



**GRAND FIELD GROUP
HOLDINGS LIMITED**

Interim Report **2001**

The Board of Directors of Grand Field Group Holdings Limited (The “Company”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2001 as set out below:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2001	2000
		(unaudited)	(unaudited)
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
TURNOVER	2	44,694	23,586
COST OF SALES		(28,743)	(10,943)
GROSS PROFIT		15,951	12,643
OTHER REVENUE		4,784	3,275
DISTRIBUTION COSTS		(1,864)	(1,298)
ADMINISTRATIVE EXPENSES		(8,476)	(4,760)
PROFIT FROM OPERATIONS	3	10,395	9,860
FINANCE COSTS	4	(3,812)	(1,886)
PROFIT BEFORE TAXATION		6,583	7,974
INCOME TAX EXPENSE	5	(1,746)	(815)
NET PROFIT FOR THE PERIOD		4,837	7,159
INTERIM DIVIDENDS	6	–	–
EARNINGS PER SHARE	7		
– Basic		0.371 cents	0.680 cents
– Diluted		0.371 cents	0.679 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 June 2001 (unaudited) HK\$'000	31 December 2000 (audited) HK\$'000
ASSETS			
Non-current assets			
Investment properties	8	31,682	31,682
Property, plant and equipment	8	6,630	7,089
Investment in an associate	9	28,037	–
Loans receivable			
– portion receivable after one year		21,103	20,148
Deposits for acquisition of land		67,367	67,366
Investment in a property development joint venture		19,440	20,520
Pledged bank deposits		18,709	12,279
		192,968	159,084
Current assets			
Properties under development for sale		167,065	172,250
Properties held for sale		45,016	49,526
Loans receivable			
– portion receivable within one year		39,926	28,619
Other debtors, deposits and prepayments		55,559	45,247
Cash and bank balances		6,143	3,959
		313,709	299,601
LIABILITIES			
Current liabilities			
Creditors, deposits and accrued charges	10	96,306	117,865
Deposits received for sale of developed properties		17,756	10,047
Due to a director		18,863	13,657
Due to a minority shareholder of a subsidiary		5,257	5,257
Tax liabilities		10,880	9,548
Current portion of interest-bearing borrowings	11	85,109	56,892
Current portion of obligations under hire purchase contracts		45	135
		234,216	213,401
Net current assets		79,493	86,200
Total assets less current liabilities		272,461	245,284
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	11	15,083	15,646
		15,083	15,646
NET ASSETS		257,378	229,638
CAPITAL AND RESERVES			
Issued capital	12	29,290	25,890
Reserves	13	228,088	203,748
		257,378	229,638

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

**Six months ended
30 June 2001
(unaudited)**
HK\$'000

NET LOSS ARISING FROM EXCHANGE DIFFERENCES ON TRANSLATION OF OPERATIONS OUTSIDE HONG KONG NOT RECOGNISED IN THE CONDENSED CONSOLIDATED INCOME STATEMENT	(3,753)
NET PROFIT FOR THE PERIOD	<u>4,837</u>
TOTAL RECOGNISED GAINS	<u><u>1,084</u></u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June, 2001 (unaudited) <i>HK\$'000</i>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(17,388)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(4,815)
TAXATION PAID	(414)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(34,548)
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NET CASH OUTFLOW BEFORE FINANCING	(57,165)
NET CASH INFLOW FROM FINANCING	57,177
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INCREASE IN CASH AND CASH EQUIVALENTS	12
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	3,001
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(77)
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CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	2,936
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Notes:

1. ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties..

The interim report has been prepared in accordance with the Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants, except that comparative figures are not presented for the statement of recognised gains and losses and for the cash flow statement, being the first cash flow statement to be included in the interim financial report relating to accounting period ended on or after 1 July 2000. Such departures from SSAP 25 are permitted under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31 December 2000.

2. SEGMENT INFORMATION

The Group is principally engaged in property development and investment.

An analysis of the Group's turnover and contribution to profit from operations for the period by principal activities is as follows:

	Turnover		Contribution to profit from operations	
	Six months ended 30 June		Six months ended 30 June	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of developed properties	42,670	21,482	14,028	10,644
Property rental	2,024	2,104	1,923	1,999
	<u>44,694</u>	<u>23,586</u>	<u>15,951</u>	<u>12,643</u>
Less: Net central administrative expenses			<u>(5,556)</u>	<u>(2,783)</u>
Profit from operations			<u>10,395</u>	<u>9,860</u>

All the Group's turnover and contribution to profit from operations are derived from the People's Republic of China (the "PRC"), excluding Hong Kong.

3. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after crediting and charging the followings:

	Six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
Crediting		
Interest income	72	376
Net foreign exchange gain	1,140	1,096
	<u> </u>	<u> </u>
Charging		
Depreciation		
– owned assets	447	307
– assets held under hire purchase contracts	93	93
	<u> </u>	<u> </u>

4. FINANCE COSTS

	Six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
Interest on		
Bank loans, overdrafts and other borrowings wholly repayable		
– within five years	4,290	3,227
– over five years	570	190
Hire purchase contracts	27	27
	<u> </u>	<u> </u>
	4,887	3,444
<i>Less: Amounts capitalised in properties under development for sale</i>	(1,075)	(1,558)
	<u> </u>	<u> </u>
	3,812	1,886
	<u> </u>	<u> </u>

5. TAXATION

	Six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
The charges comprise:		
Hong Kong profits tax	-	-
Income tax in the PRC	<u>(1,746)</u>	<u>(815)</u>
	<u>(1,746)</u>	<u>(815)</u>

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

PRC income tax for enterprises is calculated at 15% of the estimated assessable profit for the period.

PRC income tax for property development projects arises from the sales of developed properties in the PRC. Pursuant to several tax co-ordination agreements signed between the Group and a co-operative partner, the co-operative partner is primarily responsible for income tax arising from the relevant projects. The Group is required to pay to the co-operative partner its share of income tax arising from the projects at an amount equal to 1.5% of the gross amounts received and receivable for developed properties sold and the co-operative partner will assume the responsibilities to discharge all income tax arising from the projects to the relevant governmental authorities.

6. INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the period (2000: Nil).

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is computed based on the following data:

	Six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
Earnings:		
Net profit for the period and earnings for the purpose of basic and diluted earnings per share	<u>4,837</u>	<u>7,159</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,302,953,039	1,053,560,440
Effect of dilutive potential ordinary shares	<u>217,700</u>	<u>985,675</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,303,170,739</u>	<u>1,054,546,115</u>

The average number of ordinary shares for six months ended 30 June 2000 have been adjusted for the 1 to 5 subdivision of the Company's shares in July 2000.

8. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

In the opinion of the directors, there is no material difference between the carrying amount and the market value of investment properties as at 30 June 2001.

During the period, the Group spent approximately HK\$81,000 (HK\$305,000 for the six months ended 30 June 2000) on property, plant and equipment.

9. INVESTMENT IN AN ASSOCIATE

The amount represents the cost of investment in Bengbu International Travel Service Co. Limited “蚌埠市國際旅行社有限責任公司” (the “Travel Agent”), representing a 26.5% equity interest in Travel Agent. The Travel Agent is a company incorporated in the PRC which is principally engaged in arranging for both outbound travel and local tours in the PRC.

10. CREDITORS, DEPOSITS AND ACCRUED CHARGES

Included in creditors, deposits and accrued charges are trade creditors with the following ageing analysis:

	30 June 2001 HK\$'000	31 December 2000 HK\$'000
Current to 90 days	1,086	1,681
91 to 180 days	-	-
181 to 360 days	-	-
Over 360 days	17,782	23,842
	18,868	25,523

11. BORROWINGS

During the period, the Group obtained new short-term bank loans in the amount of approximately HK\$34,112,000. The loans bear interest at the rate of 6.7%-7.6% p.a. and are repayable within 1 year. The proceeds were used for general working capital purposes. The Group also repaid bank loans and other loan of approximately HK\$8,144,000 and HK\$563,000 respectively.

12. ISSUED CAPITAL

	Number of ordinary shares '000	Amount HK\$'000
Issued and fully paid:		
ordinary shares of HK\$0.02 each		
At 1 January 2001	1,294,500	25,890
Placement of shares	170,000	3,400
	1,464,500	29,290
At 30 June 2001	1,464,500	29,290

13. RESERVES

	Share premium account <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	Goodwill reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
The Group							
At 1/1/2001	52,986	(2,215)	5,667	(9,171)	2,201	154,280	203,748
Shares issued at premium upon placement of shares	23,800	-	-	-	-	-	23,800
Share issue expense	(544)	-	-	-	-	-	(544)
Translation of financial statements of overseas subsidiaries	-	-	-	-	(3,753)	-	(3,753)
Net profit for the period	-	-	-	-	-	4,837	4,837
At 30/6/2001	<u>76,242</u>	<u>(2,215)</u>	<u>5,667</u>	<u>(9,171)</u>	<u>(1,552)</u>	<u>159,117</u>	<u>228,088</u>

14. CONTINGENT LIABILITIES

At the balance sheet date, the Group had contingent liabilities in respect of guarantees given to banks in relation to mortgage loans made available to the buyers of the developed properties of the Group amounting to approximately HK\$1,851,000 (31 December 2000: HK\$2,467,000).

15. CAPITAL COMMITMENTS

	The Group	
	30 June 2001 <i>HK\$'000</i>	31 December 2000 <i>HK\$'000</i>
Capital expenditure in respect of property development projects:		
Contracted for but not provided in the financial statements	87,881	87,902
Authorised but not contracted for	8,290	10,618
	<u>96,171</u>	<u>98,520</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the six months ended 30 June, 2001, the Group's profit attributable to shareholders was HK\$4,837,000 representing a decrease of 32% as compared with the corresponding period of last year. Operating results for the current period was approximately HK\$10,395,000 representing an increase of 5.4% over the same period last year.

