



# Grand Field Group Holdings Limited

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

Interim Report

2011

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## CORPORATE INFORMATION

### Executive Directors

Mr. Ma Xuemian (*Chairman*)  
Ms. Chow Kwai Wa, Anne  
Ms. Kwok Siu Wa, Alison  
Mr. Kwok Siu Bun  
(re-designated from non-executive director to executive director on 15 August 2011)  
Mr. Wong King Lam, Joseph  
(resigned on 15 August 2011)

### Non-executive Directors

Mr. Lim Francis  
Mr. Chen Mudong  
(re-designated from executive director to non-executive director on 15 April 2011)

### Independent Non-executive Directors

Mr. David Chi-ping Chow  
Mr. Liu Chaodong  
Ms. Chui Wai Hung

### Company Secretary

Mr. Cheung Yuk Chuen

### Audit Committee

Mr. David Chi-ping Chow  
Mr. Liu Chaodong  
Ms. Chui Wai Hung

### Remuneration Committee

Mr. David Chi-ping Chow  
Mr. Liu Chaodong  
Ms. Chui Wai Hung  
Mr. Ma Xuemian

### Authorised 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 1004B, 10/F  
Tower 5, China Hong Kong City  
33 Canton Road, Tsim Sha Tsui  
Kowloon, Hong Kong

## **Legal Advisers on Bermuda Law**

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

## **Auditor**

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  
33/F, Shui On Centre  
6-8 Harbour Road  
Wanchai, Hong Kong

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

HSBC Securities Services  
(Bermuda) Limited  
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

天職香港會計師事務所有限公司

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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 35, 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 2011, 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 information 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. This report is made 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) 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 eight of 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 resigned and the aforesaid legal proceedings will have no further material impact on the financial position and operations of the Group.

- (b) The Group incurred a consolidated net loss attributable to equity shareholders of the Company of approximately HK\$10,698,000 (six months ended 30 June 2010: HK\$8,990,000) for the six months ended 30 June 2011 and had consolidated net current liabilities of approximately HK\$16,099,000 (31 December 2010: HK\$9,150,000) as at 30 June 2011. 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. As explained in note 1 to the interim financial report, in the opinion of the Directors, the Group has been actively taking immediate actions to finance and maintain operations of the Group in the foreseeable future. On this basis, our conclusion was not qualified in relation to this matter. 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 be able to finance its future working capital and financial requirements.

**Baker Tilly Hong Kong Limited**

*Certified Public Accountants*

Hong Kong, 30 August 2011

**Lo Wing See**

Practising certificate number P04607

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

	Note	Six months ended 30 June	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Revenues	3	1,820	1,497
Cost of revenue		(1,131)	(398)
<b>Gross profit</b>		<b>689</b>	1,099
Other revenue and net income		8	73
Distribution costs		(286)	(89)
Administrative expenses		(9,908)	(10,937)
(Impairment loss)/reversal of impairment loss on other receivables, net		(682)	1,326
Reversal of impairment loss/ (impairment loss) on mortgage loan receivables, net		1	(427)
<b>Loss from operations</b>		<b>(10,178)</b>	(8,955)
Finance costs	5	(492)	–
<b>Loss before taxation</b>	5	<b>(10,670)</b>	(8,955)
Income tax	6	(28)	(35)
<b>Loss for the period</b>		<b>(10,698)</b>	(8,990)
<b>Attributable to:</b>			
– equity shareholders of the Company		(10,698)	(8,990)
<b>Loss per share (basic and diluted)</b>	8	<b>(0.43) cent</b>	(0.36) cent

The notes on pages 13 to 35 form part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
<b>Loss for the period</b>	<b>(10,698)</b>	(8,990)
<b>Other comprehensive income</b>		
Exchange differences on translation of financial statements of overseas subsidiaries	<b>8,726</b>	1,179
<b>Total comprehensive loss for the period</b>	<b>(1,972)</b>	(7,811)
<b>Attributable to:</b>		
– equity shareholders of the Company	<b>(1,972)</b>	(7,811)

