



**Grand Field Group Holdings Limited**

(Incorporated in Bermuda with limited liability)  
(Stock Code: 115)

*Interim Report*

**2010**

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## CORPORATE INFORMATION

### Executive Directors

Mr. Ma Xuemian (*Chairman*)

Mr. Chen Mudong

(*Chief Executive Officer*)

Mr. Wong King Lam, Joseph

Ms. Chow Kwai Wa, Anne

Ms. Kwok Siu Wa, Alison

### Non-executive Directors

Mr. Lim Francis

Mr. Kwok Siu Bun

### Independent Non-executive Directors

Mr. David Chi-ping Chow

Mr. Liu Chaodong

Ms. Chui Wai Hung

(appointed on 21 September 2010)

### Company Secretary

Mr. Cheung Yuk Chuen

### Audit Committee

Mr. David Chi-ping Chow

Mr. Liu Chaodong

Ms. Chui Wai Hung

(appointed on 21 September 2010)

### Remuneration Committee

Mr. David Chi-ping Chow

Mr. Liu Chaodong

Ms. Chui Wai Hung

(appointed on 21 September 2010)

Mr. Ma Xuemian

(appointed on 21 September 2010)

### Authorized Representatives

Mr. Ma Xuemian

Mr. Cheung Yuk Chuen

### Registered Office In Bermuda

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

### **Head Office and Principal Place of Business**

Unit 02, 7/F  
Euro Trade Centre  
21-23 Des Voeux Road Central  
Central, Hong Kong

### **Legal Advisers on Bermuda Law**

Conyers Dill & Pearman  
2901 One Exchange Square  
8 Connaught Place  
Hong Kong

### **Auditors**

Baker Tilly Hong Kong Limited  
Certified Public Accountants  
12/F China Merchants Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

### **Property Valuers**

BMI Appraisals Limited  
Suite 06-12  
33/F Shui On Centre  
6-8 Harbour Road  
Wanchai, Hong Kong

### **Share Registrar and Transfer Office in Bermuda**

The Bank of Bermuda Limited  
Bank of Bermuda Building  
6 Front Street  
Hamilton HM 11  
Bermuda

### **Share Registrar and Transfer Office in Hong Kong**

Tricor Secretaries Limited  
26/F Tesbury Centre  
28 Queen's Road East  
Hong Kong

### **Principal Banker**

The Bank of East Asia, Limited

### **Website**

<http://www.irasia.com/listco/hk/grandfield/>



**BAKER TILLY**

**HONG KONG LIMITED**

CERTIFIED PUBLIC ACCOUNTANTS

**香港天華會計師事務所有限公司**

12/F, China Merchants Tower, Shun Tak Centre,

168-200 Connaught Road Central, Hong Kong

香港干諾道中168-200號

信德中心招商局大廈12樓

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION  
TO THE BOARD OF DIRECTORS OF  
GRAND FIELD GROUP HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**Introduction**

We have reviewed the interim financial information (the “interim financial report”) set out on pages 7 to 34, which comprises the condensed consolidated balance sheet of Grand Field Group Holdings Limited (the “Company”) and its subsidiaries (collectively referred to the “Group”) as at 30 June 2010, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors of the Company (the “Directors”) are responsible for the preparation and presentation of this interim financial report in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial report based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report is not prepared, in all material respects, in accordance with HKAS 34.

## Emphasis of Matter

Without qualifying our conclusion, we draw attention to the following matters in the interim financial report:

- (a) As mentioned in note 11 and 17(c) to the interim financial report, the Group holds a parcel of leasehold land in Shenzhen, the PRC, with a prepaid premium for land leases amounting to HK\$165,543,000 as at 30 June 2010. Due to lack of development on the land site, there is possibility that the land may be repossessed by the local government. Whether the land will be repossessed is dependent upon the outcome of the Group’s measures to be taken to avoid the repossession. At the present time, the Group is unable to ascertain the likelihood of the repossession or whether any liability or penalty would arise in relation to the possible repossession. The interim financial report do not include any adjustments that may be necessary in relation to the possible repossession. We consider that adequate disclosures have been made.

- (b) We have considered the adequacy of the disclosures made in note 17(a)(i) to the interim financial report concerning the possible outcome of various legal proceedings initiated by a former director and shareholder of the Company, Mr. Tsang Wai Lun, Wayland, against the Company and eight the then directors, alleging that the then directors had breached their fiduciary duties in relation to various transactions entered into by the Group. In the opinion of the Directors, the defendant directors have either resigned or re-designated as non-executive directors and the aforesaid legal proceedings will have no material impact on the financial position and operations of the Group.
- (c) As mentioned in note 1 to the interim financial report, the Group incurred a consolidated net loss attributable to the equity shareholders of the Company of approximately HK\$8,990,000 for the six months ended 30 June 2010 and had consolidated net current liabilities of approximately HK\$4,551,000 as at 30 June 2010. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The interim financial report has been prepared on a going concern basis, the appropriateness of which is dependent on the Group's ability to generate sufficient working capital to meet its financial requirements. The interim financial report does not include any adjustments that may be necessary should the Group fail to finance its future working capital and financial requirements.

**Baker Tilly Hong Kong Limited**

*Certified Public Accountants*

Hong Kong, 22 September 2010

**Lo Wing See**

Practising Certificate number P04607

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

	Note	Six months ended 30 June	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Revenues	3	1,497	1,949
Cost of revenue		(398)	(335)
Gross profit		1,099	1,614
Other revenue and income		73	605
Distribution costs		(89)	(572)
Administrative expenses		(10,937)	(23,755)
Reversal of impairment loss/ (impairment loss) on other receivables, deposits and prepayments		1,326	(2,841)
Impairment loss an mortgage loan receivables		(427)	–
Loss from operations		(8,955)	(24,949)
Finance costs		–	(242)
Loss before taxation	5	(8,955)	(25,191)
Income tax	6	(35)	(7)
Loss for the period		(8,990)	(25,198)
Attributable to:			
– equity shareholders of the Company	8	(8,990)	(25,198)
Loss per share (basic and diluted)	8	(0.36) cent	(1.00) cent

The notes on pages 13 to 34 form part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
<b>Loss for the period</b>	<b>(8,990)</b>	(25,198)
<b>Other comprehensive income</b>		
Exchange differences on translation of financial statements of overseas subsidiaries	<b>1,179</b>	–
<b>Total comprehensive loss for the period</b>	<b>(7,811)</b>	(25,198)
Attributable to:		
– equity shareholders of the Company	<b>(7,811)</b>	(25,198)

