

Interim  
Report  
2015



**Grand Field Group Holdings Limited**

(Incorporated in Bermuda with limited liability)

(Stock Code: 115)

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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 Adviser on Bermuda Law**

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

## **Legal Adviser on Hong Kong Law**

Simon Ho & Co. Solicitors  
Room 1502, 15th Floor  
Hong Kong Trade Centre  
161-167 Des Voeux Road Central  
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

## **Branch 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.gfghl.com>



中匯  
ZHONGHUI

**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 31 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 2015 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 (“HKICPA”). 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 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 litigations and other contingent liabilities.

### **ZHONGHUI ANDA CPA Limited**

*Certified Public Accountants*

### **Ngan Hing Hon**

Practising Certificate Number P05294

Hong Kong, 28 August 2015

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

|                                             |       | For the six months<br>ended 30 June |                                 |
|---------------------------------------------|-------|-------------------------------------|---------------------------------|
|                                             | Notes | 2015<br>HK\$'000<br>(Unaudited)     | 2014<br>HK\$'000<br>(Unaudited) |
| Revenue                                     | 5     | 2,114                               | 1,230                           |
| Cost of revenue                             |       | (925)                               | (86)                            |
| <b>Gross profit</b>                         |       | <b>1,189</b>                        | 1,144                           |
| Other revenue                               | 5     | 239                                 | 206                             |
| Selling and distribution costs              |       | (11)                                | (41)                            |
| Administrative expenses                     |       | (18,652)                            | (41,940)                        |
| <b>Loss from operations</b>                 |       | <b>(17,235)</b>                     | (40,631)                        |
| Finance cost                                | 7     | (1,871)                             | (3,269)                         |
| Gain on settlement of convertible bonds     | 16    | 393                                 | –                               |
| Fair value loss of derivative instruments   |       | –                                   | (3,200)                         |
| <b>Loss before tax</b>                      |       | <b>(18,713)</b>                     | (47,100)                        |
| Income tax expense                          | 8     | –                                   | –                               |
| <b>Loss for the period</b>                  | 9     | <b>(18,713)</b>                     | (47,100)                        |
| <b>Loss for the period attributable to:</b> |       |                                     |                                 |
| Owners of the Company                       |       | (15,606)                            | (47,109)                        |
| Non-controlling interests                   |       | (3,107)                             | 9                               |
|                                             |       | <b>(18,713)</b>                     | (47,100)                        |
| <b>Loss per share</b>                       | 10    |                                     |                                 |
| Basic (HK cents per share)                  |       | (1.83)                              | (6.59)                          |
| Diluted (HK cents per share)                | 10    | N/A                                 | N/A                             |



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

For the six months ended 30 June 2015

|                                                                                                    | Notes | For the six months<br>ended 30 June |                                 |
|----------------------------------------------------------------------------------------------------|-------|-------------------------------------|---------------------------------|
|                                                                                                    |       | 2015<br>HK\$'000<br>(Unaudited)     | 2014<br>HK\$'000<br>(Unaudited) |
| Loss for the period                                                                                | 9     | (18,713)                            | (47,100)                        |
| <b>Other comprehensive income:</b><br><i>Items that may be reclassified to<br/>profit or loss:</i> |       |                                     |                                 |
| Exchange differences on translation<br>of foreign operations                                       |       | (1,095)                             | (742)                           |
| <b>Total comprehensive loss for the period</b>                                                     |       | <b>(19,808)</b>                     | <b>(47,842)</b>                 |
| <b>Total comprehensive loss<br/>for the period attributable to:</b>                                |       |                                     |                                 |
| Owners of the Company                                                                              |       | (16,068)                            | (47,762)                        |
| Non-controlling interests                                                                          |       | (3,740)                             | (80)                            |
|                                                                                                    |       | <b>(19,808)</b>                     | <b>(47,842)</b>                 |



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

|                                             | <i>Notes</i> | <b>30 June<br/>2015<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2014<br>HK\$'000<br>(Audited) |
|---------------------------------------------|--------------|------------------------------------------------------|----------------------------------------------|
| <b>Non-current assets</b>                   |              |                                                      |                                              |
| Property, plant and equipment               | 12           | <b>18,359</b>                                        | 1,220                                        |
| Investment properties                       | 13           | <b>30,947</b>                                        | 46,000                                       |
| Prepaid premium for land leases             |              | <b>310,109</b>                                       | 316,509                                      |
| Properties for sale under development       |              | <b>19,397</b>                                        | 18,790                                       |
| Derivative instruments                      | 16           | –                                                    | 251                                          |
|                                             |              | <b>378,812</b>                                       | 382,770                                      |
| <b>Current assets</b>                       |              |                                                      |                                              |
| Inventories                                 |              | <b>1</b>                                             | 909                                          |
| Properties held for sale                    |              | <b>32,832</b>                                        | 32,958                                       |
| Other receivables, deposits and prepayments |              | <b>10,454</b>                                        | 14,428                                       |
| Amount due from a director                  |              | <b>65</b>                                            | 118                                          |
| Tax recoverable                             |              | <b>96</b>                                            | 97                                           |
| Cash and cash equivalents                   |              | <b>24,950</b>                                        | 9,274                                        |
|                                             |              | <b>68,398</b>                                        | 57,784                                       |
| <b>Current liabilities</b>                  |              |                                                      |                                              |
| Trade and other payables                    | 14           | <b>37,861</b>                                        | 39,586                                       |
| Interest-bearing borrowings                 | 15           | <b>12,315</b>                                        | 5,634                                        |
| Obligation under a finance lease            |              | <b>174</b>                                           | 170                                          |
| Amounts due to directors                    |              | <b>10</b>                                            | 261                                          |
| Tax payable                                 |              | <b>1,214</b>                                         | 242                                          |
|                                             |              | <b>51,574</b>                                        | 45,893                                       |