The notes on pages 13 to 35 form part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2011

	<i>Note</i>	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	9	<b>18,953</b>	19,018
Investment properties	10	<b>62,789</b>	60,736
Prepaid premium for land leases	16(a)	<b>182,130</b>	179,445
Properties under development		<b>13,162</b>	12,762
Mortgage loan receivables due after one year	11	<b>589</b>	679
Restricted cash		<b>120</b>	116
		<b>277,743</b>	272,756
<b>Current assets</b>			
Completed properties held for sale		<b>9,686</b>	10,401
Mortgage loan receivables	11	<b>271</b>	771
Other receivables	12	<b>3,569</b>	4,120
Tax recoverable		<b>416</b>	374
Cash and cash equivalents		<b>1,457</b>	1,537
		<b>15,399</b>	17,203

## CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

As at 30 June 2011

	<i>Note</i>	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
<b>Current liabilities</b>			
Trade and other payables	13	23,428	24,259
Interest-bearing borrowings	14	7,112	1,168
Tax payable		916	884
Dividend payable		42	42
		<b>31,498</b>	26,353
<b>Net current liabilities</b>		<b>(16,099)</b>	(9,150)
<b>Total assets less current liabilities</b>		<b>261,644</b>	263,606
<b>Non-current liabilities</b>			
Deferred tax liabilities		320	310
<b>NET ASSETS</b>		<b>261,324</b>	263,296
<b>CAPITAL AND RESERVES</b>			
Share capital		50,336	50,336
Reserves		210,988	212,960
<b>TOTAL EQUITY</b>		<b>261,324</b>	263,296

The notes on pages 13 to 35 form part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to equity shareholders of the Company						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	
At 1 January 2010 (Audited)	50,336	261,949	12,565	(2,215)	70,101	(110,715)	282,021
Transfer on lapse of share options	-	-	(449)	-	-	449	-
Total comprehensive loss for the period	-	-	-	-	1,179	(8,990)	(7,811)
At 30 June 2010 (Unaudited)	50,336	261,949	12,116	(2,215)	71,280	(119,256)	274,210
At 1 January 2011 (Audited)	<b>50,336</b>	<b>261,949</b>	<b>5,400</b>	<b>(2,215)</b>	<b>76,522</b>	<b>(128,696)</b>	<b>263,296</b>
Transfer on lapse of share options	-	-	(1,423)	-	-	1,423	-
Total comprehensive loss for the period	-	-	-	-	8,726	(10,698)	(1,972)
At 30 June 2011 (Unaudited)	<b>50,336</b>	<b>261,949</b>	<b>3,977</b>	<b>(2,215)</b>	<b>85,248</b>	<b>(137,971)</b>	<b>261,324</b>

The notes on pages 13 to 35 form part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Net cash (used in)/generated from operating activities	(6,014)	1,568
Net cash used in investing activities	(3)	(108)
Net cash generated from financing activities	5,907	–
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(110)</b>	<b>1,460</b>
Cash and cash equivalents at 1 January	1,537	808
Effect of foreign exchange rate changes	30	7
<b>Cash and cash equivalents at 30 June</b>	<b>1,457</b>	<b>2,275</b>
Analysis of the balance of cash and cash equivalents		
Cash and bank balances	1,457	2,275

The notes on pages 13 to 35 form part of this condensed consolidated interim financial information.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 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 2010 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 auditor, 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 2010 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 2010 are available from the Company's registered office. This interim financial report should be read in conjunction with the Group's 2010 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\$10,698,000 for the six months ended 30 June 2011 and had consolidated net current liabilities of approximately HK\$16,099,000 as at 30 June 2011. 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 will raise funds upon resumption of the trade of the Company's shares; 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

### (a) *New and amended standards adopted by the Group*

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 (except for the amendments to HKFRS 3 (as revised in 2008))
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 disclosures for First-Time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HKAS 34 (Amendments)	Interim Financial Reporting
HKFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HKFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the adoption of the new and amended standards had no material effect on the amounts reported and disclosures set out in the interim financial report of the Group for the current or prior accounting periods.

