



Grand Field Group
Holdings Limited



INTERIM REPORT
2004

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 2004 as set out below:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 June	
		2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000
TURNOVER	2	21,398	30,092
COST OF SALES		(11,182)	(18,597)
GROSS PROFIT		10,216	11,495
OTHER REVENUE		405	568
DISTRIBUTION COSTS		(2,961)	(1,866)
ADMINISTRATIVE EXPENSES		(5,855)	(7,024)
PROVISION FOR BAD AND DOUBTFUL DEBTS		(840)	–
PROFIT FROM OPERATIONS		965	3,173
SHARE OF RESULT OF AN ASSOCIATE		–	71
AMORTISATION OF GOODWILL		–	(1,396)
EXCEPTIONAL ITEM		–	(31,006)
FINANCE COSTS		(2,843)	(4,038)
LOSS BEFORE TAXATION	3	(1,878)	(33,196)
TAXATION	4	(249)	(371)
LOSS ATTRIBUTABLE TO SHAREHOLDERS		(2,127)	(33,567)
LOSS PER SHARE (Basic)	5	(0.104 cents)	(1.640 cents)

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2004 (unaudited) HK\$'000	31 December 2003 (audited) HK\$'000
	Note		
ASSETS			
Non-current assets			
Investment properties	6	51,968	42,398
Property, plant and equipment	7	22,525	30,829
Interest in an associate		513	513
Loans receivable			
– portion receivable after one year		20,068	24,100
Deposits for acquisition of land		171,992	171,992
Investment in a property development joint venture		12,971	14,040
Pledged bank deposits		5,409	5,472
		285,446	289,344
Current assets			
Properties held for development		64,714	45,675
Properties held for sale		39,019	49,547
Loans receivable			
– portion receivable within one year		20,582	17,245
Other receivables, deposits and prepayments		55,400	53,013
Cash and bank balances		6,270	1,971
		185,985	167,451

		30 June 2004 (unaudited) HK\$'000	31 December 2003 (audited) HK\$'000
LIABILITIES			
Current liabilities			
Current portion of interest-bearing borrowings	8	90,417	54,274
Trade payables, deposits and accruals	9	61,229	76,494
Deposits received for sale of developed properties		108	108
Amount due to a director		17,824	18,816
Taxation payable		8,803	11,793
		178,381	161,485
Net current assets		7,604	5,966
Total assets less current liabilities		293,050	295,310
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	8	10,098	10,231
NET ASSETS		282,952	285,079
EQUITY			
Capital and reserves			
Share capital		40,933	40,933
Reserves		242,019	244,146
		282,952	285,079

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 June 2004. (unaudited)

	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
The Group At 31/12/2003 (audited)	40,933	163,446	(2,215)	1,483	-	3,255	78,177	285,079
Net loss for the period	-	-	-	-	-	-	(2,127)	(2,127)
At 30/6/2004 (unaudited)	40,933	163,446	(2,215)	1,483	-	3,255	76,050	282,952

For the six months ended 30 June 2003. (unaudited)

	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
The Group At 31/12/2002 (audited)	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 (unaudited)	40,933	163,446	(2,215)	1,802	(9,846)	3,297	111,461	308,878

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2004	2003
	(unaudited) <i>HK\$'000</i>	(unaudited) <i>HK\$'000</i>
Cash flows from operating activities	(31,765)	7,489
Cash flows from investing activities	54	(1,573)
Cash flows from financing activities	34,242	(32,601)
Net increase/(decrease) in cash and cash equivalents	2,531	(26,685)
Cash and cash equivalents at beginning of the period	(2,238)	27,465
Cash and cash equivalents at end of the period	293	780

Notes:

1. ACCOUNTING POLICIES

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

The unaudited 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 and the disclosure requirement set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31 December 2003.