|                                                 | <i>Notes</i> | <b>30 June<br/>2015<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2014<br>HK\$'000<br>(Audited) |
|-------------------------------------------------|--------------|------------------------------------------------------|----------------------------------------------|
| <b>Net current assets</b>                       |              | <b>16,824</b>                                        | 11,891                                       |
| <b>Total assets less current liabilities</b>    |              | <b>395,636</b>                                       | 394,661                                      |
| <b>Non-current liabilities</b>                  |              |                                                      |                                              |
| Obligation under a finance lease                |              | <b>151</b>                                           | 239                                          |
| Convertible bonds                               | <i>16</i>    | –                                                    | 31,632                                       |
| Deferred tax liabilities                        |              | <b>4,096</b>                                         | 4,113                                        |
|                                                 |              | <b>4,247</b>                                         | 35,984                                       |
| <b>NET ASSETS</b>                               |              | <b>391,389</b>                                       | 358,677                                      |
| <b>Capital and reserves</b>                     |              |                                                      |                                              |
| Share capital                                   | <i>17</i>    | <b>92,689</b>                                        | 76,589                                       |
| Reserves                                        |              | <b>135,002</b>                                       | 114,650                                      |
| Equity attributable to owners of<br>the Company |              | <b>227,691</b>                                       | 191,239                                      |
| Non-controlling interests                       |              | <b>163,698</b>                                       | 167,438                                      |
| <b>TOTAL EQUITY</b>                             |              | <b>391,389</b>                                       | 358,677                                      |

Approved by:

**Ma Xuemian**  
*Director*

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

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

|                                                                              | Attributable to owners of the Company |                       |                      |                 |                 |                  |                    | 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 2014 (audited)                                                  | 50,761                                | 264,287               | -                    | (2,215)         | 7,859           | 86,926           | (208,718)          | 198,900                   | 14,338         | 213,238        |
| Total comprehensive loss for the period (unaudited)                          | -                                     | -                     | -                    | -               | -               | (653)            | (47,109)           | (47,762)                  | (80)           | (47,842)       |
| Capital injection from non-controlling interests of a subsidiary (unaudited) | -                                     | -                     | -                    | -               | -               | -                | -                  | -                         | 4,900          | 4,900          |
| Open offer (unaudited)                                                       | 25,381                                | 22,630                | -                    | -               | -               | -                | -                  | 48,011                    | -              | 48,011         |
| Issue of shares for settlement of professional fee (unaudited)               | 447                                   | 1,879                 | -                    | -               | -               | -                | -                  | 2,326                     | -              | 2,326          |
| Equity-settled share option arrangements (unaudited)                         | -                                     | -                     | 7,963                | -               | -               | -                | -                  | 7,963                     | -              | 7,963          |
| <b>At 30 June 2014 (unaudited)</b>                                           | <b>76,589</b>                         | <b>288,796</b>        | <b>7,963</b>         | <b>(2,215)</b>  | <b>7,859</b>    | <b>86,273</b>    | <b>(255,827)</b>   | <b>209,438</b>            | <b>19,158</b>  | <b>228,596</b> |
| At 1 January 2015 (audited)                                                  | 76,589                                | 288,796               | 7,963                | (2,215)         | 7,859           | 86,820           | (274,573)          | 191,239                   | 167,438        | 358,677        |
| Total comprehensive loss for the period (unaudited)                          | -                                     | -                     | -                    | -               | -               | (462)            | (15,606)           | (16,068)                  | (3,740)        | (19,808)       |
| Issue of shares for settlement of professional fee (unaudited)               | 931                                   | 2,048                 | -                    | -               | -               | -                | -                  | 2,979                     | -              | 2,979          |
| Equity-settled share option arrangements (unaudited)                         | 5,868                                 | 16,430                | -                    | -               | -               | -                | -                  | 22,298                    | -              | 22,298         |
| Share option exercised (unaudited)                                           | 782                                   | 4,144                 | (1,249)              | -               | -               | -                | -                  | 3,677                     | -              | 3,677          |
| Issue of shares for settlement of convertible bonds (unaudited)              | 8,519                                 | 20,870                | -                    | -               | (5,823)         | -                | -                  | 23,566                    | -              | 23,566         |
| <b>At 30 June 2015 (unaudited)</b>                                           | <b>92,689</b>                         | <b>332,288</b>        | <b>6,714</b>         | <b>(2,215)</b>  | <b>2,036</b>    | <b>86,358</b>    | <b>(290,179)</b>   | <b>227,691</b>            | <b>163,698</b> | <b>391,389</b> |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

|                                                            | For the six months<br>ended 30 June    |                                        |
|------------------------------------------------------------|----------------------------------------|----------------------------------------|
|                                                            | 2015<br><i>HK\$'000</i><br>(Unaudited) | 2014<br><i>HK\$'000</i><br>(Unaudited) |
| Net cash flows used in operating activities                | (5,125)                                | (15,374)                               |
| Cash flows from investing activities                       |                                        |                                        |
| Purchase of property, plant and equipment                  | (3,094)                                | (24)                                   |
| Proceeds from disposal of property,<br>plant and equipment | 12                                     | –                                      |
| Net cash flows used in investing activities                | (3,082)                                | (24)                                   |
| Cash flows from financing activities                       |                                        |                                        |
| Interest paid                                              | (1,135)                                | (3,600)                                |
| Repayment of interest-bearing borrowings                   | –                                      | (1,259)                                |
| Proceeds from open offer                                   | –                                      | 48,011                                 |
| Proceeds from share option exercised                       | 3,677                                  | –                                      |
| Proceeds from placing of shares                            | 22,298                                 | –                                      |
| Repayment of obligation under a finance lease              | (84)                                   | (81)                                   |
| Net cash flows generated from financing activities         | 24,756                                 | 43,071                                 |
| <b>Net increase in cash and cash equivalents</b>           | <b>16,549</b>                          | 27,673                                 |
| Effect of foreign exchange rate changes                    | (873)                                  | (254)                                  |
| Cash and cash equivalents at 1 January                     | 9,274                                  | 13,646                                 |
| <b>Cash and cash equivalents at 30 June</b>                | <b>24,950</b>                          | 41,065                                 |
| <b>Analysis of cash and cash equivalents</b>               |                                        |                                        |
| Bank and cash balances                                     | 24,950                                 | 41,065                                 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2015*

## 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.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are investment holding, property development, property investment and trading of wines.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2015 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 as well as with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

These unaudited condensed financial statements should be read in conjunction with the Group’s 2014 annual financial statements. The accounting policies and methods of computation used in the preparation of these unaudited condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2014.

