INTERIM REPORT 2013

Grand Field Group Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 115)

CONTENTS

CORPORATE INFORMATION

Executive Directors

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

Non-executive Directors

Mr. Chen Mudong
Mr. Lim Francis

Independent Non-executive Directors

Mr. David Chi-ping Chow
Mr. Liu Chaodong
Ms. Chui Wai Hung

Company Secretary

Mr. Cheung Yuk Chuen

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Corporate Governance Committee

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

Authorised Representatives

Mr. Cheung Yuk Chuen
Mr. Ma Xuemian

Registered Office in Bermuda

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

Unit 1004B, 10/F
Tower 5, China Hong Kong City
33 Canton Road, Tsim Sha Tsui
Kowloon, Hong Kong

Legal Advisers on Bermuda Law

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

Auditors

ZHONGLEI (HK) CPA Company Limited
Certified Public Accountants
Suites 313-317, 3/F
Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

Property Valuer

BMI Appraisals Limited
Suite 06-12
33/F, Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

Share Registrar and Transfer Office in Bermuda

HSBC Securities Services
(Bermuda) Limited
6 Front Street
Hamilton HM 11
Bermuda

Share Registrar and Transfer Office in Hong Kong

Tricor Secretaries Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

Principal Banker

The Bank of East Asia, Limited

Website

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

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

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

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Grand Field Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 6 to 31, which comprise the condensed consolidated statement of financial position as of 30 June 2013 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 certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and the Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

ZHONGLEI (HK) CPA Company Limited
Certified Public Accountants (Practising)
Lam Chik Tong
Practising Certificate Number: P05612

Suites 313-317, 3/F, Shui On Centre
6-8 Harbour Road
Wan Chai
Hong Kong

28 August 2013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**3,371**	814
Cost of sales		**(1,508)**	–
Gross profit		**1,863**	814
Other revenue		**318**	38
Reversal of impairment loss in respect of other receivables, net		**1,215**	376
(Impairment loss) reversal of impairment loss in respect of loan receivables, net		**(3)**	280
Distribution costs		**(359)**	(38)
Administrative expenses		**(8,069)**	(9,823)
Loss from operations		**(5,035)**	(8,353)
Finance costs		**(4,875)**	(2,026)
Loss before tax		**(9,910)**	(10,379)
Income tax expenses	*6*	**–**	–
Loss for the period	*7*	**(9,910)**	(10,379)
Loss for the period attributable to:			
Owners of the Company		**(9,976)**	(10,379)
Non-controlling interests		**66**	–
		(9,910)	(10,379)
Loss per share	*9*		
– Basic		**(0.40 cent)**	(0.41 cent)
– Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Notes	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**1,298**	1,457
Investment properties	*11*	**47,030**	46,200
Prepaid premium for land leases	*12*	**165,287**	168,180
Properties under development		**13,507**	13,463
Goodwill		**–**	–
Restricted cash		**–**	123
		227,122	229,423
CURRENT ASSETS			
Completed properties held for sale		**42,232**	41,632
Loan receivables	*13*	**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
		64,871	63,649
CURRENT LIABILITIES			
Trade and other payables	*14*	**26,805**	24,179
Interest-bearing borrowings	*15*	**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
		60,536	53,258

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30 June 2013

	Notes	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
NET CURRENT ASSETS		**4,335**	10,391
TOTAL ASSETS LESS CURRENT LIABILITIES		**231,457**	239,814
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**4,071**	3,999
Obligation under finance lease due after one year		**491**	571
		4,562	4,570
NET ASSETS		**226,895**	235,244
CAPITAL AND RESERVES			
Share capital	*16*	**50,336**	50,336
Reserves		**165,964**	174,567
Equity attributable to owners of the Company		**216,300**	224,903
Non-controlling interests		**10,595**	10,341
TOTAL EQUITY		**226,895**	235,244

