Grand Field Group Holdings Limited

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

Interim Report 2012

CONTENTS

CORPORATE INFORMATION

Executive Directors

Mr. Ma Xuemian *(Chairman)*
Mr. Kwok Siu Bun
Ms. Chow Kwai Wa, Anne
Ms. Kwok Siu Wa, Alison

Non-executive Directors

Mr. Chen Mudong
Mr. Lim Francis

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 *(Chairman)*
Mr. Liu Chaodong
Ms. Chui Wai Hung

Remuneration Committee

Mr. Liu Chaodong *(Chairman)*
Mr. David Chi-ping Chow
Mr. Ma Xuemian
Ms. Chui Wai Hung

Nomination Committee

Ms. Chui Wai Hung *(Chairman)*
Mr. Ma Xuemian
Mr. Liu Chaodong

Corporate Governance Committee

Mr. Ma Xuemian *(Chairman)*
Mr. Liu Chaodong
Ms. Chui Wai Hung

Authorised Representatives

Mr. Cheung Yuk Chuen
Mr. Ma Xuemian

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Auditors

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Wanchai, Hong Kong

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Principal Banker

The Bank of East Asia, Limited

Website

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

中磊（香港）會計師事務所有限公司
ZHONGLEI (HK) CPA Company Limited

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF GRAND FIELD GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Grand Field Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 6 to 30, which comprises the condensed consolidated statement of financial position as of 30 June 2012 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows 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 the Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and fair presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Other matters

(1) The consolidated financial statements of the Group for the year ended 31 December 2011 were audited by another auditor who expressed a qualified opinion on those statements on 19 April 2012.

(2) Without qualifying our review conclusion, we draw attention that the comparative condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period ended 30 June 2011 and the relevant explanatory notes disclosed in these condensed consolidated financial statements have not been reviewed by us in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

ZHONGLEI (HK) CPA Company Limited
Certified Public Accountants (Practising)
Chan Mei Mei
Practising Certificate Number: P05256
Suites 313-317, 3/F Shui On Centre
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Hong Kong

29 August 2012

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

	Notes	2012 HK$'000 (Unaudited)	2011 HK$'000 (Unaudited)
		Six months ended 30 June	
Revenue	*4*	**814**	1,820
Cost of sales		**–**	(1,159)
Gross profit		**814**	661
Other revenue		**38**	8
Distribution costs		**(38)**	(286)
Administrative expenses		**(9,823)**	(9,908)
Reversal of impairment loss (impairment loss) in respect of other receivables, net		**376**	(682)
Reversal of impairment loss in respect of loan receivables, net		**280**	1
Loss from operations		**(8,353)**	(10,206)
Finance costs		**(2,026)**	(492)
Loss before tax		**(10,379)**	(10,698)
Income tax expenses	*6*	**–**	–
Loss for the period	*7*	**(10,379)**	(10,698)
Loss for the period attributable to owners of the Company		**(10,379)**	(10,698)
Loss per share	*9*		
– Basic		**(0.41 cents)**	(0.43 cents)
– Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

		Six months ended 30 June	
	Notes	**2012** ***HK$'000*** **(Unaudited)**	2011 *HK$'000* (Unaudited)
Loss for the period	*7*	**(10,379)**	(10,698)
Other comprehensive (expense) income			
Exchange differences arising on translations of foreign operations		**(249)**	8,726
Total comprehensive expense for the period		**(10,628)**	(1,972)
Total comprehensive expense attributable to owners of the Company		**(10,628)**	(1,972)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**16,741**	17,399
Investment properties	*11*	**43,955**	70,080
Prepaid premium for land leases	*12*	**172,512**	183,302
Properties under development		**13,463**	13,463
Deposit paid for the investment in a subsidiary		**6,981**	829
Loan receivables due after one year	*13*	**–**	165
Goodwill		**–**	–
Restricted cash		**123**	123
		253,775	285,361
CURRENT ASSETS			
Completed properties held for sale		**42,618**	8,793
Loan receivables	*13*	**331**	413
Other receivables, deposits and prepayments		**1,568**	2,484
Tax recoverable		**438**	438
Bank balances and cash		**4,840**	1,415
		49,795	13,543
CURRENT LIABILITIES			
Trade and other payables	*14*	**18,570**	21,390
Interest-bearing borrowings	*15*	**25,252**	7,134
Tax payable		**1,071**	1,071
Dividend payable		**42**	42
		44,935	29,637

