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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 2020**

The board of directors (the “Directors”) (the “Board”) of Grand Field Group Holdings Limited (the “Company”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2020 and the comparative figures as set out below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

| | <i>Notes</i> | Six months ended | |
|--------------------------------|--------------|-------------------------|-------------|
| | | 30 June | |
| | | 2020 | 2019 |
| | | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| Revenue | 4 | 1,187 | 1,739 |
| Cost of revenue | | (344) | – |
| Gross profit | | 843 | 1,739 |
| Other revenue | | 920 | 221 |
| Other losses | | – | (1) |
| Selling and distribution costs | | (5,996) | (6,731) |
| Administrative expenses | | (15,568) | (16,646) |

* *For identification purpose only*

| | | Six months ended | |
|---|--------------|-------------------------|-----------------|
| | | 30 June | |
| | | 2020 | 2019 |
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | (Unaudited) | (Unaudited) |
| Loss from operations | | (19,801) | (21,418) |
| Finance costs | | (8,180) | (1,370) |
| Share of loss of an associate | | (1,377) | (345) |
| Fair value loss on convertible bonds through profit or loss | | (54) | (1,781) |
| Loss before tax | | (29,412) | (24,914) |
| Income tax credit | 5 | 1,048 | 3,292 |
| Loss for the period | 6 | (28,364) | (21,622) |
| Attributable to: | | | |
| Owners of the Company | | (19,637) | (17,478) |
| Non-controlling interests | | (8,727) | (4,144) |
| | | (28,364) | (21,622) |
| Loss per share | | | |
| Basic (<i>HK cents per share</i>) | 7 | (0.80) | (0.71) |
| Diluted (<i>HK cents per share</i>) | 7 | N/A | N/A |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

| | | Six months ended | |
|---|-------|------------------------|------------------------|
| | | 30 June | |
| | Notes | 2020 | 2019 |
| | | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | (Unaudited) | (Unaudited) |
| Loss for the period | 6 | <u>(28,364)</u> | <u>(21,622)</u> |
| Other comprehensive (loss)/income: | | | |
| <i>Item that will not be reclassified to profit or loss</i> | | | |
| Fair value (loss)/gain on financial liabilities designated at fair value through profit or loss attributable to change in credit risk | | (2,876) | 1,063 |
| Exchange differences on translation of foreign operations | | <u>(46,400)</u> | <u>368</u> |
| Total comprehensive loss for the period | | <u><u>(77,640)</u></u> | <u><u>(20,191)</u></u> |
| Attributable to: | | | |
| Owners of the Company | | (51,109) | (16,305) |
| Non-controlling interests | | <u>(26,531)</u> | <u>(3,886)</u> |
| | | <u><u>(77,640)</u></u> | <u><u>(20,191)</u></u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

| | | 30 June | 31 December |
|---|--------------|--------------------|------------------|
| | | 2020 | 2019 |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Audited) |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 18,103 | 19,062 |
| Investment properties | | 3,367,652 | 3,361,304 |
| Intangible asset | | 12,407 | 13,032 |
| Deferred tax assets | | 25,550 | 25,089 |
| Goodwill | | 36,773 | 36,773 |
| Right-of-use assets | | 5,794 | 5,338 |
| Investment in an associate | | 28,972 | 30,922 |
| | | 3,495,251 | 3,491,520 |
| Current assets | | | |
| Trade receivables | 10 | 1,985 | 1,945 |
| Properties for sale under development | | 811,813 | 781,199 |
| Properties for sale | | 27,954 | 28,519 |
| Other receivables, deposits and prepayments | | 121,282 | 98,438 |
| Amount due from a director | | 574 | 911 |
| Tax recoverable | | 19,932 | 15,550 |
| Cash and cash equivalents | | 83,755 | 164,134 |
| | | 1,067,295 | 1,090,696 |
| Current liabilities | | | |
| Trade and other payables | 11 | 1,344,926 | 1,215,607 |
| Interest-bearing borrowings | | 540,904 | 599,852 |
| Lease liabilities | | 510 | 208 |
| Amounts due to directors | | 509 | 812 |
| Convertible bonds | | 110,976 | – |
| Tax payable | | 4,961 | 5,056 |
| | | 2,002,786 | 1,821,535 |

