



# Grand Field Group Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 115)

## INTERIM REPORT 2014



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## CORPORATE INFORMATION

### Executive Directors

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

### Non-executive Director

Ms. Tsang Tsz Tung, Debbie

### Independent Non-executive Directors

Mr. Hui Pui Wai, Kimber  
Mr. Liu Chaodong  
Ms. Chui Wai Hung

### Company Secretary

Mr. Cheung Yuk Chuen

### Audit Committee

Ms. Chui Wai Hung (*Chairman*)  
Mr. Hui Pui Wai, Kimber  
Mr. Liu Chaodong

### Remuneration Committee

Mr. Hui Pui Wai, Kimber (*Chairman*)  
Mr. Liu Chaodong  
Mr. Ma Xuemian  
Ms. Chui Wai Hung

### Nomination Committee

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

### Corporate Governance Committee

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

### Authorised Representatives

Ms. Chow Kwai Wa, Anne  
Ms. Kwok Siu Wa, Alison

### 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**

ZHONGHUI ANDA CPA Limited  
Unit 701, 7/F., Citicorp Centre,  
18 Whitfield Road,  
Causeway Bay, Hong Kong

## **Property Valuer**

ROMA APPRAISALS LIMITED  
Unit 3806,  
38/F, China Resources Building,  
26 Harbour Road,  
Wan Chai, Hong Kong

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

Codan Services Limited  
Clarendon House,  
2 Church Street,  
Hamilton HM 11,  
Bermuda

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

Tricor Secretaries Limited  
Level 22, Hopewell Centre,  
183 Queen's Road East,  
Hong Kong

## **Principal Banker**

The Bank of East Asia, Limited

## **Website**

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



## **INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF GRAND FIELD GROUP HOLDINGS LIMITED**

**鈞濠集團有限公司**

*(Incorporated in Bermuda with limited liability)*

### **Introduction**

We have reviewed the interim financial information set out on pages 6 to 32 which comprises the condensed consolidated statement of financial position of Grand Field Group Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 30 June 2014 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The 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 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information 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 information is not prepared, in all material respects, in accordance with HKAS 34.

## Emphasis of matter

Without further qualifying our review conclusion, we draw attention to the disclosures made in Note 18 to the condensed consolidated financial statements concerning the possible outcome of various legal proceeding and other contingent liabilities.

### **ZHONGHUI ANDA CPA Limited**

*Certified Public Accountants*

### **Sze Lin Tang**

Practising Certificate Number P03614

Hong Kong, 29 August 2014

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

|   |       | For the six months<br>ended 30 June |                                 |
|---|-------|-------------------------------------|---------------------------------|
|   | Notes | 2014<br>HK\$'000<br>(Unaudited)     | 2013<br>HK\$'000<br>(Unaudited) |
| Revenue   | 5     | 1,230                               | 3,371                           |
| Cost of revenue   |       | (86)                                | (1,508)                         |
| <b>Gross profit</b>   |       | <b>1,144</b>                        | 1,863                           |
| Other revenue   | 5     | 206                                 | 318                             |
| Reversal of impairment loss<br>in respect of other receivables, net |       | –                                   | 1,215                           |
| Impairment loss in respect of loan<br>receivables, net              |       | –                                   | (3)                             |
| Distribution costs  |       | (41)                                | (359)                           |
| Administrative expenses   |       | (41,940)                            | (8,069)                         |
| <b>Loss from operations</b>   |       | <b>(40,631)</b>                     | (5,035)                         |
| Finance costs – interest expenses                                   | 7     | (3,269)                             | (4,875)                         |
| Fair value loss of derivative instruments                           |       | (3,200)                             | –                               |
| <b>Loss before tax</b>  |       | <b>(47,100)</b>                     | (9,910)                         |
| Income tax expense  | 8     | –                                   | –                               |
| <b>Loss for the period</b>  | 9     | <b>(47,100)</b>                     | (9,910)                         |
| <b>Loss for the period attributable to:</b>                         |       |                                     |                                 |
| Owners of the Company   |       | (47,109)                            | (9,976)                         |
| Non-controlling interests   |       | 9                                   | 66                              |
|   |       | <b>(47,100)</b>                     | (9,910)                         |
| <b>Loss per share</b>   | 10    |                                     |                                 |
| Basic (HK cents per share)  |       | (6.59)                              | (1.59)                          |
| Diluted (HK cents per share)  |       | N/A                                 | N/A                             |

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

|   | Notes | For the six months<br>ended 30 June |                                 |
|---|-------|-------------------------------------|---------------------------------|
|   |       | 2014<br>HK\$'000<br>(Unaudited)     | 2013<br>HK\$'000<br>(Unaudited) |
| Loss for the period   | 9     | (47,100)                            | (9,910)                         |
| <b>Other comprehensive income:</b>                                  |       |                                     |                                 |
| <i>Items that may be reclassified to<br/>profit or loss:</i>        |       |                                     |                                 |
| Exchange differences on translation of<br>foreign operations        |       | (742)                               | 1,561                           |
| Total comprehensive loss for the period                             |       | (47,842)                            | (8,349)                         |
| <b>Total comprehensive loss<br/>for the period attributable to:</b> |       |                                     |                                 |
| Owners of the Company   |       | (47,762)                            | (8,603)                         |
| Non-controlling interests   |       | (80)                                | 254                             |
|   |       | (47,842)                            | (8,349)                         |



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

|  | <i>Notes</i> | <b>30 June<br/>2014<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2013<br>HK\$'000<br>(Audited) |
|--|--------------|--|--|
| <b>Non-current assets</b>                          |              |  |  |
| Property, plant and equipment                      | 12           | 1,285  | 1,469  |
| Investment properties                              | 13           | 46,555   | 47,000                                       |
| Prepaid premium for land leases                    |              | 168,427  | 171,595                                      |
| Properties under development                       |              | 13,548   | 13,469                                       |
| Derivative instruments                             | 16           | 1,820  | 5,020  |
|  |              | <b>231,635</b>                                       | 238,553                                      |
| <b>Current assets</b>                              |              |  |  |
| Completed properties held for sale                 |              | 32,668   | 33,049                                       |
| Other receivables, deposits and prepayments        |              | 11,752   | 5,198  |
| Amount due from a director                         |              | 267  | 860  |
| Tax recoverable                                    |              | 54   | 445  |
| Cash and cash equivalents                          |              | 41,065   | 13,646                                       |
|  |              | <b>85,806</b>  | 53,198                                       |
| <b>Current liabilities</b>                         |              |  |  |
| Trade and other payables                           | 14           | 43,863   | 27,706                                       |
| Interest-bearing borrowings                        | 15           | 8,214  | 9,473  |
| Obligation under finance lease due within one year |              | 166  | 162  |
| Amounts due to directors                           |              | 221  | 4,189  |
| Tax payable  |              | 95   | 243  |
|  |              | <b>52,559</b>  | 41,773                                       |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30 June 2014

