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鈞豪集團有限公司\*

**GRAND FIELD GROUP HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 115)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2013**

The board of directors (the “Directors”) (the “Board”) of Grand Field Group Holdings Limited (the “Company”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2013 and the comparative figures as set out below:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the six months ended 30 June 2013*

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2013</b>	<b>2012</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	4	<b>3,371</b>	814
Cost of sales		<b>(1,508)</b>	–
<b>Gross profit</b>		<b>1,863</b>	814
Other revenue		<b>318</b>	38
Reversal of impairment loss in respect of other receivables, net		<b>1,215</b>	376
(Impairment loss) reversal of impairment loss in respect of loan receivables, net		<b>(3)</b>	280
Distribution costs		<b>(359)</b>	(38)
Administrative expenses		<b>(8,069)</b>	(9,823)
<b>Loss from operations</b>		<b>(5,035)</b>	(8,353)
Finance costs		<b>(4,875)</b>	(2,026)

\* *For identification purpose only*

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2013</b>	<b>2012</b>
		<b><i>HK\$'000</i></b> <b>(Unaudited)</b>	<b><i>HK\$'000</i></b> <b>(Unaudited)</b>
<b>Loss before tax</b>		<b>(9,910)</b>	<b>(10,379)</b>
Income tax expenses	<i>6</i>	<u>–</u>	<u>–</u>
<b>Loss for the period</b>	<i>7</i>	<u><b>(9,910)</b></u>	<u><b>(10,379)</b></u>
<b>Loss for the period attributable to:</b>			
Owners of the Company		<b>(9,976)</b>	<b>(10,379)</b>
Non-controlling interests		<u><b>66</b></u>	<u>–</u>
		<u><b>(9,910)</b></u>	<u><b>(10,379)</b></u>
<b>Loss per share</b>	<i>9</i>		
– Basic		<b>(0.40 cent)</b>	<b>(0.41 cent)</b>
– Diluted		<u><b>N/A</b></u>	<u><b>N/A</b></u>

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

*For the six months ended 30 June 2013*

		<b>Six months ended 30 June</b>	
		<b>2013</b>	2012
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Loss for the period</b>	7	<b>(9,910)</b>	(10,379)
<b>Other comprehensive income (expense)</b>			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		<u>1,561</u>	<u>(249)</u>
<b>Total comprehensive expense for the period</b>		<b><u>(8,349)</u></b>	<b><u>(10,628)</u></b>
<b>Total comprehensive expense for the period attributable to:</b>			
Owners of the Company		<b>(8,603)</b>	(10,628)
Non-controlling interests		<u>254</u>	<u>–</u>
		<b><u>(8,349)</u></b>	<b><u>(10,628)</u></b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	<i>Notes</i>	<b>30 June 2013 HK\$'000 (Unaudited)</b>	31 December 2012 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,298	1,457
Investment properties		47,030	46,200
Prepaid premium for land leases		165,287	168,180
Properties under development		13,507	13,463
Goodwill		–	–
Restricted cash		–	123
		<u>227,122</u>	<u>229,423</u>
<b>CURRENT ASSETS</b>			
Completed properties held for sale		42,232	41,632
Loan receivables	10	27	121
Other receivables, deposits and prepayments		6,926	6,081
Amount due from a director		369	2,227
Tax recoverable		–	253
Cash and cash equivalents		15,317	13,335
		<u>64,871</u>	<u>63,649</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	26,805	24,179
Interest-bearing borrowings		29,623	25,543
Obligation under finance lease due within one year		158	154
Amounts due to directors		3,763	3,074
Amount due to a related party		–	124
Tax payable		145	142
Dividend payable		42	42
		<u>60,536</u>	<u>53,258</u>
<b>NET CURRENT ASSETS</b>		<u>4,335</u>	<u>10,391</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>231,457</u>	<u>239,814</u>

	<b>30 June</b>	31 December
	<b>2013</b>	2012
<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	<b>4,071</b>	3,999
Obligation under finance lease due after one year	<b>491</b>	571
	<u><b>4,562</b></u>	<u>4,570</u>
<b>NET ASSETS</b>	<u><b>226,895</b></u>	<u>235,244</u>
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>50,336</b>	50,336
Reserves	<b>165,964</b>	174,567
	<u><b>216,300</b></u>	<u>224,903</u>
<b>Equity attributable to owners of the Company</b>	<b>216,300</b>	224,903
<b>Non-controlling interests</b>	<b>10,595</b>	10,341
	<u><b>226,895</b></u>	<u>235,244</u>
<b>TOTAL EQUITY</b>	<u><b>226,895</b></u>	<u>235,244</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2013*

## 1. GENERAL INFORMATION

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

During the six months ended 30 June 2013, the principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are investment holding, property development, property investment and property management.

The condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”). Other than those subsidiaries established in the People’s Republic of China (the “PRC”) whose functional currency is Renminbi (“RMB”), the functional currency of the Group is HK\$. The reason for selecting HK\$ as its presentation currency is that the Company is a public company listed on the Main Board of the Stock Exchange, where most of the investors are located in Hong Kong.

## 2. BASIS OF PREPARATION

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

## 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Accounting Standards (“HKASs”) and Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for preparation of the Group’s condensed consolidated financial statements:

HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle

***Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income***

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a “statement of comprehensive income” is renamed as a “statement of profit or loss and other comprehensive income” and an “income statement” is renamed as a “statement of profit or loss”. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

***Amendments to HKAS 34 Interim Financial Reporting (as part of the Annual Improvements to HKFRSs 2009-2011 Cycle)***

The Group has applied the amendments to HKAS 34 *Interim Financial Reporting* as part of the Annual Improvements to HKFRSs 2009-2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (“CODM”) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Since the CODM does not review assets and liabilities of the Group’s reportable segments for performance assessment and resource allocation purposes, the Group has not included total asset information as part of segment information.

Except as described above, the application of the above new or revised HKASs and HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

**4. REVENUE**

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

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

	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b><i>HK\$’000</i></b>	<b><i>HK\$’000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>		
Sales of properties held for sale	<b>1,829</b>	–
Property rental	<b>1,542</b>	814
	<b><u>3,371</u></b>	<b><u>814</u></b>

## 5. SEGMENT INFORMATION

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

### Six months ended 30 June 2013 (Unaudited)

	Property development <i>HK\$'000</i>	Property rental <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue</b>				
Revenue from external customers	<u>1,829</u>	<u>1,542</u>	<u>–</u>	<u>3,371</u>
Segment results	<u>(1,845)</u>	<u>1,501</u>	<u>–</u>	<u>(344)</u>
Unallocated income and gains, net				288
Unallocated expenses				<u>(4,979)</u>
Loss from operations				<u>(5,035)</u>
Finance costs				<u>(4,875)</u>
Loss before tax				<u>(9,910)</u>

### Six months ended 30 June 2012 (Unaudited)

	Property development <i>HK\$'000</i>	Property rental <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue</b>				
Revenue from external customers	<u>–</u>	<u>814</u>	<u>–</u>	<u>814</u>
Segment results	<u>(5,058)</u>	<u>(483)</u>	<u>–</u>	<u>(5,541)</u>
Unallocated income and gains, net				4
Unallocated expenses				<u>(2,816)</u>
Loss from operations				<u>(8,353)</u>
Finance costs				<u>(2,026)</u>
Loss before tax				<u>(10,379)</u>

## **6. INCOME TAX EXPENSES**

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 2012: 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 financial periods. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

## 7. LOSS FOR THE PERIOD

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

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
(a) Staff costs (including directors' and chief executives' emoluments):		
Salaries, wages and other benefits	<b>2,290</b>	2,001
Contributions to defined contribution retirement plans	<b>63</b>	39
	<u><b>2,353</b></u>	<u>2,040</u>
(b) Other items:		
Amortisation of prepaid premium for land leases	<b>3,015</b>	3,015
Depreciation	<b>168</b>	774
	<u><b>3,183</b></u>	<u>3,789</u>
Auditor's remuneration		
– Audit services	<b>36</b>	54
– Other services	<b>180</b>	150
	<u><b>216</b></u>	<u>204</u>
Cost of completed properties sold	<b>1,241</b>	–
Net foreign exchange (gains) losses	<b>(14)</b>	388
Rental charges under operating leases for office premises	<b>427</b>	292
Gain on disposal of property, plant and equipment	<b>–</b>	(1)
	<u><u><b>–</b></u></u>	<u><u>–</u></u>

## 8. DIVIDENDS

No dividend was paid, declared or proposed during the interim period (six months ended 30 June 2012: Nil). The directors of the Company (the “Directors”) have determined that no dividend will be paid in respect of the interim period.

## 9. 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 2013 of approximately HK\$9,976,000 (six months ended 30 June 2012: HK\$10,379,000) and on the weighted average number of approximately 2,516,810,000 (six months ended 30 June 2012: 2,516,810,000) ordinary shares in issue during the six months ended 30 June 2013.