The notes on pages 13 to 34 form part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2010

	<i>Note</i>	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	9	<b>18,876</b>	19,699
Investment properties	10	<b>68,758</b>	68,465
Prepaid premium for land leases	11	<b>178,637</b>	180,634
Properties under development		<b>12,518</b>	12,469
Mortgage loan receivables due after one year	12	<b>888</b>	1,474
Restricted cash		<b>1,105</b>	1,101
		<b>280,782</b>	283,842
<b>Current assets</b>			
Completed properties held for sale		<b>15,830</b>	16,131
Mortgage loan receivables	12	<b>666</b>	1,014
Trade and other receivables	13	<b>5,504</b>	11,697
Tax recoverable		<b>449</b>	459
Cash and cash equivalents		<b>2,275</b>	808
		<b>24,724</b>	30,109

## CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

As at 30 June 2010

	<i>Note</i>	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
<b>Current liabilities</b>			
Trade and other payables	14	24,032	24,631
Interest-bearing borrowings	15	1,146	1,141
Tax payable		4,055	4,103
Dividend payable		42	42
		<b>29,275</b>	29,917
<b>Net current (liabilities)/assets</b>		<b>(4,551)</b>	192
<b>Total assets less current liabilities</b>		<b>276,231</b>	284,034
<b>Non-current liabilities</b>			
Deferred tax liabilities		2,021	2,013
<b>NET ASSETS</b>		<b>274,210</b>	282,021
<b>CAPITAL AND RESERVES</b>			
Share capital		50,336	50,336
Reserves		223,874	231,685
<b>TOTAL EQUITY</b>		<b>274,210</b>	282,021

The notes on pages 13 to 34 form part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

Attributable to equity shareholders of the Company

	Share capital	Share premium	Share option reserve	Special reserve	Exchange reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2009 (Audited)	50,336	261,949	13,190	(2,215)	70,101	(54,421)	338,940
Total comprehensive loss for the period	-	-	-	-	-	(25,198)	(25,198)
At 30 June 2009 (Unaudited)	50,336	261,949	13,190	(2,215)	70,101	(79,619)	313,742
At 1 January 2010 (Audited)	<b>50,336</b>	<b>261,949</b>	<b>12,565</b>	<b>(2,215)</b>	<b>70,101</b>	<b>(110,715)</b>	<b>282,021</b>
Transfer on lapse of share options	-	-	<b>(449)</b>	-	-	<b>449</b>	-
Total comprehensive income/(loss) for the period	-	-	-	-	<b>1,179</b>	<b>(8,990)</b>	<b>(7,811)</b>
At 30 June 2010 (Unaudited)	<b>50,336</b>	<b>261,949</b>	<b>12,116</b>	<b>(2,215)</b>	<b>71,280</b>	<b>(119,256)</b>	<b>274,210</b>

The notes on pages 13 to 34 form part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Net cash generated from operating activities	1,568	3,842
Net cash (used in)/generated from investing activities	(108)	27,484
Net cash used in financing activities	–	(37,611)
Net increase/(decrease) in cash and cash equivalents	1,460	(6,285)
Cash and cash equivalents at 1 January	808	8,280
Effect of foreign exchange rate changes	7	–
Cash and cash equivalents at 30 June	2,275	1,995
Analysis of the balance of cash and cash equivalents		
Cash and bank balances	2,275	1,995

The notes on pages 13 to 34 form part of this condensed consolidated interim financial information.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information (the “interim financial report”) of the Group has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and in compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated interim financial information and selected explanatory notes. The notes on the interim financial report include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the 2009 annual financial statements. The condensed consolidated interim financial information and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by the Company’s Audit Committee and the Company’s auditors, Messrs. Baker Tilly Hong Kong Limited, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. Independent review report to the board of directors of the Company (the “Board”) is included on pages 4 to 6.

The financial information relating to the financial year ended 31 December 2009 that is included in the interim financial report as being previously reported information does not constitute the Group's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2009 are available from the Company's registered office. This interim financial report should be read in conjunction with the Group's 2009 annual financial statements.

In preparing the interim financial report, the Directors have considered the future liquidity of the Group in view of that the Group incurred a consolidated net loss attributable to equity shareholders of the Company of approximately HK\$8,990,000 for the six months ended 30 June 2010 and had consolidated net current liabilities of approximately HK\$4,551,000 as at 30 June 2010. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the Directors are of the opinion that the Group will be able to finance its future working capital and financial requirements given that:

- (i) the Group has been actively seeking prospective investors; and
- (ii) the Group will obtain loan financing from financial institutions where appropriate.

In the opinion of the Directors, in light of the measures taken to date and on the basis of the above-mentioned major assumptions, the Group will have sufficient working capital to finance and maintain operations in the foreseeable future. Accordingly, the Directors are satisfied that it is appropriate to prepare the interim financial report on a going concern basis.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of new and revised HKFRSs, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's interim financial report:

- Improvements to HKFRSs (2009)
- HKAS 27 (Revised), Consolidated and separate financial statements
- Amendments to HKFRS 2, Share-based payment
- HKFRS 3 (Revised), Business combinations

There has been no significant change to the accounting policies applied in this interim financial report for the periods presented as a result of these developments.

The Group has not early applied the following new and revised HKFRSs that have been issued but not yet effective, in the interim financial report:

- Improvements to HKFRSs (2010)<sup>1</sup>
- HKAS 24 (Revised), Related party disclosures<sup>4</sup>
- HKAS 32 (Amendment), Financial instruments: Presentation – classification of rights issues<sup>2</sup>
- HKFRS 1 (Amendment), First-time adoption of Hong Kong Financial Reporting Standards – limited exemption from comparative HKFRS 7 disclosures for first-time adopters<sup>3</sup>
- HKFRS 9, Financial instruments<sup>5</sup>
- HK(IFRIC)-Int 14 (Amendment), Prepayments of a minimum funding requirement<sup>4</sup>
- HK(IFRIC)-Int 19, Extinguishing financial liabilities with equity instruments<sup>3</sup>

<sup>1</sup> *Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate*

<sup>2</sup> *Effective for annual periods beginning on or after 1 February 2010*

<sup>3</sup> *Effective for annual periods beginning on or after 1 July 2010*

<sup>4</sup> *Effective for annual periods beginning on or after 1 January 2011*

<sup>5</sup> *Effective for annual periods beginning on or after 1 January 2013*

The Group is assessing the impact of these amendments and new standards in the period of initial application. So far it has concluded that they are not in a position to state whether their adoption will have a significant impact on the Group's results of operations and financial position.

