



鈞濠集團有限公司*

GRAND FIELD GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 115)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

The Board of Directors of Grand Field Group Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2007 as set out below:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

| | Notes | Six months ended 30 June | |
|--|-------|---------------------------------|---------------------------------|
| | | 2007 (Unaudited) HK\$'000 | 2006 (Unaudited) HK\$'000 |
| Turnover | 2 | 4,674 | 6,466 |
| Cost of sales | | (3,061) | (4,936) |
| | | <u>1,613</u> | <u>1,530</u> |
| Less: Sales return of properties | | (7,264) | (357) |
| Cost of properties returned | | 1,736 | 130 |
| | | <u>(5,528)</u> | <u>(227)</u> |
| Gross (loss)/profit | | (3,915) | 1,303 |
| Other revenue | | 1,585 | 562 |
| Distribution costs | | (241) | (617) |
| Administrative expenses | | (7,792) | (4,533) |
| Impairment loss on prepaid carnival expenses and deposits | 3 | (8,605) | – |
| Loss from operations | 4 | (18,968) | (3,285) |
| Finance costs | | (1,024) | (1,330) |
| Loss before taxation | | (19,992) | (4,615) |
| Taxation | 5 | – | (2) |
| Loss after taxation | | <u>(19,992)</u> | <u>(4,617)</u> |
| Attributable to: | | | |
| Shareholders of the Company | | (19,992) | (4,617) |
| Minority Interests | | – | – |
| | | <u>(19,992)</u> | <u>(4,617)</u> |
| Loss per share | | | |
| – Basic | 7 | <u>(0.883) cents</u> | <u>(0.226) cents</u> |
| – Diluted | 7 | <u>N/A</u> | <u>N/A</u> |

* For identification purposes only

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2007

| | | 30 June 2007 (Unaudited) HK\$'000 | 31 December 2006 (Audited) HK\$'000 |
|--|--------------|--|--|
| | <i>Notes</i> | | |
| ASSETS | | | |
| Non-current assets | | | |
| Fixed assets | | 20,057 | 20,693 |
| Investment properties | 8 | 82,063 | 79,264 |
| Properties under development | | 34,778 | 34,156 |
| Prepaid premium for land leases | | 175,900 | 175,939 |
| Mortgage loans receivable | | | |
| due after one year | 9 | 4,912 | 8,452 |
| Pledged bank deposits | | 2,637 | 9,433 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 320,347 | 327,937 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Current assets | | | |
| Completed properties held for sale | | 20,458 | 23,770 |
| Mortgage loans receivable | 9 | 6,831 | 8,583 |
| Prepaid carnival expenses and deposits | | – | 6,797 |
| Other receivables, deposits and prepayments | | 10,234 | 10,061 |
| Cash and bank balances | | 613 | 2,711 |
| | | <hr/> | <hr/> |
| Total current assets | | 38,136 | 51,922 |
| | | <hr/> | <hr/> |
| Total assets | | 358,483 | 379,859 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| EQUITY | | | |
| Capital and reserves attributable to the Company's shareholders | | | |
| Share capital | | 45,536 | 41,926 |
| Reserves | | 202,341 | 186,865 |
| Accumulated profits | | 65,485 | 85,477 |
| | | <hr/> | <hr/> |
| Total equity | | 313,362 | 314,268 |
| | | <hr/> <hr/> | <hr/> <hr/> |

| | | 30 June | 31 December |
|--|--------------|--------------------|-----------------|
| | | 2007 | 2006 |
| | | (Unaudited) | (Audited) |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Non-current portion of interest-bearing borrowings | <i>11</i> | 2,658 | 2,338 |
| Current liabilities | | | |
| Trade and other payables | | 18,633 | 15,907 |
| Deposits received on properties held for sale | | 730 | 613 |
| Amounts due to directors | | 7,106 | 8,407 |
| Current portion of interest-bearing borrowings | <i>11</i> | 7,574 | 23,415 |
| Taxes payable | | 4,226 | 4,881 |
| Bank overdrafts, secured | | 4,152 | 9,988 |
| Dividend payable | | 42 | 42 |
| Total current liabilities | | 42,463 | 63,253 |
| Total liabilities | | 45,121 | 65,591 |
| Total equity and liabilities | | 358,483 | 379,859 |
| Net current liabilities | | (4,327) | (11,331) |
| Total assets less total liabilities | | 313,362 | 314,268 |

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It has been reviewed by the Company’s auditors, Messrs. Baker Tilly Hong Kong Limited, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, and by the Company’s Audit Committee.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes on the interim financial report include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the 2006 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements.