|   | <i>Notes</i> | <b>30 June<br/>2014<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2013<br>HK\$'000<br>(Audited) |
|---|--------------|--|--|
| <b>Net current assets</b>                         |              | <b>33,247</b>  | 11,425                                       |
| <b>Total assets less current liabilities</b>      |              | <b>264,882</b>                                       | 249,978                                      |
| <b>Non-current liabilities</b>                    |              |  |  |
| Obligation under finance lease due after one year |              | <b>325</b>   | 409  |
| Convertible bonds                                 | 16           | <b>31,876</b>  | 32,207                                       |
| Deferred tax liabilities                          |              | <b>4,085</b>   | 4,124  |
|   |              | <b>36,286</b>  | 36,740                                       |
| <b>NET ASSETS</b>                                 |              | <b>228,596</b>                                       | 213,238                                      |
| <b>Capital and reserves</b>                       |              |  |  |
| Share capital                                     | 17           | <b>76,589</b>  | 50,761                                       |
| Reserves  |              | <b>132,849</b>                                       | 148,139                                      |
| Equity attributable to owners of the Company      |              | <b>209,438</b>                                       | 198,900                                      |
| Non-controlling interests                         |              | <b>19,158</b>  | 14,338                                       |
| <b>TOTAL EQUITY</b>                               |              | <b>228,596</b>                                       | 213,238                                      |

Approved by:

**Ma Xuemian**  
*Director*

**Kwok Siu Wa, Alison**  
*Director*

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

|  | Attributable to owners of the Company |                       |                      |                 |                 |                  |                    | Total    | Non-controlling interests | Total equity |
|--|---------------------------------------|-----------------------|----------------------|-----------------|-----------------|------------------|--------------------|----------|---------------------------|--------------|
|  | Share capital                         | Share premium account | Share option reserve | Special reserve | Capital reserve | Exchange reserve | Accumulated losses |          |                           |              |
|  | HK\$'000                              | HK\$'000              | HK\$'000             | HK\$'000        | HK\$'000        | HK\$'000         | HK\$'000           | HK\$'000 | HK\$'000                  |              |
| At 1 January 2013 (Audited)                                      | 50,336                                | 261,949               | -                    | (2,215)         | -               | 83,513           | (168,680)          | 224,903  | 10,341                    | 235,244      |
| Total comprehensive income/(loss) for the period                 | -                                     | -                     | -                    | -               | -               | 1,373            | (9,976)            | (8,603)  | 254                       | (8,349)      |
| At 30 June 2013 (Unaudited)                                      | 50,336                                | 261,949               | -                    | (2,215)         | -               | 84,886           | (178,656)          | 216,300  | 10,595                    | 226,895      |
| At 1 January 2014 (Audited)                                      | 50,761                                | 264,287               | -                    | (2,215)         | 7,859           | 86,926           | (208,718)          | 198,900  | 14,338                    | 213,238      |
| Total comprehensive income/(loss) for the period                 | -                                     | -                     | -                    | -               | -               | (653)            | (47,109)           | (47,762) | (80)                      | (47,842)     |
| Capital injection from non-controlling interests of a subsidiary | -                                     | -                     | -                    | -               | -               | -                | -                  | -        | 4,900                     | 4,900        |
| Open offer   | 25,381                                | 22,630                | -                    | -               | -               | -                | -                  | 48,011   | -                         | 48,011       |
| Issue of shares for settlement of professional fee               | 447                                   | 1,879                 | -                    | -               | -               | -                | -                  | 2,326    | -                         | 2,326        |
| Equity-settled share option arrangements                         | -                                     | -                     | 7,963                | -               | -               | -                | -                  | 7,963    | -                         | 7,963        |
| At 30 June 2014 (Unaudited)                                      | 76,589                                | 288,796               | 7,963                | (2,215)         | 7,859           | 86,273           | (255,827)          | 209,438  | 19,158                    | 228,596      |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

|   | For the six months ended<br>30 June    |  |
|---|--|--|
|   | 2014<br><i>HK\$'000</i><br>(Unaudited) | 2013<br><i>HK\$'000</i><br>(Unaudited) |
| Net cash flows (used in)/generated<br>from operating activities | (15,374)                               | 2,466                                  |
| Net cash flows (used in)/generated<br>from investing activities | (24)                                   | 196                                    |
| Cash flows from financing activities                            |  |  |
| Interest paid   | (3,600)                                | (4,875)                                |
| New interest-bearing borrowings raised                          | –                                      | 4,080                                  |
| Repayment of interest-bearing borrowings                        | (1,259)                                | –                                      |
| Proceeds from open offer  | 48,011                                 | –                                      |
| Other financing cash flows                                      | (81)                                   | (76)                                   |
| Net cash flows generated from/(used in)<br>financing activities | 43,071                                 | (871)                                  |
| <b>Net increase in cash and cash equivalents</b>                | <b>27,673</b>                          | 1,791                                  |
| Effect of foreign exchange rate changes                         | (254)                                  | 191                                    |
| Cash and cash equivalents at 1 January                          | 13,646                                 | 13,335                                 |
| <b>Cash and cash equivalents at 30 June</b>                     | <b>41,065</b>                          | 15,317                                 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2014*

## 1. GENERAL INFORMATION

Grand Field Group Holdings Limited (the “Company”) is a company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the 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 1004B, 10th Floor, Tower 5, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

During the six months ended 30 June 2014, the principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are investment holding, property development and property investment.

## 2. BASIS OF PREPARATION

The 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 (“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. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting period beginning on 1 January 2014. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current and prior periods.

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

### 4. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Company's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 30 June 2014:

|                                    | Level 1  | Level 2  | Level 3  | 30 June  |
|------------------------------------|----------|----------|----------|----------|
|                                    | HK\$'000 | HK\$'000 | HK\$'000 | 2014     |
|                                    |          |          |          | HK\$'000 |
| Recurring fair value measurements: |          |          |          |          |
| <b>Assets</b>                      |          |          |          |          |
| Derivatives                        |          |          |          |          |
| – convertible bonds                | –        | 1,820    | –        | 1,820    |

#### 4. FAIR VALUE MEASUREMENTS (Continued)

(a) Disclosures of level in fair value hierarchy at 30 June 2014: (Continued)

|                                    | Level 1  | Level 2  | Level 3  | 31 December |
|------------------------------------|----------|----------|----------|-------------|
|                                    | HK\$'000 | HK\$'000 | HK\$'000 | 2013        |
|                                    |          |          |          | HK\$'000    |
| Recurring fair value measurements: |          |          |          |             |
| <b>Assets</b>                      |          |          |          |             |
| Derivatives                        |          |          |          |             |
| – convertible bonds                | –        | 5,020    | –        | 5,020       |

(b) Valuation techniques and inputs used in fair value measurements at 30 June 2014:

##### Level 2 fair value measurements

| Description                     | Valuation technique           | Inputs      | Fair value<br>30 June<br>2014<br>HK\$'000     |
|---------------------------------|-------------------------------|-------------|---|
| <b>Assets</b>                   |                               |             |   |
| Derivatives – convertible bonds | Binomial option pricing model | Share price | <b>1,820</b>                                  |
|                                 |                               |             | Fair value<br>31 December<br>2013<br>HK\$'000 |
| <b>Assets</b>                   |                               |             |   |
| Derivatives – convertible bonds | Binomial option pricing model | Share price | 5,020   |