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30 June 2012

	Notes	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
NET CURRENT ASSETS (LIABILITIES)		**4,860**	(16,094)
TOTAL ASSETS LESS CURRENT LIABILITIES		**258,635**	269,267
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**3,975**	3,979
NET ASSETS		**254,660**	265,288
CAPITAL AND RESERVES			
Share capital	*16*	**50,336**	50,336
Reserves		**204,324**	214,952
TOTAL EQUITY		**254,660**	265,288

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners 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* (*Note*)	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2011 (Audited)	50,336	261,949	5,400	(2,215)	76,522	(128,696)	263,296
Loss for the period	–	–	–	–	–	(10,698)	(10,698)
Exchange differences arising on translations of foreign operations	–	–	–	–	8,726	–	8,726
Total comprehensive income (expenses) for the period	–	–	–	–	8,726	(10,698)	(1,972)
Transfer on lapse of share options	–	–	(1,423)	–	–	1,423	–
At 30 June 2011 (Unaudited)	50,336	261,949	3,977	(2,215)	85,248	(137,971)	261,324
At 1 January 2012 (Audited)	50,336	261,949	–	(2,215)	91,498	(136,280)	265,288
Loss for the period	–	–	–	–	–	(10,379)	(10,379)
Exchange differences arising on translations of foreign operations	–	–	–	–	(249)	–	(249)
Total comprehensive expense for the period	–	–	–	–	(249)	(10,379)	(10,628)
At 30 June 2012 (Unaudited)	50,336	261,949	–	(2,215)	91,249	(146,659)	254,660

Note: Special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries and the nominal value of the Company's shares issued as part of the Group reorganisation in 1999 for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

		Six months ended 30 June	
	Notes	**2012**	2011
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Net cash used in operating activities		**(6,229)**	(6,014)
Net cash used in investing activities		**(6,823)**	(3)
Net cash from financing activities		**16,092**	5,907
Net increase (decrease) in cash and cash equivalents		**3,040**	(110)
Cash and cash equivalents at 1 January		**1,415**	1,537
Effect of foreign exchange rate changes		**385**	30
Cash and cash equivalents at 30 June		**4,840**	1,457
Analysis of the balance of cash and cash equivalents			
Bank balances and cash		**4,840**	1,457

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. GENERAL INFORMATION

Grand Field Group Holdings Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liabilities. The shares of the Company are listed on the Main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company in Hong Kong is located at Unit 1004 B, 10th Floor, Tower 5, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

During the six months ended 30 June 2012, the principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are property development and property investment.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (HK$), which is the same as the functional currency of the Group.

2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

3. PRINCIPAL ACCOUNTING POLICIES

These condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in these condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") issued by the HKICPA.

Amendment to HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopter
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the above amendments to HKFRSs and HKASs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied the following new and revised HKASs, HKFRSs, amendments and interpretation that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 cycle[2]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition guidance[2]

1 *Effective for annual periods beginning on or after 1 July 2012*

2 *Effective for annual periods beginning on or after 1 January 2013*

3 *Effective for annual periods beginning on or after 1 January 2014*

4 *Effective for annual periods beginning on or after 1 January 2015*

Save as disclosed in the annual report of the Company for the year ended 31 December 2011, the directors of the Company (the "Directors") anticipate that the application of the other new and revised standards and amendments issued but not yet effective will have no material impact on the results and financial position of the Group.