### 3. REVENUES

The principal activities of the Group are property development, property management and investment.

Turnover represents the aggregate of net amounts received and receivable for completed properties held for sale sold by the Group to outside customers, property rental income and property management service income, and is analysed as follows:

	<b>Six months ended 30 June</b>	
	<b>2010</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2009 (Unaudited) HK\$'000
Sales of properties held for sale	<b>305</b>	314
Property rental	<b>780</b>	811
Property management	<b>412</b>	824
<b>Total</b>	<b>1,497</b>	1,949

#### 4. SEGMENT REPORTING

In a manner consistent with the way in which information is reported internally to the executive directors and senior management of the Company for the purposes of resource allocation and performance assessment, the Group has identified three reportable segments on a divisional basis: (i) property development, (ii) property rental and (iii) property management.

	Six months ended 30 June 2010			
	Property development <i>HK\$'000</i>	Property rental <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue</b>				
Revenue from external customers	305	780	412	1,497
<b>Result</b>				
Segment result	(4,134)	581	3,459	(94)
Unallocated income and gains, net				12
Unallocated expenses				(8,873)
Loss from operations				(8,955)
Finance costs				-
Loss before taxation				(8,955)
Income tax				(35)
Loss for the period				(8,990)

	At 30 June 2010			
	Property development <i>HK\$'000</i>	Property rental <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	207,164	69,130	14	276,308
Unallocated assets				29,198
Total assets				305,506

## Six months ended 30 June 2009

	Property development <i>HK\$'000</i>	Property rental <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue</b>				
Revenue from external customers	314	811	824	1,949
<b>Result</b>				
Segment result	(3,330)	497	782	(2,051)
Unallocated income and gains, net				597
Unallocated expenses				(23,495)
Loss from operations				(24,949)
Finance costs				(242)
Loss before taxation				(25,191)
Income tax				(7)
Loss for the period				(25,198)

## At 31 December 2009

	Property development <i>HK\$'000</i>	Property rental <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	237,548	69,601	640	307,789
Unallocated assets				6,162
Total assets				313,951

## 5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Amortisation of prepaid premium for land leases	<b>2,781</b>	2,781
Auditor's remuneration	<b>394</b>	791
Business tax and other levies (included in cost of completed properties sold)	<b>39</b>	129
Cost of completed properties sold	<b>359</b>	261
Depreciation	<b>863</b>	826
Gross rental income from investment properties (Note)	<b>(780)</b>	(811)
Impairment loss on mortgage loan receivables	<b>427</b>	–
Interest income	<b>(6)</b>	(576)
Interest on bank loans, overdrafts and other loans wholly repayable		
– Within five years	–	242
Loss on disposal of property, plant and equipment	<b>51</b>	–
Net foreign exchange losses	<b>36</b>	1,716
Provision for litigation settlement	<b>380</b>	–
Rental charges under operating leases for office premises	<b>517</b>	1,699
(Reversal of impairment loss)/impairment loss on other receivables, deposits and prepayments	<b>(1,326)</b>	2,841
Staff costs, including directors' remuneration		
– Contributions to defined contribution retirement plans	<b>37</b>	66
– Salaries and other staff costs	<b>2,847</b>	4,612

*Note:* The outgoings related to the gross rents from investment properties for each of the two periods ended 30 June 2010 and 2009 are negligible.

## 6. INCOME TAX

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
<b>Current tax</b>		
Land Appreciation Tax in the People's Republic of China ("PRC")	35	7

PRC Enterprise Income Tax for the subsidiaries incorporated in the PRC is calculated at 25% of the estimated assessable profit for the period (six months ended 30 June 2009: 25%).

PRC Enterprise Income Tax for the subsidiaries incorporated in Hong Kong, which have property development investments in the PRC is calculated at 3% of the sales revenue on the respective property development projects (six months ended 30 June 2009: 3%).

PRC Land Appreciation Tax is levied at progressive rates ranging from 30% to 60% on the appreciation of the land value, being the proceeds of sales of properties less deductible expenditure including amortisation of land use rights, borrowing costs and all property development expenditures.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises, nor is derived, from Hong Kong in both financial periods. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

No provision for deferred tax has been made (six months ended 30 June 2009: HK\$Nil) as there was no temporary difference arising during the period.

## 7. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the period (six months ended 30 June 2009: Nil).

## 8. LOSS PER SHARE

Basic loss per share is calculated based on the loss attributable to shareholders for the six months ended 30 June 2010 of approximately HK\$8,990,000 (six months ended 30 June 2009: HK\$25,198,000) and on the weighted average number of 2,516,810,000 (six months ended 30 June 2009: 2,516,810,000) shares issued during the period.

Diluted loss per share is not presented as there are no diluting events during the six months ended 30 June 2010 and 2009.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2010, the Group acquired items of property, plant and equipment with a cost of HK\$17,000 (six months ended 30 June 2009: HK\$800,000). There were disposals of property, plant and equipment with net book value of HK\$51,000 (six months ended 30 June 2009: HK\$Nil).

## 10. INVESTMENT PROPERTIES

Investment properties were assessed annually by BMI Appraisals Limited (“BMI”), an independent professional valuator. The valuation is performed on the basis of open market value of each individual property at end of each of financial year. On 28 April 2010, BMI issued a valuation report of the investment properties as at the date of 31 December 2009. The Directors have considered that there are no significant changes by the market on the valuation of investment properties since 31 December 2009. Therefore, the Directors considered that the fair value of investment properties at 30 June 2010 was approximately the same as that of 31 December 2009.

## 11. PREPAID PREMIUM FOR LAND LEASES

Prepaid premium for land leases includes a piece of leasehold land in the amount of RMB145,113,000 (equivalent to HK\$165,543,000) in Shenzhen, the PRC held by the Group’s wholly owned subsidiary, Grand Field Property Development (Shenzhen) Co., Ltd. (“Grand Field Shenzhen”). Due to lack of development on the land site, there is possibility that the land may be repossessed by the local government, details of which are disclosed in the Company’s announcement dated 6 November 2009.

The Group is in the process of assessing whether any appropriate measures could be taken to avoid the repossession, but is unable to ascertain the likelihood of the repossession for the time being.

## 12. MORTGAGE LOAN RECEIVABLES

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Total loan receivables, secured	<b>10,306</b>	10,817
<i>Less:</i> Provision for impairment loss	<b>(8,752)</b>	(8,329)
Total loan receivables, net of impairment loss	<b>1,554</b>	2,488
<i>Less:</i> Balance due within one year included under current assets	<b>(666)</b>	(1,014)
Balance due after one year	<b>888</b>	1,474

Mortgage loan receivables represent interest-free loans provided by the Group to the purchasers of properties, which are repayable by instalments as stipulated in the loan agreements. The loans are secured by the purchasers' properties. Pursuant to the terms of the sale and purchase agreements, upon default in instalment payments by these purchasers, the Group is entitled to take over the legal title and possession of the related properties.