## 5. REVENUE AND OTHER 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 for the periods ended, and is analysed as follows:

|                                   | <b>Six months ended 30 June</b>                      |  |
|-----------------------------------|--|--|
|                                   | <b>2014</b><br><i>HK\$'000</i><br><b>(Unaudited)</b> | 2013<br><i>HK\$'000</i><br>(Unaudited) |
| <b>Revenue</b>                    |  |  |
| Sales of properties held for sale | –  | 1,829                                  |
| Property rental                   | <b>1,230</b>   | 1,542                                  |
|                                   | <b>1,230</b>   | 3,371                                  |
| <b>Other Revenue</b>              |  |  |
| Interest income on bank deposits  | <b>74</b>  | 113                                    |
| Net foreign exchange gain         | <b>1</b>   | 17                                     |
| Sundry income                     | <b>131</b>   | 188                                    |
|                                   | <b>206</b>   | 318                                    |



## 6. SEGMENT REPORTING

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

### Six months ended 30 June

|   | Property development            |                                 | Property investment             |                                 | Total                           |                                 |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|   | 2014<br>HK\$'000<br>(Unaudited) | 2013<br>HK\$'000<br>(Unaudited) | 2014<br>HK\$'000<br>(Unaudited) | 2013<br>HK\$'000<br>(Unaudited) | 2014<br>HK\$'000<br>(Unaudited) | 2013<br>HK\$'000<br>(Unaudited) |
| <b>Revenue</b>                            |                                 |                                 |                                 |                                 |                                 |                                 |
| External sales                            | –                               | 1,829                           | 1,230                           | 1,542                           | 1,230                           | 3,371                           |
| Segment result                            | –                               | (1,845)                         | 1,103                           | 1,501                           | 1,103                           | (344)                           |
| Unallocated income and gains, net         |                                 |                                 |                                 |                                 | 206                             | 288                             |
| Unallocated expenses                      |                                 |                                 |                                 |                                 | (41,940)                        | (4,979)                         |
| Loss from operations                      |                                 |                                 |                                 |                                 | (40,631)                        | (5,035)                         |
| Finance costs                             |                                 |                                 |                                 |                                 | (3,269)                         | (4,875)                         |
| Fair value loss of derivative instruments |                                 |                                 |                                 |                                 | (3,200)                         | –                               |
| Loss before tax                           |                                 |                                 |                                 |                                 | (47,100)                        | (9,910)                         |

## 7. FINANCE COSTS

### Six months ended 30 June

|  | 2014<br>HK\$'000<br>(Unaudited) | 2013<br>HK\$'000<br>(Unaudited) |
|--|---------------------------------|---------------------------------|
| Interest expenses on borrowings wholly repayable within five years |                                 |                                 |
| – convertible notes (Note 16)                                      | 2,744                           | –                               |
| – other borrowings   | 512                             | 4,858                           |
| Interest on finance lease  | 13                              | 17                              |
|  | <b>3,269</b>                    | <b>4,875</b>                    |

## 8. INCOME TAX EXPENSE

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Under a notice issued on 6 September 2010 by Local Tax Bureau of Longgang District, Shenzhen, PRC Land Appreciation Tax for a subsidiary incorporated in Shenzhen, the PRC, in which property development projects in Shenzhen, is calculated at rates ranging from 5% to 10% (six months ended 30 June 2013: 5% to 10%) of the sales revenue on the respective property development projects.

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group's income neither arises, nor is derived, from Hong Kong in both interim 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.

## 9. LOSS FOR THE PERIOD

The Group's loss for the period is stated after charging the following:

|   | <b>Six months ended 30 June</b>                      |  |
|---|--|--|
|   | <b>2014</b><br><i>HK\$'000</i><br><b>(Unaudited)</b> | 2013<br><i>HK\$'000</i><br>(Unaudited) |
| Cost of completed properties sold                         | –  | 1,241                                  |
| Amortisation of prepaid premium for land leases           | <b>3,014</b>   | 3,015                                  |
| Depreciation  | <b>200</b>   | 168                                    |
| Staff costs (including Directors' emoluments):            |  |  |
| – salaries, bonuses and allowances                        | <b>2,689</b>   | 2,290                                  |
| – share-based compensation                                | <b>7,963</b>   | –                                      |
| – retirement benefits scheme contributions                | <b>101</b>   | 63                                     |
|   | <b>10,753</b>  | 2,353                                  |
| Provision for legal costs                                 | <b>20,000</b>  | –                                      |
| Auditor's remuneration                                    |  |  |
| – Audit services  | –  | 36                                     |
| – Other services  | <b>170</b>   | 180                                    |
| Rental charges under operating leases for office premises | <b>445</b>   | 427                                    |

## 10. LOSS PER SHARE

### Basic loss per share

Basic loss per share is calculated based on the loss for the period attributable to owners of the Company for the six months ended 30 June 2014 of approximately HK\$47,109,000 (six months ended 30 June 2013: HK\$9,976,000) and on the weighted average number of approximately 715,301,000 ordinary shares in issue during the six months ended 30 June 2014 (six months ended 30 June 2013: 629,203,000). The weighted average number of ordinary shares for the period ended 30 June 2014 and 2013 for the purpose of calculating the basic loss per share has been adjusted and restated respectively resulting from the share consolidation and open offer of the Company (Note 17) during the current period.

### Diluted loss per share

Diluted loss per share is not presented as there was no dilutive potential ordinary shares during the six months ended 30 June 2014 and 30 June 2013.

## 11. DIVIDENDS

No dividend was paid, declared or proposed during the interim period (six months ended 30 June 2013: Nil). The directors of the Company (the "Directors") have determined that no dividend will be paid in respect of the interim period.

## 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, property, plant and equipment of approximately HK\$24,000 was acquired by the Group (during six months ended 30 June 2013: HK\$nil).

During the six months ended 30 June 2014 and 2013, no property, plant and equipment was disposed by the Group.

## 13. INVESTMENT PROPERTIES

Investment properties were assessed annually by Roma Appraisals Limited, an independent professional valuer. Investment properties of the Group were revalued at 31 December 2013 on an open market value basis calculated using the Comparison Approach, which conforms to Hong Kong Institute of Surveyors Valuation Standards on Properties. The Directors considered that there are no significant changes of the market on the valuation of investment properties since 31 December 2013. Therefore, the Directors considered that the fair value of investment properties at 30 June 2014 was approximately the same as that of 31 December 2013.

#### 14. TRADE AND OTHER PAYABLES

|   | <b>30 June<br/>2014<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2013<br>HK\$'000<br>(Audited) |
|---|--|--|
| Trade payables to building contractors              | 1,092  | 1,103  |
| Accrued salaries and other operating expenses       | 7,066  | 10,766                                       |
| Accrued interest expense                            | 63   | 180  |
| Deposits received from the sale of properties       | 4,478  | 4,131  |
| Rental deposits received from investment properties | 514  | 528  |
| Amounts payable on return of properties             | 6,430  | 6,848  |
| Provision for legal costs                           | 20,000   | –  |
| Other payables                                      | 4,220  | 4,150  |
|   | <b>43,863</b>  | 27,706                                       |

An ageing analysis of trade payables presented based on the invoice date at the end of reporting period is set out as follows:

|                        | <b>30 June<br/>2014<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2013<br>HK\$'000<br>(Audited) |
|------------------------|--|--|
| Over 360 days past due | 1,092  | 1,103  |

## 15. INTEREST-BEARING BORROWINGS

During the six months ended 30 June 2014, the Group did not obtain any new loan.