4. REVENUE

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

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

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales of properties held for sale	**–**	955
Property rental	**814**	865
	814	1,820

5. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable and operating segments:

Six months ended 30 June 2012 (Unaudited)

	Property development *HK$'000*	Property rental *HK$'000*	Total *HK$'000*
Revenue			
Revenue from external customers	**–**	**814**	**814**
Segment loss	**(5,058)**	**(483)**	**(5,541)**
Unallocated income and gains, net			**4**
Unallocated expenses			**(2,816)**
Loss from operations			**(8,353)**
Finance costs			**(2,026)**
Loss before tax			**(10,379)**

Six months ended 30 June 2011 (Unaudited)

	Property development *HK$'000*	Property rental *HK$'000*	Total *HK$'000*
Revenue			
Revenue from external customers	955	865	1,820
Segment loss	(3,766)	(285)	(4,051)
Unallocated income and gains, net			463
Unallocated expenses			(6,618)
Loss from operations			(10,206)
Finance costs			(492)
Loss before tax			(10,698)

6. INCOME TAX EXPENSES

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong	**–**	–
People's Republic of China ("PRC")		
Enterprise Income Tax	**–**	–
	–	–

PRC Enterprise Income Tax for the subsidiaries incorporated in the PRC is calculated at 25% of the estimated assessable profit for the six months ended 30 June 2012 (six months ended 30 June 2011: 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 2011: 3%).

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 2011: Nil) as there was no temporary difference arisen during the six months ended 30 June 2012.

7. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Amortisation of prepaid premium for land leases	**3,015**	2,781
Auditor's remuneration	**204**	596
Cost of completed properties sold	**–**	1,059
Depreciation	**774**	815
Loss on disposal of investment properties	**–**	14
(Gain) loss on disposal of property, plant and equipment	**(1)**	2
Net foreign exchange loss	**388**	42
Rental charges under operating leases for office premises	**292**	320
Staff costs, including directors' remuneration		
– Salaries and other staff costs	**2,001**	2,641
– Contributions to defined contribution retirement plans	**39**	34

Note: The outgoings related to the gross rental income from investment properties for each of the two periods ended 30 June 2012 and 2011 are negligible.

8. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

9. LOSS PER SHARE

Basic loss per share is calculated based on the loss attributable to owners of the Company for the six months ended 30 June 2012 of approximately HK$10,379,000 (six months ended 30 June 2011: approximately HK$10,698,000) and on weighted average number of 2,516,810,000 (six months ended 30 June 2011: 2,516,810,000) shares issued during the six months ended 30 June 2012.

Diluted loss per share is not presented as there are no diluted events during the six months ended 30 June 2012 and 2011.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired property, plant and equipment with an aggregate cost of approximately HK$134,000 (six months ended 30 June 2011: HK$196,000). There were disposals of property, plant and equipment with no remaining net carring value during the six months ended 30 June 2012 (six months ended 30 June 2011: HK$2,000).

11. INVESTMENT PROPERTIES

Investment properties were assessed annually by BMI Appraisals Limited ("BMI"), an independent professional valuator. Investment properties of the Group were revalued at 31 December 2011 on an open market value basis calculated using the Comparison Approach assuming sales in their existing states with the benefit of vacant possession and by reference to comparable sales / rental evidence as available in the relevant markets. The Directors considered that there are no significant changes by the market on the valuation of investment properties since 31 December 2011. Therefore, the Directors considered that the fair value of investment properties at 30 June 2012 was approximately the same as that of 31 December 2011. During the six months ended 30 June 2012, certain of the Group's investment properties with aggregated carrying value of approximately HK$26,038,000 (six months ended 30 June 2011: Nil) were transferred to completed properties held for sale.

12. PREPAID PREMIUM FOR LAND LEASES

During the six months ended 30 June 2012, the Group acquired prepaid premium for land leases with a cost of approximately HK$37,000 (six months ended 30 June 2011: Nil). During the period, certain of the Group's prepaid premium for land leases with aggregated carrying amount of approximately HK$7,798,000 (six months ended 30 June 2011: Nil) were transferred to completed properties held for sale.

