



**GRAND FIELD GROUP  
HOLDINGS LIMITED**

*Interim Report* **2002**

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 2002 as set out below:

## CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Six months ended 30 June</b>	
		<b>2002</b>	2001
		<b>(unaudited)</b>	(unaudited)
	<i>Note</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
TURNOVER	2	<b>37,734</b>	44,694
COST OF SALES		<u><b>(22,649)</b></u>	<u>(28,743)</u>
GROSS PROFIT		<b>15,085</b>	15,951
OTHER REVENUE		<b>151</b>	4,784
DISTRIBUTION COSTS		<b>(1,954)</b>	(1,864)
ADMINISTRATIVE EXPENSES		<u><b>(9,182)</b></u>	<u>(8,476)</u>
PROFIT FROM OPERATIONS		<b>4,100</b>	10,395
SHARE OF RESULT OF AN ASSOCIATE		<b>(44)</b>	–
FINANCE COSTS	3	<u><b>(3,062)</b></u>	<u>(3,812)</u>
PROFIT BEFORE TAXATION		<b>994</b>	6,583
INCOME TAX	4	<u><b>(326)</b></u>	<u>(1,746)</u>
NET PROFIT FOR THE PERIOD		<u><b>668</b></u>	<u>4,837</u>
INTERIM DIVIDENDS	5	<u><b>–</b></u>	<u>–</u>
EARNINGS PER SHARE (Basic)	6	<u><b>0.039 cent</b></u>	<u>0.371 cent</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

		<b>30 June 2002 (unaudited) HK\$'000</b>	31 December 2001 (audited) HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties		<b>30,147</b>	28,699
Property, plant and equipment		<b>6,472</b>	6,744
Investment in an associate	7	<b>2,074</b>	2,112
Loans receivable			
– portion receivable after one year		<b>25,416</b>	24,833
Interest in land		<b>184,430</b>	136,487
Investment in a property development joint venture		<b>17,280</b>	18,360
Pledged bank deposits		<b>36,120</b>	50,711
		<b>301,939</b>	267,946
<b>Current assets</b>			
Properties under development for sale		<b>146,266</b>	165,663
Properties held for sale		<b>52,412</b>	39,518
Loans receivable			
– portion receivable within one year		<b>12,828</b>	10,975
Other debtors, deposits and prepayments		<b>62,622</b>	60,800
Cash and bank balances		<b>5,128</b>	2,976
		<b>279,256</b>	279,932
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Creditors, deposits and accrued charges	8	<b>144,765</b>	130,053
Deposits received for sale of developed properties		<b>10,979</b>	24,931
Due to a director		<b>19,883</b>	12,996
Tax liabilities		<b>9,860</b>	9,629
Current portion of interest-bearing borrowings	9	<b>114,808</b>	130,031
		<b>300,295</b>	307,640
<b>Net current assets</b>		<b>(21,039)</b>	(27,708)
<b>Total assets less current liabilities</b>		<b>280,900</b>	240,238
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing borrowings	9	<b>16,171</b>	14,754
<b>NET ASSETS</b>		<b>264,729</b>	225,484
<b>CAPITAL AND RESERVES</b>			
Issued capital	10	<b>34,633</b>	29,290
Reserves	11	<b>230,096</b>	196,194
		<b>264,729</b>	225,484

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>Six months ended 30 June</b>	
	<b>2002</b>	2001
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Cash flows from operating activities	<b>2,964</b>	(22,689)
Cash flows from investing activities	<b>(29,810)</b>	(34,476)
Cash flows from financing activities	<b>28,621</b>	57,177
	<hr/>	<hr/>
Net increase in cash and cash equivalents	<b>1,775</b>	12
Cash and cash equivalents at beginning of the period	<b>1,168</b>	3,001
Effect of foreign exchange rate changes	-	(77)
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Cash and cash equivalents at end of the period	<b>2,943</b>	2,936
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Notes:

#### 1. ACCOUNTING POLICIES

The condensed consolidated 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.

The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31 December 2001.

#### 2. TURNOVER

The Group is principally engaged in property development and investment. The Group's turnover comprises sales of developed properties and property rental.

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

## 3. FINANCE COSTS

	Six months ended 30 June	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on		
Bank loans, overdrafts and other borrowings wholly repayable		
– within five years	4,283	4,290
– over five years	859	570
Hire purchase contracts	–	27
	<u>5,142</u>	<u>4,887</u>
<i>Less:</i> Amounts capitalised in properties under development for sale	<u>(2,080)</u>	<u>(1,075)</u>
	<u><b>3,062</b></u>	<u><b>3,812</b></u>

## 4. INCOME TAX

	Six months ended 30 June	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charges comprise:		
Hong Kong profits tax	–	–
Income tax in the PRC	<u>326</u>	<u>1,746</u>
	<u><b>326</b></u>	<u><b>1,746</b></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.

## 5. INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the period (2001: Nil).

## 6. EARNINGS PER SHARE

The calculation of earnings per share is based on the earnings for the period of HK\$668,000 (HK\$4,837,000 for the six months ended 30 June 2001) and on the weighted average number of Shares of 1,699,400,000 (1,302,953,000 for the six months ended 30 June 2001).

No dilute earnings per share has been presented as the exercise of the Company's options does not result in any dilution effect (no dilution effect for the six months ended 30 June 2001).

## 7. INVESTMENT IN AN ASSOCIATE

The amount represents the cost of investment in Bengbu International Travel Service Co. Ltd. "蚌埠市國際旅行社有限責任公司" (the "Travel Agent"), less the related premium on acquisition plus the share of post-acquisition profit and the amount due from the associate. The investment represents a 26.5% equity interest in the Travel Agent which is a company incorporated in the PRC, principally engaging in the business of arranging for both outbound travel and local tours in the PRC.