Diluted loss per share is not presented as there was no dilutive events during the six months ended 30 June 2013 and 30 June 2012.

## 10. LOAN RECEIVABLES

	<b>30 June 2013</b>	31 December 2012
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Carrying value – secured	<b>2,958</b>	3,049
Less: Accumulated impairment	<b>(2,931)</b>	(2,928)
	<b>27</b>	121

The aging analysis of the past due loan receivables that are not impaired is as follows:

	<b>30 June 2013</b>	31 December 2012
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Over one year	<b>27</b>	121

## 11. TRADE AND OTHER PAYABLES

	<b>30 June</b>	31 December
	<b>2013</b>	2012
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Trade payables to building contractors	<b>1,089</b>	1,069
Accrued salaries and other operating expenses	<b>9,013</b>	9,814
Accrued interest expense	<b>2,018</b>	506
Deposits received from the sale of properties	<b>2,773</b>	1,840
Rental deposits received from investment properties	<b>433</b>	422
Amounts payable on return of properties	<b>6,408</b>	6,528
Provision	<b>982</b>	995
Other payables	<b>4,089</b>	3,005
	<hr/>	<hr/>
Total trade and other payables	<b><u>26,805</u></b>	<u>24,179</u>

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

	<b>30 June</b>	31 December
	<b>2013</b>	2012
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Over 360 days past due	<b><u>1,089</u></b>	<u>1,069</u>

## 12. LITIGATIONS AND CONTINGENT LIABILITIES

- (i) On 6 June 2008, the Company was served with an originating summons (“Originating Summons”) issued on 4 June 2008 under High Court Miscellaneous Proceedings No. 1059 of 2008 by Mr. Tsang Wai Lun, Wayland (“Tsang”), a former director and shareholder of the Company, as the plaintiff and the Company as the defendant under section 168BC of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong). In the Originating Summons which was amended on 26 February 2009 (“the Amended Originating Summons”), Tsang seeks relief from the High Court of Hong Kong for, inter alia, leave to bring proceedings on behalf of the Company against its 8 then directors, namely, Chu King Fai (“Chu”), Huang Bing Huang (“Huang”), Au Kwok Chuen Vincent (“Au”), Hwang Ho Tyan (“Hwang”), Zhao Juqun (“Zhao”), Yang Biao (“Yang”), Wong Yun Kuen (“Wong”) and Mok King Tong (“Mok”). Upon hearing the Amended Originating Summons on 25 and 26 February 2009, the court granted leave to Tsang on 26 February 2009 to bring a statutory derivative action on behalf of the Company against the aforesaid 8 then directors with costs of the application in respect of the Amended Originating Summons be deferred with liberty to apply.
- (ii) Pursuant to statutory leave granted under High Court Miscellaneous Proceedings No. 1059 of 2008, Tsang suing as a shareholder for and on behalf of the Company as the plaintiff issued a writ of summons against the aforesaid 8 then directors as 1st to 8th defendants in the High Court of Hong Kong on 18 March 2009 under High Court Action No. 771 of 2009 (“the Action”). The title of the plaintiff was subsequently amended as the name of the Company by a court order dated 29 March 2011.

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

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

- (2) a resolution was purportedly passed by the then board of directors of the Company on or about 27 May 2008 (“the Yangzhou Project Resolution”) to sanction an acquisition of a project known as Yi Zheng Economic Development Zone High Technology Industrial Park (儀征經濟開發區高新技術產業園) from Min Tai Development Company Limited (閩泰建設有限公司) at a consideration of HK\$88,000,000 with an up-front payment of HK\$5,000,000 paid out of the funds of Yuan Cheng.
- (3) a resolution was purportedly passed by the then board of directors of the Company on or about 15 March 2008 (“the Management Services Resolution”) to sanction the entry of management services agreements by Yuan Cheng with Dongguan City Hua Jia Fu Industry and Trading Limited (東莞市華家富工貿有限公司) and Dongguan City Min Tai Industry and Investment Limited (東莞市閩泰實業投資有限公司), which involve an up-front payment of RMB8,000,000 by Yuan Cheng.
- (4) a resolution was purportedly passed by the then board of directors of the Company on or about 27 May 2008 (“the Zhong Cheng Resolution”) to sanction the entry of a co-operation framework agreement by Yuan Cheng with a PRC entity known as Shenzhen Zhong Cheng Construction Engineering Company Limited (深圳市中城建設工程有限公司) (“Zhong Cheng”), which required an upfront payment of RMB5,000,000. Yuan Cheng also made 2 subsequent payments to satisfy third parties of the credit worthiness of Zhong Cheng, involving RMB17,000,000.
- (5) two resolutions were purportedly passed by Chu, Au, Zhao, Yang, Wong and Mok at a board meeting of the Company on 15 and 20 November 2008 (“the Loan Resolutions”) sanctioning Grand Field Property Development (Shenzhen) Company Limited (“Grand Field Shenzhen”) to borrow up to RMB50,000,000 purportedly to repay a loan owed to Yuan Cheng and to use the balance as operational capital for the Company. Grand Field Shenzhen is a wholly owned subsidiary of the Group.