### **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 2015. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; 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.

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.





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

(b) Valuation techniques and inputs used in fair value measurements at 30 June 2015:

##### Level 2 fair value measurements

| Description                                 | Valuation technique           | Inputs                 | (Unaudited)                                          |
|---------------------------------------------|-------------------------------|------------------------|------------------------------------------------------|
|                                             |                               |                        | Fair value<br>30 June<br>2015<br><i>HK\$'000</i>     |
| <b>Assets</b>                               |                               |                        |                                                      |
| Investment properties<br>– Commercial – PRC | Market comparable approach    | Price per square metre | <b>30,947</b>                                        |
|                                             |                               |                        | (Audited)                                            |
|                                             |                               |                        | Fair value<br>30 December<br>2014<br><i>HK\$'000</i> |
| <b>Assets</b>                               |                               |                        |                                                      |
| Investment properties<br>– Commercial – PRC | Market comparable approach    | Price per square metre | 46,000                                               |
| Derivatives – convertible loan              | Binomial option pricing model | Share price            | 251                                                  |

## 5. REVENUE AND OTHER REVENUE

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

Revenue represents the aggregate of net amounts received and receivable for property rental income and trading of wines for the periods ended, and is analysed as follows:

|                                  | <b>Six months ended 30 June</b>                      |                                        |
|----------------------------------|------------------------------------------------------|----------------------------------------|
|                                  | <b>2015</b><br><i>HK\$'000</i><br><b>(Unaudited)</b> | 2014<br><i>HK\$'000</i><br>(Unaudited) |
| <b>Revenue</b>                   |                                                      |                                        |
| Property rental                  | <b>1,175</b>                                         | 1,230                                  |
| Trading of wines                 | <b>939</b>                                           | –                                      |
|                                  | <b>2,114</b>                                         | 1,230                                  |
| <b>Other revenue</b>             |                                                      |                                        |
| Interest income on bank deposits | <b>8</b>                                             | 74                                     |
| Net foreign exchange gain        | –                                                    | 1                                      |
| Sundry income                    | <b>231</b>                                           | 131                                    |
|                                  | <b>239</b>                                           | 206                                    |

## 6. SEGMENT REPORTING

### (a) Segment revenue and results

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

#### Six months ended 30 June

|                                           | Trading of wine                 |                                 | Property development            |                                 | Property investment             |                                 | Total                           |                                 |
|-------------------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|                                           | 2015<br>HK\$'000<br>(unaudited) | 2014<br>HK\$'000<br>(unaudited) | 2015<br>HK\$'000<br>(unaudited) | 2014<br>HK\$'000<br>(unaudited) | 2015<br>HK\$'000<br>(unaudited) | 2014<br>HK\$'000<br>(unaudited) | 2015<br>HK\$'000<br>(unaudited) | 2014<br>HK\$'000<br>(unaudited) |
| <b>Revenue</b>                            |                                 |                                 |                                 |                                 |                                 |                                 |                                 |                                 |
| External sales                            | 939                             | -                               | -                               | -                               | 1,175                           | 1,230                           | 2,114                           | 1,230                           |
| Segment result                            | 14                              | -                               | -                               | -                               | 1,164                           | 1,103                           | 1,178                           | 1,103                           |
| Unallocated income and gains, net         |                                 |                                 |                                 |                                 |                                 |                                 | 239                             | 206                             |
| Unallocated expenses                      |                                 |                                 |                                 |                                 |                                 |                                 | (18,652)                        | (41,940)                        |
| Loss from operations                      |                                 |                                 |                                 |                                 |                                 |                                 | (17,235)                        | (40,631)                        |
| Finance costs                             |                                 |                                 |                                 |                                 |                                 |                                 | (1,871)                         | (3,269)                         |
| Gain on settlement of convertible bonds   |                                 |                                 |                                 |                                 |                                 |                                 | 393                             | -                               |
| Fair value loss of derivative instruments |                                 |                                 |                                 |                                 |                                 |                                 | -                               | (3,200)                         |
| Loss before tax                           |                                 |                                 |                                 |                                 |                                 |                                 | (18,713)                        | (47,100)                        |
| Income tax expense                        |                                 |                                 |                                 |                                 |                                 |                                 | -                               | -                               |
| Loss for the period                       |                                 |                                 |                                 |                                 |                                 |                                 | (18,713)                        | (47,100)                        |

### (b) Segment assets and liabilities

|                     | Trading of wine                 |                               | Property development            |                               | Property investment             |                               | Total                           |                               |
|---------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
|                     | 2015<br>HK\$'000<br>(unaudited) | 2014<br>HK\$'000<br>(audited) | 2015<br>HK\$'000<br>(unaudited) | 2014<br>HK\$'000<br>(audited) | 2015<br>HK\$'000<br>(unaudited) | 2014<br>HK\$'000<br>(audited) | 2015<br>HK\$'000<br>(unaudited) | 2014<br>HK\$'000<br>(audited) |
| Segment assets      | 1                               | 909                           | 362,337                         | 368,257                       | 30,947                          | 46,000                        | 393,285                         | 415,166                       |
| Segment liabilities | (86)                            | (92)                          | (2,163)                         | (1,196)                       | (4,096)                         | (4,113)                       | (6,345)                         | (5,401)                       |