The accounting policies adopted are consistent with those of the annual accounts for the year ended 31 December 2006. The new/revised standards, amendments to standards and interpretations, which became effective for the accounting periods on or after 1 January 2007, did not result in substantial changes to the Group’s balance sheet and income statement.

2. TURNOVER

Turnover represents the aggregate of net amounts received and receivable for completed properties held for sale, investment properties and properties under development sold by the Group to outside customers and property rental income, after a deduction of 5% business tax, and is analysed as follows:

| | Six months ended 30 June | |
|---------------------|---------------------------------|---------------------------------|
| | 2007 (Unaudited) HK\$’000 | 2006 (Unaudited) HK\$’000 |
| Sales on Properties | 3,760 | 5,535 |
| Property rental | 914 | 931 |
| | <u>4,674</u> | <u>6,466</u> |

No geographical analyses are presented for the period as substantially all the Group’s turnover and contribution to results were derived from the PRC property business.

3. IMPAIRMENT LOSS IN PREPAID CARNIVAL EXPENSES AND DEPOSITS

In late 2006, the group made a foray into operation of folk cultural and carnival events by forming a subsidiary, All Right Holdings Limited, to organize a carnival event in Shenzhen. The event was scheduled to launch in the 2006 Christmas throughout the Lunar Chinese New Year in order to capture the high spending spree in the long holidays. The project has not commenced due to the failure to obtain an approval for the operating licence by the local government. Consequently, further to an impairment loss of HK\$5 million set aside for the project in the financial year 2006, the group made an additional impairment of HK\$8.6 million in the consolidated income statement for the six months ended 30 June 2007.

4. LOSS FROM OPERATIONS

Loss from operations is stated after charging/(crediting) the following items:

| | Six months ended 30 June | |
|--|--------------------------|-------------------------|
| | 2007 | 2006 |
| | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 |
| Interest on bank loans, overdrafts and other loans wholly repayable | | |
| – Within five years | 941 | 1,330 |
| – Over five years | 83 | – |
| Auditors' remuneration | 259 | – |
| Amortization of prepaid premium for land leases | 39 | 38 |
| Cost of completed properties held for sale sold | 3,061 | 4,936 |
| Cost of properties returned | (1,736) | (130) |
| Depreciation | 730 | 685 |
| Impairment loss on prepaid carnival expenses and deposits | 8,605 | – |
| Minimum lease payments under operating leases for land and buildings | 31 | 141 |
| Net exchange losses/(gains) | 13 | (173) |
| Staff costs, including directors' remuneration | | |
| – Contributions to defined contribution retirement plans | 62 | 46 |
| – Salaries and other staff costs | 2,351 | 1,765 |
| Gross rental income from investment properties (<i>Note</i>) | (914) | (931) |
| Interest income | (17) | (23) |

Note: The outgoings related to the gross rents from investment properties for each of the two periods ended 30 June 2006 and 2007 are negligible.

5. TAXATION

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2007 | 2006 |
| | (Unaudited) | (Unaudited) |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Income tax in the PRC | | |
| – The subsidiary company incorporated in the PRC | – | – |
| – Subsidiaries incorporated in Hong Kong with property development investments in the PRC | – | 2 |
| | <hr/> | <hr/> |
| | – | 2 |
| | <hr/> <hr/> | <hr/> <hr/> |

Enterprise income tax for the subsidiary incorporated in the PRC is calculated at 15% of the estimated assessable profit for the period (30 June 2006: 15%).

Enterprise income tax for the subsidiaries incorporated in Hong Kong, which have property development investments in the PRC is calculated at 3% (30 June 2006: 3%) of the sales revenue on respective property development projects.

No provision for Hong Kong profit tax has been made as the Group's income neither arises, nor is derived from, Hong Kong in both financial periods.

Deferred tax has not been provided (six months ended 30 June 2006: Nil) because the Company and the Group had no significant temporary differences at the balance sheet date.

6. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the period (six months ended 30 June 2006: Nil).

7. LOSS PER SHARE

Basic loss per share is calculated based on the loss attributable to shareholders for the six months ended 30 June 2007 of HK\$19,992,000 (six months ended 30 June 2006: HK\$4,617,000) and on the weighted average number of 2,263,846,000 (six months ended 30 June 2006: 2,046,650,000) shares issued.

Diluted loss per share is not presented as there are no diluting events during the six months ended 30 June 2006 and 2007.