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. LOSS BEFORE TAXATION

	Six months ended 30 June	
	2004	2003
	(unaudited) HK\$'000	(unaudited) HK\$'000
Loss before taxation is arrived at after charging:		
Finance cost		
Interest on bank loans, overdrafts and other loans wholly repayable		
– Within five years	2,141	3,009
– Over five years	702	1,029
Staff costs, including directors' remuneration		
– Contributions to defined contribution retirement plans	75	77
– Salaries and other staff costs	1,974	2,106
Depreciation	691	681
Amortisation on investment in a property development joint venture	1,080	1,080
Cost of properties held for sale sold	11,182	18,597
Minimum lease payments on properties under operating leases	167	308
Net exchange losses	–	176
and after crediting:		
Gross rental income from investment properties (Note)	2,556	1,394
Interest income	27	114
Net exchange gains	1	–

Note: The outgoings related to the gross rents from investment properties for each of the two periods ended 30 June 2004 and 2003 are negligible.

4. TAXATION

Six months ended 30 June	
2004	2003
(unaudited)	(unaudited)
HK\$'000	HK\$'000

The charges comprise:

Hong Kong profits tax	–	–
Income tax in the PRC	249	371
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	249	371

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 3% (30 June 2003: 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.

5. LOSS PER SHARE

The calculation of loss per share is based on the loss for the period of HK\$2,127,000 (loss HK\$33,567,000 for the six months ended 30 June 2003) and on the weighted average number of shares of 2,046,650,000 (2,046,650,000 for the six months ended 30 June 2003).

No diluted loss per share has been presented for the six month ended 30 June 2004 because the exercise of the Company's outstanding share options would have an anti-dilutive effect in the loss per share.

6. INVESTMENT PROPERTIES

	The Group (unaudited) HK\$'000
Investment properties	
At 1/1/2004	42,398
Transfer from land and buildings	7,570
Transfer from properties held for sales	2,087
Disposal	(87)
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At 30/6/2004	51,968

All the Group's investment properties are situated outside Hong Kong and are held on long leases.

7. PROPERTY, PLANT AND EQUIPMENT

The Group	Land and buildings (unaudited) HK\$'000	Furniture, fixtures and equipment (unaudited) HK\$'000	Leasehold improvements (unaudited) HK\$'000	Motor vehicles (unaudited) HK\$'000	Total (unaudited) HK\$'000
Cost					
At 1/1/2004	33,864	2,912	562	2,354	39,692
Additions	-	9	-	-	9
Disposals	-	-	-	(121)	(121)
Transfer to investment properties	(7,947)	-	-	-	(7,947)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30/6/2004	25,917	2,921	562	2,233	31,633
Accumulated depreciation					
At 1/1/2004	3,617	2,598	554	2,094	8,863
Provided for the period	557	68	8	58	691
Written back on disposals	-	-	-	(69)	(69)
Transfer to investment properties	(377)	-	-	-	(377)
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At 30/6/2004	3,797	2,666	562	2,083	9,108
Carrying amount					
At 30/6/2004	22,120	255	-	150	22,525
At 1/1/2004	30,247	314	8	260	30,829

8. INTEREST-BEARING BORROWINGS

	30 June 2004 (unaudited) HK\$'000	31 December 2003 (audited) HK\$'000
Bank loans and overdraft	88,618	52,039
Other loans	11,897	12,466
	<u>100,515</u>	<u>64,505</u>
Amount due within one year shown under current liabilities	<u>(90,417)</u>	<u>(54,274)</u>
	<u>10,098</u>	<u>10,231</u>

9. TRADE PAYABLES, DEPOSITS AND ACCRUALS

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

	30 June 2004 (unaudited) HK\$'000	31 December 2003 (audited) HK\$'000
Current to 90 days	–	10,355
91 to 180 days	10,769	7,777
181 to 360 days	5,945	7,940
Over 360 days	103	102
	<u>16,817</u>	<u>26,174</u>

10. ASSETS PLEDGED

Land and buildings, investment properties and properties held for sales of the Group with carrying amounts of approximately HK\$5,021,000 (31 December 2003: HK\$5,071,000), HK\$18,557,000 (31 December 2003: HK\$16,341,000) and HK\$27,649,000 (31 December 2003: HK\$8,907,000) respectively have been pledged to banks to secure banking facilities granted to the Group.