- HKAS 24 (Revised) clarifies and simplifies the definition of a related party. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The adoption of HKAS 24 (Revised) does not have significant impact on the Group's interim condensed financial statements.
- HKAS 34 (Amendments) "Interim Financial Reporting" is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

**(b) The following new standards and amendments and interpretations to standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:**

HKFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets <sup>1</sup>
HKFRS 9	Financial Instruments <sup>3</sup>
HKAS 12 (Amendments)	Deferred tax: Recovery of Underlying Assets <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2012.

<sup>3</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 result 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>2011 (Unaudited) HK\$'000</b>	2010 (Unaudited) HK\$'000
Sales of properties held for sale	<b>955</b>	305
Property rental	<b>865</b>	780
Property management	-	412
<b>Total</b>	<b>1,820</b>	1,497

#### 4 SEGMENT REPORTING

In a manner consistent with the way in which information is reported internally to the executive directors and senior management 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 2011 (Unaudited)			
	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	955	865	–	1,820
<b>Result</b>				
Segment result	(3,738)	(285)	–	(4,023)
Unallocated income and gains, net				463
Unallocated expenses				(6,618)
Loss from operations				(10,178)
Finance costs				(492)
Loss before taxation				(10,670)
Income tax				(28)
Loss for the period				(10,698)

	At 30 June 2011 (Unaudited)			
	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	224,496	61,589	–	286,085
Unallocated assets				7,057
Total assets				293,142

	Six months ended 30 June 2010 (Unaudited)			
	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 31 December 2010 (Audited)			
	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	223,950	60,736	–	284,686
Unallocated assets				5,273
Total assets				289,959

## 5 LOSS BEFORE TAXATION

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

	<b>Six months ended 30 June</b>	
	<b>2011</b>	2010
	<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>596</b>	394
Business tax and other levies (included in cost of completed properties sold)	<b>72</b>	39
Cost of completed properties sold	<b>1,059</b>	359
Depreciation	<b>815</b>	863
Gross rental income from investment properties (Note)	<b>(865)</b>	(780)
Interest income	<b>(5)</b>	(6)
Interest on other loans wholly repayable		
– Within five years	<b>492</b>	–
Loss on disposal of investment properties	<b>14</b>	–
Loss on disposal of property, plant and equipment	<b>2</b>	51
Net foreign exchange loss	<b>42</b>	36
Provision for litigation settlement	<b>–</b>	380
Rental charges under operating leases for office premises	<b>320</b>	517
Impairment loss/(reversal of impairment loss) on other receivables, net	<b>682</b>	(1,326)
(Reversal of impairment loss)/impairment loss on mortgage loan receivables, net	<b>(1)</b>	427
Staff costs, including directors' remuneration		
– Contributions to defined contribution retirement plans	<b>34</b>	37
– Salaries and other staff costs	<b>2,641</b>	2,847

Note: The outgoings related to the gross rents from investment properties for each of the two periods ended 30 June 2011 and 2010 are negligible.

## 6 INCOME TAX

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
<b>Current tax</b>		
Land Appreciation Tax in the People's Republic of China ("PRC")	28	35

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 2010: 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 2010: 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 2010: HK\$Nil) as there was no temporary difference arisen during the period.

## 7 DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the period (six months ended 30 June 2010: HK\$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 2011 of approximately HK\$10,698,000 (six months ended 30 June 2010: HK\$8,990,000) and on the weighted average number of 2,516,810,000 (six months ended 30 June 2010: 2,516,810,000) shares issued during the period.

There are no diluting events during the six months ended 30 June 2011 and 2010.

## 9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired items of property, plant and equipment with a cost of HK\$196,000 (six months ended 30 June 2010: HK\$17,000). There were disposals of property, plant and equipment with net book value of HK\$2,000 (six months ended 30 June 2010: HK\$51,000).