13. LOAN RECEIVABLES

	30 June 2012 *HK$'000* **(Unaudited)**	31 December 2011 *HK$'000* (Audited)
Total loan receivables, net of accumulated impairment loss	**331**	578
Less: current portion classified as current assets	**(331)**	(413)
Balance due after one year	**–**	165

A maturity analysis of loan receivables at the end of reporting period is as follows:

	30 June 2012 *HK$'000* **(Unaudited)**	31 December 2011 *HK$'000* (Audited)
Total loans receivables as below:		
Within one year	**331**	413
In more than one year less than five years	**–**	165
	331	578

14. TRADE AND OTHER PAYABLES

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
Trade payables to building contractors	**1,064**	1,064
Accrued expenses	**5,731**	10,532
Receipts in advance	**6,796**	5,735
Provision for litigation settlement	**1,027**	2,310
Other payables	**3,952**	1,749
Total trade and other payables	**18,570**	21,390

An ageing analysis of trade payables is as follows:

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
Over 1 year	**1,064**	1,064

15. INTEREST-BEARING BORROWINGS

During the six months ended 30 June 2012, the Group obtained new loans, which are denominated in Renminbi ("RMB"), amounting to approximately HK$25,252,000 (during the year ended 31 December 2011: HK$7,134,000). The loans carry interest at 25% per annum and are repayable within one year. It is secured by the 100% shareholdings of a wholly owned subsidiary, Grand Field Group Limited, of the Group. The proceeds were used to finance the business of property development.

During the six months ended 30 June 2012, the Group repaid loans of approximately HK$7,134,000 (during the year ended 31 December 2011: HK$1,168,000).

16. SHARE CAPITAL

	At 30 June 2012		At 31 December 2011	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	'000	***HK$'000***	*'000*	*HK$'000*
	(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
Ordinary shares of HK$0.02 each				
Authorised	**5,000,000**	**100,000**	5,000,000	100,000
Issued and fully paid	**2,516,810**	**50,336**	2,516,810	50,336

17. COMMITMENTS

(a) The capital commitments outstanding at the end of reporting period not provided for were as follows:

	30 June 2012	31 December 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contracted but not provided for:		
Capital contribution to a PRC company *(Note)*	**268,984**	275,392
Property development expenditures	**456**	456
	269,440	275,848

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 廣東省紅岭集團有限公司 on 24 January 2011, a PRC company, 深圳棕科置業有限公司 ("深圳棕科"), has been established in 2011 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 approximately HK$551,880,000), to which the Group agreed to contribute RMB225,120,000 (equivalent to approximately HK$275,940,000), 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 carrying amount of approximately HK$166,068,000 in prepaid premium for the land leases as at 30 June 2012, to 深圳棕科 and cash of RMB67,536,000 (equivalent to approximately HK$82,782,000). In respect of the cash capital, according to the memorandum of association of 深圳棕科, RMB10,130,000 (equivalent to approximately HK$12,417,000) is to be contributed within three months after business license is obtained, RMB23,638,000 (equivalent to approximately HK$28,974,000) is to be contributed within one year after business license is obtained, and the remaining RMB33,768,000 (equivalent to approximately HK$41,400,000) is to be contributed within 2 years after business licence is obtained.

At 30 June 2012, the Group has contributed RMB5,675,000 (equivalent to approximately HK$6,981,000) of cash capital.

