGM to be convened and held of the necessary resolution to approve the Settlement Agreement and the transactions contemplated thereunder.

In the event of the above condition not being fulfilled by 30 September 2008 (or such other time and date as may be agreed between the Vendor and the Purchaser), all rights, obligations and liabilities of the parties thereunder, but not the Acquisition Agreement, shall cease and determine and neither party shall have any claim against the other, save for any prior antecedent breaches.

**Completion:**

Completion of the Settlement Agreement shall take place on the date falling the third Business Day after the above condition has been fulfilled (or at such other time and on such other date the Vendor and the Purchaser may agree).

**REASONS FOR THE SETTLEMENT AGREEMENT**

The Group is engaged in the provision of property brokerage services, carrying out schemes for property consolidation, assembly and redevelopment, property trading in Hong Kong, the trading of recycled computers and the retail and wholesale of bags and accessories.

The tightening of government regulations on building height restriction and the excessive costs on maintenance of the aging building has created burden on owners of aging properties but benefited the Group as a whole. Those changes would lower the cost of property consolidation and speed up the process of property redevelopments. The proposed regulatory change on the percentage of ownership for compulsory sale for redevelopment will also bring a much favorable environment for the Group's businesses.

Notwithstanding a drastic surge in property prices over the second half of 2007, which led to the suspension of several key property assembly projects, the property price in 2008 is expected to be steady with slightly growth and such an environment would be more favourable for the business of property assembly. In adapting to the drastic changes, the Group has responded by diversifying its resources from mid-level property markets to areas where the prevailing property prices are less inflated such as Western District, Quarry Bay and Shau Ki Wan, etc. on the Hong Kong Island and Ho Man Tin, Sham Shui Po and Mong Kok, etc. on the Kowloon side. This shift of focus will lead the Group to higher and steady returns in the forthcoming periods.

Furthermore, in order to maintain sustainable growth in market share and return, Richfield Realty has expanded its professional team on property assembly from approximately 25 to 70 persons and it will be further expanded to approximately 90 persons by the end of 2008. As a result of the expansion, the number of property assembly projects in progress and the number of assembly projects completed in the forthcoming years are expected to increase.

In view of a more favourable business environment for the property assembly business in 2008 and having considered the potential growth of Richfield Realty, the Group is confident that the performance of Richfield Realty will be improved in the forthcoming years. Having considered the prospects of the business of the property assembly and brokerage and the potential of Richfield Realty, the Directors are of the view that the terms of the Settlement Agreement are fair and reasonable and the entering into of the Settlement Agreement is in the interests of the Company and Shareholders as a whole.

#### **GEM LISTING RULES IMPLICATION**

As at the date of this announcement, the Vendor is interested in 760,000,000 issued Shares, representing approximately 26% of the existing share capital of the Company. By virtue of the Vendor's interests in the Company and the Settlement Agreement, the transactions contemplated under the Settlement Agreement constitute a connected transaction of the Company under Rule 20.13 of the GEM Listing Rules and are subject to the approval of the Independent Shareholders at the EGM. The Vendor, the Guarantor and their respective associates have to abstain from voting at the EGM. The resolution in respect of the Settlement Agreement and the transactions contemplated thereunder to be proposed at the EGM for approval by the Independent Shareholders will be taken by a poll.

The Independent Board Committee will be established to advise the Independent Shareholders in respect of the terms of the Settlement Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

A circular containing, among other things, further details of the Settlement Agreement, the recommendations of the Independent Board Committee, the advice of the independent financial adviser to the Independent Board Committee and Independent Shareholders, and a notice of EGM will be despatched to the Shareholders as soon as practicable and in accordance with the GEM Listing Rules.

#### **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the GEM Board of the Stock Exchange was suspended with effect from 9:30 a.m. on 13 June 2008 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the Shares on the GEM Board of the Stock Exchange with effect from 9:30 a.m. on 16 June 2008.