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

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

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

- (a) damages or equitable compensation in the sum of HK\$50,000,000;
- (b) an account of all benefits, payments or profits received as a result of the breaches of fiduciary duties by the 8 then directors;
- (c) a declaration that the Remittance Resolution, the Yangzhou Project Resolution, the Management Services Resolution, the Zhong Cheng Resolution and the Loan Resolutions passed as board resolutions of the Company were not made bona fide in the interest of the Company;
- (d) an order that the Remittance Resolution, the Yangzhou Project Resolution, the Management Services Resolution, the Zhong Cheng Resolution and the Loan Resolutions be set aside; further or alternatively, a declaration that the aforesaid resolutions are invalid, null and void and of no legal effect;
- (e) restitution of payment received directly or indirectly by the 8 then directors, or any of them, in breach of their duties;
- (f) an injunction against the 8 then directors restraining each of them from continuing as the Company's director and/or exercising the powers as director;
- (g) interest;
- (h) costs; and
- (i) further and/or other relief.

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

The Action was tried at the High Court of Hong Kong from 2 August 2012 with 18 days reserved. Upon commencement of the trial, Tsang suing in the name of the Company has, settled the Action with Zhao, Yang and Mok that Tsang suing in the name of the Company decided not to pursue the Action against Zhao, Yang and Mok and with no order as to costs.

The Action against Au has also reached an out of court settlement on 22 October 2012. Tsang, the Company and Au have come to a deed of settlement ("Deed of Settlement") to discontinue all further actions against Au and with no order as to costs.

As for the Action against Chu, Huang and Wong, the final submission of the Action was made on 6 September 2012 and completed the hearing on 24 October 2012, hence, no judgment of the Action has been pronounced or handed down as of the reporting date. The 8 then directors have already resigned from the Company. They did not remain with the Company and/or have no relationship with the management of the Company. In the opinion of the Directors, the Amended Originating Summons and the Action will have no material impact on the operations of the Group. The Directors cannot reliably measure the financial impact of the Amended Originating Summons and Action on the Group until the judgment of the Action is pronounced or handed down.

Regarding the above Action, the Company has received a legal letter from the lawyer of Tsang, in relation to the indemnity claim from the legal costs incurred or owed for the opposite relevant parties in the Action. As no judgment of the Action has been pronounced or handled down by the High Court up to the date of this publication, the potential indemnity claim from Tsang has not been applied to and allowed by the Court. Because the possibility of the claim is remote until the Court's order is finalised, the Directors consider that the Company should not make any provision of the reimbursement.

- (iii) In 2006, the Group's wholly owned subsidiary, Shing Fat Hong Limited ("Shing Fat Hong"), signed a tenancy agreement with a karaoke operator for a ten-year period, whereby Shing Fat Hong was required to renovate and combine two entire floors of its commercial properties in Dongguan. The karaoke operator failed to apply for an operating license due to non-compliance of the building structure with fire safety regulations. Since 2007, the tenant has initiated several legal proceedings against Shing Fat Hong in local PRC courts for validation of the tenancy agreement and for compensation of decoration fees and other economic losses of RMB4,500,000 (equivalent to HK\$5,114,000). However, Shing Fat Hong has appealed to, and sued the tenant, in local PRC courts for compensation of renovation and restoration of the properties, loss of rental income and other economic losses of RMB2,056,000 (equivalent to HK\$2,336,000). In 2009, Shing Fat Hong has lost in a court case to claim against the tenant for compensation of restoration of the properties. After Shing Fat Hong appealed to the Intermediate People's Court of Dongguan City, Guangdong Province (廣東省東莞市中級人民法院), on 10 April 2013, the Intermediate People's Court of Dongguan City, Guangdong Province (廣東省東莞市中級人民法院) issued a civil judgment, under which such case was ordered to remand back to the Third People's Court of Dongguan City, Guangdong Province (廣東省東莞市第三人民法院) for retrial. Legal proceedings between Shing Fat Hong and the tenant are still ongoing.