(b) At the end of reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2012 *HK$'000* **(Unaudited)**	31 December 2011 *HK$'000* (Audited)
Within one year	**572**	572
In the second to fifth year inclusive	**191**	763
	763	1,335

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 the end of reporting period, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	30 June 2012 *HK$'000* **(Unaudited)**	31 December 2011 *HK$'000* (Audited)
Within one year	**1,544**	1,257
In the second to fifth year inclusive	**2,474**	2,618
	4,018	3,875

18. CONTINGENT LIABILITIES

Litigation

(i) On 6 June 2008, the Company was served with an originating summons ("Originating Summons") issued on 4 June 2008 under High Court Miscellaneous Proceedings No. 1059 of 2008 by Mr. Tsang Wai Lun Wayland ("Tsang"), a former director and shareholder of the Company, as the plaintiff and the Company as the defendant under section 168BC of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong). In the Originating Summons which was amended on 26 February 2009 ("the Amended Originating Summons"), Tsang seeks relief from the High Court of Hong Kong for, inter alia, leave to bring proceedings on behalf of the Company against its 8 then directors, namely, Chu King Fai ("Chu"), Huang Bing Huang ("Huang"), Au Kwok Chuen Vincent ("Au"), Hwang Ho Tyan ("Hwang"), Zhao Juqun ("Zhao"), Yang Biao ("Yang"), Wong Yun Kuen ("Wong") and Mok King Tong ("Mok"). Upon hearing the Amended Originating Summons on 25 and 26 February 2009, the court granted leave to Tsang on 26 February 2009 to bring a statutory derivative action on behalf of the Company against the aforesaid 8 then directors with costs of the application in respect of the Amended Originating Summons be deferred with liberty to apply.

(ii) Pursuant to statutory leave granted under High Court Miscellaneous Proceedings No. 1059 of 2008, Tsang suing as a shareholder for and on behalf of the Company as the plaintiff issued a writ of summons against the aforesaid 8 then directors as 1st to 8th defendants in the High Court of Hong Kong on 18 March 2009 under High Court Action No. 771 of 2009 ("the Action"). The title of the plaintiff was subsequently amended as the name of the Company by a court order dated 29 March 2011.

In summary, the case is that the 8 then directors (comprising the then board of directors of the Company) were in breach of their fiduciary duties and duties of care owed to the Company as directors in that the following resolutions in respect of the following matters were purportedly passed:

(1) a resolution was purportedly passed by the then board of directors of the Company on or about 14 January 2008 ("the Remittance Resolution") to approve a remittance of HK$50,000,000 (equivalent to RMB44,000,000) to a company in the PRC known as Yuan Cheng Real Estate (Shenzhen) Limited (遠程置業(深圳)有限公司) ("Yuan Cheng"), which was set up as a wholly owned subsidiary of Grand Field Group Limited ("Grand Field HK"), despite questions having been raised specifically over the legality of the formation of Yuan Cheng. Grand Field HK is a wholly owned subsidiary of the Group. Thus, the sum of HK$50,000,000 remitted by the Company to Yuan Cheng may have been put under the control of an unauthorized and unlawful entity.

(2) a resolution was purportedly passed by the then board of directors of the Company on or about 27 May 2008 ("the Yangzhou Project Resolution") to sanction an acquisition of a project known as Yi Zheng Economic Development Zone High Technology Industrial Park (儀征經濟開發區高新技術產業園) from Min Tai Development Company Limited (閩泰建設有限公司) at a consideration of HK$88,000,000 with an up-front payment of HK$5,000,000 paid out of the funds of Yuan Cheng.

(3) a resolution was purportedly passed by the then board of directors of the Company on or about 15 March 2008 ("the Management Services Resolution") to sanction the entry of management services agreements by Yuan Cheng with Dongguan City Hua Jia Fu Industry and Trading Limited (東莞市華家富工貿有限公司) and Dongguan City Min Tai Industry and Investment Limited (東莞市閩泰實業投資有限公司), which involve an up-front payment of RMB8,000,000 by Yuan Cheng.