## 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 4 March 2011, BMI issued a valuation report of the investment properties as at the date of 31 December 2010. The Directors have considered that there are no significant changes by the market on the valuation of investment properties since 31 December 2010. Therefore, the Directors considered that the fair value of investment properties at 30 June 2011 was approximately the same as that of 31 December 2010.

## 11 MORTGAGE LOAN RECEIVABLES

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Total loan receivables, secured	<b>8,521</b>	8,963
<i>Less:</i> Provision for impairment loss	<b>(7,661)</b>	(7,513)
Total loan receivables, net of impairment loss	<b>860</b>	1,450
<i>Less:</i> Balance due within one year included under current assets	<b>(271)</b>	(771)
Balance due after one year	<b>589</b>	679

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 borrowings rate of 5.81% per annum (31 December 2010: 5.81% per annum).

A maturity analysis of mortgage loan receivables at the balance sheet date is as follows:

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Within one year	<b>437</b>	806
In more than one year but less than five years	<b>8,084</b>	8,157
	<b>8,521</b>	8,963

## 12 OTHER RECEIVABLES

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Other receivables	<b>2,763</b>	1,746
Deposit for purchase of property <i>(note 12(a))</i>	<b>2,387</b>	2,614
Security deposit for property management services <i>(note 12(b))</i>	<b>6,478</b>	6,705
Amount receivable on sale of investment properties <i>(note 12(c))</i>	<b>1,200</b>	1,163
Other deposits and prepayments	<b>806</b>	1,211
	<b>13,634</b>	13,439
<i>Less: Provision for impairment loss</i>	<b>(10,065)</b>	(9,319)
	<b>3,569</b>	4,120

- (a) 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 deposit was uncertain and an allowance of impairment loss of RMB2,300,000 (equivalent to HK\$2,614,000) was made as at 31 December 2010. During the six months ended 30 June 2011, part of the deposit of RMB200,000 (equivalent to HK\$227,000) has been refunded in cash to the Group and thus an allowance of impairment loss of RMB200,000 (equivalent to HK\$227,000) has been reversed for the period.

- (b) 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 on 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 deposit was uncertain and an allowance of impairment loss of RMB5,900,000 (equivalent to HK\$6,705,000) was made as at 31 December 2010. During the six months ended 30 June 2011, part of the deposit of RMB200,000 (equivalent to HK\$227,000) has been refunded in cash to the Group and thus an allowance of impairment loss of RMB200,000 (equivalent to HK\$227,000) has been reversed for the period.

- (c) In 2009, the Group sold investment properties to a third party for a consideration of RMB8,900,000 (equivalent to HK\$10,676,000). At 30 June 2011, RMB1,000,000 (equivalent to HK\$1,200,000) of the consideration was unsettled. In the opinion of the Directors, the recoverability of the receivable is uncertain and an allowance of impairment loss has been made to fully impair this receivable.

### 13 TRADE AND OTHER PAYABLES

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Trade payables to building contractors	1,040	1,008
Accrued salaries and other operating expenses	6,800	7,245
Accrued legal fees	845	1,096
Deposits received on sale of properties	1,276	1,293
Rental deposits received on investment properties	386	350
Receipts in advance	166	137
Amount payable on return of properties	5,825	5,821
Provision for litigation settlement	5,513	5,473
Other payables	1,577	1,836
	<b>23,428</b>	24,259

An ageing analysis of trade payables is as follows:

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Current to 90 days past due	–	–
91 to 180 days past due	–	–
181 to 360 days past due	–	–
Over 360 days past due	1,040	1,008
	<b>1,040</b>	1,008

## 14 INTEREST-BEARING BORROWINGS

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Loans from third parties payable within 1 year or on demand		
– secured ( <i>note 14(a)</i> )	<b>5,907</b>	–
– unsecured ( <i>note 14(b)</i> )	<b>1,205</b>	1,168
	<b>7,112</b>	1,168

- (a) Loan from a third party is secured by the shares of the Group's wholly owned subsidiary, Shing Fat Hong Limited ("Shing Fat Hong"), interest-bearing at 25% per annum and repayable within 4 months from the draw down date. In the event that the loan is overdue, interest is charged at 40% per annum calculated from the draw down date.