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to owners of the Company							
	Share capital	Share premium	Special reserve	Exchange reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000* *(Note i)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2012 (Audited)	50,336	261,949	(2,215)	91,498	(136,280)	265,288	–	265,288
Loss for the period	–	–	–	–	(10,379)	(10,379)	–	(10,379)
Exchange differences on translation of financial statements of foreign operations	–	–	–	(249)	–	(249)	–	(249)
Total comprehensive expense for the period	–	–	–	(249)	(10,379)	(10,628)	–	(10,628)
At 30 June 2012 (Unaudited)	50,336	261,949	(2,215)	91,249	(146,659)	254,660	–	254,660
At 1 January 2013 (Audited)	50,336	261,949	(2,215)	83,513	(168,680)	224,903	10,341	235,244
Loss for the period	–	–	–	–	(9,976)	(9,976)	66	(9,910)
Exchange differences on translation of financial statements of foreign operations	–	–	–	1,373	–	1,373	188	1,561
Total comprehensive income (expense) for the period	–	–	–	1,373	(9,976)	(8,603)	254	(8,349)
At 30 June 2013 (Unaudited)	**50,336**	**261,949**	**(2,215)**	**84,886**	**(178,656)**	**216,300**	**10,595**	**226,895**

Note:

(i) Special reserve

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash from (used in) operating activities	**2,466**	(6,229)
Net cash from (used in) investing activities	**196**	(6,823)
Net cash (used in) from financing activities	**(871)**	16,092
Net increase in cash and cash equivalents	**1,791**	3,040
Cash and cash equivalents at 1 January	**13,335**	1,415
Effect of foreign exchange rate changes	**191**	385
Cash and cash equivalents at 30 June	**15,317**	4,840

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

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

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:

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Sales of properties held for sale	**1,829**	–
Property rental	**1,542**	814
	3,371	814

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

Six months ended 30 June 2012 (Unaudited)

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

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 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.

7. LOSS FOR THE PERIOD

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

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

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 ordinary shares in issue during the six months ended 30 June 2013 (six months ended 30 June 2012: 2,516,810,000).

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. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, no property, plant and equipment was acquired by the Group (during six months ended 30 June 2012: HK$134,000).

During the six months ended 30 June 2013, no property, plant and equipment was disposed by the Group. There were disposals of property, plant and equipment with zero remaining net carrying value during the six months ended 30 June 2012.

11. INVESTMENT PROPERTIES

Investment properties were assessed annually by BMI Appraisals Limited ("BMI"), an independent professional valuer. Investment properties of the Group were revalued at 31 December 2012 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 2012. Therefore, the Directors considered that the fair value of investment properties at 30 June 2013 was approximately the same as that of 31 December 2012.

11. INVESTMENT PROPERTIES (Continued)

During the six months ended 30 June 2013, no investment properties were transferred to completed properties held for sale (during six months ended 30 June 2012: HK$26,038,000).

12. PREPAID PREMIUM FOR LAND LEASES

During the six months ended 30 June 2013, no prepaid premium for land leases was acquired by the Group (during six months ended 30 June 2012: HK$37,000).

During the six months ended 30 June 2013, no prepaid premium for land leases were transferred to completed properties held for sale (during six months ended 30 June 2012: HK$7,798,000).

13. LOAN RECEIVABLES

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

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

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Over one year	**27**	121

14. TRADE AND OTHER PAYABLES

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

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

	30 June 2013 *HK$'000* (Unaudited)	31 December 2012 *HK$'000* (Audited)
Over 360 days past due	**1,089**	1,069

15. INTEREST-BEARING BORROWINGS

During the six months ended 30 June 2013, the Group obtained new loans, which are denominated in RMB amounting to RMB3,250,000 (equivalent of approximately HK$4,080,000) (six months ended 30 June 2012: HK$25,252,000) in which RMB1,000,000 (equivalent to approximately HK$1,255,000) will be matured on 23 August 2013 and an extension have been obtained on 16 August 2013 (Note 20(ii)), RMB2,000,000 (equivalent to approximately HK$2,510,000) will be matured on 19 June 2014 and RMB250,000 (equivalent to approximately HK$315,000) will be matured on 24 September 2013. The new loans are personally guaranteed by a director of the Company, Mr. Ma Xuemian.

Including in the interest-bearing borrowings, there is a loan with principal amount of RMB20,500,000 (equivalent to approximately HK$25,543,000) from an independent third party and is secured by the shares of the Group's wholly-owned subsidiary, Grand Field Group Limited. The proceeds were used to finance the business of the property development.

The borrowings bear interest at fixed rates ranging from 12% to 36% per annum (during the year ended 31 December 2012: 25%).

During the six months ended 30 June 2013, the Group did not repay any loans (during the year ended 31 December 2012: HK$7,134,000).

