

**Grand Field Group  
Holdings Limited**



Interim Report **2003**

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 2003 as set out below:

## CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 June	
		2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
TURNOVER	2	<b>30,092</b>	37,734
COST OF SALES		<b>(18,597)</b>	(22,649)
GROSS PROFIT		<b>11,495</b>	15,085
OTHER REVENUE		<b>568</b>	151
DISTRIBUTION COSTS		<b>(1,866)</b>	(1,954)
ADMINISTRATIVE EXPENSES	3	<b>(7,024)</b>	(7,786)
PROFIT FROM OPERATIONS		<b>3,173</b>	5,496
SHARE OF RESULT OF AN ASSOCIATE		<b>71</b>	(44)
AMORTISATION OF GOODWILL		<b>(1,396)</b>	(1,396)
EXCEPTIONAL ITEM	4	<b>(31,006)</b>	-
FINANCE COSTS	5	<b>(4,038)</b>	(3,062)
(LOSS)/PROFIT BEFORE TAXATION		<b>(33,196)</b>	994
TAXATION	6	<b>(371)</b>	(326)
(LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<b>(33,567)</b>	668
INTERIM DIVIDENDS	7	-	-
(LOSS)/EARNINGS PER SHARE (Basic)	8	<b>(1.640 cent)</b>	0.039 cent

## CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2003 (unaudited) HK\$'000	31 December 2002 (audited) HK\$'000
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties		25,787	25,787
Property, plant and equipment	9	31,330	31,906
Interest in an associate	10	2,297	2,242
Goodwill	11	54,342	86,744
Loans receivable			
– portion receivable after one year		20,016	29,090
Deposits for acquisition of land		192,463	192,463
Investment in a property development joint venture		15,120	16,200
Pledged bank deposits		9,995	11,768
		<b>351,350</b>	<b>396,200</b>
<b>Current assets</b>			
Properties under development for sale		45,057	44,723
Properties held for sale		79,888	92,334
Loans receivable			
– portion receivable within one year		20,242	16,215
Other receivables, deposits and prepayments		45,694	34,172
Cash and bank balances		4,418	27,465
		<b>195,299</b>	<b>214,909</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Current portion of interest-bearing borrowings	12	59,810	87,743
Trade payables, deposits and accruals	13	103,057	111,282
Deposits received for sale of developed properties		7,751	1,712
Due to a director		38,790	42,783
Taxation payable		10,067	9,767
		<b>219,475</b>	<b>253,287</b>
<b>Net current assets</b>		<b>(24,176)</b>	<b>(38,378)</b>
<b>Total assets less current liabilities</b>		<b>327,174</b>	<b>357,822</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing borrowings	12	18,296	15,333
<b>NET ASSETS</b>		<b>308,878</b>	<b>342,489</b>
<b>CAPITAL AND RESERVES</b>			
Issued capital	14	40,933	40,933
Reserves	15	267,945	301,556
		<b>308,878</b>	<b>342,489</b>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>Six months ended 30 June</b>	
	<b>2003</b>	2002
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Cash flows from operating activities	<b>7,489</b>	2,964
Cash flows from investing activities	<b>(1,573)</b>	(29,810)
Cash flows from financing activities	<b>(28,963)</b>	28,621
Net increase in cash and cash equivalents	<b>(23,047)</b>	1,775
Cash and cash equivalents at beginning of the period	<b>27,465</b>	1,168
Cash and cash equivalents at end of the period	<b>4,418</b>	2,943

Notes:

**1. ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared under the historical cost convention.

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 2002.

**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. ADMINISTRATIVE EXPENSES**

Included in administrative expenses is depreciation and amortisation of HK\$1,749,000 (HK\$1,363,000 for the six months ended 30 June 2002).

**4. EXCEPTIONAL ITEM**

The exceptional item represents the provision for diminution of value of goodwill arising on acquisition of 75% interest of Sino Richest Ltd. which was subsequently realized upon its disposal on 31 July 2003.

## 5. FINANCE COSTS

	Six months ended 30 June	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on		
Bank loans, overdrafts and		
other borrowings wholly repayable		
– within five years	<b>3,009</b>	4,283
– over five years	<b>1,029</b>	859
	<b>4,038</b>	5,142
<i>Less: Amounts capitalised in properties</i>		
under development for sale	–	(2,080)
	<b>4,038</b>	3,062

## 6. TAXATION

	Six months ended 30 June	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charges comprise:		
Hong Kong profits tax	–	–
Income tax in the PRC	<b>371</b>	326
	<b>371</b>	326

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.

The Group did not have any significant deferred taxation for the period.