## 8. CREDITORS, DEPOSITS AND ACCRUED CHARGES

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

	<b>30 June 2002 HK\$'000</b>	31 December 2001 HK\$'000
Current to 90 days	<b>3,228</b>	19,366
91 to 180 days	–	–
181 to 360 days	<b>38,732</b>	4,672
Over 360 days	–	14,249
	<b>41,960</b>	38,287

## 9. BORROWINGS

During the period, the Group obtained new short-term bank loans in the amount of HK\$54,622,000. The loans bearing interest at market rates are repayable within 1 year. The proceeds were used for general working capital purposes. The Group also repaid bank loans and other loan of HK\$67,609,000 and HK\$818,000 respectively.

## 10. ISSUED CAPITAL

	Number of ordinary shares '000	Amount HK\$'000
Issued and fully paid: ordinary shares of HK\$0.02 each		
At 1 January 2002	1,464,500	29,290
Placement of shares	260,000	5,200
Exercise of share options	7,150	143
	<u>1,731,650</u>	<u>34,633</u>
At 30 June 2002	<u>1,731,650</u>	<u>34,633</u>

## 11. CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Investment property revaluation reserve HK\$'000	Goodwill reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>The Group</b>								
At 1/1/2002	29,290	76,172	(2,215)	3,702	(35,702)	3,775	150,462	225,484
Translation of financial statements of overseas subsidiaries	-	-	-	-	-	1,264	-	1,264
Net gain not recognised in the income statement	-	-	-	-	-	1,264	-	1,264
Shares issued at premium upon - placement of shares	5,200	29,900	-	-	-	-	-	35,100
- exercise of share options	143	874	-	-	-	-	-	1,017
Share issue expense	-	(200)	-	-	-	-	-	(200)
Amortisation of goodwill relating to an associate	-	-	-	-	1,396	-	-	1,396
Net profit for the period	-	-	-	-	-	-	668	668
At 30/6/2002	<u>34,633</u>	<u>106,746</u>	<u>(2,215)</u>	<u>3,702</u>	<u>(34,306)</u>	<u>5,039</u>	<u>151,130</u>	<u>264,729</u>

## 12. 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\$1,084,000 (31 December 2001: HK\$1,432,000).

## 13. CAPITAL COMMITMENTS

At the balance sheet date, the Group had capital expenditure in respect of property development projects amounting to approximately HK\$29,281,000 (31 December 2001: HK\$45,329,000) contracted but not provided in the financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results

In the light of the keen competition of PRC property market, the Group has adopted an aggressive marketing and sales strategy in order to maintain the Group's leadership position in the region. The Group has achieved a good level of turnover of HK\$37.7 million which represents 84.4% of that of the same period last year in which period most of the development projects were completed and started to be sold. In addition to maintaining a profitable gross margin of 40%, the Group has achieved profit from operations amounting to HK\$4.1 million despite the fact that we did not generate the similar project management fee as in last year, which mainly accounted for the 39% decrease over the result of the same period last year.

Furthermore, the net asset per share of the Group was HK\$0.15 at 30 June 2002, being the same as that of HK\$0.15 at 31 December 2001.

### Liquidity and Financial Resources

The Group continues to enforce the conservative financial policy during the period. As at 30 June 2002, the Group recorded net current liabilities HK\$21.0 million, shareholders equity HK\$264.7 million and total borrowings HK\$131.0 million with the gearing ratio of 49.5%.

### Business Development and Prospects

The Group has adopted a development strategy in diversifying its existing businesses into natural gas business in the PRC in view of the PRC government policy of encouraging the use of natural gas to lessen environmental pollution problems. As such, the Group, in May 2002, made a conditional acquisition of 75% interest in Sino Richest Ltd. which holds 80% interest in a sino-foreign equity joint venture 重慶市溢德萬盛燃氣有限公司 ("Chongqing JV") whose approved scope of business includes development and construction of main piping network and ancillary works for fueling gas, application promotion and research development of new technology such as city pipeline air-liquefying enforcing vaporisation technique and the technology development, production and sales of fueling gas equipment and appliances. In the light of the promising markets of Chongqing and the neighbouring provinces, the Chongqing JV is in a good position to bring substantial profit contributions to the Group in the future.



## Directors' Interests in Shares and Options

### (i) Shares

At 30 June 2002, 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	Personal interests	Number of shares held		
		Family interests	Corporate interests	Other interests
Mr. Tsang Wai Lun, Wayland	25,000,000	–	735,050,000 (Note)	–
Madam Kwok Wai Man, Nancy	4,750,000	–	735,050,000 (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 share.

### (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 30/6/2002
Mr. Tsang Wai Lun, Wayland	0.2002	16/8/2000 to 16/8/2003	4,950,000
	0.0839	1/11/2001 to 28/10/2004	4,250,000
Madam Kwok Wai Man, Nancy	0.2002	16/8/2000 to 16/8/2003	4,950,000
	0.0839	1/11/2001 to 28/10/2004	4,250,000
Mr. Lau Tam Wah	0.1824	25/1/2000 to 24/1/2003	2,000,000
	0.0839	1/11/2001 to 28/10/2004	750,000

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:

	<b>Grand Field Group Limited</b>	<b>Ka Fong Industrial Company, Limited</b>	<b>Kwan Cheung Holdings Limited</b>	<b>Shing Fat Hong Limited</b>
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 2002, 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 2002.

## **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 2002.

## 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  
**Kwok Wai Man, Nancy**  
*Director*

Hong Kong, 19 September 2002