16. SHARE CAPITAL

	At 30 June 2013		At 31 December 2012	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	'000	***HK$'000***	*'000*	*HK$'000*
	(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
Ordinary shares of HK$0.02 each				
Authorised:	**5,000,000**	**100,000**	5,000,000	100,000
Issued and fully paid:	**2,516,810**	**50,336**	2,516,810	50,336

17. COMMITMENTS

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

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contracted but not provided for:		
Capital contribution to a PRC company *(Note)*	**269,167**	264,420

Note:

On 24 January 2011, the Group entered into an agreement with 深圳鈞濠計算機軟件開發有限公司 and 廣東省紅岭集團有限公司. Pursuant to the agreement, a PRC company, 深圳棕科置業有限公司 ("深圳棕科") would be formed to develop a parcel of land in Shenzhen ("Shenzhen Land"). 深圳棕科 was incorporated on 30 March 2011. The registered capital of 深圳棕科 is RMB450,240,000 (equivalent to approximately HK$552,442,000), to which the Group agreed to contribute RMB225,120,000 (equivalent to approximately HK$276,221,000), representing 50% of the registered capital of 深圳棕科. At 31 December 2011, deposit paid for investment in a subsidiary represented a total cash contribution of approximately RMB675,000 (equivalents to approximately HK$829,000) contributed to 深圳棕科 by the Group.

On 3 June 2012, 深圳棕科 has been approved to amend its capital injection pattern and capital injection timetable, in which the cash contribution portion was changed from approximately RMB135,072,000 to RMB329,052,000. The Group was required to contribute the capital by way of transfer of the Group's 50% interest in the Shenzhen Land and cash contribution of approximately RMB164,526,000 to 深圳棕科.

17. COMMITMENTS (Continued)

On 6 June 2012 and 23 July 2012, the Group had made further cash capital injections of approximately RMB5,006,000 and RMB5,034,000 to 深圳棕科, respectively. In accordance with the Memorandum and Association of 深圳棕科 and a supplementary agreement entered between the Group and 深圳鈞濠計算機軟件開發有限公司 and 廣東省紅嶺集團有限公司, the Group shall appoint two of three of the board of directors of 深圳棕科. In view of the above, the Directors determined that the Group has obtained the control effectively by controlling the majority of the board of 深圳棕科 and holds 50% of the shareholding of 深圳棕科. Hence, 深圳棕科 become a subsidiary of the Group thereafter.

At 30 June 2013, the Group has contributed capital in cash of approximately RMB10,715,000 (equivalent to approximately HK$13,167,000) (31 December 2012: RMB10,715,000 (equivalent to approximately HK$13,167,000)) to 深圳棕科.

18. 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.

18. LITIGATIONS AND CONTINGENT LIABILITIES (Continued)

(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.

18. LITIGATIONS AND CONTINGENT LIABILITIES (Continued)

(ii) (Continued)

(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.

(ii) (Continued)

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.

18. LITIGATIONS AND CONTINGENT LIABILITIES (Continued)

(ii) (Continued)

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 report, 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.

18. LITIGATIONS AND CONTINGENT LIABILITIES (Continued)

(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.

18. LITIGATIONS AND CONTINGENT LIABILITIES (Continued)

(iv) (Continued)

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.

19. MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2013, the emoluments paid or payable to directors and chief executives of the Company were approximately HK$1,403,000 (six months ended 30 June 2012: HK$1,380,000).

During the six months ended 30 June 2013, no consultancy fee was paid to Grand Field Resources Company Limited ("Grand Field Resources") (six months ended 30 June 2012: HK$540,000). Tsang and Ms. Kwok Wai Man, Nancy are shareholders of Grand Field Resources, substantial shareholders and former directors of the Company. Tsang is also a director of Grand Field Resources.

19. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

During the six months ended 30 June 2013, the board of directors of the Company considered that as Grand Field Resources has stopped providing consultancy service to the Company since 7 December 2012, the consultancy fees for the period from 7 December 2012 to 31 December 2012, which was agreed between the Company and Grand Field Resources to be HK$80,100, should therefore be revised. The consultancy agreement and the supplemental agreement were terminated on 7 December 2012. Moreover, Grand Field Resources has also agreed to waive the outstanding HK$44,000 consultancy fee payable resulted from consultancy service in 2011. As such, the Company has recognised the total amount of HK$124,100 as other revenue during the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

20. EVENTS AFTER THE END OF THE INTERIM PERIOD

(i) On 12 August 2013, the procedures of deregistration of China Maxline Limited, a wholly-owned subsidiary of the Company incorporated in Hong Kong, has been completed. The impact of deregistration of the subsidiary is not significant.