## **DEFINITIONS**

|   |  |
|---|--|
| “Acquisition”                           | the acquisition of the entire equity interest in Richfield Realty by the Purchaser pursuant to the Acquisition Agreement   |
| “Acquisition Agreement”                 | the acquisition agreement dated 10 April 2007 entered into among the Vendor, the Purchaser and the Guarantor in relation to the Acquisition  |
| “Actual Profit”                         | the actual audited net profit before payment of the bonus payable to the management of Richfield Realty (if any) and after tax and any extraordinary or exceptional items of Richfield Realty for the 12-month period commencing from the Completion Date  |
| “associates”                            | has the meaning ascribed to it under the GEM Listing Rules   |
| “Base Profit”<br>or “Guaranteed Profit” | HK\$150,000,000, being the audited net profit before payment of the bonus payable to the management of Richfield Realty (if any) and after tax and any extraordinary or exceptional items of Richfield Realty for the 12-month period commencing from the Completion Date                              |
| “Business Day”                          | a day (other than a Saturday or a Sunday or public holiday or a day on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open in Hong Kong for general commercial business |
| “Circular”                              | the circular of the Company dated 10 May 2007 in relation to the Acquisition   |
| “Company”                               | Richfield Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the GEM  |
| “Completion”                            | completion of the Acquisition in accordance with the Acquisition Agreement   |
| “Completion Date”                       | 29 May 2007, being the completion date of the Acquisition  |
| “connected persons”                     | has the meaning ascribed to it under the GEM Listing Rules   |
| “Consideration”                         | the total consideration for the Acquisition, being HK\$597,000,000, which has been satisfied by the Convertible Bonds, the Promissory Note and cash pursuant to the Acquisition Agreement  |
| Convertible Bonds                       | the convertible bonds in the aggregate principal amount of HK\$456,000,000 issued to the Vendor (or its nominee(s)) to satisfy part of the Consideration   |

|                               |  |
|-------------------------------|--|
| “Director(s)”                 | the director(s) of the Company   |
| “EGM”                         | the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Settlement Agreement and the transactions contemplated thereunder   |
| “GEM”                         | the Growth Enterprise Market of the Stock Exchange   |
| “GEM Listing Rules”           | the Rules Governing the Listing of Securities on the GEM   |
| “Group”                       | the Company and its subsidiaries   |
| “Hong Kong”                   | the Hong Kong Special Administrative Region of the People’s Republic of China  |
| “Independent Board Committee” | an independent board committee comprising all the independent non-executive Directors (Mr. Koo Fook Sun, Louis, Mr. Lai Hin Wing, Henry and Mr. Lung Hung Cheuk) to be established to advise the Independent Shareholders regarding the transactions contemplated under the Settlement Agreement                                     |
| “Independent Shareholders”    | Shareholders other than the Vendor, the Guarantor and their respective associates who are required to abstain from voting at the EGM   |
| “Mr. Au” or “Guarantor”       | Mr. Au Wing Wah, being the holder of the entire issued share capital of the Vendor and the guarantor under the Acquisition Agreement guaranteeing the due performance of the Vendor  |
| “New Guaranteed Profit”       | the audited net profit before payment of the bonus payable to the management of Richfield Realty (if any) and after tax and any extraordinary or exceptional items of Richfield Realty for the 36-month period commencing from 1 April 2008, being the new guaranteed profit warranted and guaranteed by the Vendor to the Purchaser |
| “Promissory Note”             | a promissory note in the principal amount of HK\$120,000,000 issued by the Company to the Vendor to satisfy part of the Consideration  |
| “Purchaser”                   | Vastwood Ltd., a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company   |
| “Richfield Realty”            | Richfield Realty Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company  |
| “Settlement Agreement”        | the settlement and amendment agreement dated 12 June 2008 entered into among the Vendor, the Purchaser and the Guarantor in relation to the New Guaranteed Profit  |

|                  |   |
|------------------|---|
| “Share(s)”       | share(s) of HK\$0.01 each in the share capital of the Company   |
| “Share Charge”   | the share charge executed on 12 June 2008 by the Vendor as chargor in favour of the Purchaser as a chargee in respect of the first fixed charge over 760,000,000 issued Shares beneficially owned by the Vendor |
| “Shareholder(s)” | holder(s) of the Shares   |
| “Shortfall”      | the shortfall between the Actual Profit and the Guaranteed Profit   |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited   |
| “Vendor”         | Richfield (Holdings) Limited, a company incorporated in Marshall Islands and wholly owned by Mr. Au   |
| “HK\$”           | Hong Kong dollar, the lawful currency of Hong Kong  |
| “%”              | per cent  |

By Order of the Board  
**Mr. Pong Wai San, Wilson**  
*Executive Director*

Hong Kong, 13 June 2008

*As at the date of this announcement, the Company’s executive director is Mr. Pong Wai San, Wilson, the Company’s non-executive director is Mr. Li Chi Chung and the Company’s independent non-executive directors are Mr. Koo Fook Sun, Louis, Mr. Lai Hin Wing, Henry and Mr. Lung Hung Cheuk respectively.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website ([www.hkgem.com](http://www.hkgem.com)) for at least 7 days from its date of posting and on the designated website of this Company at [ir.sinodelta.com.hk/richfieldgp/](http://ir.sinodelta.com.hk/richfieldgp/).*