| | | 30 June | 31 December |
|--|--------------|--------------------------------|-------------------------|
| | | 2020 | 2019 |
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | (Unaudited) | (Audited) |
| Net current liabilities | | <u>(935,491)</u> | <u>(730,839)</u> |
| Total assets less current liabilities | | <u>2,559,760</u> | <u>2,760,681</u> |
| Non-current liabilities | | | |
| Deferred tax liabilities | | 497,377 | 507,160 |
| Convertible bonds | | – | 108,046 |
| Interest-bearing borrowings | | <u>50,423</u> | <u>55,875</u> |
| | | <u>547,800</u> | <u>671,081</u> |
| NET ASSETS | | <u><u>2,011,960</u></u> | <u><u>2,089,600</u></u> |
| Capital and reserves | | | |
| Share capital | <i>12</i> | 244,955 | 244,955 |
| Reserves | | <u>835,255</u> | <u>886,364</u> |
| Equity attributable to owners of the Company | | 1,080,210 | 1,131,319 |
| Non-controlling interests | | <u>931,750</u> | <u>958,281</u> |
| TOTAL EQUITY | | <u><u>2,011,960</u></u> | <u><u>2,089,600</u></u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Group incurred a loss attributable to owners of the Company of approximately HK\$19,637,000 and as at 30 June 2020 the Group had net current liabilities of approximately HK\$935,491,000. Nevertheless, these condensed consolidated financial statements have been prepared on a going concern basis. The directors are of the opinion that taking into account of the expected sales of properties and financing arrangement after the reporting period, it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

These condensed consolidated financial statements should be read in conjunction with the 2019 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2019.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s condensed consolidated financial statements and amounts reported for the current period and prior years.

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

4. SEGMENT REPORTING

Information reported to the executive directors and senior management, being the chief operating decision maker, the purposes of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reporting segments of the Group. Specifically, the Group’s reportable operating segments under HKFRS 8 are property development and property investment.

(a) **Segment revenue and results**

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

Six months ended 30 June

| | Property development | | Property investment | | Total | |
|--------------------------------------|----------------------|-------------|---------------------|--------------|-----------------|-----------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Revenue | | | | | | |
| External sales | <u>-</u> | <u>-</u> | <u>1,187</u> | <u>1,739</u> | <u>1,187</u> | <u>1,739</u> |
| Segment result | <u>-</u> | <u>-</u> | <u>843</u> | <u>1,739</u> | <u>843</u> | <u>1,739</u> |
| Unallocated income and losses, net | | | | | <u>920</u> | <u>221</u> |
| Unallocated expenses | | | | | <u>(21,564)</u> | <u>(23,378)</u> |
| Loss from operations | | | | | <u>(19,801)</u> | <u>(21,418)</u> |
| Finance costs | | | | | <u>(8,180)</u> | <u>(1,370)</u> |
| Share of loss of an associate | | | | | <u>(1,377)</u> | <u>(345)</u> |
| Fair value loss on convertible bonds | | | | | <u>(54)</u> | <u>(1,781)</u> |
| Loss before tax | | | | | <u>(29,412)</u> | <u>(24,914)</u> |
| Income tax credit | | | | | <u>1,048</u> | <u>3,292</u> |
| Loss for the period | | | | | <u>(28,364)</u> | <u>(21,622)</u> |

(b) **Segment assets and liabilities**

| | Property development | | Property investment | | Total | |
|---------------------|----------------------|------------------|---------------------|------------------|--------------------|--------------------|
| | 30 June | 31 December | 30 June | 31 December | 30 June | 31 December |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Audited) | (Unaudited) | (Audited) | (Unaudited) | (Audited) |
| Segment assets | <u>870,601</u> | <u>834,360</u> | <u>3,367,652</u> | <u>3,361,304</u> | <u>4,238,253</u> | <u>4,195,664</u> |
| Segment liabilities | <u>(1,085,745)</u> | <u>(937,201)</u> | <u>(497,377)</u> | <u>(507,160)</u> | <u>(1,583,122)</u> | <u>(1,444,361)</u> |

5. INCOME TAX CREDIT

| | Six months ended 30 June | |
|--------------|---------------------------------|-----------------|
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Deferred tax | <u>1,048</u> | <u>3,292</u> |

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

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 2019: 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.