(ii) On 16 August 2013, the Group has entered into a supplemental loan agreement with an independent third party of RMB1,000,000 as disclosed in Note 15 for extension of the repayment date to 23 September 2013.

(iii) The Group failed to follow the first capital injection timetable approved by the Shareholders of 深圳棕科 on 3 June 2012 and Shenzhen Trade and Industry Bureau (深圳貿工局) on 1 August 2012, and a re-scheduled capital injection timetable (the "Early 2013 Schedule") which has been filed to the relevant PRC authorities has yet to complete the procedures for changing the business and commercial registration (the "Registration Procedures") as at 31 July 2013. After enquired the relevant PRC authorities, it was replied that under the New Registration implemented on 1 March 2013 indicated that the shareholders of 深圳棕科 could decide their own capital injection timetable under the parties' consent without performing further Registration Procedures but any further re-schedulement on the Early 2013 Schedule should only be made upon the completion of the Registration Procedures of the Early 2013 Schedule. After several shareholders meetings, the shareholders of 深圳棕科 mutually agreed to further re-schedule the Early 2013 Schedule (the "Latest Schedule"). It is assumed that the Registration Procedures of the Early 2013 Schedule would be completed on or before 30 September 2013 and the Group and the other shareholders of 深圳棕科 are able to inject the said capital as per the Latest Schedule.

(iv) Pursuant to the announcement the Company dated 23 August 2013, the Company has fulfilled the resumption conditions and resumed the trading in the shares of the Company on the Stock Exchange on 26 August 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

1 Business Review

Looking back to the first half of 2013, the board of Directors (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 in the shares of the Company on the Stock Exchange 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

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

6 Exchange Risk

Borrowings and sales and purchases of the Group are generally transacted in Hong Kong dollar and Renminbi. For the six months ended 30 June 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 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 2013 (six months ended 30 June 2012: Nil).

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2013, none of the Directors and chief executives has any interests and long positions in the shares, underlying shares or debentures in the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2013, 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/ nature of interests	Number of ordinary share(s) held	Total interests as percentage of the issued share capital
Hongkong Zhongxing Group Co., Limited *(Note 1)*	Beneficial Owner	561,750,000	22.32%
Li Yi *(Note 1)*	Interest of Controlled Corporation	561,750,000	22.32%

Name of Shareholders	Capacity/ nature of interests	Number of ordinary share(s) held	Total interests as percentage of the issued share capital
Kwok Wai Man, Nancy	Beneficial Owner	14,170,000	0.56%
	Interest of Controlled Corporation *(Note 2)*	479,050,000	19.03%
	Interests of Spouse *(Note 3)*	64,210,000	2.55%
Rhenfield Development Corp. *(Note 2)*	Beneficial Owner	479,050,000	19.03%
Tsang Wai Lun, Wayland	Beneficial Owner	64,210,000	2.55%
	Interest of Controlled Corporation *(Note 2)*	479,050,000	19.03%
	Interests of Spouse *(Note 4)*	14,170,000	0.56%

Note 1: Hongkong Zhongxing Group Co., Limited is owned by Mr. Li Yi. He is deemed to be interested in 561,750,000 shares of the Company pursuant to the Part XV of the SFO.

Note 2: Rhenfield Development Corp. is owned by Ms. Kwok Wai Man, Nancy ("Ms. Kwok") and Mr. Tsang Wai Lun, Wayland ("Mr. Tsang") in equal shares. Mr. Tsang and Ms. Kwok are deemed to be interested in 479,050,000 shares of the Company pursuant to the Part XV of the SFO.

Note 3: These 64,210,000 shares of the Company are owned by Mr. Tsang, spouse of Ms. Kwok. Ms. Kwok is deemed to be interested in 64,210,000 shares of the Company pursuant to the Part XV of the SFO.

Note 4: These 14,170,000 shares of the Company are owned by Ms. Kwok, spouse of Mr. Tsang. Mr. Tsang is deemed to be interested in 14,170,000 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 2013.

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.

No options were granted, outstanding, lapsed, exercised or cancelled during the six months ended 30 June 2013.

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.

DISCLOSURE OF INFORMATION ON DIRECTOR

Pursuant to rule 13.51B(1) of the Listing Rules, the changes of information on the Director are as follows:

Mr. David Chi-ping Chow, the independent non-executive Director, is the executive director of Shanghai Yahan Investment Management Limited. Also, he resigned as managing director of Tekhill Holdings Ltd. on 30 June 2013.

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

Hong Kong, 28 August 2013