Including in the interest-bearing borrowings, a loan with principal amount of RMB4,500,000 (equivalent to approximately HK\$5,724,000) from an independent third party is secured by the completed properties held for sale of the Group's wholly-owned subsidiary. Interest is charged at 1.5% per month and repayable within 1 year from the drawdown date.

Including in the interest-bearing borrowings, a loan from an independent third party of RMB2,000,000 (equivalent to approximately HK\$2,490,000) is secured by personal guarantee by a director of the Company, Mr. Ma Xuemian. Interest is charged at 2.5% per month.

During the six month ended 30 June 2014, the borrowings bear interest at fixed rates ranging from 18% to 36% per annum (during the year ended 31 December 2013: 18% to 36%).

## 16. CONVERTIBLE BONDS

The convertible bonds were issued on 7 October 2013. The convertible bonds are convertible into ordinary shares of the Company at any time between the date of issue of the convertible bonds and their settlement date. At 30 June 2014, the conversion price of the convertible bonds was adjusted to HK\$0.608 per conversion share and the maximum number of conversion shares was adjusted to 49,433,722 accordingly, details are described in the Company's announcement dated 2 September 2013, 7 March 2014 and 8 April 2014.

If the convertible bonds have not been converted, they will be redeemed at par on 6 October 2016. Interest of 17 per cent per annum will be paid every two months up until the convertible bonds are converted or redeemed.

## 16. CONVERTIBLE BONDS (Continued)

The net proceed received from the issue of the convertible bonds has been split between the liability element, derivative component and an equity component, the movements during the period are as follows:

|  | <i>HK\$'000</i> |
|--|-----------------|
| Liability component at 31 December 2013  | 32,207          |
| Interest charged                         | 2,744           |
| Interest paid                            | (3,075)         |
| <hr/>                                    |                 |
| Liability component at 30 June 2014      | 31,876          |
| <hr/>                                    |                 |
| Derivative component at 31 December 2013 | 5,020           |
| Fair value loss for the period           | (3,200)         |
| <hr/>                                    |                 |
| Derivative component at 30 June 2014     | 1,820           |
| <hr/>                                    |                 |

The fair value of the liability component of the convertible loan notes at 30 June 2014 to be approximately HK\$30,326,000, which is arrived at on the basis of a valuation carried out by Roma Appraisals Limited, an independent qualified professional valuer not connected with the Group. This fair value has been calculated by discounting the future cash flows at the market interest rate (level 2 fair value measurements).

## 17. SHARE CAPITAL

|   | <b>30 June<br/>2014<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2013<br>HK\$'000<br>(Audited) |
|---|--|--|
| <b>Authorised:</b>  |  |  |
| 5,000,000,000 Ordinary shares of HK\$0.10 each<br>(31 December 2013: 5,000,000,000<br>Ordinary shares of HK\$0.02 each) | <b>500,000</b>                                       | 100,000                                      |
| <hr/>   |  |  |
| <b>Issued and fully paid:</b>   |  |  |
| 765,893,601 Ordinary shares of HK\$0.10 each<br>(31 December 2013: 2,538,068,278<br>Ordinary shares of HK\$0.02 each)   | <b>76,589</b>  | 50,761                                       |
| <hr/>   |  |  |

## 17. SHARE CAPITAL (Continued)

A summary of the movements in the issued share capital of the Company is as follows:

|  | <b>Number of<br/>shares<br/>'000</b> | <b>Amount<br/>HK\$'000</b> |
|--|--------------------------------------|----------------------------|
| At 1 January 2013  | 2,516,810                            | 50,336                     |
| Issue of shares for professional fee                       | 21,258                               | 425                        |
| At 31 December 2013  | 2,538,068                            | 50,761                     |
| Open offer ( <i>Note (i)</i> )                             | 1,269,034                            | 25,381                     |
| Capital reorganisation ( <i>Note (ii)</i> )                | (3,045,681)                          | –                          |
| Issue of shares for professional fee ( <i>Note (iii)</i> ) | 4,473                                | 447                        |
| At 30 June 2014  | 765,894                              | 76,589                     |

*Note:*

### (i) Open offer

Completion of the open offer took place on 10 March 2014 pursuant to which 1,269,034,139 offer shares were issued under the open offer on the basis of one offer share for every two shares held by the qualifying shareholders at the subscription price of HK\$0.04 per offer share with par value of HK\$0.02 each. Accordingly, the Company's issued share capital was increased by approximately HK\$25,381,000 and its share premium account was increased by approximately HK\$22,630,000, net of the transaction costs related to the open offer by approximately HK\$2,751,000.

## 17. SHARE CAPITAL (Continued)

Note: (Continued)

### (ii) Capital reorganisation

There was a capital reorganisation of the Company effected on 9 April 2014 which comprised the following:

#### *Share Consolidation*

The share consolidation was implemented to consolidate every five (5) issued and unissued shares of par value of HK\$0.02 each into one (1) share ("Consolidated Share") of par value of HK\$0.10 each.

#### *Capital Increase*

The Capital Increase to increase the authorised share capital of the Company from HK\$100,000,000 divided into 1,000,000,000 Consolidated Shares of par value of HK\$0.10 each to HK\$500,000,000 divided into 5,000,000,000 Consolidated Shares of par value of HK\$0.10 each.

### (iii) Issue of shares for professional fee

On 29 April 2014, the Company issued and allotted 4,473,118 Remuneration Shares as to Mr. Wong Vai Nang, sole proprietor of Simon Ho & Co., Solicitors. The premium on the issue of shares amounting to approximately HK\$1,879,000 was credited to the Company's share premium account.



## 18. LITIGATIONS AND CONTINGENT LIABILITIES

### (i) Tsang as plaintiff and the Company as defendant

As per the case issued on 4 June 2008 under High Court Miscellaneous Proceedings No. 1059 of 2008 (“HCMP 1059/2008”) (details please refer to Paragraph 34(i) of the Company’s Annual Report 2013), 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) Tsang as a shareholder and on behalf of the Company as plaintiff and 8 ex-directors as defendants

Pursuant to statutory leave granted under HCMP 1059/2008, 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 brief, the case was in relation to the alleged breaches by the said 8 then directors (comprising the then board of directors of the Company) of their fiduciary duties and duties of care owed to the Company as directors in respect of certain resolutions and proposed transactions and the Company claimed against the aforesaid 8 then directors for damages, etc.

Before the conclusion of the trial, the Company reached settlements with 3rd, 4th, 5th, 6th and 8th Defendant. The hearing of the Action was completed on 24 October 2012 and Judgment was delivered on 17 June 2014 in which, all the claims by the Company were dismissed and costs be granted to the 1st, 2nd and 7th Defendant with certificate of two counsel (“the Judgment”).

For details of the Action please refer to Paragraph 34(ii) of the Company’s Annual Report 2013.