## 7. FINANCE COST

|                                        | Six months ended 30 June        |                                 |
|----------------------------------------|---------------------------------|---------------------------------|
|                                        | 2015<br>HK\$'000<br>(unaudited) | 2014<br>HK\$'000<br>(unaudited) |
| Interest expenses on borrowings        |                                 |                                 |
| – convertible bonds ( <i>Note 16</i> ) | 347                             | 2,744                           |
| – other borrowings                     | 1,515                           | 512                             |
| Interest on finance lease              | 9                               | 13                              |
|                                        | <b>1,871</b>                    | <b>3,269</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 2014: 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:

|                                                   | Six months ended 30 June        |                                 |
|---------------------------------------------------|---------------------------------|---------------------------------|
|                                                   | 2015<br>HK\$'000<br>(Unaudited) | 2014<br>HK\$'000<br>(Unaudited) |
| Cost of wines sold                                | 925                             | –                               |
| Amortisation of prepaid premium for land leases   | 5,133                           | 3,014                           |
| Depreciation                                      | 1,117                           | 200                             |
| Staff costs (including Directors' remuneration):  |                                 |                                 |
| – salaries, bonuses and allowances                | 2,685                           | 2,689                           |
| – share-based compensation                        | –                               | 7,963                           |
| – retirement benefits scheme contributions        | 123                             | 101                             |
|                                                   | <b>2,808</b>                    | 10,753                          |
| Loss on disposal of property, plant and equipment | 40                              | –                               |
| Provision for compensation of a legal case        | –                               | 20,000                          |
| Operating lease charges on land and buildings     | 332                             | 445                             |

## 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 2015 of approximately HK\$15,606,000 (six months ended 30 June 2014: HK\$47,109,000) and on the weighted average number of approximately 852,525,000 ordinary shares in issue during the six months ended 30 June 2015 (six months ended 30 June 2014: 715,301,000).

### 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 2015 and 30 June 2014.

## **11. DIVIDENDS**

No dividend was paid, declared or proposed during the interim period (six months ended 30 June 2014: Nil).

## **12. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 June 2015, property, plant and equipment approximately of HK\$3,094,000 was acquired by the Group (during six months ended 30 June 2014: HK\$nil) and approximately of HK\$15,053,000 transferred from investment properties (during six months ended 30 June 2014: HK\$nil).

During the six months ended 30 June 2015, property, plant and equipment with carrying value approximately of HK\$52,000 was disposed by the Group (during six months ended 30 June 2014: HK\$nil).

## **13. INVESTMENT PROPERTIES**

Investment properties were assessed annually by Roma Appraisals Limited ("Roma"), an independent professional valuer. Investment properties of the Group were revalued at 31 December 2014 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 of the market on the valuation of investment properties since 31 December 2014. Therefore, the Directors considered that the fair value of investment properties at 30 June 2015 was approximately the same as that of 31 December 2014.

During the six months ended 30 June 2015, investment properties of approximately HK\$15,053,000 was transferred to property, plant and equipment (during six months ended 30 June 2014: HK\$nil).

## 14. TRADE AND OTHER PAYABLES

|                                                     | <b>30 June<br/>2015<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2014<br>HK\$'000<br>(Audited) |
|-----------------------------------------------------|------------------------------------------------------|----------------------------------------------|
| Trade payables to building contractors              | <b>1,181</b>                                         | 1,192                                        |
| Accrued salaries and other operating expenses       | <b>6,500</b>                                         | 9,702                                        |
| Deposits received from the sale of properties       | <b>8,699</b>                                         | 5,958                                        |
| Rental deposits received from investment properties | <b>38</b>                                            | 1,306                                        |
| Amounts payable on return of properties             | <b>6,448</b>                                         | 6,817                                        |
| Provision for compensation of a legal case          | <b>9,959</b>                                         | 9,959                                        |
| Other payables                                      | <b>5,036</b>                                         | 4,652                                        |
|                                                     | <b>37,861</b>                                        | 39,586                                       |

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/>2015<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2014<br>HK\$'000<br>(Audited) |
|------------------------|------------------------------------------------------|----------------------------------------------|
| Over 360 days past due | <b>1,181</b>                                         | 1,192                                        |



## 15. INTEREST-BEARING BORROWINGS

Included in the interest-bearing borrowings, a loan with principal amount of HK\$7,055,703 from an independent third party which was converted from the convertible bonds on 6 February 2015 (note 16), which is unsecured, interest is charged at 17% per annum and repayable within 1 year from the loan effective date. On 22 July 2015, the Company issued 23,461,177 new shares to repay the loan. Details are described in the Company's announcement dated 22 July 2015.

Also, included in the interest-bearing borrowings, a loan with principal amount of RMB4,500,000 (equivalent to approximately HK\$5,331,000) from an independent third party is secured by the properties 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. This borrowings bear interest at fixed rates of 1.5% per month (during the year ended 31 December 2014: 1.5% to 2.5% per month).

## 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 notes and their settlement date. At 6 February 2015, the Company has conditionally agreed to allot and issue 85,185,185 settlement shares at the subscription price of HK\$0.270 per settlement share for partial repurchase of the convertible bonds in the principal amount of HK\$23,000,000 and convert the remaining principal amount of the convertible bonds of HK\$7,055,703 into a loan on and subject to the terms and conditions of the 2015 settlement agreement, details are described in the Company's announcement dated 6 February 2015 and 11 February 2015.

On 6 February 2015, the Company issued and allotted 85,185,185 shares as to repurchase the convertible bonds. The premium on the issue of shares amounting to approximately HK\$20,870,000 was credited to the Company's share premium account.