At 30 June 2011, HKD3,599,000 of the loan has been overdue and bears interest at 40% per annum.

In the opinion of the Directors, the loan is a short term financing arrangement to meet incidental financial need of the Group. The interest charged on the loan includes a premium for such incidental financing arrangement.

- (b) Loans from third parties were unsecured, interest-bearing at the weighted average effective interest rate of 5.5% per annum. (31 December 2010: 5.5% per annum).

## 15 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 23 June 2006 whereby the Directors of the Company are authorised, at their discretion, to invite employees of the Group, including Directors of any Company in the Group, to take up options at consideration of HK\$1 to subscribe for shares of the Company. The options have no vesting conditions and are exercisable within a period of three years from the date of grant. Each option gives the holder the right to subscribe for one ordinary share in the Company.

- (a) The terms and conditions of the options granted that existed at 30 June 2011 are as follows, whereby all options are settled by physical delivery of shares:

	<b>Number of instruments</b>	<b>Contractual life of options</b>
Options granted to employees:		
– on 21 August 2008	15,600,000	3 years
– on 21 October 2008	28,000,000	3 years
Options granted to third party:		
– on 21 October 2008	25,000,000	3 years
<hr/> Total share options	<hr/> 68,600,000	

(b) The number and weighted average exercise prices of share options are as follows:

	<b>Six months ended 30 June 2011</b>		Six months ended 30 June 2010	
	<b>Weighted average exercise price</b>	<b>Number of options</b>	Weighted average exercise price	Number of options
Outstanding at the beginning of the period	<b>HK\$0.1474</b>	<b>94,000,000</b>	HK\$0.1540	195,200,000
Lapsed during the period	<b>HK\$0.1724</b>	<b>(25,400,000)</b>	HK\$0.1428	(7,500,000)
Outstanding at the end of the period	<b>HK\$0.1381</b>	<b>68,600,000</b>	HK\$0.1544	187,700,000
Exercisable at the end of the period	<b>HK\$0.1381</b>	<b>68,600,000</b>	HK\$0.1544	187,700,000

The options outstanding at 30 June 2011 had an exercise price of HK\$0.1280 or HK\$0.1724 (30 June 2010: HK\$0.1280 or HK\$0.1724) and a weighted average remaining contractual life of 0.3 year (30 June 2010: 1.2 years).

## 16 COMMITMENTS

- (a) The capital commitments outstanding at 30 June 2011 not provided for were as follows:

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Contracted but not provided for:		
Capital contribution to a PRC company (note)	<b>270,032</b>	–

*Note:* Pursuant to an agreement entered into among the Group, 深圳鈞濠計算機軟件開發有限公司 and 廣東省紅嶺集團有限公司 on 24 January 2011, a PRC company, 深圳棕科置業有限公司 (“深圳棕科”), has been established during the period with an intention to develop a parcel of leasehold land in Shenzhen, the PRC (the “Shenzhen Land”). The registered capital of 深圳棕科 is RMB450,240,000 (equivalent to HK\$540,064,000), to which the Group agreed to contribute RMB225,120,000 (equivalent to HK\$270,032,000), representing 50% of the registered capital of 深圳棕科.

The Group will contribute the capital by way of transfer of the Group’s 50% interest in the Shenzhen Land, with a prepaid premium for the land leases amounting to HK\$168,193,000 as at 30 June 2011, to 深圳棕科 and cash of RMB67,536,000 (equivalent to HK\$81,010,000). In respect of the cash capital, according to the memorandum of association of 深圳棕科, RMB10,130,000 (equivalent to HK\$12,151,000) is to be contributed within three months after business license is obtained, RMB23,638,000 (equivalent to HK\$28,354,000) is to be contributed within one year after business license is obtained, and the remaining RMB33,768,000 (equivalent to HK\$40,505,000) is to be contributed within 2 years after business licence is obtained.