## 18. LITIGATIONS AND CONTINGENT LIABILITIES (Continued)

### (ii) Tsang as a shareholder and on behalf of the Company as plaintiff and 8 ex-directors as defendants (Continued)

After the Judgment, the Company had been claimed by Tsang for re-imbusement of the legal costs pre-paid by Tsang in respect of HCMP 1059/2008 and the Action. According to the independent legal advices sought by the Company, the Company has reimbursed Tsang for the said legal costs.

Furthermore, the Company has to bear the legal costs of the 1st, 2nd and 7th Defendant in the Action pursuant to the Judgment.

In the opinion of the Directors, the legal costs incurred in the Action and HCMP 1059/2008 which the Company has to bear are estimated to be HK\$20 million and provision thereof has been made accordingly. Please refer to the Profit Warning of the Company made on 29 July 2014.

Having sought legal advice, the Company has lodged an appeal to the Court of Appeal on 11 July 2014 against the Judgment under CACV 140/2014 (“the Appeal”). The hearing date of the Appeal has not been fixed.

In the Opinion of the Directors, the Appeal has no material impact on the operations of the Group. However, the Directors cannot reliably measure the financial impact of the Appeal.

\* *According to the above case, the court issued an order for prohibition of sales of the shares of the Company by Hong Kong Zhongxing Group Co., Limited (“HKZX”). The Injunction orders against Huang Binghuang and/or HKZX, a substantial shareholder of the Company and/or Li Yi, the sole shareholder of said HKZX to restrain any of them from disposal of the shares in the said HKZX and in the Company were amended by the Court on 5 June 2014, inter alia, that the restrained amount of the Company’s shares be limited to 80,000,000 shares. The said amended injunction order continues in effect after the delivery of Judgment until the result of the application of the said HKZX to discharge the same, the hearing of which has been fixed on 12 November 2014.*

## 18. LITIGATIONS AND CONTINGENT LIABILITIES (Continued)

### (ii) Tsang as a shareholder and on behalf of the Company as plaintiff and 8 ex-directors as defendants (Continued)

*\*\* Pursuant to the leave granted by High Court on 23 August 2013, the Company has instituted an originating summons against Huang Binghuang and/or Li Yi for contempt of court as a result of their alleged breach of the Injunctions orders granted under the Action. This originating Summons has yet to be tried and the originating summons in the opinion of the Directors, has no material impact on the operation of the Group since neither does Huang Binghuang nor Li Yi hold any office in the Group. The Directors cannot reliably measure the financial impact until the conclusion of these proceedings.*

### (iii) A subsidiary, Shing Fat Hong as plaintiff and its tenant as defendant

For the case of the Group's wholly owned subsidiary, Shing Fat Hong against its tenant (for details please refer to Paragraph 34(iii) of the Company's Annual Report 2013), legal proceedings between Shing Fat Hong and the tenant are still ongoing.

In the opinion of the Directors, the aforesaid legal proceeding will have no material impact on the financial position and operations of the Group.

### (iv) HKZX as plaintiff and the Company as defendant

For the case under High Court Miscellaneous Proceedings No.3278 of 2013 (for details please refer to Paragraph 34(v) of the Company's Annual Report 2013). The hearing of the Originating Summons has been fixed on 8 October 2014 with 2 days reserved.

In the opinion of the Directors, the said originating summons will have no material impact on the operations of the Group.

## 18. LITIGATIONS AND CONTINGENT LIABILITIES (Continued)

**(v) HKZX as plaintiff and Grand Field Group Limited, Grand Field Land Development (Shenzhen) Company Limited, Shenzhen Grand Field Computer Software Development Company Limited and Guangdong Province Hongling Group Company Limited as the defendants**

Under the case no.(2013) Shen Long Fa Min San Chu Zi Di No.941((2013)深龍法民三初字第941號), HKZX initiated civil proceedings against, four companies, namely Grand Field Group Limited, Grand Field Land Development (Shenzhen) Company Limited (鈞濠房地產開發(深圳)有限公司), Shenzhen Grand Field Computer Software Development Company Limited (深圳鈞濠計算機軟件開發有限公司) and Guangdong Province Hongling Group Company Limited (廣東省紅嶺集團有限公司) (please refer to Paragraph 34(vi) of the Company's Annual Report 2013 for details). The judgment of such case had been issued by the Court of First Instance and the suit from HKZX was turned down. HKZX lodged an appeal against the judgment, and the appeal was dismissed by Intermediate People's Court of Shenzhen City, Guangdong Province on 2 September 2014.

## 18. LITIGATIONS AND CONTINGENT LIABILITIES (Continued)

**(vi) The Company as plaintiff and former executive directors Tsang, Kwok, Sino Richest Limited, Worldgate Developments Limited, Logistic China Enterprises Limited, Chintex Gas Company Limited and Wong Chi Keung Ivan as defendants**

For the case under the High Court Action No.HCA2471/2008 (for details please refer to Paragraph 34(vii) of the Company's Annual Report 2013), in the opinion of the Directors, this High Court Action will have no material impact on the operations of the Group as Tsangs have resigned from the Company and they have given undertakings not to be involved in the management of the Company. In fact, the nature of this action is more or less the same as those claimed in HCMP 3278/2013 mentioned hereinbefore. The Company is advised to withhold taking any further action until the result of HCMP3278/2013 comes out. The Directors are of the opinion that this Action shall have no financial impact upon the Company at this stage.

**(vii) The Company as plaintiff and Li Yi, Huang Binghuang and HKZX as defendants**

For the case under High Court Action HCA 85/2014 (for details please refer to Paragraph 34(viii) of the Company's Annual Report 2013), the case is still on-going. As the 2nd Defendant has resigned from the Company and the 1st and 3rd Defendant have not been involved in the Company's management, the Directors are of the opinion that the said action will have no material impact on the operations of the Group. The Directors cannot reliably measure the financial impact of the said writ of summons until the delivery of result thereof.

However, since the Company lost in HCA 771/2009 mentioned hereinbefore, it would be meaningless to pursue these proceedings unless the Company's appeal in CACV 140/2014 should be allowed at the end.

## 18. LITIGATIONS AND CONTINGENT LIABILITIES (Continued)

**(viii) Shenzhen Yizhou Hotel Management Co., Ltd. as plaintiff and Hong Kong Grand Field Group Limited, Grand Field Land Development (Shenzhen) Company Limited, Shenzhen City Liangzi Jingshun Investment Management Co., Ltd. and Huilai County Haoyuan Industrial Co., Ltd. as defendants**

Under the case no. (2013) Shen Luo Fa Min Er Chu Zi Di No. 602((2013)深羅法民二初字第602號), Shenzhen Yizhou Hotel Management Co., Ltd. (深圳市益洲酒店管理有限公司) initiated civil proceedings against four companies, namely Grand Field Land Development (Shenzhen) Company Limited (鈞濠房地產開發(深圳)有限公司), Hong Kong Grand Field Group Limited (香港鈞濠集團有限公司), Shenzhen City Liangzi Jingshun Investment Management Co., Ltd. (深圳市量子景順投資管理有限公司) and Huilai County Haoyuan Industrial Co., Ltd. (惠來縣豪源實業有限公司), and no judgment has been made by the Luo Hu People's Court, Shenzhen. The trial of such case was held on 3 July 2014 with proceedings pending.