8. INVESTMENT PROPERTIES

Investment properties were assessed annually by BMI Appraisals Limited (“BMI”), an independent professional valuer. The valuation is performed on the basis of open market value of each individual property. On 23 April 2007, BMI issued a valuation report of the investment properties as at the date of 31 December 2006. The Directors have considered that there are no significant changes by the market on the valuation of investment property since 31 December 2006 except for adjustment for the appreciation of Renminbi (“RMB”) against Hong Kong Dollar (“HKD”). Therefore, the Directors considered that the fair value of investment properties at 30 June 2007 was approximately the same as that of 31 December 2006.

9. MORTGAGE LOANS RECEIVABLE

| | 30 June 2007 (Unaudited) HK\$'000 | 31 December 2006 (Audited) HK\$'000 |
|---|--|--|
| Total loans receivable, secured | 18,714 | 22,957 |
| Exchange differences | – | 444 |
| <i>Less:</i> Provision for impairment loss | (6,971) | (6,366) |
| | 11,743 | 17,035 |
| <i>Less:</i> Balance due within one year included under current assets | (6,831) | (8,583) |
| Balance due after one year | 4,912 | 8,452 |

The carrying amounts of the current portion and non-current portion of mortgage loans receivable approximate to their fair value. The fair value is determined based on cash flows discounted using the Group’s bank borrowings rate of 7.25% per annum (31 December 2006: 7.25% per annum).

Mortgage loans receivable represent interest-free loans provided by the Group to buyers of properties which are repayable by instalments as stipulated in the loan agreements.

10. TRADE PAYABLES

An ageing analysis of trade payables is set out below:

| | 30 June 2007 (Unaudited) HK\$'000 | 31 December 2006 (Audited) HK\$'000 |
|--------------------|--|--|
| Current to 90 days | 339 | 3,505 |
| 91 to 180 days | 4,062 | – |
| 181 to 360 days | 3,453 | – |
| Over 360 days | 5,961 | 6,343 |
| | <u>13,815</u> | <u>9,848</u> |

11. INTEREST-BEARING BORROWINGS

| | 30 June 2007 (Unaudited) HK\$'000 | 31 December 2006 (Audited) HK\$'000 |
|---|--|--|
| Loan from a third party, unsecured and wholly repayable | | |
| – On demand or within one year | 7,574 | 1,715 |
| – Between one and two years | 2,658 | 2,338 |
| | <u>10,232</u> | <u>4,053</u> |
| <i>Less:</i> Portion classified as current liabilities | <u>(7,574)</u> | <u>(1,715)</u> |
| Total shown as non-current liabilities | <u>2,658</u> | <u>2,338</u> |
| Current portion of loan from a third party | 7,574 | 1,715 |
| Secured bank loans | – | 21,700 |
| | <u>7,574</u> | <u>23,415</u> |
| Total interest-bearing borrowings | <u>10,232</u> | <u>25,753</u> |

Interest on the loan from a third party is charged on the outstanding balances at a rate of 11.4% (31 December 2006: 11.4%) per annum. The loans are repayable by monthly installments up to 15 June 2010.

Interest on the bank loans is charged on the outstanding balances at a rate ranging from 8% to 8.25% (31 December 2006: 8% to 8.25%) per annum and these are secured by the buildings of the Group with a carrying amount of approximately HK\$4.8 million (31 December 2006: HK\$4.8 million).

MANAGEMENT DISCUSSION AND ANALYSIS

1. Business review

For the six months ended 30 June 2007, the Group reported a turnover of HK\$4.7 million (30 June 2006: HK\$6.5 million), representing a decrease of 27.7% compared with the same period of last year. This was due to a decline in sales revenue from the Group's development properties in the People's Republic of China ("PRC").

The Group's net loss attributable to shareholders of the Company was widened to HK\$20 million (30 June 2006: HK\$4.6 million loss). Basic loss per share was HK0.883 cents (30 June 2006: HK0.226 cents loss).

During the period under review, the Group's sales on properties amounted to HK\$3.7 million (30 June 2006: HK\$5.5 million). Revenue from property rental was HK\$0.9 million (30 June 2006: HK\$0.9 million).

The net loss for the period under review was mainly attributable to relatively high portion of previously sold properties returned from customers who failed to meet their mortgage loan commitment. As such, sales return of properties increased to HK\$7.3 million from HK\$0.4 million for the same period of last year.

Moreover, the Group entered into an investment in a Carnival Project in Shenzhen in late 2006, the project failed to achieve its expected results due to delay in granting the necessary license for operating the carnival. The delay in commencement date of the project resulted in missing the peak season of Christmas in 2006 and Chinese New Year in 2007. As a result, further to an impairment loss of HK\$5 million set aside for the project in the financial year 2006, the group made an additional impairment of HK\$8.6 million for the six months ended 30 June 2007.