All mortgage loan receivables are denominated in Renminbi.

The carrying amounts of the current portion and non-current portion of mortgage loan receivables approximate their fair values. The fair value is determined based on cash flows discounted using the Group's bank borrowings rate of 5.31% per annum (31 December 2009: 5.31% per annum).

The following is a maturity analysis of mortgage loan receivables at the balance sheet date:

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Within one year	<b>3,068</b>	2,723
In more than one year but less than five years	<b>7,238</b>	8,094
	<b>10,306</b>	10,817

### 13. TRADE AND OTHER RECEIVABLES

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Trade receivables ( <i>note 13(a)</i> )	<b>14</b>	720
Other receivables	<b>2,214</b>	2,931
Amount receivable on sale of investment properties	<b>2,567</b>	4,977
Deposit for purchase of property ( <i>note 13(b)</i> )	–	568
Security deposit for property management services ( <i>note 13(c)</i> )	–	227
Other deposits and prepayments	<b>709</b>	2,274
	<b>5,504</b>	11,697

(a) An ageing analysis of trade receivables is as follows:

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Current, neither past due nor impaired	<b>14</b>	720

- (b) Pursuant to a memorandum entered into with 深圳市寶瀾投資股份有限公司 (深圳市寶瀾) dated 1 December 2008, the Group's wholly owned subsidiary, Yuan Cheng Real Estate (Shenzhen) Limited ("Yuan Cheng") made a deposit of RMB5,000,000 (equivalent to HK\$5,682,000) with 深圳市寶瀾 in connection with a possible property project "華僑新苑" in Shenzhen developed by 深圳市寶瀾. The memorandum sets out a 1-year period, during which Yuan Cheng has an option to purchase the property at a consideration of RMB89,871,700 (equivalent to HK\$102,127,000) or to be reimbursed the deposit should Yuan Cheng not proceed with the property purchase. Yuan Cheng has not further proceeded the property purchase.

In the opinion of the Directors, the recoverability of the full amount of the deposit is uncertain and an allowance of impairment loss of RMB4,200,000 (equivalent to HK\$4,773,000) was made in prior year. During the six months ended 30 June 2010, part of the deposit of RMB1,200,000 (equivalent to HK\$1,364,000) has been refunded in cash to the Group and thus an allowance of impairment loss of RMB1,200,000 (equivalent to HK\$1,364,000) has been reversed for the period.

- (c) On 25 March 2008, Yuan Cheng entered into an agreement with Dongguan City Hua Jia Fu Industry and Trading Limited ("Hua Jia Fu") and Dongguan City Min Tai Industry and Investment Limited for provision of property management and consultancy services for a shopping plaza located in Tang Xia Town, Dongguan at an annual fee of RMB1,450,000 for a term of 2 years. Yuan Cheng made a security deposit of RMB8,000,000 (equivalent to HK\$9,091,000), which was refundable at the expiry of the contract on 31 March 2010. Details of the transaction are disclosed in the Company's circular dated 14 April 2008.

In the opinion of the Directors, the recoverability of the full amount of the deposit was uncertain and an allowance of impairment loss of RMB7,800,000 (equivalent to HK\$8,864,000) was made in prior year. During the six months ended 30 June 2010, part of the deposit of RMB800,000 (equivalent to HK\$909,000) has been refunded in cash to the Group and thus an allowance of impairment loss of RMB800,000 (equivalent to HK\$909,000) has been reversed for the period.

#### 14. TRADE AND OTHER PAYABLES

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Trade payables to building contractors	989	985
Accrued salaries and other operating expenses	5,052	4,558
Accrued legal fees	4,160	4,160
Deposits received on sale of properties	916	867
Rental deposits received on investment properties	306	234
Receipts in advance	135	139
Amount payable on return of properties	5,710	6,653
Provision for litigation settlement	5,532	5,389
Other payables	1,232	1,646
	<b>24,032</b>	24,631

An ageing analysis of trade payables is as follows:

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Current to 90 days	–	–
91 to 180 days	–	–
181 to 360 days	–	–
Over 360 days	989	985
	<b>989</b>	985

## 15. INTEREST-BEARING BORROWINGS

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Within 1 year or on demand		
– Loans from financial institutions	<b>1,146</b>	1,141

Loans from financial institutions were unsecured, interest-bearing at the weighted average effective interest rate of 5.5% (31 December 2009: 5.5% per annum).

## 16. COMMITMENTS

- (a) The capital commitments outstanding at 30 June 2010 not provided for were as follows:

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Contracted but not provided for:		
– Premium for land leases	<b>206</b>	296

- (b) At 30 June 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Within one year	<b>853</b>	648
In the second to fifth year inclusive	<b>188</b>	324
	<b>1,041</b>	972

The Group is the lessee in respect of office premises held under operating leases. The leases typically run for an initial period of 2 years, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals.

- (c) The Group leases out investment property under operating leases. The leases typically run for an initial period of one to eight years, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals.

At 30 June 2010, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Within one year	<b>1,032</b>	1,062
In the second to fifth year inclusive	<b>3,187</b>	2,221
Over five years	<b>25</b>	504
	<b>4,244</b>	3,787

## 17. CONTINGENT LIABILITIES

### (a) Litigation

#### (i) *Legal proceedings by Mr. Tsang Wai Lun, Wayland and associates*

1. On 6 June 2008, the Company was served with a writ of summons (“Originating Summons”) by Mr. Tsang Wai Lun, Wayland, a former director and shareholder of the Company, alleging that in a transaction entered into in March 2008 by Yuan Cheng with Hua Jia Fu and Dongguan City Min Tai Industry and Investment Limited in provision of property management and consultancy services for a shopping plaza located in Tang Xia Town, Dongguan at an annual fee of RMB1,450,000 (equivalent to HK\$1,648,000) for a term of 2 years, a refundable security deposit of RMB8,000,000 (equivalent to HK\$9,091,000) which Yuan Cheng made with Hua Jia Fu, was abused or mishandled.