The competition in the PRC property market is still fierce, the Group has adopted a more aggressive marketing and sales strategy in order to strengthen our competitiveness. As the income from properties developed for sale is recognised on the completion basis, and a significant portion of the Group's key development projects in Shenzhen are completed and sold during the period, the Group's turnover for the period recorded a tremendous growth. China's imminent entry into the WTO and the extension of opening hours at the Shenzhen-Hong Kong border will both have a positive impact on the Group. Sales price was adjusted in order to attract more buyers and accelerate the sales of property. As a result, the overall profit margin decreased. The Group's turnover for the period under review was HK\$44,694,000 representing an increase of 89.5% as compared with HK\$23,586,000 at the same period last year. Gross profit margin was 36%, representing a decrease of 18% as compared with 54% at the same period last year.

In addition, the net asset per share of the Group was HK\$0.176 at 30 June 2001 as compared to HK\$0.177 at 31 December 2000.

Liquidity and Financial Resources

The Group continues to implement stringent fiscal policy during the period. As at 30 June 2001, the Group recorded net current assets approximately HK\$79,493,000, shareholders equity approximately HK\$257,378,000, total borrowing approximately HK\$100,192,000 and gearing ratio 38.9%.

Employees

As at 30 June 2001, the total number of employees was 83. The Group continued to strive to enhance competitiveness by planning longer-term recruiting strategies and development of talent pools. To compete effectively in a dynamic market place, the Group has attempted to focus its training and development initiatives by providing continuous training for our sales and management teams.

Business Review and Prospect

During the period under review, China's domestic economic development kept surging. Benefited from the rising local and foreign demand for residential property, the Group recorded a pronounced growth in turnover. While maintaining a cautious approach towards investment in the property development, the Group still has considerable edge in the market.

On the other hand, in addition to focusing on property development, the Group has acquired 26.5% equity interests in Bengbu International Travel Service Co. Limited “蚌埠市國際旅行社有限責任公司”, which served as a vital step for the Group in exploring potential business other than property development. In view of China's imminent access to the World Trade Organisation as well as an improved domestic economic environment in the PRC, it is expected that domestic tourism and transport industry will experience dramatic growth and as a result generate considerable contributions to the Group in the future.

Directors' Interests in Shares and Options

(i) Shares

At 30th June, 2001, the interests of the directors in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”) were as follows:

Name of director	Number of shares held			
	Personal interests	Family interests	Corporate interests	Other Interests
Mr. Tsang Wai Lun, Wayland	25,000,000	–	728,250,000 (Note)	–
Madam Kwok Wai Man, Nancy	4,750,000	–	728,250,000 (Note)	–
Mr. Lau Tam Wah	1,000,000	–	–	–

Note: These shares are held through Rhenfield Development Corp., the entire issued share capital of which is owned by Mr. Tsang Wai Lun, Wayland and Madam Kwok Wai Man, Nancy in equal shares.

(ii) Options

Details of the share options granted to the directors of the Company under the share option scheme are as follows:

Name of director	Exercise price HK\$	Exercise period	Number of share options		
			Outstanding at 1/1/2001	Exercised during the period	Outstanding at 30/6/2001
Mr. Tsang Wai Lun, Wayland	0.2002	16/8/2000 to 16/8/2003	4,950,000	-	4,950,000
Madam Kwok Wai Man, Nancy	0.2002	16/8/2000 to 16/8/2003	4,950,000	-	4,950,000
Mr. Lau Tam Wah	0.1824	25/1/2000 to 24/1/2003	2,000,000	-	2,000,000

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the directors nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company.

(iii) Shares in subsidiaries

Each of Mr. Tsang Wai Lun, Wayland and Madam Kwok Wai Man, Nancy is also interested in the following number of non-voting deferred shares in the following subsidiaries of the Company:

	Grand Field Group Limited	Ka Fong Industrial Company, Limited	Kwan Cheung Holdings Limited	Shing Fat Hong Limited
Mr. Tsang Wai Lun, Wayland	1 share of HK\$100	1,000 shares of HK\$100 each	1 share of HK\$100	1 share of HK\$1
Madam Kwok Wai Man, Nancy	1 share of HK\$100	1,000 shares of HK\$100 each	1 share of HK\$100	1 share of HK\$1

Other than the share holdings disclosed above and nominee shares in certain subsidiaries held in trust for the Group, at 30 June 2001, neither the directors nor any of their associates, had any interests in any securities of the Company or any of its associated corporations as defined by the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no person as having an interest of 10% or more in the issued share capital of the Company as at 30 June 2001.

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 2001.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited throughout the period.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed internal control and financial reporting matters including the review of the unaudited interim financial statements.

By order of the board
Tsang Wai Lun, Wayland
Chairman

Hong Kong, 26 September 2001