## 7. INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the period (six months ended 30 June 2002: Nil).

## 8. (LOSS)/EARNINGS PER SHARE

The calculation of loss per share is based on the loss for the period of HK\$33,567,000 (earnings HK\$668,000 for the six months ended 30 June 2002) and on the weighted average number of shares of 2,046,650,000 (1,699,400,000 for the six months ended 30 June 2002).

No diluted loss/earnings per share has been presented as the exercise of the Company's options does not result in any dilution effect.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the period, there were additions of equipment and motor vehicle of HK\$22,000 and HK\$41,000 respectively.

## 10. INTEREST IN AN ASSOCIATE

The amount represents the cost of investment in Bengbu International Travel Service Co. Ltd. (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.

## 11. GOODWILL

The goodwill amount comprises the cost of goodwill arising on acquisition of an associate less its accumulated amortisation, amounting to HK\$22,342,000 (31 December 2002: HK\$23,738,000) and that arising on acquisition of a subsidiary, Sino Richest Ltd., less its provision for diminution, amounting to HK\$32,000,000 (31 December 2002: HK\$63,006,000), which net goodwill was subsequently realized upon disposal of the subsidiary on 31 July 2003.

## 12. INTEREST-BEARING BORROWINGS

	<b>30 June 2003 HK\$'000</b>	31 December 2002 HK\$'000
Bank loans and overdraft	<b>60,895</b>	85,394
Other loans	<b>17,211</b>	17,682
	<b>78,106</b>	103,076
Amount due within one year shown under current liabilities	<b>(59,810)</b>	(87,743)
Amount due after one year	<b>18,296</b>	15,333

**13. TRADE PAYABLES, DEPOSITS AND ACCRUALS**

Included in trade payables, deposits and accruals are trade creditors with the following aging analysis:

	<b>30 June 2003 HK\$'000</b>	31 December 2002 HK\$'000
Current to 90 days	<b>1,625</b>	741
91 to 180 days	<b>1,535</b>	62
181 to 360 days	<b>678</b>	26
Over 360 days	<b>3,505</b>	8,345
	<b>7,343</b>	9,174

**14. ISSUED CAPITAL**

	<b>Number of ordinary shares '000</b>	<b>Amount HK\$'000</b>
Authorised:		
ordinary shares of HK\$0.02 each		
At 1 January 2003 and 30 June 2003	5,000,000	100,000
Issued and fully paid:		
ordinary shares of HK\$0.02 each		
At 1 January 2003 and 30 June 2003	2,046,650	40,933

## 15. 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 1/1/2003	40,933	163,446	(2,215)	1,802	(9,846)	3,341	145,028	342,489
Translation of financial statements of overseas subsidiaries	-	-	-	-	-	(44)	-	(44)
Net gain not recognized in the income statement	-	-	-	-	-	(44)	-	(44)
Net loss for the period	-	-	-	-	-	-	(33,567)	(33,567)
At 30/6/2003	40,933	163,446	(2,215)	1,802	(9,846)	3,297	111,461	308,878

## 16. CONTINGENT LIABILITIES

At the balance sheet date, the Group had contingent liabilities in respect of bills discounted and guarantees given to banks in relation to mortgage loans made available to buyers of the developed properties of the Group amounting to approximately HK\$40,000,000 and HK\$415,000 (31 December 2002: HK\$35,000,000 and HK\$1,118,000) respectively.

## 17. CAPITAL COMMITMENTS

At the balance sheet date, the Group had capital expenditures in respect of property development projects amounting to approximately HK\$45,455,000 (31 December 2002: HK\$45,484,000) contracted but not provided for and approximately HK\$8,083,000 (31 December 2002: HK\$8,083,000) authorized but not contracted.

## 18. LITIGATION UNDER PROGRESS

One of the subsidiary of the Group is a defendant in a lawsuit brought by a contractor during 2001 claiming the refund of approximately HK\$2,098,000 together with interests relating to cash advanced. The subsidiary appealed to contest the claim strongly and it is the management's opinion that the ultimate liability, if any, will not have material impact on the financial position of the subsidiary and the Group.

## 19. COMPARATIVE FIGURES

With a review of financial statement's presentation, certain items in the income statement were reclassified which would result in a more appropriate presentation of events or transaction. Accordingly, comparative figures have been reclassified to conform to the current year's presentation.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Results

In the environment with keen competition of PRC property market, the Group continues to adopt an aggressive marketing and sales strategy in maintaining the Group's leadership position in the region. The Group has achieved a good level of turnover of HK\$30.1 million which represents 80% of that of the same period last year despite the impact of the outbreak of Severe Acute Respiratory Syndrome during the period. Most of the sales of the period were attributable to Telford Garden in Shenzhen which represented 81% of turnover for the period. In addition to maintaining a profitable gross margin of 38%, the Group has achieved profit from operations amounting to HK\$3.2 million. The cash flow generated from operations for the period amounted to HK\$7.5 million.