On 25 February 2009, the Originating Summons was revised and issued by Mr. Tsang in the name of the Company in accordance with section 168BC of the Hong Kong Companies Ordinance against the then directors, Mr. Chu King Fai, Mr. Huang Bing Huang, Mr. Au Kwok Chuen Vincent, Mr. Hwang Ho Tyan, Mr. Zhao Juqun, Mr. Yang Biao, Dr. Wong Yun Kuen and Mr. Mok King Tong and the Company, alleging that the then directors had breached their fiduciary duties in relation to (i) the passing of the following resolutions of the Board, (aa) the resolution passed on or about 14 January 2008 to approve the remittance of HK\$50,000,000 to Yuan Cheng, (bb) the resolution passed on or about 27 May 2008 to sanction the acquisition of the Yangzhou Project from Min Tai Development at HK\$88,000,000 with an up-front payment of HK\$5,000,000 paid out of funds of Yuan Cheng, (cc) the resolution passed on or about 25 March 2008 to sanction the entry of management services agreement by Yuan Cheng with Hua Jia Fu and Dongguan City Min Tai Industry and Investment Limited, which involved an up-front payment of RMB8,000,000 (equivalent to HK\$9,091,000) by Yuan Cheng, (dd) the resolution passed on 27 May 2008 to sanction the entry of a cooperation framework agreement by Yuan Cheng with Zhong Cheng Construction Engineering Company Limited (“Zhong Cheng”) which involved an up-front payment of RMB5,000,000 (equivalent to HK\$5,682,000); (ii) the transfer of

HK\$50,000,000 to Yuan Cheng and to put the said HK\$50,000,000 under the control of Yuan Cheng; (iii) the delivery of the financial documents of Yuan Cheng, including cheque books, chops and seals, bank cards, keys to safe deposit boxes to Madam Cheng Lai Yin; (iv) the failure and/or refusal to conduct any proper inquiry or due diligence into the proposed acquisition of the Yangzhou Project and/or the entire share capital of Min Tai Development; (v) the entering into of the placing agreement dated 14 July 2008 whereby the Company conditionally agreed to place 100,000,000 shares in the Company at the price of HK\$0.16 per share in order to finance the proposed acquisition of the Yangzhou Project; (vi) the failure to cause Yuan Cheng and/or the Company to recover the earnest money in the amount of HK\$5,000,000 from Min Tai Development in accordance with the letter of intent dated 23 June 2008 within 10 days after the Yangzhou Project fell through on 30 September 2008; (vii) the payment of the amount of RMB8,000,000 (equivalent to HK\$9,091,000) by Yuan Cheng to Hua Jia Fu; (viii) the failure and/or refusal to conduct any or any proper inquiry into the terms of the Cooperation Framework Agreement and the payment of RMB5,000,000 (equivalent to HK\$5,682,000) deposit on 23 June 2008 pursuant to the Co-operation Framework Agreement; (ix) the payment of the sums of RMB10,000,000 (equivalent to HK\$11,364,000) and RMB7,000,000 (equivalent to HK\$7,955,000) by Yuan Cheng to Zhong Cheng on or about 15 July 2008 and 29 August 2008 respectively; (x) the transfer of sums totaling RMB33,100,000 (equivalent to HK\$37,614,000) between Yuan Cheng and Shenzhen Hua Ke Nano-Technology Development Company Limited from 30 April 2008 to 23 June 2008; and (xi) the passing of the resolutions on 15 and 20 November 2008 sanctioning Grand Field Shenzhen to borrow up to RMB50,000,000 (equivalent to HK\$56,818,000) to repay a loan owed to Yuan Cheng and to use the balance as operation capital of the Company. On the basis of these allegations, Mr. Tsang sought, inter alia, (i) a declaration that the decisions of the then directors to pass the Resolutions purportedly as board resolutions of the Company was not made bona fide in the interest of the Company; (ii) an order that the Resolutions be set aside, further or alternatively, a declaration that the Resolutions are invalid, null and void and of no legal effect; (iii) damages and/or equitable compensation, interest, costs and further and/or other relief; (iv) restitution of payments received directly or indirectly by the then directors, or any of them in breach of their fiduciary duties;

(v) an account and/or inquiry of all payments, profits made and/or benefits received directly or indirectly as a result of their breaches of their fiduciary duties and an order for payment of all sums and delivery up of all assets found due upon the said inquiry or taking of the said account; and (vi) an injunction against the then directors restraining each of them from continuing as the Company's directors and/or exercising the powers as director. No judgment has been made as at the date of this interim financial report. In the opinion of the Directors, the defendant directors have either resigned or re-designated as non-executive directors and the aforesaid legal proceedings will have no material impact on the financial position and operations of the Group.

2. On 10 August 2008, a writ of summons was issued by Mr. Tsang against the Company in relation to the resolutions passed in the Annual General Meeting held on 18 June 2008 and in a Special General Meeting held on 25 June 2008. Mr. Tsang sought, inter alia, (i) an order to set aside the resolutions passed at the Annual General Meeting held on 18 June 2008 to grant general mandate for allotment and issue of 20% new share, and repurchase of 10% shares, and a declaration of the resolutions being invalid and null and void and of no legal effect; and (ii) an order to set aside the resolutions passed at a Special General Meeting held on 25 June 2008 in favour of election of Mr. Zhao Yang, Mr. Zhao Juqun, Mr. Yang Biao and Mr. Mok King Tong, and against the election of Mr. Huang Dennis Chong, Mr. Lim Francis, Mr. David Chi-ping Chow, Mr. Wong Ching Wan as directors of the Company, and a declaration of the resolutions being invalid and null and void and of no legal effect. As at the date of this interim financial report, no judgement has been made and the Company is in the process of negotiating with Mr. Tsang to withdraw the claim. The Company received an offer that Mr. Tsang agrees to discontinue the action on the condition that the Company pays Mr. Tsang a sum of HK\$250,000 as the agreed costs of Mr. Tsang in the action. The amount of HK\$250,000 has been accrued in the interim financial report.

3. On 26 August 2008, the Company received a writ of summons by Mr. Tsang against the Company, its subsidiaries, Grand Field Group Holdings (BVI) Limited, Grand Field Group Limited ("Grand Field-HK"), Ms. Chen Yu, Mr. Hui Zhihua and Mr. Wen Li. Mr. Tsang sought, inter alia, (i) an order to set aside the resolutions dated 28 April 2008 to appoint Ms. Chen Yu and Mr. Hui Zhihua as directors of Grand Field-HK and declare the resolutions invalid and null and void and of no legal effect; (ii) an order to set aside the resolutions dated 16 July 2008 for appointment of Ms. Chen Yu, Mr. Hui Zhihua and Mr. Wen Li as directors of Grand Field-HK and for ratification and confirmation of the acts and documents done by them, and a declaration that the resolutions are invalid and null and void and of no legal effect; and (iii) damages and/or equitable compensation, interest, costs and further and/or other relief. As at the date of this interim financial report, no judgement has been made and the Company is in the process of negotiating with Mr. Tsang to withdraw the claim. The Company received an offer that Mr. Tsang agrees to discontinue the action on the condition that the Company and the other defendants pay Mr. Tsang a sum of HK\$130,000 as the agreed costs of Mr. Tsang in the action. The amount of HK\$130,000 has been accrued in the interim financial report.