**(ix) Shenzhen Grand Field Computer Software Development Company Limited as plaintiff and Grand Field Group Limited, Grand Field Property Development (Shenzhen) Limited and Shenzhen City Liangzi Jingshun Investment Management Co., Ltd. as defendants**

For the case under case no. Shen Luo Fa Min Er Chu Zi Di No. 133 (2014) ((2014)深羅法民二初第133號) (for details please refer to Paragraph 34(xi) of the Company's Annual Report 2013), the proceedings had been started on 20 March and 19 June 2014 respectively and would re-open on 3 September 2014. In order to protect the interest of the Company and Shareholders as a whole, the Group has consulted its Hong Kong legal adviser and was advised, as an alternative, GF Group instituted legal proceedings under H.C.A. 294/2014 ("HCA 294/2014") against HKZX as the recipient of the Re-paid Sum for recovery of the same and interest accrued thereon and costs. The case is still on-going.

In the opinion of the Directors, the HCA 294/2014 will have no material impact on the operations of the Group. However, the Directors cannot reliably measure the financial impact of HCA 294/2014 until its final judgment shall have been delivered.

## 18. LITIGATIONS AND CONTINGENT LIABILITIES (Continued)

- (x) **Shenzhen Yizhou Hotel Management Co., Ltd. as plaintiff, Shenzhen Real Estate Ownership Registration Centre as defendant, Grand Field Group Limited and Grand Field Land Development (Shenzhen) Company Limited as third parties**

Under the case no. (2013) Shen Long Fa Xing Chu Zi Di No. 26((2013)深龍法行初字第26號), Shenzhen Yizhou Hotel Management Co., Ltd. (深圳市益洲酒店管理有限公司) initiated an administrative action to Shenzhen Longgang District People's Court against Shenzhen Real Estate Ownership Registration Centre with Grand Field Group Limited and Grand Field Land Development (Shenzhen) Company Limited (鈞濠房地產開發(深圳)有限公司) as the third parties in the proceedings of such case. The judgment of such case had been issued by the Court of First Instance. As Shenzhen Real Estate Ownership Registration Centre lodged an appeal against the judgment, such case is under the trial of second instance, which will be held by Shenzhen Municipal Intermediate People's Court. Although the appellant for the case under the case no. (2013) Shen Long Fa Xing Chu Zi Di No. 26((2013)深龍法行初字第26號) has lodged an appeal and paid the costs for the trial of second instance, Shenzhen Municipal Intermediate People's Court has yet to provide any information of the trial of second instance for the case.

Save as disclosed above, in the opinion of the Directors, the aforesaid legal proceedings will have no material impact on the financial position and operations of the Group.

## 19. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2014, the emoluments paid or payable to directors and chief executives of the Company were approximately HK\$5,972,000 (six months ended 30 June 2013: HK\$1,403,000).

## 20. CAPITAL COMMITMENTS

The Group had the following material commitments at the end of the period:

|                                       | <b>30 June<br/>2014<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2013<br>HK\$'000<br>(Audited) |
|---------------------------------------|--|--|
| Contracted but not provided for:      |  |  |
| Capital contribution to a PRC company | <b>270,967</b>                                       | 272,700                                      |

*Note:*

On 24 January 2011, the Group entered into an agreement with Shenzhen Grand Field Computer Software Development Company Limited ("SZ Computer") and Guangdong Province Hongling Group Company Limited. Pursuant to the agreement, a PRC company, Shenzhen Zongke Real Estate Co., Ltd. ("Shenzhen Zongke") would be formed to develop a parcel of land located at Buji Shenzhen covering an area of approximately 25,502 square metres ("Shenzhen Land") and is owned as to 50% by the Group. Pursuant to the said agreement, Shenzhen Zongke was incorporated on 30 March 2011. The registered capital of Shenzhen Zongke is RMB450,240,000 (equivalent to approximately HK\$552,442,000), to which the Group agreed to contribute RMB225,120,000 (equivalent to approximately HK\$276,221,000), representing 50% of the registered capital of Shenzhen Zongke.

On 11 June 2012, Shenzhen Zongke has been approved to amend its capital injection pattern and capital injection timetable, in which the cash contribution portion was changed from approximately RMB135,072,000 to RMB329,052,000. The Group was required to contribute the capital by way of transfer of the Group's 50% interest in the Shenzhen Land and cash contribution of approximately RMB164,526,000 to Shenzhen Zongke.



## 20. CAPITAL COMMITMENTS (Continued)

*Note:* (Continued)

On 6 June 2012 and 23 July 2012, the Group had made further cash capital injections of approximately RMB5,006,000 and RMB5,034,000 to Shenzhen Zongke, respectively. In accordance with the Memorandum and Association of Shenzhen Zongke and a supplementary agreement entered between the Group and SZ Computer and Guangdong Province Hongling Group Company Limited, the Group shall appoint two out of the three of the directors forming the board of directors of Shenzhen Zongke. In view of the above, the Directors determined that the Group has obtained the control effectively by controlling the majority of the board of Shenzhen Zongke and holds 50% of the shareholding of Shenzhen Zongke. Hence, Shenzhen Zongke become a subsidiary of the Group thereafter.

At 30 June 2014, the Group has contributed cash portion of approximately RMB10,715,000 (equivalent to approximately HK\$13,167,000) (31 December 2013: RMB10,715,000 (equivalent to approximately HK\$13,167,000)) to Shenzhen Zongke.

## 21. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 29 August 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1 Business Review

In the first half of 2014, the board of Directors (the “Board”) of the Company gathered the effort towards the development of the Dongguan and Shenzhen land despite a few outstanding legal issues. For the sector as whole, it’s a two-tier market. The commercial property market in tier-one cities, generally, is still healthy. But for tier-two cities, we do find an increasing risk of oversupply. As the principal market for the Company’s business development, the Shenzhen property market again still outperformed the national average level in early 2014 due to a robust market demand of premium housing and commercial properties in the city area from end-users. The goal of our Shenzhen project is to create a property with both residential and commercial features. In a few years, this project will attract more people to settle in the city, which can lead to further business development in the area.

### 2 Financial Review

During the six months ended 30 June 2014, the Group’s revenue amounted to approximately HK\$1,230,000, representing a 64% decrease when compared with that of the same period last year. The Group’s revenue were generated from sales of properties held for sale and properties rental income.

During the period under review, the Group recorded a loss attributable to owners of the Company of approximately HK\$47,109,000 (six months ended 30 June 2013: HK\$9,976,000).

### 3 Prospects

In order to cope with the changes in today's real estate industry in China, we must adopt new approaches to address regulatory requirements and financial risks, while meeting the challenges of expanding and achieving sustainable growth. The Company has the ability to mobilize a team of seasoned professionals to address complex and demanding challenges. We are excited about our progress year to date and, as we look forward to the second half of the year, it will be important that we focus on ways to create the growth and carry on the momentum we've created. We remain focused on executing our strategy which we believe will drive substantial returns in the long run.