## 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 2014                      | 31,632          |
| Interest charged                                             | 347             |
| Interest paid                                                | (852)           |
| Settlement of convertible bonds                              | (31,127)        |
| <hr/>                                                        |                 |
| Liability component at 30 June 2015                          | –               |
| Derivative component at 31 December 2014                     | 251             |
| Settlement of convertible bonds                              | (251)           |
| <hr/>                                                        |                 |
| Derivative component at 30 June 2015                         | –               |
| Carrying amount of liability component on convertible bonds  | 31,127          |
| Fair value of settlement of the allotment of shares          | (23,327)        |
| Fair value of the settlement of short term loan              | (7,156)         |
| Carrying amount of derivative component on convertible bonds | (251)           |
| <hr/>                                                        |                 |
| Gain on settlement of convertible bonds                      | 393             |
| <hr/>                                                        |                 |

## 17. SHARE CAPITAL

|                                                                                                                       | <b>30 June<br/>2015<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2014<br>HK\$'000<br>(Audited) |
|-----------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|----------------------------------------------|
| <b>Authorised:</b>                                                                                                    |                                                      |                                              |
| 5,000,000,000 Ordinary shares of HK\$0.1 each<br>(31 December 2014: 5,000,000,000 Ordinary<br>shares of HK\$0.1 each) | <b>500,000</b>                                       | 500,000                                      |
| <b>Issued and fully paid:</b>                                                                                         |                                                      |                                              |
| 926,892,396 Ordinary shares of HK\$0.1 each<br>(31 December 2014: 765,893,601<br>Ordinary shares of HK\$0.1 each)     | <b>92,689</b>                                        | 76,589                                       |

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 2014                                                         | 2,538,068                            | 50,761                     |
| Open offer                                                                | 1,269,034                            | 25,381                     |
| Capital reorganisation                                                    | (3,045,681)                          | –                          |
| Issue of shares for professional fee                                      | 4,473                                | 447                        |
| At 31 December 2014                                                       | 765,894                              | 76,589                     |
| Issue of shares for professional fee ( <i>Note i</i> )                    | 9,310                                | 931                        |
| Issue of new shares ( <i>Note ii</i> )                                    | 58,680                               | 5,868                      |
| Issue of shares for settlement of convertible bonds<br>( <i>Note 16</i> ) | 85,185                               | 8,519                      |
| Share option exercised ( <i>Note iii</i> )                                | 7,824                                | 782                        |
| At 30 June 2015                                                           | 926,893                              | 92,689                     |

## 17. SHARE CAPITAL (Continued)

*Note:*

### **(i) Issue of shares for professional fee**

On 30 January 2015, the Company issued and allotted 9,310,076 ordinary shares of HK\$0.1 each as to Mr. Wong Vai Nang, sole proprietor of Simon Ho & Co., Solicitors for settlement of the fee for legal advisory services provided. The premium on the issue of shares amounting to approximately HK\$2,048,000 was credited to the Company's share premium account.

### **(ii) Issue of new shares**

On 26 May 2015, the Company issued and allotted 58,680,000 ordinary shares of HK\$0.01 each to the subscribers at a price of HK\$0.38 per share and the premium on the issue of shares, amounting to approximately HK\$16,430,000 was credited to the Company's share premium account.

### **(iii) Share option exercised**

During the six months ended 30 June 2015, the Company issued 7,824,000 ordinary shares of HK\$0.10 each for cash at a price of HK\$0.47 per share, for a total amount of approximately HK\$3,677,000, pursuant to the exercise of the Company's share option.

## 18. LITIGATIONS AND CONTINGENT LIABILITIES

- (i) An Originating Summons was issued on 4 June, 2008 under High Court Miscellaneous Proceedings No.1059 of 2008 (“H.C.M.P. 1059/2008”) 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 (the old Cap.32 of the Law of Hong Kong), details of which please refer to Paragraph 33(i) of the Company’s Annual Report 2014.
- (ii) Pursuant to the statutory leave granted under H.C.M.P. 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 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 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 transactions and the Company claimed against the aforesaid 8 then directors for damages, etc.

Before the conclusion of the trial, the Company reached settlement 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 case please refer to Paragraph 33(ii) of the Company’s Annual Report 2014.

After the Judgment, the Company had been claimed by Tsang for re-imbursement of the legal costs pre-paid by Tsang in respect of H.C.M.P. 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.

## 18. LITIGATIONS AND CONTINGENT LIABILITIES (Continued)

(ii) (Continued)

In the opinion of the Directors after having sought legal advice, the legal costs incurred in the Action and HCMP 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.

\* *Upon the Application of the Company the court granted an order as amended on 5 June 2014 for prohibition of disposal of the Shares of the Company by Hong Kong Zhongxing Group Co., Limited a then substantial shareholder of the Company ("HKZX") and/or Li Yi, the sole shareholder thereof to the amount of HK\$40,000,000. The said injunction order was discharged by the court on 12 November 2014.*

\*\* *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 this originating summons and the Appeal.*

(iii) Having sought legal advice of the Action, the Company has lodged an appeal to the Court of Appeal on 11 July 2014 against the Judgment under C.A.C.V. 140/2014 ("the Appeal"). The hearing date of the Appeal has been fixed on 9 December 2015 with two days reserved.

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.

(iv) On 5 December 2013, an originating summons instituted by HKZX as plaintiff and the Company as defendant under High Court Miscellaneous Proceedings No.3278 of 2013 was instituted. The said plaintiff seeks leave from the High Court under section 168BC of the Companies Ordinance (the old Cap.32 of the Law of Hong Kong) to claim on behalf of the Company against Tsang Wai Lun Wayland and Kwok Wai Man Nancy (hereinafter collectively referred to as "Tsangs"), the former Chairman and executive directors of the Company respectively for their alleged breach of fiduciary duties and claims costs to be paid by the Company on an indemnity basis.