2. Prospects

Demand for residential properties remained strong in the PRC, despite the government's austerity measures to cool down properties development, particularly in first tier cities such as Shanghai, Beijing and Shenzhen.

Average property prices in Shenzhen surged significantly during the first quarter of the year. However, competition among developers had been intensified by the increase in the number of projects for sale in the city.

In the past few months, the Group has introduced a number of professional executives to its management team, and has appointed new directors to the board. The new management is well aware of the challenge encountered by the Group. It is committed to strengthening the Group's corporate governance and to enhancing its financial position.

The board considers its primary task is to consolidate the Group's operation, and to realign its business focus to bring it back to profitability.

The Group's development project in Buji town, Shenzhen is in the process of architectural planning. Construction work is expected to commence in the beginning of next year, upon the receipt of land title certificate by the end of the year. The residential and commercial complex is expected to be a major revenue source of the Group in the coming financial year.

As at end of 30 June 2007, the Group is in net deficit at book close, the board is reviewing various options to improve the Group's cash position. It is also considering ways to broaden the Group's earning base, including the feasibility of acquiring projects with immediate financial value.

3. Liquidity and financial resources

As at 30 June 2007, the Group's cash and bank deposits were approximately HK\$0.6 million (31 December 2006: HK\$2.7 million). The percentage of cash and bank deposits denominated in HKD and RMB were 18% and 82% respectively (31 December 2006: 11% and 89% respectively).

As at 30 June 2007, the Group recorded total current assets of approximately HK\$38 million (31 December 2006: HK\$52 million) and total current liabilities of approximately HK\$42 million (31 December 2006: HK\$63 million). The Group recorded total assets of approximately HK\$358 million (31 December 2006: HK\$380 million) and the Group's total interest bearing borrowings amounted to approximately HK\$10.2 million (31 December 2006: HK\$25.8 million), of which HK\$7.5 million was repayable within 1 year (31 December 2006: HK\$23.4 million repayable within 1 year, HK\$2.3 million repayable in 1 to 2 years).

Approximately over 59% of the Group's borrowings for the period under review were denominated at RMB and at fixed interest rate (31 December 2006: 93%).

The gearing ratio for the six months ended 30 June 2007, which was calculated on the basis of total borrowings to shareholders' equity, was 5% (31 December 2006: 8%).

4. Exchange risk

The Group's major operations are located in the PRC and the main operational currencies are HKD and RMB. RMB has continued appreciation against HKD over the six months period. Therefore, it is not necessary for the Group to make any foreign currency hedging arrangement to minimize the foreign exchange risk and exposure.

5. Charge on assets

Buildings with a net book value of approximately HK\$4.8 million (31 December 2006: HK\$4.8 million) have been pledged to banks to secure bank overdraft facilities granted to the Group.

Bank deposits of the Group amounting to approximately HK\$2.6 million (31 December 2006: HK\$9.4 million) have been pledged as a security for the mortgage loans made available from the banks to the buyers of the Group's properties.

6. Employees

For the period under review, the Group employed 61 employees (six months ended 30 June 2006: 47) and the related staff cost amounted to approximately HK\$2.9 million (six months ended 30 June 2006: HK\$1.8 million). 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.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007 (six months ended 30 June 2006: 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 2007.

CORPORATE GOVERNANCE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 June 2007, in compliance with the requirements of the code provisions in the Code of Corporate Governance Practices set out in Appendix 14 (the "Code Provision") to the Listing Rules except that the Independent Non-executive Directors have not been appointed for any specific terms as they are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-laws.

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 2007.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors. The Board has adopted a set of written terms of reference, which described the authority and duties of the Audit Committee, and the contents of which are in compliance with the Code Provisions and Recommended Best Practices of the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules ("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 report for the six months ended 30 June 2007.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three independent non-executive directors. The Board has adopted a set of written terms of reference, which described the authority and duties of the Remuneration Committee, and the contents of which are in compliance with the Code Provisions and Recommended Best Practices of the CG Code.

The main responsibility of Remuneration Committee includes reviewing and making recommendation to the Board on the Company's policies, structure and remuneration packages of directors and senior management of the Group.

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
Hwang Ho-Tyan
Chairman

Hong Kong, 27 September 2007

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Hwang Ho-Tyan, Mr. Huang Bing Huang, Mr. Wong King Lam, Joseph and Mr. Au Kwok Chuen, Vincent as executive directors and Mr. Hui Pui Wai, Kimber, Mr. Lum Pak Sum and Dr. Wong Yun Kuen as independent non-executive directors.