6. LOSS FOR THE PERIOD

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

| | Six months ended 30 June | |
|--|---------------------------------|-----------------|
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Amortisation of intangible assets | 381 | 397 |
| Depreciation of property, plant and equipment | 651 | 331 |
| Depreciation of right-of-use assets | 375 | 435 |
| Staff costs (including directors' remuneration): | | |
| – salaries, bonuses and allowances | 3,931 | 3,737 |
| – retirement benefits scheme contributions | 191 | 328 |
| | <u>4,122</u> | <u>4,065</u> |

7. LOSS PER SHARE

Basic loss per share

Basic loss per share is calculated based on the loss for the period attributable to the owners of the Company for the six months ended 30 June 2020 of approximately HK\$19,637,000 (six months ended 30 June 2019: HK\$17,478,000) and on the weighted average number of 2,449,554,132 ordinary shares (six months ended 30 June 2019: 2,449,554,132).

Diluted loss per share

Diluted loss per share is not presented as there was no dilutive potential ordinary shares during the six months ended 30 June 2020 and 2019.

8. DIVIDENDS

No dividend was paid, declared or proposed during the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, property, plant and equipment of approximately HK\$50,000 was acquired by the Group (six months ended 30 June 2019: HK\$551,000).

10. TRADE RECEIVABLES

The aging analysis of trade receivables as at the reporting date, based on the date of recognition of the sales of properties, is as follows:

| | 30 June 2020 HK\$'000 (Unaudited) | 31 December 2019 HK\$'000 (Audited) |
|-----------------|--|--|
| Within 365 days | – | 1,945 |
| Over 365 days | <u>1,985</u> | <u>–</u> |
| | <u>1,985</u> | <u>1,945</u> |

11. TRADE AND OTHER PAYABLES

| | 30 June | 31 December |
|---|-------------------------|-------------------------|
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Audited) |
| Trade payables to building contractors | 1,040 | 2,383 |
| Accruals of cost for contract works | 174,233 | 187,740 |
| Deferred income | 22,566 | 23,702 |
| Accrued salaries and other operating expenses | 12,757 | 12,598 |
| Accrued interest expense | 14,953 | 11,250 |
| Contract liabilities | 1,080,930 | 941,943 |
| Rental deposits received from investment properties | 33 | 34 |
| Amounts payable on return of properties | 5,595 | 5,704 |
| Other payables | 32,819 | 30,253 |
| | <u>1,344,926</u> | <u>1,215,607</u> |

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

| | 30 June | 31 December |
|--------------------------|------------------------|------------------------|
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Audited) |
| Within 360 days past due | – | 995 |
| Over 360 days past due | 1,040 | 1,388 |
| | <u>1,040</u> | <u>2,383</u> |

12. SHARE CAPITAL

| | 30 June 2020 HK\$'000 (Unaudited) | 31 December 2019 HK\$'000 (Audited) |
|---|--|--|
| Authorised: | | |
| 5,000,000,000 ordinary shares of HK\$0.1 each (31 December 2019: 5,000,000,000 ordinary shares of HK\$0.1 each) | <u>500,000</u> | <u>500,000</u> |
| Issued and fully paid: | | |
| 2,449,554,132 ordinary shares of HK\$0.1 each (31 December 2019: 2,449,554,132 ordinary shares of HK\$0.1 each) | <u>244,955</u> | <u>244,955</u> |

13. LITIGATIONS AND CONTINGENT LIABILITIES

Save as disclosed below, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any material litigation or claims and, so far as the Directors were aware, no material litigation or claims were pending or threatened by or against any companies of the Group which would likely have adverse effect to the Group:

- i) An Originating Summons was issued and filed with the High Court of Hong Kong on 11th August, 2017 pursuant to Section 732 and 733 of the Companies Ordinance, Cap.622 by the plaintiff, Fourseasons Hong Kong Trading Limited, a shareholder of the Company claiming against the Company as the defendant for leave to bring legal proceedings on behalf of the Company against Tsang Wai Lun Wayland and Kwok Wai Man Nancy, the former executive directors of the Company, Kwok Siu Bun, Kwok Siu Wa Alison, Ma Xuemian, Chow Kwai Wa Anne now known as Chow Kwai Wa Charmaine, Hui Pui Wai Kimber, Liu Chaodong, the Directors of the Company, Tsang Tsz Tung Debbie and Chui Wai Hung, the former non-executive director and Independent non-executive Director of the Company respectively, Surplus Full Development Limited (a BVI company) and Intra Asia Limited, both now are the subsidiaries of the Company and the interested parties in the Xuzhou property project (“Xuzhou Project”) and for costs of the proceedings.