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

- (iv) According to the PRC Provisional Regulations on Land Appreciation Tax – State Council Order No. 138 [1993] issued on 13 December 1993 by The State Council of the People’s Republic of China, the Group is subject to land appreciation tax (“LAT”) in the PRC. On 10 November 2005 and 20 October 2005, the local tax authorities of Shenzhen issued the letters, namely Shen Dai Shui Fa [2005] No.521 and 522 and Shen Dai Shui Han [2005] No.110, respectively to commence the levies of the LAT for the property developers with effect from 1 November 2005.

The Telford Garden Phase I & II, Huanchengxi Road, Buji Town, Longgang District, Shenzhen, Guangdong Province, the PRC (the “Telford Garden I & II”) were developed by an indirect wholly owned PRC subsidiary, Grand Field Shenzhen, and started the sales since the late of 1990s. All of the units in Telford Garden I & II had been sold before the year ended 31 December 2012.

Under a notice issued on 6 September 2010 by 深圳市龍崗區地方稅務局 (the “Notice”) on LAT to Grand Field Shenzhen, the tax authorities used a special method to calculate the total amount of LAT for Telford Garden I & II, in which LAT was calculated at the rates ranging from 5% to 10% of the sales revenue. The Group had paid LAT in accordance with the Notice for Telford Garden I & II, which has been sold during the period from 1 November 2005 to 31 December 2012.

However, Grand Field Shenzhen did not conduct the LAT clearance with the tax authorities, the Directors have consulted with an independent legal advisor and concluded that the possibility of the LAT on Telford Garden I & II be imposed by the tax authorities is low.

The Group will seek opinion from the legal advisor or professional tax advisor, or will communicate with the local tax authorities in Shenzhen to confirm the current position of the LAT liabilities on Telford Garden I & II and its impact. Should any additional LAT be further imposed on Telford Garden I & II by the tax authorities in Shenzhen, there would be an additional LAT payable. This provision for the LAT has not yet been provided for in the condensed consolidated financial statements for the six months ended 30 June 2013.

## **EXTRACT OF INDEPENDENT AUDITOR'S REVIEW REPORT**

The following is an extract of the Independent Auditor's Report on Review of Condensed Consolidated Financial Statements of the Group for the six months ended 30 June 2013:

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **1 Business Review**

Looking back to the first half of 2013, the Board worked closely with the auditors and financial advisors to steer the Company back on the trading board. We were proud to announce the news on resumption of trading on 26 August 2013 after more than four years of trading suspension, and the Board would like to take this opportunity to extend a sincere gratitude to all the Board members, the management team, as well as various financial advisory parties. The success of resumption would not be made possible without everyone's dedications and contributions. The Group would also like to thank our investors and shareholders for their continued support. The Board will continue to lead the company with dedicated spirit to overcome the difficulties ahead and achieve an outstanding result.

### **2 Financial Review**

During the six months ended 30 June 2013, the Group's revenue amounted to approximately HK\$3,371,000, representing a 314% increase when compared with that of the same period last year. The Group's revenue were generated from sales of properties held for sale and properties rental income.

During the period under review, the Group recorded a loss attributable to owners of the Company of approximately HK\$9,976,000 (six months ended 30 June 2012: HK\$10,379,000).

### **3 Prospects**

The Group has sought various funding channels from its private network. Now thanks to the resumption of trading, the Group will continue to explore various funding options in the capital market despite the absence of loan facilities with major commercial banks. The first-hand residential sales market in Shenzhen has been once again heated up (especially in the second quarter of 2013) with rising transaction volumes and higher average prices regardless of an implementation of a new sales tax policy in March 2013. Looking forward, the Group will continue to select and develop property projects that are in line with the Company's mission and the economic environment, leveraging on the Group's valuable assets and continuing our strong project execution capabilities. The Group is committed to becoming a responsible corporate citizen, creating value for the society, and generating outstanding returns for our shareholders.

### **4 Liquidity and Financial Resources**

As at 30 June 2013, the Group's cash and cash equivalents were approximately HK\$15,317,000 (31 December 2012: HK\$13,335,000) of which most were denominated in Renminbi ("RMB").