On 10 February, 26 February, 25 March 2009, the Company issued announcements in relation to these legal proceedings.

(ii) *Legal proceedings by a tenant*

Back in 2006, the Group's wholly owned subsidiary, Shing Fat Hong Limited ("Shing Fat Hong"), signed a tenancy agreement with a karaoke operator for a ten-year period, whereby Shing Fat Hong was required to renovate and combine two entire floors of its commercial properties in Dongguan. The karaoke operator failed to apply for an operating license due to non-compliance of the building structure with fire safety regulations. Since 2007, the tenant has initiated several legal proceedings against Shing Fat Hong in local PRC courts for validation of the tenancy agreement and for compensation of decoration fees and other economic losses of RMB4,500,000 (equivalent to HK\$5,114,000). However, Shing Fat Hong has appealed to, and sued the tenant, in local PRC courts for compensation of renovation and restoration of the properties, loss of rental income and other economic losses of RMB2,056,000 (equivalent to HK\$2,336,000). In 2009, Shing Fat Hong has lost in a court case to claim against the tenant for compensation of restoration of the properties. Other legal proceedings between Shing Fat Hong and the tenant are still ongoing. In the opinion of the Directors, the aforesaid legal proceedings will have no material impact on the financial position and operations of the Group.

(iii) *Legal proceedings by Mr. Au Kwok Chuen Vincent*

Mr. Au Kwok Chuen Vincent, a former executive director of the Company, lodged a claim at the Labour Department against the Company for his salary for the period from 1 May 2009 to 30 September 2009 in the total sum of HK\$350,000. On 10 May 2010, Mr. Au formulated a claim at the Labour Tribunal against the Company for a total sum of HK\$772,000 being the wages in lieu of notice, the arrear of wages, annual leave pay and severance payment. On 3 June 2010, the case was transferred to be heard at High Court. No judgement has been made as at the date of this interim financial report. A provision of HK\$296,000 has been made in the interim financial report.

**(b) Sales return of properties sold**

In the previous years, the Group had provided mortgage loans to purchasers of the Group's properties, which were interest free and repayable by monthly installments in 5 years. Upon default in mortgage payments by these purchasers, the Group shall reach agreement through negotiations with the defaulted purchasers and take over the possession of the relevant properties. In the six months ended 30 June 2010 and 2009, there was no property returned to the Group. At 30 June 2010, there were 207 (31 December 2009: 211) properties under which mortgage loans were not yet repaid, with an aggregate contractual sales value of HK\$49,407,000 (31 December 2009: HK\$49,997,000) and the corresponding cost of sales amounting to HK\$31,828,000 (31 December 2009: HK\$32,537,000). In the absence of any reliable information on the probability of loan defaults and property returns, the Directors are unable to estimate the amount of any specific provision against these properties sold in the previous years.

**(c) Possible repossession of leasehold land**

The Group holds a parcel of leasehold land in Shenzhen with a prepaid premium for land leases amounting to HK\$165,543,000 as at 30 June 2010 (31 December 2009: HK\$167,682,000) which may be repossessed by the local government due to lack of development on the land site.

The Group is in the process of assessing whether any appropriate measures could be taken to avoid the repossession, but is unable to ascertain the likelihood of the repossession or whether any liability or penalty would arise in relation to the possible repossession for the time being.

## 18. Material related party transactions

### (a) Key management personnel compensation:

All key management personnel are directors of the Company and their remuneration is as follows:

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Directors' fee	1,508	1,738
Salaries, wages and other benefits	297	960
Provident fund contributions	21	25
	<b>1,826</b>	<b>2,723</b>

(b) During the six months ended 30 June 2010, the Group paid rent of HK\$85,000 (six months ended 30 June 2009: HK\$970,000) to 朱哲, who is the son of a former non-executive director of the Company.

## 19. Subsequent events

Save as disclosed elsewhere in the interim financial report, there were no other significant events that took place subsequent to 30 June 2010.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Business Review

For the six months ended 30 June 2010, members of the Board put unremitting efforts in the daily operation of the Company, which gradually led the Company to a path of healthy development and bright future. During this period, the Board were committed to systematizing the Company's internal governance. Professional management institutions were employed for assessing and guiding the governance procedures within the Company, which have laid a solid foundation for its future development. Meanwhile, the internationally renowned accounting firm employed by the Company had completed a preliminary report in respect of the trace of HK\$50 million of company funds which were possibly misused. The Board also set up an independent commission to study the related contents of the report with the related law firm, and will subsequently decide whether legal actions would be necessary. During the period, with the efforts of the Board, part of the foreign investment of that capital had been recovered.

Another important task of the Board for six months ended 30 June 2010 was the early-stage preparation for the development of the land parcel of Telford Garden Phase III in Shenzhen. The development plan of Phase III was being prepared and the Board had begun to ponder the issues of start-up capital for the development of Phase III, such that the capital-raising plan could be completed as soon as possible.

### 2. Financial Review

For the six months ended 30 June 2010, the Group's revenue amounted to approximately HK\$1,497,000, representing a 23% decrease when compared with that of the same period last year. The majority of the Group's revenue was generated from rental income and management services fee.

During the period under review, the Group recorded a net loss attributable to equity shareholders of the Company of approximately HK\$8,990,000 (2009: HK\$25,198,000).

### 3. Prospects

During six months ended 30 June 2010, thanks to the hard work of the Board, the Company's corporate governance had been back on track. Meanwhile, the Company had started the preparation work for applying to the Stock Exchange for resuming the trade of our stock to enable our shares to resume trading as soon as possible. The land development project of Telford Garden Phase III in Shenzhen was also under planning. We hope that the development of this project would yield satisfactory returns for the Company in the coming few years. The Board agreed that as the Company developed gradually, we would be able to continue to focus on the high-quality small and medium real estate projects in the second and third tier cities of the Mainland as usual, and devote ourselves in commercial real estate, property management and material supply industry. The management will get every task done with due diligence and in a responsible manner for the interests of all shareholders of the Company, with a hope to strive for significant improvements in the Company's financial conditions in one or two years.