The Company upon legal advice opposes the plaintiff's application and has filed its affirmation in opposition and the Plaintiff has paid into Court security for costs of the Defendants. The trial date of these proceedings has not been fixed yet.

In the opinion of the Directors, the said proceedings have no material impact on the operations of the Group. However, the Directors cannot reasonably measure the financial impact of the Group before the conclusion of the said proceedings.

- ii) Under the case no.(2019) Yue 0303 Min Chu No.6862, a subsidiary of the Company Shenzhen Zongke Real Estate Co., Ltd ("Shenzhen Zongke") claims against Shenzhen City You Fu Investment Development Limited ("You Fu") for damages arising from a loan agreement. The action has been tried and the claims of Shenzhen Zongke were dismissed. However, Shenzhen Zongke has lodged its appeal to the People's Intermediate Court of Shenzhen City under (2019) Yue 03 Min Zhong No.23478. On 11th May, 2020, Shenzhen Zongke's appeal was allowed and You Fu was adjudged to pay to Shenzhen Zongke a sum of RMB17,920,993.86.

In the opinion of the Directors, the said proceedings have no material impact on the operations of the Group nor have any financial impact of the Group.

- iii) Under the case no. (2017) Yue 1973 Min Chu no.5565, Chen Huan Chi claims against Dongguan City Zhangmutou Properties Development Limited, Ka Fong Company Limited and Grand Field Group Limited, the latter two companies being the subsidiaries of the Company for the dispute over the construction agreements and the amount claimed is RMB2,119,822. The result of trial has not been delivered.

In the opinion of the Directors, the said case has no material impact on the operations of the Group. However, the Directors cannot reasonably measure the financial impact of the Group before the conclusion of the said proceedings.

- iv) Under the case (2019) Yue 1973 Min Chu no. 16767, Chen Huan Chi claims against Ka Fong company Limited, Shing Fat Hong Limited, Shing Fat Hong and Grand Field Group Limited all being the subsidiaries of the Company and Chen Huan Jiang, Dongguan City Zhangmutou Properties Development Limited, Guangxi Jian Gong Holding 3rd Building Construction Limited in respect of disputes over construction agreement for the claimed amount for RMB5,189,100. This case has been accepted by the Court on 11th November, 2019 and will be heard by the Court on 10th September, 2020.

In the opinion of the Directors, the said case has no material impact on the operations of the Group. However, the Directors cannot reasonably measure the financial impact of the Group before the conclusion of the said proceedings.

- v) There are claims against Guojin Property Development Limited, a subsidiary company wholly owned by the Company (“Guojin”) and its contractor Xu Zhou Chiang Chu Constructions Limited (“Chiang Chu”) and/or requests by the Court to Guojin for assistance in execution in respect of the dispute under construction works contract(s) for Xuzhou Project Properties Development Project (“Xuzhou Project”). Some of these cases have been settled and it is expected the rest will be settled shortly. As the Group has reached an agreement with Chiang Chu about the amount of fee outstanding and payable to it regarding XuZhou Project pending the court’s decision as to whether the respective amounts should be paid to Chiang Chu or the relevant claimants.

In the opinion of the Directors, the said cases have no material impact on the operations of the Group nor have financial impact on the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Business Review and Prospect

During the first half of 2020, having been affected by the impact of the Novel Coronavirus Pandemic, there was a down turn of global economy. The land development project of the Group had, upon the request of the Government, stopped from January to March and resumed work in the middle of April. As such, the progress of work and inspection of the Shenzhen Mix Park Project had to be postponed. The certificate for completion for the whole project has been issued in June, 2020 and the purchasers of the individual units are expected to be delivered vacant possession after the completion of internal decoration of the units in 2021.

After the resumption of work, the Group has been pushing forward with the project speedily. The commercial part of the Shenzhen Mix Park Project has been formally put for the potential tenants to bid. The Group has signed with several enterprises the memorandum for rental. The business arcade will be expected to be in service before the end of the year of 2021.

In the meantime, the Group is ready to start disposing of the remaining land reserves and also positively searching, developing and acquiring new projects and also optimizing the existing combination of assets and the rental income.

Although there are many uncertainties in the global capital market, the Group is optimistic for the economy and market in mainland China. The Group will only invest in assets prudently in order to lower the potential impacts as a result of the external uncertain factors.