- (b) At 30 June 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Within one year	<b>572</b>	409
In the second to fifth year inclusive	<b>1,073</b>	–
	<b>1,645</b>	409

The Group is the lessee in respect of office premises held under operating leases. The leases typically run for an initial period of 2 to 3 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 2011, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Within one year	<b>1,296</b>	1,548
In the second to fifth year inclusive	<b>2,647</b>	2,977
Over five years	<b>27</b>	186
	<b>3,970</b>	4,711

## 17 CONTINGENT LIABILITIES

### (a) *Litigation*

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

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 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 15 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 upfront 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 Shenzhen 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 Cooperation 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 Property Development (Shenzhen) Company Limited (“Grand Field Shenzhen”), a wholly owned subsidiary of the Group, 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 resigned and the aforesaid legal proceedings will have no further material impact on the financial position and operations of the Group.

*(ii) Legal proceedings by a tenant*

In 2006, 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 has formulated a claim at the Labour Tribunal against the Company for a total sum of HK\$700,000 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.

A provision of HK\$296,000 has been made in respect of the case in prior year. As no judgement has been made as at the date of this interim financial report, in the opinion of the Directors, no further provision is required to be made for the period.

***(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 instalments 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 2011 and 2010, there was no property returned to the Group. At 30 June 2011, there were 113 (31 December 2010: 172) properties under which mortgage loans were not yet fully repaid, with an aggregate contractual sales value of HK\$30,136,000 (31 December 2010: HK\$38,855,000) and the corresponding cost of sales amounting to HK\$17,332,000 (31 December 2010: HK\$24,646,000). In the absence of any reliable information on the probability of loan defaults and property returns, the Directors of the Company are unable to estimate the amount of any specific provision against these properties sold in the previous years.

## 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	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Directors' fees	1,316	1,508
Salaries, wages and other benefits	360	297
Provident fund contributions	24	21
	<b>1,700</b>	1,826

(b) During the six months ended 30 June 2011, the Group paid consultancy fee of HK\$503,000 (six months ended 30 June 2010: HK\$Nil) to Grand Field Resources Company Limited ("Grand Field Resources"). Mr. Tsang Wai Lun, Wayland is a director of Grand Field Resources and a former director of the Company.

(c) During the six months ended 30 June 2011, the Group paid rent of HK\$Nil (six months ended 30 June 2010: HK\$85,000) 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 2011.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 1 Business Review

In April 2010, the PRC government implemented a series of control measures targeted at the real estate market to tighten the credit market and to cool down the overheated property market. However, the total area sold and sales revenues for residential buildings continued to grow rapidly. The austerity measures aimed at the property market implemented by the PRC government has restrained the upsurge of property price in first tier cities successfully. However, for second and third tier cities, general property prices continued to grow, and at an increasing speed. The policies of the PRC government are now testing the comprehensive strength of property developers.

The first half of 2011 is a new start for Grand Field Group after its restructuring and reformation. The current Board continues its effort to resolve the historical issues left by the former Board. During the six months ended 30 June 2011, an international well-known accountant firm had drawn a conclusion regarding the independent investigation on the “misuse of fund amounting to HK\$50,000,000”. The Board had also sought legal advice and adopted appropriate legal actions, which is subject to the judgment by the Hong Kong High Court upon its hearing. The Company believes that the unsolved historical issues will not bring material effect to the development of the Company’s projects. The Board has taken it as a lesson and strives for enhancing the internal control system of the Company.

## 2 Financial Review

During the six months ended 30 June 2011, the Group's revenue amounted to approximately HK\$1,820,000, representing a 22% increase when compared with that of the same period last year. The majority of the Group's revenue was generated from sales of properties held for sale and rental income.

During the period under review, the Group recorded a net loss attributable to equity shareholders of the Company of approximately HK\$10,698,000 (six months ended 30 June 2010 same period: HK\$8,990,000).