As at 30 June 2013, the Group recorded total current assets of approximately HK\$64,871,000 (31 December 2012: HK\$63,649,000) and total current liabilities of approximately HK\$60,536,000 (31 December 2012: HK\$53,258,000). The Group recorded total assets of approximately HK\$291,993,000 (31 December 2012: HK\$293,072,000) and the Group's total interest-bearing borrowings amounted to approximately HK\$29,623,000 (31 December 2012: HK\$25,543,000), all of them are repayable within one year.

All of the Group's borrowings for the period under review were denominated in RMB and such borrowings carried interest rates ranging from 12% to 36% per annum (31 December 2012: 25% per annum).

The Group's gearing ratio for the period ended 30 June 2013, which was defined to be current liabilities over shareholders' equity, was 28% (31 December 2012: 24%).

## 5 Share Capital

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

## 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 2013, 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

As at 30 June 2013, the Group had pledged the shares of its wholly owned subsidiary, Grand Field Group Limited, to the lender, Thrive Season Limited, an independent third party for the loan of RMB20,500,000 (equivalent to approximately HK\$25,543,000).

## **8 Employees**

For the six months ended 30 June 2013, the Group employed 20 employees (six months ended 30 June 2012: 22) and appointed 9 directors (six months ended 30 June 2012: 9) and the related staff cost amounted to approximately HK\$2,353,000 (six months ended 30 June 2012: HK\$2,040,000). The Group's emolument policies are formulated such that the emoluments are made by reference to the performance of individual employees and will be reviewed every year. Apart from base salary and statutory provident fund scheme, employees will also be offered discretionary bonus based on the results of the Group and their individual performance. No option under the Company's share option scheme was granted to employee of the Group during the period under review.

## **9 Material Acquisitions and Disposals**

There was no material acquisition or disposal of subsidiaries or associates during the six months ended 30 June 2013.

## **10 Contingent Liabilities**

Details of contingent liabilities are set out in Note 12 to the condensed consolidated financial statements.

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

## **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 2013.

## **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 2013 except the code provisions A.2.1 and A.1.8 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 2013, the role of the chairman of the Company (the “Chairman”) is performed by Mr. Ma Xuemian but the office of the chief executive officer of the Company is vacated. However, the Board will keep reviewing the current structure of the Board from time to time and should candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post as appropriate.

### **Directors’ and Officers’ Liabilities**

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

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

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

All Directors, after specific enquiries by the Company, confirmed they have complied with the required standard set out in the Model Code and the said code of conduct during the six months ended 30 June 2013.

## **AUDIT COMMITTEE**

As at 30 June 2013, the audit committee of the Company (the “Audit Committee”) currently comprises three independent non-executive Directors, namely Mr. David Chi-ping Chow (chairman of the Audit 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 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 2013.

## **REMUNERATION COMMITTEE**

As at 30 June 2013, the remuneration committee of the Company (the “Remuneration Committee”) comprises one executive Director, namely Mr. Ma Xuemian and three independent non-executive Directors, namely Mr. Liu Chaodong (chairman of the Remuneration Committee), Mr. David Chi-ping Chow and Ms. Chui Wai Hung.

The Board has adopted a set of written terms of reference, which described the authority and duties of the Remuneration Committee, and the contents of which were revised on 28 March 2012 in compliance with the 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 2013, the nomination committee of the Company (the "Nomination Committee") comprises one executive Director, namely Mr. Ma Xuemian and two independent non-executive Directors, namely Ms. Chui Wai Hung (chairman of the Nomination Committee) and Mr. Liu Chaodong.

The Board has adopted a set of written terms of reference, which described the authorities and duties of the Nomination Committee, and 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.

## **CORPORATE GOVERNANCE COMMITTEE**

As at 30 June 2013, 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.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This results announcement is published on the Company's website (<http://www.irasia.com/listco/hk/grandfield/>) and the Stock Exchange's website (<http://www.hkex.com.hk>). The interim report containing all the information required by the Listing Rules will be dispatched to the shareholders and available on the same websites in due course.

By order of the Board  
**Grand Field Group Holdings Limited**  
**Ma Xuemian**  
*Chairman*

Hong Kong, 28 August 2013

*As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Ma Xuemian, Mr. Kwok Siu Bun, Ms. Chow Kwai Wa, Anne and Ms. Kwok Siu Wa, Alison; two non-executive Directors, namely Mr. Chen Mudong (with Mr. Lim Francis as alternate) and Mr. Lim Francis; and three independent non-executive Directors, namely Mr. David Chi-ping Chow (with Mr. Lim Francis as alternate), Mr. Liu Chaodong and Ms. Chui Wai Hung.*