2. Financial Review

During the six months ended 30 June 2020 (the “Reporting Period”), the Group’s revenue amounted to approximately HK\$1,187,000 (six months ended 30 June 2019: approximately HK\$1,739,000), representing a 32% decrease when compared with that of the same period last year. The Group’s revenue were mainly generated from properties rental income.

During the Reporting Period, the Group recorded a loss attributable to owners of the Company of approximately HK\$19,637,000 (six months ended 30 June 2019: approximately HK\$17,478,000), representing an increase in loss of approximately HK\$2,159,000 when compared with that of the same period last year. The increase in loss was mainly due to reduction in revenue and income tax credit, increase in finance cost mainly in relation to the Shenzhen Buji Zongke YunDuan project and increase in share of loss of an associate incurred during the Reporting Period.

3. Liquidity and Financial Resources

As at 30 June 2020, the Group’s cash and cash equivalents were approximately HK\$83,755,000 (31 December 2019: approximately HK\$164,134,000) of which mostly denominated in Hong Kong dollar (“HK\$”) and Renminbi (“RMB”).

As at 30 June 2020, the Group recorded total current assets of approximately HK\$1,067,295,000 (31 December 2019: approximately HK\$1,090,696,000) and total current liabilities of approximately HK\$2,002,786,000 (31 December 2019: approximately HK\$1,821,535,000). As at 30 June 2020, the Group recorded total assets of approximately HK\$4,562,546,000 (31 December 2019: approximately HK\$4,582,216,000) and the Group’s total interest-bearing borrowings amounted to approximately HK\$591,327,000 (31 December 2019: approximately HK\$655,727,000), approximately HK\$540,904,000 (31 December 2019: approximately HK\$599,852,000) are repayable within one year.

As at 30 June 2020, interest-bearing borrowings of the Group amounted to approximately HK\$591,327,000 (31 December 2019: approximately HK\$655,727,000) are denominated in RMB and such borrowings carried interest at fixed rates of 6.65% to 25% per annum (31 December 2019: 1.5% per month and 10% to 25% per annum).

As at 30 June 2020, the Group's gearing ratio was defined to be interest-bearing borrowings over shareholders' equity, was approximately 55% (31 December 2019: approximately 58%).

4. Share Capital

| | Number of shares | Amount HK\$'000 |
|--|----------------------|--------------------|
| <i>Authorised:</i> | | |
| Ordinary shares of HK\$0.10 each At the end of Reporting Period | <u>5,000,000,000</u> | <u>500,000</u> |
| <i>Issued and fully paid:</i> | | |
| Ordinary shares of HK\$0.10 each At the end of Reporting Period | <u>2,449,554,132</u> | <u>244,955</u> |

References are made to the announcements of the Company dated 27 February 2017, 24 March 2017 and 28 April 2017 and the circular of the Company dated 30 March 2017 in relation to the issue of the original convertible bonds to Ms. Tsang Tsz Nok Aleen, being one of the vendors to the acquisition, in the principal amount of HK\$137,000,000 due on 28 October 2018, for partial settlement of the consideration of the acquisition. As at 28 October 2018, the original convertible bonds were expired and left the balance of HK\$112,320,000, representing the outstanding principal amount of the original convertible bonds.

On 16 November 2018 (after trading hours of the Stock Exchange), the Company entered into the subscription agreement with Mr. Tsang Wai Lun Wayland and Ms. Tsang Tsz Nok Aleen (collectively, the "Subscribers"), pursuant to which, the Subscribers have conditionally agreed to subscribe and the Company has conditionally agreed to issue the new convertible bonds in the principal amount of HK\$112,320,000. The subscription amount payable by the Subscribers under the subscription agreement shall be satisfied by discharging the payment obligation of the Company on the indebted amount.

The new convertible bonds carry the right to convert into the conversion shares at the conversion price of HK\$0.123 per conversion share (subject to adjustments). Assuming the conversion rights are exercised in full at the conversion price, 913,170,731 new ordinary shares will be allotted and issued to Ms. Tsang Tsz Nok Aleen. Upon full exercise of the conversion rights attaching to the new convertible bonds, the shareholdings of Ms. Tsang Tsz Nok Aleen, the substantial shareholder of the Company, will be changed from approximately 28.92% to 48.22% of the total number of issued shares of the Company as enlarged by the issue of the shares of the Company upon the conversion of all the new convertible bonds.