## 18. LITIGATIONS AND CONTINGENT LIABILITIES (Continued)

(iv) (Continued)

After hearing of the said Originating Summons, upon the Company's undertaking to pursue the High Court Action No.H.C.A. 2471/2008, details of which are prescribed in paragraph (viii) hereinafter and to keep the Plaintiff informed of the progress thereof, the Court ordered that the said originating summons be adjourned sine die with liberty to apply. By an order dated 20 November 2014, the Company should pay the costs of the said originating summons to plaintiff, the amount of which had been agreed and paid by the Company.

- (v) On 14 January 2014, the Company as plaintiff has instituted a Writ of Summons under High Court Action No.H.C.A. 85/2014 against 1st Defendant Li Yi, the sole shareholder of HKZX, a substantial shareholder of the Company, 2nd Defendant, Huang Binghuang, a former executive director of the Company and 3rd Defendant the HKZX. Please refer to Paragraph 33(ix) of the Company's 2014 Annual Report for details thereof.

The writ of summons has been served upon the said Hongkong Zhongxing Group Co. Limited on 15 January 2014. The Defence and the Reply thereto have been filed by the HKZX and the Company respectively. According to legal advice, whether or not to proceed with this action much depend on the outcome of the Appeal.

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 conclusion thereof.

- (vi) The Case no.(2013) Shen Luo Fa Min Er Chu Zi Di No.602(2013) under which Shenzhen Yizhou Hotel Management Co., Limited as plaintiff initiated proceedings against, among others, four companies, namely GF Land Development (Shenzhen), Hong Kong Grand Field Group Limited, Shenzhen City Liangzi Jingshun Investment Management Co., Limited, and Huilai County Haoyuan Industrial Co., Limited for the alleged jeopardizing the plaintiff's Right. This case was heard and judgment was delivered on 10 July 2014 in favour of the Defendants. However, the plaintiff appeals and the hearing date of the appeal has not been fixed.

The Directors are of the opinion that the case has no material impact on the operations of the group but are unable to assess the impact on the financial position of the Group relating to this case.



## 18. LITIGATIONS AND CONTINGENT LIABILITIES (Continued)

- (vii) A summons was issued and filed with Lo Hu Court against GF Land Development (Shenzhen) in which Shenzhen City YiZhou Hotel Management Company Limited as plaintiff claims against GF Land Development (Shenzhen) as defendant for a total sum of RMB13,380,000 and interest. By a civil judgment of Lo Hu Court dated 21 October 2014, it was ordered, inter alia, that the interest of GF Land Development (Shenzhen) in Shenzhen Land was distrained up to the amount of RMB12,717,600 pending the outcome of the Summons. The substantial issues of this summons have not been tried yet.

By a civil judgment of Lo Hu Court dated 5 December 2014 the Shenzhen Land forely distrained had been released after the provision of the properties owned by Shing Fat Hong Limited, a subsidiary of the Company as guaranty. The amount to be distrained remains RMB12,717,600 pending the outcome of the Summons. After the said release, the registered title of the Shenzhen Land has been successfully transferred into Shenzhen Zongke.

In the opinion of the Directors, the summons have no material impact on the operations of the Group. However, the Directors cannot reliably measure the financial impact of the summons until the summons has been finally concluded.

- (viii) Pursuant to Order granted in H.C.M.P. 3278/2013 as mentioned in paragraph (iv) hereinbefore, the Company has instructed Counsel to amend the statement of claim of High Court Action No.H.C.A. 2471/2008 which was instituted in 2008 by the Company as Plaintiff against, inter alia, its former executive directors and current substantial shareholders Mr. Tsang Wai Lun Wayland and Madam Kwok Wai Man Nancy as 1st and 2nd Defendants and the claims against the remaining Defendants were upon having sought legal advice, discontinued. The amended statement of claim has been served upon the said 1st and 2nd Defendants and the Company is still waiting for their defence, if any.

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. The Directors are of the opinion that this Action shall have no financial impact upon the Company at this stage.

## 18. LITIGATIONS AND CONTINGENT LIABILITIES (Continued)

- (ix) (a) On 19 February 2014 the Company received a writ of summons (the “China Writ of Summons”) issued and filed with the Luo Hu People’s Court, Shenzhen City, PRC (“the Court”) by SZ Computer (“the Plaintiff”) claiming against GF Land Development (Shenzhen) (the “1st Defendant”), a wholly-owned subsidiary of GF Group, GF Group (the 2nd Defendant”) and a Shenzhen City Liangzi Jingshun Investment Management Co., Ltd (the 3rd Defendant”), an Independent Third Party (the 1st, 2nd and 3rd Defendants are hereinafter collectively referred to as “the Defendants”) for repayment of a sum of RMB5,000,000 plus accrued interest calculated up to 2nd December, 2013 for RMB3,500,000 and costs. For details please refer to paragraph 33 (xii)(a) of the Company’s Annual Report 2014.

The Writ of Summons was heard and the Plaintiff’s claims were dismissed by the judgment dated 30 October 2014. However, the Plaintiff appealed against the said judgment and the hearing date of the appeal has not been fixed.

- (b) 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 against HKZX as the recipient of the Re-paid Sum for recovery of the same and interest accrued thereon and costs (“the Hong Kong Writ of Summons”). The hearing date of the Hong Kong Writ of Summons has not been fixed.

In the opinion of the Directors, the China Writ of Summons and the Hong Kong Writ of Summons will have no material impact on the operations of the Group. However, the Directors cannot reliably measure the financial impact of the said China and Hong Kong Writ of Summons until its final judgment shall have been delivered.