### 4 Liquidity and Financial Resources

As at 30 June 2014, the Group's cash and cash equivalents were approximately HK\$41,065,000 (31 December 2013: HK\$13,646,000) of which most were denominated in Hong Kong dollar ("HK\$") and Renminbi ("RMB").

As at 30 June 2014, the Group recorded total current assets of approximately HK\$85,806,000 (31 December 2013: HK\$53,198,000) and total current liabilities of approximately HK\$52,559,000 (31 December 2013: HK\$41,773,000). The Group recorded total assets of approximately HK\$317,441,000 (31 December 2013: HK\$291,751,000) and the Group's total interest-bearing borrowings amounted to approximately HK\$8,214,000 (31 December 2013: HK\$9,473,000), 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 ranging from 18% to 36% per annum (31 December 2013: 18% to 36% per annum).

The Group's gearing ratio for the period ended 30 June 2014, which was defined to be current liabilities over shareholders' equity, was 25% (31 December 2013: 21%).

## 5 Share Capital

|                                  | Number of<br>shares | Amount<br><i>HK\$'000</i> |
|----------------------------------|---------------------|---------------------------|
| <i>Authorised:</i>               |                     |                           |
| Ordinary shares of HK\$0.10 each |                     |                           |
| At the end of period             | 5,000,000,000       | 500,000                   |
| <i>Issued and fully paid:</i>    |                     |                           |
| Ordinary shares of HK\$0.10 each |                     |                           |
| At the end of period             | 765,893,601         | 76,589                    |

## 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 2014, 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 Group Assets

At 30 June 2014, the Group has pledged the completed properties held for sale with the carrying amounts of approximately HK\$4,962,000 of its wholly-owned subsidiary for a loan with principal amount of RMB4,500,000 (equivalent to approximately HK\$5,724,000) from an independent third party, details are set out in note 15 to the condensed consolidated financial statements.

## 8 Employees

For the six months ended 30 June 2014, the Group employed 19 employees (six months ended 30 June 2013: 20) and appointed 9 directors (1 director has resigned on 21 July 2014) (six months ended 30 June 2013: 9) and the related staff costs amounted to approximately HK\$10,753,000 (six months ended 30 June 2013: HK\$2,353,000). 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. On 2 May 2014, the Company granted 50,336,200 share options (the "Share Options") to individuals (the "Grantees"), under the share option scheme adopted by the Company on 23 June 2006. The Share Options entitle the Grantees to subscribe for a total of 50,336,200 new shares of HK\$0.10 each in the share capital of the Company at the exercise price of HK\$0.47 per share.

## 9 Material Acquisitions and Disposals

There was no material acquisition or disposal of subsidiaries or associates during the six months ended 30 June 2014.

## 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 2014 (six months ended 30 June 2013: Nil).

### DIRECTORS' INTERESTS IN SHARES

As at 30 June 2014, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

| <b>Name of Directors</b> | <b>Capacity/<br/>nature of interests</b> | <b>Number of<br/>ordinary<br/>share(s) held</b> | <b>Total interests<br/>as percentage<br/>of the issued<br/>share capital</b> |
|--------------------------|--|---|--|
| Ma Xuemian               | Beneficial Owner                         | 4,530,258<br><i>(Note)</i>                      | 0.90%  |
| Kwok Siu Bun             | Beneficial Owner                         | 4,026,896<br><i>(Note)</i>                      | 0.80%  |
| Chow Kwai Wa, Anne       | Beneficial Owner                         | 4,026,896<br><i>(Note)</i>                      | 0.80%  |
| Kwok Siu Wa, Alison      | Beneficial Owner                         | 4,026,896<br><i>(Note)</i>                      | 0.80%  |
| *Tsang Tsz Nok, Aleen    | Beneficial Owner                         | 3,523,534<br><i>(Note)</i>                      | 0.70%  |

| <b>Name of Directors</b> | <b>Capacity/<br/>nature of interests</b> | <b>Number of<br/>ordinary<br/>share(s) held</b> | <b>Total interests<br/>as percentage<br/>of the issued<br/>share capital</b> |
|--------------------------|--|---|--|
| Tsang Tsz Tung, Debbie   | Beneficial Owner                         | 3,523,534<br><i>(Note)</i>                      | 0.70%  |
| Hui Pui Wai, Kimber      | Beneficial Owner                         | 1,510,086<br><i>(Note)</i>                      | 0.30%  |
| Liu Chaodong             | Beneficial Owner                         | 1,510,086<br><i>(Note)</i>                      | 0.30%  |
| Chui Wai Hung            | Beneficial Owner                         | 1,510,086<br><i>(Note)</i>                      | 0.30%  |

*Note:* These shares represent the share options granted by the Company on 2 May 2014 under the share option scheme.

\* Resigned as Director on 21 July 2014

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES**

As at 30 June 2014, 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:

| <b>Name of Shareholders</b>                           | <b>Capacity/<br/>nature of interests</b> | <b>Number of<br/>ordinary<br/>share(s) held</b> | <b>Total interests<br/>as percentage<br/>of the issued<br/>share capital</b> |
|---|--|---|--|
| Hongkong Zhongxing Group Co., Limited <i>(Note 1)</i> | Beneficial Owner                         | 157,858,000                                     | 20.61%   |
| Li Yi <i>(Note 1)</i>                                 | Interest of Controlled Corporation       | 157,858,000                                     | 20.61%   |

| <b>Name of Shareholders</b>          | <b>Capacity/<br/>nature of interests</b>    | <b>Number of<br/>ordinary<br/>share(s) held</b> | <b>Total interests<br/>as percentage<br/>of the issued<br/>share capital</b> |
|--------------------------------------|---|---|--|
| Kwok Wai Man, Nancy                  | Beneficial Owner                            | 10,056,529                                      | 1.31%  |
|                                      | Interest of Controlled Corporation (Note 2) | 143,715,000                                     | 18.76%   |
|                                      | Interest of Spouse (Note 3)                 | 19,263,000                                      | 2.52%  |
| Rhenfield Development Corp. (Note 2) | Beneficial Owner                            | 143,715,000                                     | 18.76%   |
| Tsang Wai Lun, Wayland               | Beneficial Owner                            | 19,263,000                                      | 2.52%  |
|                                      | Interest of Controlled Corporation (Note 2) | 143,715,000                                     | 18.76%   |
|                                      | Interests of Spouse (Note 4)                | 10,056,529                                      | 1.31%  |

*Note 1:* Hongkong Zhongxing Group Co., Limited is owned by Mr. Li Yi. He is deemed to be interested in 157,858,000 shares of the Company pursuant to the Part XV of the SFO.

*Note 2:* Rhenfield Development Corp. is owned by Ms. Kwok Wai Man, Nancy and Mr. Tsang Wai Lun, Wayland in equal shares. Ms. Kwok Wai Man, Nancy and Mr. Tsang Wai Lun, Wayland are deemed to be interested in 143,715,000 shares of the Company pursuant to the Part XV of the SFO.

*Note 3:* 19,263,000 shares of the Company are owned by Mr. Tsang Wai Lun, Wayland, spouse of Ms. Kwok Wai Man, Nancy. Ms. Kwok Wai Man, Nancy is deemed to be interested in 19,263,000 shares of the Company pursuant to the Part XV of the SFO.