All the conditions precedent to the subscription agreement have been fulfilled and completion took place on 22 February 2019. Accordingly, the new convertible bonds in the principal amount of HK\$112,320,000 were issued in accordance with the terms and conditions of the subscription agreement.

5. Exchange Risk

The Group's major operations are located in the PRC and the main operational currencies are HK\$ and RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

6. Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained an appropriate liquidity position throughout the Reporting Period. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial condition of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements from time to time.

7. Charge on Group Assets

As at 30 June 2020, certain completed investment properties located in Xuzhou with fair value of approximately HK\$237,764,000 (31 December 2019: approximately HK\$231,443,000), which were owned by a wholly-owned subsidiary, were pledged to secure for the interest-bearing bank loans with principal amount of RMB54,000,000 (31 December 2019: RMB87,000,000) which is equivalent to approximately HK\$59,192,000 (31 December 2019: approximately HK\$97,222,500).

As at 30 June 2020, the land situated in Shenzhen owned by Shenzhen Zongke Real Estate Co., Ltd has been pledged for a bank loan with principal amount of RMB430,000,000 (31 December 2019: RMB450,000,000), which is equivalent to approximately HK\$471,345,000 (31 December 2019: approximately HK\$502,875,000).

8. Segment Information

The details of segment information are set out in note 4 of notes to the condensed consolidated financial statements of this announcement.

9. Capital Commitment

The Group had the following material commitments as at 30 June 2020:

| | 30 June 2020 | 31 December 2019 |
|--|-------------------------|-----------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Audited) |
| Contracted but not provided for: | | |
| Investment properties under development and properties for sale under development | <u>180,516</u> | <u>360,071</u> |

10. Employees

As at 30 June 2020, the Group employed 73 employees (31 December 2019: 86) and appointed 7 Directors (31 December 2019: 7) and the related staff costs for the Reporting Period amounted to approximately HK\$4,122,000 (six months ended 30 June 2019: approximately HK\$4,065,000) representing a 1% increase when compared with that of the same period last year. The increase in staff costs was mainly due to an increase in administrative activities in relation to the Shenzhen Buji Zongke YunDuan project during the Reporting Period. 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 basic salary and statutory provident fund scheme, employees will also be offered discretionary bonus based on the results of the Group and their individual performance.

11. Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets

On 26 February 2019, the Zhejiang Beishen Cultural and Travel Development Company Limited* (浙江北深文旅發展有限公司) (the "Project Company") was established under the laws of the PRC with limited liability for the land acquisition and the construction and development of picture and culture related projects and peripheral commercial facilities on the land through the Project Company. As at 12 September 2019, the Project Company is owned by the JV partners as to (i) 34% by Grandfield Real Estate Development (Shenzhen) Limited* (鈞濠房地產開發(深圳)有限公司) ("Shenzhen Grandfield"), an indirect wholly-owned subsidiary of the Company; (ii) 34% by Beiyong Movie Industry Development (Ningbo) Limited* (北影電影產業園開發(寧波)有限公司) ("Beiyong Movie"); (iii) 26% by Shenzhen Bo Rui De Trading Limited* (深圳市博銳德商貿有限公司); and (iv) 6% by Hangzhou Fubei Investment Management Limited* (杭州富北投資管理有限公司) (the "JV Partners").

* For identification purpose only

On 7 March 2019, one of the JV Partners namely Beiying Movie, won the bidding in respect of the land use rights of the land situated at Hangzhou City, the PRC at the consideration of RMB56,870,000. The confirmation letter was issued by the Hangzhou Planning and Natural Resources Bureau to Beiying Movie to record the winning of the bidding by Beiying Movie on 7 March 2019. On 14 March 2019, Beiying Movie and the Hangzhou Planning and Natural Resources Bureau entered into the land use rights grant contract. On 25 April 2019, Beiying Movie, the Project Company and the Hangzhou Planning and Natural Resources Bureau further entered into the supplemental land use rights grant contract in respect of the land acquisition pursuant to which all parties to the supplemental land use rights grant contract mutually agreed that the purchaser of the land shall be assigned to the Project Company under the same terms and conditions of the land use rights grant contract and that all rights and obligations under the land use rights grant contract shall be transferred to the Project Company effective on the date of the supplemental land use rights grant contract.