## 3 Prospects

The principal activities of the Group are property development and investment, the income of which is attributable from its subsidiaries, namely Grand Field Property Development (Shenzhen) Company Limited (the developed properties: Shenzhen Telford Garden Phases I and II, and Taoxianju resident project in Nanshan District, Shenzhen), Ka Fong Industrial Company, Limited (the developed properties: Rado Garden and Riviera Garden in Zhangmutou) and Shing Fat Hong Limited (the developed properties: Elegance Garden in Zhangmutou). We believe that the development of two land parcels into Rivera Garden and Sunning Plaza and the development of Telford Garden Phrase III will bring definite economic benefits to the Group.

After the global economic crisis, China's property industry will face challenges arising from inflation and the increase in interest rate, raw material cost and wages. However, our Group is still confident with the medium and long term development of the property market of China. The Group believes, as the Chinese economy growth and urbanization accelerates, the income of general public will keep increasing, as will the demand for higher quality residential property. The Group believes that the property market will keep rising in the coming future. Our management will speed up the development of our existing projects and aggressively seek medium and small property projects which have potential for development in the second and third tier cities in Mainland China, in order to lay a solid foundation for broadening the revenues of different business segments.

## 4 Liquidity and financial resources

As at 30 June 2011, the Group's cash and cash equivalents were approximately HK\$1,457,000 (31 December 2010: HK\$1,537,000). The percentage of cash and cash equivalents denominated in Hong Kong Dollar and Renminbi were 89% and 11% respectively (31 December 2010: 27% and 73% respectively).

As at 30 June 2011, the Group recorded total current assets of approximately HK\$15,399,000 (31 December 2010: HK\$17,203,000) and total current liabilities of approximately HK\$31,498,000 (31 December 2010: HK\$26,353,000). The Group recorded total assets of approximately HK\$293,142,000 (31 December 2010: HK\$289,959,000) and the Group's total interest-bearing borrowings amounted to approximately HK\$7,112,000 (31 December 2010: HK\$1,168,000), all of them are repayable within one year.

All of the Group's borrowings for the period under review were denominated in Renminbi and such borrowings carried interest rates ranged from 5.5% to 40.0% (31 December 2010: 5.5% to 5.7%).

The Group's gearing ratio, which was calculated on the basis of total borrowings to total assets, was 11% as at 30 June 2011 (31 December 2010: 9%).

## 5 Share Capital

	Number of shares	Amount <i>HK\$'000</i>
<i>Authorized:</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 2011, 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 2011, the Group had pledged the shares of its wholly owned subsidiary, Shing Fat Hong Limited, to the lender, Truth Resource Investments Limited for the loan of RMB5,000,000 (equivalent to HK\$5,907,000). (31 December 2010: HK\$Nil).

## **8 Employees**

For the six months ended 30 June 2011, the Group employed 25 employees (six months ended 30 June 2010: 28) and appointed 10 directors (six months ended 30 June 2010: 9) and the related staff cost amounted to approximately HK\$2,675,000 (six months ended 30 June 2010: HK\$2,884,000). 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 2011.

## **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 2011 (six months ended 30 June 2010: HK\$Nil).

### DIRECTORS' INTERESTS IN SHARES

As at 30 June 2011, none of the Directors and chief executive has any interests and long positions in the shares, underlying shares or debentures in 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 Appendix 10 of the Listing Rules.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2011, 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	Beneficial Owner	14,170,000	0.56%
	Interest of Corporation Controlled ( <i>Note 2</i> )	479,050,000	19.03%
	Interests of spouse ( <i>Note 3</i> )	64,210,000	2.55%
Rhenfield Development Corp. ( <i>Note 2</i> )	Beneficial Owner	479,050,000	19.03%
Tsang Wai Lun, Wayland	Beneficial Owner	64,210,000	2.55%
	Interest of Corporation Controlled ( <i>Note 3</i> )	479,050,000	19.03%
	Interests of spouse ( <i>Note 4</i> )	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:* Rhenfield Development Corp. is owned by Ms. Kwok Wai Man, Nancy (“Ms. Kwok”) and Mr. Tsang Wai Lun, Wayland (“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 3:* These 64,210,000 shares are owned by Mr. Tsang, spouse of Ms. Kwok. Ms. Kwok is deemed to be interested in 64,210,000 shares pursuant to the Part XV of the SFO.