(4) a resolution was purportedly passed by the then board of directors of the Company on or about 27 May 2008 ("the Zhong Cheng Resolution") to sanction the entry of a co-operation framework agreement by Yuan Cheng with a PRC entity known as Shenzhen Zhong Cheng Construction Engineering Company Limited (深圳市中城建設工程有限公司) ("Zhong Cheng"), which required an upfront payment of RMB5,000,000. Yuan Cheng also made 2 subsequent payments to satisfy third parties of the credit worthiness of Zhong Cheng, involving RMB17,000,000.

(5) two resolutions were purportedly passed by Chu, Au, Zhao, Yang, Wong and Mok at a board meeting of the Company on 15 and 20 November 2008 ("the Loan Resolutions") sanctioning Grand Field Property Development (Shenzhen) Company Limited ("Grand Field Shenzhen") to borrow up to RMB50,000,000 purportedly to repay a loan owed to Yuan Cheng and to use the balance as operational capital for the Company. Grand Field Shenzhen is a wholly owned subsidiary of the Group.

Further, alleged loans of RMB33,100,000 were purportedly made by Yuan Cheng to a PRC entity called Shenzhen Hua Ke Nano-Technology Development Company Limited (深圳華科納米技術有限公司) from April to June 2008.

It was the case of Tsang suing in the name of the Company that Yuan Cheng was used as a vehicle in the PRC to channel the HK$50,000,000 for improper purpose not in the interests of and/or with no apparent benefit to the Company and/or to enable the same to be applied for the personal benefit of Chu, his family or related companies. The Company thus has suffered a loss to the extent of HK$50,000,000 as a result of the breach of duties by the 8 then directors to act bona fide in the interests of the Company or to use their powers for a proper purpose.

By reason of the aforesaid, Tsang suing in the name of the Company claims:

(a) damages or equitable compensation in the sum of HK$50,000,000;

(b) an account of all benefits, payments or profits received as a result of the breaches of fiduciary duties by the 8 then directors;

(c) a declaration that the Remittance Resolution, the Yangzhou Project Resolution, the Management Services Resolution, the Zhong Cheng Resolution and the Loan Resolutions passed as board resolutions of the Company were not made bona fide in the interest of the Company;

(d) an order that the Remittance Resolution, the Yangzhou Project Resolution, the Management Services Resolution, the Zhong Cheng Resolution and the Loan Resolutions be set aside; further or alternatively, a declaration that the aforesaid resolutions are invalid, null and void and of no legal effect;

(e) restitution of payment received directly or indirectly by the 8 then directors, or any of them, in breach of their duties;

(f) an injunction against the 8 then directors restraining each of them from continuing as the Company's director and/or exercising the powers as director;

(g) interest;

(h) costs; and

(i) further and/or other relief.

Upon legal advice, Tsang suing in the name of the Company has discontinued the Action against Hwang on 4 August 2010.

The Action is presently being tried at the High Court of Hong Kong from 2 August 2012 with 18 days reserved. Upon commencement of the trial, Tsang suing in the name of the Company has, upon legal advice, settled the Action with Zhao, Yang and Mok that Tsang suing in the name of the Company will not pursue the Action against Zhao, Yang and Mok and with no order as to costs. As for the Action against Chu, Huang, Au and Wong, it is scheduled that the final submission of the Action will be made on 6 September 2012, hence, no judgment of the Action has been pronounced or handed down as of the reporting date. The 8 then directors have already resigned from the Company. They did not remain with the Company and/or have no relationship with the management of the Company. In the opinion of the Directors, the Amended Originating Summons and the Action will have no material impact on the operations of the Group. The Directors cannot reliably measure the financial impact of the Amended Originating Summons and Action on the Group until the judgment of the Action is pronounced or handed down.

(iii) 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.

(iv) Au Kwok Chuen Vincent ("Vincent Au"), 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, Vincent 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 for the year ended 31 December 2010. 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.

19. MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2012, the Group paid consultancy fee of HK$540,000 (six months ended 30 June 2011: HK$503,000) to Grand Field Resources Company Limited ("Grand Field Resources"). Mr. Tsang Wai Lun, Wayland is a director of Grand Field Resources and a substantial shareholder and a former director of the Company.