- (x) Under the case no.(2013) Shen Long Fa Xing Chu Zi Di No.26(2013), Shenzhen Yizhou Hotel Management Co., Limited initiated an administrative action relating to the registration of ownership of Shenzhen Land 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 as the third parties in these proceedings. The judgment was entered in favour of the said Yizhou Hotel Management Co., Limited. SZ Computer as one of the other third parties appealed. The said appeal was heard and allowed and the said judgment was struck off.

In the opinion of the Directors, the said proceedings have no material impact on the operations of the Group.

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. MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2015, the emoluments paid or payable to directors and chief executives of the Company were approximately HK\$1,011,500 (six months ended 30 June 2014: HK\$5,972,000).

## 20. CAPITAL COMMITMENTS

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

|                                       | <b>30 June<br/>2015<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2014<br>HK\$'000<br>(Audited) |
|---------------------------------------|------------------------------------------------------|----------------------------------------------|
| Contracted but not provided for:      |                                                      |                                              |
| Capital contribution to a PRC company | <b>270,967</b>                                       | 272,700                                      |

## 21. EVENTS AFTER THE REPORTING PERIOD

### Issue of Remuneration Shares

On 22 July 2015, 6,714,754 shares were allotted and issued to Mr. Wong Vai Nang, sole proprietor of Simon Ho & Co., Solicitors, at an issue price of HK\$0.305 per share for settlement of the legal advisory services provided by Simon Ho & Co., Solicitors.

### Issue of Settlement Shares

On 22 July 2015, 23,461,177 shares were allotted and issued to Thrive Season Limited at the issue price of HK\$0.305 per share for repayment of an interest bearing loan in the principal amount of HK\$7,055,703.

## 22. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 August 2015.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 1 Business Review

The first half of 2015 is over and what's interesting is that the Group had in June 2015 made a new business venture in the Chinese dairy market by forming a new joint venture company namely G & H International Holding Limited ("G&H") where we are interested in 60% equity interest in G&H. G&H will be participating in the distribution of milk powder and dairy products including butter, cheese, UHT milk in the PRC as well as other imported food products such as meats, packed foods, food ingredients and sea foods in the PRC and East Asian markets from New Zealand.

The formation of the new strategic alliance would not be made possible without the growing demand from Chinese consumers. The Group is pleased to be able to work together with our new strategic partner, Zeabica Dairy Trading (Hong Kong) Company and, through this alliance, make a positive contribution and commitment to the growth of China's dairy industry.

During the reporting period, the Company has made a decent progress dedicating to the development of our ZongKe project. The basic design and the structure of project have been progressively formed, and the Company team is working closely with the related government departments as well as professional parties on various permits and licenses.

## 2 Financial Review

During the six months ended 30 June 2015, the Group's revenue amounted to approximately HK\$2,114,000, representing a 72% increase when compared with that of the same period last year. The Group's revenue were generated from properties rental income and sales of wines.

During the period under review, the Group recorded a loss attributable to owners of the Company of approximately HK\$15,606,000 (six months ended 30 June 2014: HK\$47,109,000).

### 3 Prospects

The roller coaster ride of the stock performance in recent months has made many investors asking: does the selloff represent a systemic risk to the Chinese and global economy. It is true that the company's stock price is closely tied to the market performance. Given that the growth of the Chinese economy is slowing since early 2015, the Chinese real estate market is becoming more challenging. However, we are of the view that the pace is still under control and is reflected by a steady growth in real estate price. The Group has continued to seek funding channels from financial institutions as well as various private networks to develop existing real estate projects.

In view of the more challenging atmosphere in the Chinese real estate market, the management of the Company has explored and will continue to explore potential high net worth investment to broaden income source and diversify business risk.

Looking forward, the Board will continue to lead the Company with dedicated spirit to overcome the difficulties ahead and achieve an outstanding result.

### 4 Liquidity and Financial Resources

As at 30 June 2015, the Group's cash and cash equivalents were approximately HK\$24,950,000 (31 December 2014: HK\$9,274,000) of which most were denominated in Hong Kong dollar ("HK\$") and Renminbi ("RMB").

As at 30 June 2015, the Group recorded total current assets of approximately HK\$68,398,000 (31 December 2014: HK\$57,784,000) and total current liabilities of approximately HK\$51,574,000 (31 December 2014: HK\$45,893,000). The Group recorded total assets of approximately HK\$447,210,000 (31 December 2014: HK\$440,554,000) and the Group's total interest-bearing borrowings amounted to approximately HK\$12,315,000 (31 December 2014: HK\$5,634,000), all of them are repayable within one year.

All of the Group's borrowings for the period under review were denominated in HK\$ and RMB and such borrowings carried interest rates ranging from 17% per annum and 1.5% per month (31 December 2014: 1.5% to 2.5% per month).

The Group's gearing ratio for the period ended 30 June 2015, which was defined to be current liabilities over shareholders' equity, was 23% (31 December 2014: 24%).

## 5 Share Capital

|                                  | Number of<br>shares | Amount<br>HK\$'000 |
|----------------------------------|---------------------|--------------------|
| <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             | 926,892,396         | 92,689             |

## 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 2015, 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 2015, the Group has pledged the completed properties held for sale with the carrying amounts of approximately HK\$4,928,000 of its wholly-owned subsidiary for a loan with principal amount of RMB4,500,000 (equivalent to approximately HK\$5,331,000) from an independent third party.

## **8 Employees**

For the six months ended 30 June 2015, the Group employed 25 employees (six months ended 30 June 2014: 19) and appointed 8 directors (six months ended 30 June 2014: 9) and the related staff costs amounted to approximately HK\$2,808,000 (six months ended 30 June 2014: HK\$10,753,000). 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.

## **9 Material Acquisitions and Disposals**

There was no material acquisition or disposal of subsidiaries or associates during the six months ended 30 June 2015.