### 4. Liquidity and financial resources

As at 30 June 2010, the Group's cash and cash equivalents were approximately HK\$2,275,000 (31 December 2009: HK\$808,000). The percentage of cash and cash equivalents denominated in HKD and RMB were 10% and 90% respectively (31 December 2009: 38% and 62% respectively).

As at 30 June 2010, the Group recorded total current assets of approximately HK\$24,724,000 (31 December 2009: HK\$30,109,000) and total current liabilities of approximately HK\$29,275,000 (31 December 2009: HK\$29,917,000). The Group recorded total assets of approximately HK\$305,506,000 (31 December 2009: HK\$313,951,000) and the Group's total interest-bearing borrowings amounted to approximately HK\$1,146,000 (31 December 2009: HK\$1,141,000), all of them are repayable within one year.

All of the Group's borrowings for the period under review were denominated in RMB and such borrowings carried interest rates ranged from 5.52% to 5.70% (2009: 5.52% to 5.70%).

The Group's gearing ratio, which was calculated on the basis of total borrowings to shareholders' equity, was 10% as at 30 June 2010 (31 December 2009: 10%).

## 5. Share Capital

	<b>Number of shares</b>	<b>Amount HK\$'000</b>
<i>Authorised:</i>		
Ordinary shares of HK\$0.02 each		
At beginning and end of period	5,000,000,000	100,000
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.02 each		
At beginning and end of period	2,516,810,000	50,336

## 6. Exchange risk

Borrowings and sales and purchases of the Group are generally transacted in Hong Kong Dollar and Renminbi. For the six months ended 30 June 2010, the Group was not subject to any significant exposure to foreign exchange rate risk. Hence, no financial instrument for hedging was employed.

## 7. Charge on assets

As at 30 June 2010, the Group had no charge on assets (31 December 2009: Nil).

## **8. Employees**

For the six months ended 30 June 2010, the Group employed 28 employees (2009: 50) and appointed 9 Directors (2009: 15) and the related staff cost amounted to approximately HK\$2,884,000 (2009: HK\$4,678,000). The Group's emolument policies are formulated such that the emoluments are made by reference to the performance of individual employees and will be reviewed every year. Apart from base salary and statutory provident fund scheme, employees will also be offered discretionary bonus based on the results of the Group and their individual performance. No option under the Company's share option scheme was granted to employee of the Group during the period under review.

## **9. Material Acquisitions and Disposals**

There was no material acquisition or disposal of subsidiaries or associates during the six months ended 30 June 2010.

## **10. Contingent Liabilities**

Details of contingent liabilities are set out in Note 17 to the interim financial information.

## OTHER INFORMATION

### INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: Nil).

### DIRECTORS' INTERESTS IN SHARES

As at 30 June 2010, the interests and short positions of the directors and chief executives in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in the Listing Rules were as follows:

#### *Long positions in shares of the Company*

<b>Name of Director</b>	<b>Capacity /nature of interests</b>	<b>Number of ordinary share(s) held</b>	<b>Number of underlying share(s) held</b>	<b>Total interests as percentage of the issued share capital</b>
Chu King Fai (Note)	Beneficial Owner	–	25,000,000	0.99%

*Note:* At the annual general meeting of the Company dated 21 June 2010, the re-election of Mr. Chu King Fai as non-executive director of the Company was not passed by the shareholders of the Company

Save as disclosed above, as at 30 June 2010, none of the Directors or the chief executives or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company, subsidiaries or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2010, so far as is known to the Directors, the following parties (other than the Directors and chief executives of the Company) had interests of 5% or more in the issued share capital of the Company as recorded in the register required to be kept under Section 336 of SFO:

Name of Shareholder	Capacity/ nature of interests	Number of ordinary share(s) held	Total interests as percentage of the issued share capital
Hongkong Zhongxing Group Co., Limited <i>(Note 1)</i>	Beneficial Owner	561,750,000	22.32%
Huang Bing Huang <i>(Note 1)</i>	Interest of Corporation Controlled	561,750,000	22.32%
Kwok Wai Man, Nancy <i>(Notes 2 and 3)</i>	Beneficial Owner	14,170,000	0.56%
	Interest of Corporation Controlled	479,050,000	19.03%
	Interests of children under 18 or spouse	64,210,000	2.55%
Rhenfield Development Corp. <i>(Note 3)</i>	Beneficial Owner	479,050,000	19.03%
Tsang Wai Lun, Wayland <i>(Notes 3 and 4)</i>	Beneficial Owner	64,210,000	2.55%
	Interest of Corporation Controlled	479,050,000	19.03%
	Interests of children under 18 or spouse	14,170,000	0.56%

*Note 1:* Hongkong Zhongxing Group Co., Limited is owned by Mr. Huang Bing Huang. Mr. Huang Bing Huang is deemed to be interested in 561,750,000 shares pursuant to the Part XV of the SFO.

*Note 2:* These 64,210,000 shares is owned by Tsang Wai Lun, Wayland (“Mr. Tsang”), spouse of Kwok Wai Man, Nancy (“Ms. Kwok”). Ms. Kwok is deemed to be interested in 64,210,000 shares pursuant to the Part XV of the SFO.

*Note 3:* Rhenfield Development Corp. is owned by Ms. Kwok and Mr. Tsang in equal shares. Ms. Kwok is deemed to be interested in 479,050,000 shares pursuant to the Part XV of the SFO.

*Note 4:* These 14,170,000 shares is owned by Ms. Kwok, spouse of Mr. Tsang. Mr. Tsang is deemed to be interested in 14,170,000 shares pursuant to the Part XV of the SFO.

Save as disclosed above, the Company has not been notified of any other interests representing 5% or more of the Company’s issued share capital as at 30 June 2010.

## SHARE OPTION SCHEME

On 23 June 2006, the Company adopted a share option scheme (the “Share Option Scheme”), pursuant to which the Board may, at its discretion, grant options to (i) any director, employee, consultant, customer, supplier, business introduction agent, or legal, financial or marketing adviser or contract to any company in the Group or any affiliate; (ii) any discretionary trust the discretionary objects of which include any of the foregoing parties in (i) above. The subscription price for the shares under the Share Option Scheme will be a price determined by the Board in its absolute discretion but shall be not less than the higher of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotation sheet on the date of offer of the grant, which must be a business day; and (ii) the average closing prices of the shares as stated in the Stock Exchange’s daily quotation sheets for the 5 business days immediately preceding the date of offer of the grant; and (iii) the nominal value of a share.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes shall not exceed 30% of the nominal amount of the issued share capital of the Company from time to time and the maximum number of shares in respect of which options may be granted to each eligible participant shall not exceed 1% of the issued share capital of the Company for the time being in any 12-month period up to and including the date of offer of the grant.