20. EVENT AFTER THE END OF THE INTERIM PERIOD

Subsequent to 30 June 2012, the Group had made further capital injection of approximately RMB5,034,000 to 深圳棕科. After such capital injection, and in accordance with the Memorandum & Association of 深圳棕科, 深圳棕科 becomes a subsidiary of the Group as the Group has obtained the control and holds 50% of the shareholding of 深圳棕科.

21. COMPARATIVE FIGURES

In order to conform to the current period presentation, certain items in the condensed consolidated income statement for the six months ended 30 June 2011 have been reclassified.

MANAGEMENT DISCUSSION AND ANALYSIS

1 Business Review

Looking back into the first half of 2012, the gradual recovery of the property market in Shenzhen, downward adjustments in loan interest rates by the central bank on two occasions and the launching of the Shenzhen housing provident fund lending policies in the second half of the year are favorable factors that will undoubtedly bring new hopes to the property market in Shenzhen.

During the first half of 2012, the Group was still striving to rejuvenate and regain its business momentum. The hearing of legal proceedings in respect of the former director's "misuse of fund amounting to HK$50,000,000" has commenced at the beginning of August 2012 and is entering into the end of hearing. Furthermore, the Directors and management of the Group co-operated closely with a renowned financial advisory company to actively pursue, plan and prepare for complying with the requirements on resumption of trading as stipulated by the Stock Exchange. It is hoped to bring good news to the shareholders of the Company.

2 Financial Review

During the six months ended 30 June 2012, the Group's revenue amounted to approximately HK$814,000, representing a 55.27% decrease when compared with that of the same period last year. All the Group's revenue were properties rental income.

During the period under review, the Group recorded a net loss attributable to equity shareholders of the Company of approximately HK$10,379,000 (six months ended 30 June 2011: HK$10,698,000).

3 Prospects

Through the efforts and co-operation with the financial advisory company, the Group looks forward to the acceptance of its submitted resumption proposal by the Stock Exchange. After obtaining the Stock Exchange's approval on resumption of trading, the Group will actively explore various projects with development potential and accelerate the current development of Riviera Garden and Telford Garden Phase 3. In order to maintain the stability of the cash flow of the Group, other than the active negotiation regarding the financing proposal with potential investors, the Group has aggressively sought investors to dispose of its interests in Sunning Plaza and the constructed projects and units held for sale, thereby laying a sound economic foundation for the Group.

4 Liquidity and financial resources

As at 30 June 2012, the Group's bank balances and cash were approximately HK$4,840,000 (as at 31 December 2011: HK$1,415,000). The percentage of bank balances and cash denominated in HK$ and RMB were 97.5% and 2.5% respectively (as at 31 December 2011: 39% and 61% respectively).

As at 30 June 2012, the Group recorded total current assets of approximately HK$49,795,000 (as at 31 December 2011: HK$13,543,000) and total current liabilities of approximately HK$44,935,000 (as at 31 December 2011: HK$29,637,000). The Group recorded total assets of approximately HK$303,570,000 (as at 31 December 2011: HK$298,904,000) and the Group's total interest-bearing borrowings amounted to approximately HK$25,252,000 (as at 31 December 2011: HK$7,134,000), 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 25% to 40% (as at 31 December 2011: 36% to 40%).

The Group's gearing ratio, which was calculated on the basis of total borrowings to total assets, was 8.3% as at 30 June 2012 (as at 31 December 2011: 2.4%).

5 Share Capital

	Number of shares	Amount
		HK$'000
Authorized:		
Ordinary shares of HK$0.02 each		
At the beginning and end of period	5,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.02 each		
At the 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 2012, 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 2012, the Group had pledged the shares of its wholly owned subsidiary, Grand Field Group Limited, to the lender, Thrive Season Limited, for a loan facility with maximum amount of RMB41,000,000 (equivalent to HK$50,504,000). The Group has drawn loan of RMB20,500,000 (equivalent to HK$25,252,000) as at 30 June 2012.