*Note 4:* 10,056,529 shares of the Company are owned by Ms. Kwok Wai Man, Nancy, spouse of Mr. Tsang Wai Lun, Wayland. Mr. Tsang Wai Lun, Wayland is deemed to be interested in 10,056,529 shares of the Company 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 2014.



## 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 of the Company under the Share Option Scheme will be a price determined by the Board in its absolute discretion but shall be not less than the highest of (i) the closing price of the shares of the Company 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 of the Company 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 of the Company.

The maximum number of shares of the Company in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company 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 of the Company 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 Share Option Scheme from 23 June 2006.

The following shows the outstanding position of the Directors and the other employees of the Company as at 30 June 2014 with respect to their share options granted under both the Share Option Scheme.

| Name or category of grantees | Date of grant of share options | Exercise Price (HK\$) | Exercise Period         | Balance as at 01.01.2014 | Number of share options   |                             |                          |                             | Balance as at 30.06.2014 |
|------------------------------|--------------------------------|-----------------------|-------------------------|--------------------------|---------------------------|-----------------------------|--------------------------|-----------------------------|--------------------------|
|                              |                                |                       |                         |                          | Granted during the Period | Exercised during the Period | Lapsed during the Period | Cancelled during the Period |                          |
| <b>Directors</b>             |                                |                       |                         |                          |                           |                             |                          |                             |                          |
| Ma Xuemian                   | 02/05/2014<br>(Note)           | 0.470                 | 02/05/2014 – 01/05/2017 | –                        | 4,530,258                 | –                           | –                        | –                           | 4,530,258                |
| Kwok Siu Bun                 | 02/05/2014<br>(Note)           | 0.470                 | 02/05/2014 – 01/05/2017 | –                        | 4,026,896                 | –                           | –                        | –                           | 4,026,896                |
| Chow Kwai Wa, Anne           | 02/05/2014<br>(Note)           | 0.470                 | 02/05/2014 – 01/05/2017 | –                        | 4,026,896                 | –                           | –                        | –                           | 4,026,896                |
| Kwok Siu Wa, Alison          | 02/05/2014<br>(Note)           | 0.470                 | 02/05/2014 – 01/05/2017 | –                        | 4,026,896                 | –                           | –                        | –                           | 4,026,896                |
| *Tsang Tsz Nok, Aleen        | 02/05/2014<br>(Note)           | 0.470                 | 02/05/2014 – 01/05/2017 | –                        | 3,523,534                 | –                           | –                        | –                           | 3,523,534                |
| Tsang Tsz Tung, Debbie       | 02/05/2014<br>(Note)           | 0.470                 | 02/05/2014 – 01/05/2017 | –                        | 3,523,534                 | –                           | –                        | –                           | 3,523,534                |
| Hui Pui Wai, Kimber          | 02/05/2014<br>(Note)           | 0.470                 | 02/05/2014 – 01/05/2017 | –                        | 1,510,086                 | –                           | –                        | –                           | 1,510,086                |
| Liu Chaodong                 | 02/05/2014<br>(Note)           | 0.470                 | 02/05/2014 – 01/05/2017 | –                        | 1,510,086                 | –                           | –                        | –                           | 1,510,086                |
| Chui Wai Hung                | 02/05/2014<br>(Note)           | 0.470                 | 02/05/2014 – 01/05/2017 | –                        | 1,510,086                 | –                           | –                        | –                           | 1,510,086                |
| Subtotal                     |                                |                       |                         | –                        | 28,188,272                | –                           | –                        | –                           | 28,188,272               |
| <b>Other Employees</b>       |                                |                       |                         |                          |                           |                             |                          |                             |                          |
| In aggregate                 | 02/05/2014<br>(Note)           | 0.470                 | 02/05/2014 – 01/05/2017 | –                        | 22,147,928                | –                           | –                        | –                           | 22,147,928               |
| <b>Total</b>                 |                                |                       |                         | –                        | 50,336,200                | –                           | –                        | –                           | 50,336,200               |

*Note:* The closing price of the shares immediately before 2 May 2014, on which those options were granted, was HK\$0.470.

\* Resigned as Director on 21 July 2014

## **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 2014.

## **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 Corporate Governance Code and Corporate Governance Report to the Appendix 14 of the Listing Rules (the "CG Code") during the six months ended 30 June 2014 except the code provisions A.2.1 of the CG Code as disclosed below:

### **Chairman and Chief Executive**

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

During the six months ended 30 June 2014, the role of the chairman of the Company is performed by Mr. Ma Xuemian but the office of the chief executive officer of the Company 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.

## 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 2014.

## AUDIT COMMITTEE

As at 30 June 2014, the audit committee of the Company (the "Audit Committee") comprised three independent non-executive Directors, namely Ms. Chui Wai Hung (chairman of the Audit Committee), Mr. Hui Pui Wai, Kimber and Mr. Liu Chaodong.

The Board 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 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 2014.

## REMUNERATION COMMITTEE

As at 30 June 2014, the remuneration committee of the Company (the “Remuneration Committee”) comprised one executive Director, namely Mr. Ma Xuemian and three independent non-executive Directors, namely Mr. Hui Pui Wai, Kimber (chairman of the Remuneration Committee), Mr. Liu Chaodong and Ms. Chui Wai Hung.

The Board 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 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 2014, the nomination committee of the Company (the “Nomination Committee”) comprised one executive Director, namely Mr. Ma Xuemian and two independent non-executive Directors, namely Mr. Liu Chaodong (chairman of the Nomination Committee) and Ms. Chui Wai Hung.

The Board adopted a set of written terms of reference, which described the authorities and duties of the Nomination Committee, and on 28 August 2013 the contents of which were resolved to be revised with effect from 1 September 2013 in compliance with the 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, identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships; assessing the independence of independent non-executive Directors; making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors; review and monitor the implementation of board diversity policy.

## **CORPORATE GOVERNANCE COMMITTEE**

As at 30 June 2014, the corporate governance committee of the Company (the “Corporate Governance Committee”) comprised one executive Director, namely Mr. Ma Xuemian (chairman of the Corporate Governance Committee) 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 describes the authorities and duties of the Corporate Governance Committee, and the contents of which are in compliance with the 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.

## **DISCLOSURE OF CHANGE OF INFORMATION OF DIRECTORS UNDER RULES 13.51(2) AND 13.51B(1) OF THE LISTING RULES**

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of information on the Directors are as follows:

Mr. Ma Xuemian and Ms. Chow Kwai Wa, Anne were appointed as the directors of China Hantong Wine Group Holdings Limited (中國漢唐酒業集團控股有限公司), a subsidiary of the Company, on 30 April 2014.

### **SUBSEQUENT EVENT**

#### **Resignation of non-executive Director and cessation to act as alternate Director**

Ms. Tsang Tsz Nok, Aleen has resigned as a non-executive Director and Ms. Kwok Siu Wa, Alison ceased to act as the alternate Director to Ms. Tsang Tsz Nok, Aleen with effect from 21 July 2014.

By order of the Board

**GRAND FIELD GROUP HOLDINGS LIMITED**

**MA XUEMIAN**

*Chairman*

Hong Kong, 29 August 2014