When deciding to participate in the land acquisition and the development of the land, the Company had considered the reasonable potential return and investment payback period based on the intended development plan negotiated among the JV Partners that a sizeable proportion of the land would be developed into properties for sale. However, when finalizing the overall development plan of the land, majority of the JV Partners (excluding Shenzhen Grandfield) considered adjusting the development plan of the land to largely reduce the saleable portion of the properties while increasing the proportion of investment properties for leasing purposes. Despite several negotiations, Shenzhen Grandfield was unable to reach a mutual agreement with the other JV Partners on the development plan of the land. The Company considered that fund collection period for leasing properties is relatively slow and investment payback period would be much longer when compared with properties for sale and therefore, the Company commenced negotiations with the other JV Partners on any possible exit plan for Shenzhen Grandfield's investment in the Project Company. The JV Partners mutually agreed, on best effort basis, to procure any interested party to take up the Company's 34% equity interest in the Project Company when opportunity arises.

As at the date of this announcement, the Company has not identified any potential purchaser and has not entered into any negotiation, arrangement and/or agreement in relation to any potential disposal of the Company's 34% equity interests in the Project Company. The Company will update the shareholders and potential investor of the Company in relation to the development of the intended disposal or if there will be any further change in business strategies on the Company's investment in the Project Company by way of announcement in compliance with relevant requirements under the Listing Rules as and when appropriate.

For details of the transaction, please refer to the Company's announcement dated 12 September 2019.

Save as otherwise disclosed, the Company did not have any other material acquisitions, disposal and significant investment of subsidiaries and affiliated companies during the Reporting Period.

In 2020, the Company will continue to make intensive efforts to expand its existing business and explore other business opportunities and try to seek opportunities actively to promote diversified business development. The Company will be continuing its effort in mergers and acquisitions deals as a way to expand into new markets and gain additional revenue streams apart from the real estate development. Bearing any further unforeseen material adverse external developments, the Company will continue to adhere to these principles in 2020 and is cautiously optimistic about the Group's further prospects.

12. Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 June 2020 (31 December 2019: Nil).

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Reporting Period (six months ended 30 June 2019: 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 Reporting Period.

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 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "CG Code") during the Reporting Period except for the deviation as disclosed below:

Code Provision A.2.1

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 Reporting Period, the role of the chairman of the Company was performed by Mr. Ma Xuemian but the office of the chief executive officer of the Company has been vacated. However, the Board will keep reviewing the current structure of the Board from time to time and should candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post as appropriate.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code. Having made specific enquiry to all Directors, the Company was not aware of any non-compliance with the required standard in the Model Code for dealing in securities of the Company during the Reporting Period.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) was established on 4 August 1999 with written terms of reference with the requirement stipulated in the CG Code. The latest terms of reference of the Audit Committee were adopted on 1 January 2019 and are available on the Stock Exchange’s and the Company’s websites.

As at 30 June 2020, the Audit Committee comprised three independent non-executive Directors, namely Mr. Wong Sze Lok (chairman of the Audit Committee), Mr. Hui Pui Wai Kimber and Mr. Liu Chaodong.

Its primary duties are to monitor integrity of the annual report and accounts and half-year report of the Company and to review significant reporting judgements contained in such reports; to review the Group’s financial and accounting policies and practices; to review the Group’s financial control, the internal audit function, internal control and risk management system of the Group with particular regard to their effectiveness; to make recommendations to the Board where the monitoring activities of the Audit Committee reveal cause for concern or scope for improvement and to make recommendation to the Board on the appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of such auditors.

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and has discussed the financial reporting matters including the review of the unaudited interim financial results for the Reporting Period.

EVENT AFTER THE REPORTING PERIOD

The Group does not have any material subsequent event after the Reporting Period and up to the date of this announcement.

EXTRACT OF INDEPENDENT REVIEW REPORT ON THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

Material Uncertainty Relating To Going Concern

We draw attention to note 2 to the condensed consolidated financial information which mentions that the Group incurred a loss attributable to owners of the Company of approximately HK\$19,637,000 and as at 30 June 2020 the Group had net current liabilities of approximately HK\$935,491,000. These conditions indicate a material uncertainty which may cast doubt on the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the Company's website (<http://www.gfghl.com>) 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 2020

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 Charmaine and Ms. Kwok Siu Wa Alison; and three independent non-executive Directors, namely Mr. Hui Pui Wai Kimber, Mr. Liu Chaodong and Mr. Wong Sze Lok.