*Note 4:* These 14,170,000 shares are 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 2011.

## 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 2011	Number of share options			Outstanding at 30 June 2011
					Granted during the period	Exercised during the period	Lapsed during the period	
Category 1: Director								
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)	-
Total for director				25,000,000	-	-	(25,000,000)	-
Category 2:								
Employees	21 August 2008	21 August 2008 – 18 August 2011	0.1724	16,000,000	-	-	(400,000)	15,600,000
	21 October 2008	21 October 2008 – 15 October 2011	0.128	28,000,000	-	-	-	28,000,000
Total for employees				44,000,000	-	-	(400,000)	43,600,000
Category 3:								
Other participants	21 October 2008	21 October 2008 – 15 October 2011	0.128	25,000,000	-	-	-	25,000,000
Total for other participants				25,000,000	-	-	-	25,000,000
Total for all categories				94,000,000	-	-	(25,400,000)	68,600,000

No options were cancelled during the six months ended 30 June 2011.

## **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 2011.

## **CORPORATE GOVERNANCE**

The Company is committed to the establishment of good corporate governance practices and procedures. Throughout the six months ended 30 June 2011, the Group has complied with the code provisions prescribed in the Code on Corporate Governance Practices (the "CG Code") set out in the Appendix 14 to the Listing Rules, except for the deviation from code provision A.2.1 which is explained in the following paragraph:

### **Chairman and Chief Executive Officer**

According to the code provision A.2.1 of the CG Code, the roles of the chairman (the "Chairman") and the chief executive officer (the "CEO") of the Company should be separate and should not be performed by the same individual.

During the six months ended 30 June 2011, the role of the Chairman is performed by Mr. Ma Xuemian but the role of the CEO is performed by Mr. Chen Mudong until 15 April 2011. This segregation ensures a clear distinction between the Chairman's and the CEO's responsibilities which allows a balance of power between the Board and the management of the Group and ensures their independence and accountability.

However, upon the resignation of Mr. Chen Mudong as the CEO on 15 April 2011, the office of the CEO was vacated. The Board will keep reviewing the current structure of the Board from time to time and should candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post as appropriate.

## **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 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 2011.

## **AUDIT COMMITTEE**

As at 30 June 2011, the audit committee of the Company (the "Audit Committee") currently comprises three independent non-executive Directors, namely Mr. David Chi-ping Chow, Mr. Liu Chaodong and Ms. Chui Wai Hung.

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 results for the six months ended 30 June 2011.

## REMUNERATION COMMITTEE

As at 30 June 2011, the remuneration committee of the Company (the “Remuneration Committee”) comprises one executive Director, namely Mr. Ma Xuemian and three independent non-executive Directors, namely Mr. Liu Chaodong, Mr. David Chi-ping Chow and Ms. Chui Wai Hung. 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.

## CHANGES IN DIRECTORS’ BIOGRAPHICAL DETAILS

Mr. Kwok Siu Bun, (“Mr. Kwok”) was re-designated from a non-executive Director to an executive Director with effect from 15 August 2011. There is no service contract entered into between the Company and Mr. Kwok. He has no fixed term of service with the Company. Mr. Kwok is subject to retirement by rotation and re-election in accordance with the bye-laws of the Company. The remuneration of Mr. Kwok as an executive Director is HK\$35,000 per month, which was determined by reference to the prevailing market conditions, his roles and responsibilities to the Company, and it was approved by the Remuneration Committee and the Board.

By order of the Board

**GRAND FIELD GROUP HOLDINGS LIMITED**

**MA XUEMIAN**

*Chairman*

Hong Kong, 30 August 2011