8 Employees

For the six months ended 30 June 2012, the Group employed 22 employees (six months ended 30 June 2011: 25) and appointed 9 directors (six months ended 30 June 2011: 9) and the related staff cost amounted to approximately HK$2,040,000 (six months ended 30 June 2011: HK$2,675,000). 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 2012.

10 Contingent Liabilities

Details of contingent liabilities are set out in Note 18 to the condensed consolidated financial statements.

OTHER INFORMATION

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2012, none of the Directors and chief executives 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 2012, 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 the 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 *(Note 1)*	Beneficial Owner	561,750,000	22.32%
Huang Bing Huang *(Note 1)*	Interest of Corporation Controlled	561,750,000	22.32%
Kwok Wai Man, Nancy	Beneficial Owner	14,170,000	0.56%
	Interest of Corporation Controlled *(Note 2)*	479,050,000	19.03%
	Interests of spouse *(Note 3)*	64,210,000	2.55%
Rhenfield Development Corp. *(Note 2)*	Beneficial Owner	479,050,000	19.03%
Tsang Wai Lun, Wayland	Beneficial Owner	64,210,000	2.55%
	Interest of Corporation Controlled *(Note 3)*	479,050,000	19.03%
	Interests of spouse *(Note 4)*	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 2012.

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 contractor 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.

No options were granted, outstanding, lapsed, exercised or cancelled during the six months ended 30 June 2012.

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 2012.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures. The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices to the former Appendix 14 of the Listing Rules (the "Old CG Code") from 1 January 2012 to 31 March 2012 and has complied with all the code provisions as set out in Corporate Governance Code and Corporate Governance Report to the existing Appendix 14 of the Listing Rules (the "New CG Code") from 1 April 2012 to 30 June 2012 except the code provisions A.2.1 of the Old CG Code and A.1.8 of the New CG Code as disclosed below:

Chairman and Chief Executive Officer

According to the code provision A.2.1 of the Old 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 2012, the role of the Chairman is performed by Mr. Ma Xuemian but the office of the CEO is vacated. However, 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.

Directors' and Officers' Liabilities

According to code provision A.1.8 of the New CG Code, the Company should arrange appropriate insurance cover in respect of legal action against the directors of the Company. The Company has been looking for appropriate insurance covering the liabilities of the Directors that may arise out of the corporate activities, but has yet been accepted by any insurance company for such insurance arrangement. However, the Company keeps looking for an appropriate insurance at the Company's best efforts.

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 2012.

AUDIT COMMITTEE

As at 30 June 2012, 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 were revised on 28 March 2012 in compliance with the New 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 2012.

REMUNERATION COMMITTEE

As at 30 June 2012, 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 were revised on 28 March 2012 in compliance with the New 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.

NOMINATION COMMITTEE

As at 30 June 2012, the nomination committee of the Company (the "Nomination Committee") comprises one executive Director, namely Mr. Ma Xuemian and two independent non-executive Directors, namely Ms. Chui Wai Hung and Mr. Liu Chaodong.

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

The main responsibilities of the Nomination Committee include reviewing the structure, size and composition of the Board (including the skills, knowledge and experience) on a regular basis and making recommendations on any proposed changes to the Board.

CORPORATE GOVERNANCE COMMITTEE

As at 30 June 2012, the corporate governance committee of the Company (the "Corporate Governance Committee") comprises one executive Director, namely Mr. Ma Xuemian and two independent non-executive Directors, namely Mr. Liu Chaodong and Ms. Chui Wai Hung.

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

The main responsibilities of the Corporate Governance Committee include formulating and reviewing corporate governance policies and practices of the Group and providing recommendations.

By order of the Board
GRAND FIELD GROUP HOLDINGS LIMITED
MA XUEMIAN
Chairman

Hong Kong, 29 August 2012