### Liquidity and financial resources

The Group continues to enforce the conservative financial policy during the period. As at 30 June 2003, the Group recorded net liabilities of HK\$24.2 million, shareholders equity HK\$308.9 million, total assets HK\$546.6 million and total bank loans and borrowings HK\$78.1 million with the gearing ratio (total liabilities to total assets) of 43% following repayment of loans of HK\$25.0 million for the period. There were not changes on the charge on assets as disclosed in the Group's annual report 2002 for the period. As at 30 June 2003, the Group had cash and bank balances of HK\$4.4 million. The net asset value per share as at 30 June 2003 amounted to 15 cents per share.

### Employees

As at 30 June 2003, the total number of employees for the Group was 81; and the staff cost for the period amounted to HK\$2.05 million. The Group's emolument policies are formulated such that the emoluments are made by reference to the performance of individual employees and will be reviewed every year. Besides provident fund scheme, discretionary bonus and employee share options are also awarded to employees having regard to the results of the Group and the individual performance of employees.

### Prospects

The PRC economy has undergone a fast robust growth during the past five years and it has been forecast that the growth will be continued in the coming years. In view of this and the established leading position in carrying on property development in PRC, the Group is well positioned to capitalize the growth of the property market in achieving the growth of the Group. Currently, the Group is in the process of development of luxurious residential complex of Prince Dragon Garden with site area of 48,146 square metres, gross floor area of 124,000 square metres on Long Road land lot in Buji, Shenzhen which will bring promising returns to the Group following the current Telford Garden.

## Directors' Interests in Shares, Warrants and Options

### (i) Shares

At 30 June 2003, the interests of the directors in the share capital of the Company as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

Name of director	Personal interests	Number of shares held		Other interests
		Family interests	Corporate interests	
Mr. Tsang Wai Lun, Wayland	58,260,000	–	735,050,000 (Note)	–
Madam Kwok Wai Man, Nancy	8,220,000	–	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) Warrants

The Company issued warrants to shareholders on 15 March 2002 where all then shareholders were given a warrant for every five shares held on 14 March 2002 under an arrangement of bonus issue of warrants. The warrant holders shall have the right which may be exercised in whole or in part at any time within the period from 14 September 2004 to 13 March 2005 to subscribe for fully paid shares at a price of HK\$0.435 per share.

Details of the warrants granted to the directors of the Company under the arrangement are as follows:

Name of director	Personal interests	Number of shares held		Other interests
		Family interests	Corporate interests	
Mr. Tsang Wai Lun, Wayland	5,000,000	–	147,010,000 (Note)	–
Madam Kwok Wai Man, Nancy	950,000	–	147,010,000 (Note)	–
Mr. Lau Tam Wah	200,000	–	–	–

Note: These warrants 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.

## (iii) Options

The Company has a share option scheme under which executive directors and employees of the Company and any of its subsidiaries may be granted options to subscribe for shares in the Company.

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

Name of director	Date of grant	Exercise price HK\$	Exercise period	Number of share options outstanding at 30/6/2003
Mr. Tsang Wai Lun, Wayland	16/8/2000	0.2002	16/8/2000 to 16/8/2003	4,950,000
	29/10/2001	0.0839	1/11/2001 to 28/10/2004	4,250,000
	30/1/2002	0.1581	4/2/2002 to 29/1/2005	6,500,000
Madam Kwok Wai Man, Nancy	16/8/2000	0.2002	16/8/2000 to 16/8/2003	4,950,000
	29/10/2001	0.0839	1/11/2001 to 28/10/2004	4,250,000
	30/1/2002	0.1581	4/2/2002 to 29/1/2005	6,500,000
Mr. Lau Tam Wah	30/1/2002	0.1581	4/2/2002 to 29/1/2005	750,000
Mr. Zen Qing Sheng	30/1/2002	0.1581	4/2/2002 to 29/1/2005	6,500,000

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.

*(iv) 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 shareholdings disclosed above and nominee shares in certain subsidiaries held in trust for the Group, at 30 June 2003, 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 SFO.

**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 336 of SFO discloses the following shareholders having an interest of 5% or more in the issued share capital of the Company as at 30 June 2003.

<b>Name of shareholders</b>	<b>Number of shares</b>	<b>Percentage of interest</b>
Worldgate Developments Ltd.	126,000,000	6.2%
Logistics China Enterprises Ltd.	126,000,000	6.2%

**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 2003.

**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.

## DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

A detailed announcement containing all information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

By order of the board  
**Kwok Wai Man, Nancy**  
*Director*

Hong Kong, 18 September 2003