The Share Option Scheme will remain in force for a period of 10 years commencing from the date of adoption of the scheme from 23 June 2006.

During the period under review, the movements in the share options to subscribe for the Company's shares were as follows:

	Date of grant	Exercisable period	Exercisable price per share HK\$	Outstanding at 1 Jan 2010	Number of Share options			Outstanding at 30 June 2010
					Granted during the period	Exercised during the period	Lapsed during the period	
Category 1: Directors								
Chu King Fai (he was not re-elected at the annual general meeting held on 21 June 2010)	21 August 2008	21 August 2008 – 18 August 2011	0.1724	25,000,000	–	–	–	25,000,000
Au Kwok Chuen, Vincent (he was not re-elected at the annual general meeting held on 9 November 2009)	21 August 2008	21 August 2008 – 18 August 2011	0.1724	25,000,000	–	–	–	25,000,000
Zhao Juqun (resigned on 9 November 2009)	21 August 2008	21 August 2008 – 18 August 2011	0.1724	25,000,000	–	–	–	25,000,000
Wong Yun Kuen (resigned on 4 September 2009)	21 August 2008	21 August 2008 – 18 August 2011	0.1724	2,500,000	–	–	–	2,500,000
Yang Biao (resigned on 4 September 2009)	21 August 2008	21 August 2008 – 18 August 2011	0.1724	2,500,000	–	–	–	2,500,000
Mok King Tong (resigned on 4 September 2009)	21 August 2008	21 August 2008 – 18 August 2011	0.1724	2,500,000	–	–	–	2,500,000
<b>Total for directors</b>				<b>82,500,000</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>82,500,000</b>
Category 2: Employees								
	21 August 2008	21 August 2008 – 18 August 2011	0.1724	31,700,000	–	–	(2,500,000)	29,200,000
	21 October 2008	21 October 2008 – 15 October 2011	0.128	56,000,000	–	–	(5,000,000)	51,000,000
<b>Total for employees</b>				<b>87,700,000</b>	<b>–</b>	<b>–</b>	<b>(7,500,000)</b>	<b>80,200,000</b>
Category 3: Other participants								
	21 October 2008	21 October 2008 – 15 October 2011	0.128	25,000,000	–	–	–	25,000,000
<b>Total for other participants</b>				<b>25,000,000</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>25,000,000</b>
<b>Total for all categories</b>				<b>195,200,000</b>	<b>–</b>	<b>–</b>	<b>(7,500,000)</b>	<b>187,700,000</b>

The closing prices of the Company's shares on the trading days immediately before 21 August 2008 and 21 October 2008, being the dates of grants of the options were HK\$0.154 and HK\$0.115 respectively.

## **PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has repurchased, sold, redeemed or cancelled any of the Company's listed securities during the six months ended 30 June 2010.

## **CORPORATE GOVERNANCE**

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 June 2010, in compliance with the requirements of the code provisions in the Code of Corporate Governance Practices set out in Appendix 14 of the Listing Rules (the "CG Code") except for the deviations from Code Provisions A.3 and A.4.1 which are explained below:

### **Code Provision A.3**

The CG Code stipulates that the board of directors should have a balance of skills, experience for the requirements of the business and include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element which can effectively exercise independent judgment appropriate. Pursuant to Rule 3.10 of the Listing Rules, every board of directors must include at least three independent non-executive directors. As the re-election of Ms. Zhang Xiaoyan was not passed by the shareholders at the Annual General Meeting of the Company dated 21 June 2010, the Company only has two independent non-executive directors of the Company and two members of the audit committee of the Company for the period from 21 June 2010 to 20 September 2010, which falls below the minimum number required under Rule 3.10(1) and Rule 3.21 of the Listing Rules. While the Board has appointed Ms. Chui Wai Hung ("Ms. Chui") as an independent non-executive director, members of audit and remuneration committees of the Company with effect from 21 September 2010 ("Appointment of Ms. Chui"), the Company currently has three independent non-executive directors and three members of the audit committee of the Company, which comply with requirement of Rule 3.10(1) and Rule 3.21 of the Listing Rules.

### **Code Provision A.4.1**

The independent non-executive directors of the Company have not been appointed for any specific terms as they are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-laws.

## **CODE FOR DEALING IN COMPANY'S SECURITIES BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code").

All Directors, after specific enquiries by the Company, confirmed they have complied with the required standard set out in the Model Code and the said code of conduct during the six months ended 30 June 2010.

## **AUDIT COMMITTEE**

As at 30 June 2010, the Audit Committee comprises two independent non-executive directors of the Company. At the Annual General Meeting of the Company dated 21 June 2010, the re-election of Ms. Zhang Xiaoyan as independent non-executive director of the Company was not passed by the shareholders of the Company, therefore, she also ceased to be a member of audit committee of the Company. Following the Appointment of Ms. Chui, the audit committee of the Company currently consists of three members.

The Board has adopted a set of written terms of reference, which described the authority and duties of the Audit Committee, and the contents of which are in compliance with the CG Code.

The Audit Committee is accountable to the Board and the principal duties of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls. The Audit Committee is also provided with other resources enabling it to discharge its duties fully.

The Audit Committee has reviewed with the management of the Company, the accounting principles and practices adopted by the Group, and has discussed internal controls and financial reporting matters including the review of the unaudited interim financial report for the six months ended 30 June 2010.

## **REMUNERATION COMMITTEE**

As at 30 June 2010, the Remuneration Committee comprises two independent non-executive directors of the Company. At the Annual General Meeting of the Company dated 21 June 2010, the re-election of Ms. Zhang Xiaoyan as independent non-executive director of the Company was not passed by the shareholders of the Company. Following the Appointment of Ms. Chui, the remuneration committee of the Company currently consists of three members. In addition, Mr. Ma Xuemian, an executive director of the Company, has also been appointed as member of remuneration committee of the Company with effect from 21 September 2010.



The Board has adopted a set of written terms of reference, which described the authority and duties of the Remuneration Committee, and the contents of which are in compliance with the CG Code.

The main responsibilities of Remuneration Committee include reviewing and making recommendation to the Board on the Company's policies, structure and remuneration packages of Directors and senior management of the Group.

By order of the Board

**GRAND FIELD GROUP HOLDINGS LIMITED**

**MA XUEMIAN**

*Chairman*

Hong Kong, 22 September 2010