## **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 2015 (six months ended 30 June 2014: Nil).

### DIRECTORS' INTERESTS IN SHARES

As at 30 June 2015, 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 1)</i>                    | 0.49%                                                                        |
| Kwok Siu Bun             | Beneficial Owner                         | 4,026,896<br><i>(Note 2)</i>                    | 0.43%                                                                        |
| Chow Kwai Wa, Anne       | Beneficial Owner                         | 4,026,896<br><i>(Note 3)</i>                    | 0.43%                                                                        |
| Kwok Siu Wa, Alison      | Beneficial Owner                         | 4,026,896<br><i>(Note 4)</i>                    | 0.43%                                                                        |

| <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 1)</i>                    | 0.38%                                                                        |
| Hui Pui Wai, Kimber      | Beneficial Owner                         | 1,510,086<br><i>(Note 1)</i>                    | 0.16%                                                                        |
| Liu Chaodong             | Beneficial Owner                         | 1,510,086<br><i>(Note 1)</i>                    | 0.16%                                                                        |
| Chui Wai Hung            | Beneficial Owner                         | 1,510,086<br><i>(Note 1)</i>                    | 0.16%                                                                        |

*Note:*

1. These shares represent the share options granted by the Company on 2 May 2014 under the share option scheme.
2. 3,026,896 shares represent the share options granted by the Company on 2 May 2015 under the share option scheme.
3. 2,726,896 shares represent the share options granted by the Company on 2 May 2015 under the share option scheme.
4. 2,026,896 shares represent the share options granted by the Company on 2 May 2015 under the share option scheme.

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

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2015, 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 Shareholders                             | Capacity/<br>nature of interests                        | Number of<br>ordinary<br>share(s) held | Total interests<br>as percentage<br>of the issued<br>share capital |
|--------------------------------------------------|---------------------------------------------------------|----------------------------------------|--------------------------------------------------------------------|
| Kwok Wai Man, Nancy                              | Beneficial Owner                                        | 10,056,529                             | 1.08%                                                              |
|                                                  | Interest of Controlled<br>Corporation ( <i>Note 1</i> ) | 143,715,000                            | 15.51%                                                             |
|                                                  | Interest of Spouse<br>( <i>Note 2</i> )                 | 19,263,000                             | 2.08%                                                              |
| Rhenfield Development Corp.<br>( <i>Note 1</i> ) | Beneficial Owner                                        | 143,715,000                            | 15.51%                                                             |
| Tsang Wai Lun, Wayland                           | Beneficial Owner                                        | 19,263,000                             | 2.08%                                                              |
|                                                  | Interest of Controlled<br>Corporation ( <i>Note 1</i> ) | 143,715,000                            | 15.51%                                                             |
|                                                  | Interests of Spouse<br>( <i>Note 3</i> )                | 10,056,529                             | 1.08%                                                              |

*Note 1:* 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 2:* 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 3:* 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 2015.

## 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 2015 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 01.01.2015 | Number of share options   |                             |                          |                             | Balance as at 30.06.2015 |
|------------------------------|--------------------------------|-----------------------|-------------------------|--------------------------|---------------------------|-----------------------------|--------------------------|-----------------------------|--------------------------|
|                              |                                |                       |                         |                          | 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                | -                         | 1,000,000                   | -                        | -                           | 3,026,896                |
| Chow Kwai Wa, Anne           | 02/05/2014<br>(Note)           | 0.470                 | 02/05/2014 – 01/05/2017 | 4,026,896                | -                         | 1,300,000                   | -                        | -                           | 2,726,896                |
| Kwok Siu Wa, Alison          | 02/05/2014<br>(Note)           | 0.470                 | 02/05/2014 – 01/05/2017 | 4,026,896                | -                         | 2,000,000                   | -                        | -                           | 2,026,896                |
| 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                     |                                |                       |                         | 24,664,738               | -                         | 4,300,000                   | -                        | -                           | 20,364,738               |
| <b>Former Director</b>       |                                |                       |                         |                          |                           |                             |                          |                             |                          |
| *Tsang Tsz Nok, Aleen        | 02/05/2014<br>(Note)           | 0.470                 | 02/05/2014 – 01/05/2017 | 3,523,534                | -                         | 3,523,534                   | -                        | -                           | -                        |
| <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               | -                         | 7,823,534                   | -                        | -                           | 42,512,666               |

*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 2015.

## **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 2015 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 2015, the role of the chairman of the Company (the "Chairman") was performed by Mr. Ma Xuemian but the office of the chief executive officer of the Company has been 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 2015.

## AUDIT COMMITTEE

As at 30 June 2015, the audit committee of the Company (the “Audit Committee”) currently comprises 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 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 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 2015.

## REMUNERATION COMMITTEE

As at 30 June 2015, 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. Hui Pui Wai, Kimber (chairman of the Remuneration Committee), 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 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 2015, the nomination committee of the Company (the “Nomination Committee”) comprises 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 has 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 current 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; reviewing and monitoring the implementation of board diversity policy.

## CORPORATE GOVERNANCE COMMITTEE

As at 30 June 2015, the corporate governance committee of the Company (the “Corporate Governance Committee”) comprises 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 described 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.



## SUBSEQUENT EVENT

### Issue of Remuneration Shares

On 22 July 2015, 6,714,754 shares were allotted and issued to Mr. Wong Vai Nang, sole proprietor of Simon Ho & Co., Solicitors, at an issue price of HK\$0.305 per share for settlement of the legal advisory services provided by Simon Ho & Co., Solicitors.

### Issue of Settlement Shares

On 22 July 2015, 23,461,177 shares were allotted and issued to Thrive Season Limited at the subscription price of HK\$0.305 per share for repayment of the final indebted amount of HK\$7,155,659 which comprises the loan in the principal amount of HK\$7,055,703 and unpaid interests of HK\$99,956.

By order of the Board

**GRAND FIELD GROUP HOLDINGS LIMITED**

**MA XUEMIAN**

*Chairman*

Hong Kong, 28 August 2015