Land and buildings, investment properties and properties under development for sale of the Group with carrying amounts of approximately HK\$253,000 (31 December 2003: HK\$424,000), HK\$2,320,000 (31 December 2003: HK\$1,888,000) and HK\$51,205,000 (31 December 2003: HK\$32,299,000) respectively have been pledged to banks secure banking facilities of RMB40,000,000 (31 December 2003: RMB40,000,000) granted to a third party.

11. CONTINGENT LIABILITIES

As at 30 June 2004, the Company has given corporate guarantees to a bank in respect of fully utilized general banking facilities granted to a subsidiary amounting to HK\$4,000,000 (31 December 2003: HK\$4,000,000).

12. CAPITAL COMMITMENTS

As at 30 June 2004, the Group had capital expenditure commitment in respect of property development projects contracted but not provided for of HK\$5,988,000.

As at 31 December 2003, the Group had capital expenditure commitment in respect of property development projects contracted but not provided for of HK\$40,918,000 and authorised but not contracted for of HK\$8,083,000.

INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the period (six months ended 30 June 2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group's turnover for the six months ended 30 June 2004 consisted of sales of properties and rental income which amounted to HK\$18,842,000 (30 June 2003: HK\$28,698,000) and HK\$2,556,000 (30 June 2003: HK\$1,394,000) respectively. Gross profit for the six months ended 30 June 2004 was approximately HK\$10,216,000, a decrease of approximately 11% from HK\$11,495,000 as compared with the corresponding period in 2003. Loss attributable to shareholders decreased by approximately 94% to HK\$2,127,000. The Group did not have any disposal on subsidiary and amortization of goodwill for the period ended 30 June 2004.

During the period under review, the Group attained to sell existing properties, meanwhile, the Group adopted conservative marketing approach in order to maintain its profit margin. The Directors believe that price-cutting sales strategy would materially deteriorate its corporate image in the region. Therefore, the Directors aligned to property leasing market which leasing income is considered as a stable stream of income in future.

Liquidity and financial resources

As at 30 June 2004, the Group's cash and bank deposits were approximately HK\$6,270,000 million, compared to approximately HK\$1,971,000 as at 31 December 2003. The Group recorded total current assets of approximately HK\$185,985,000 as at 30 June 2004 (31 December 2003: HK\$167,451,000) and total current liabilities of approximately HK\$178,381,000 (31 December 2003: HK\$161,485,000). The Group recorded an total assets HK\$471,431,000 (31 December 2003: HK\$456,795,000) and total bank loans and borrowings HK\$100,515,000 (31 December 2003: HK\$64,505,000). The gearing ratio, which was calculated on the basis of total bank borrowings to the shareholders' equity, increased to 0.36 from 0.23 as at 31 December 2003.

Employees

As at 30 June 2004, the total number of employees for the Group was 83; and the staff cost for the period amounted to HK\$2,049,000. The Group's emolument policies are formulated such that the emoluments are made by reference to the performance of individual employees and will be reviewed every year. 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 Group has continued to maintain its leading position in the property market in the region. Although there is no new property developed for sales for the first six months period, the Group still has substantial market share around the district.

On the other hand, the Central Government introduced certain macro-economic policies to cool down the overheated economy. The Directors believe it is a temporary adverse factor to the property market. Looking ahead, the Directors believe the introduction of CEPA and Pan-Pearl River Delta Agreement will encourage the exchange of people between Hong Kong and Mainland. Furthermore, the improving business environment will boost the economy and the property demand in the Pan-Pearl River Delta. It is anticipated the Group will enjoy benefits from property development activities.

Directors' interests and short positions in the shares, underlying shares and debentures

As at 30 June 2004, the interests and short positions of the Directors and chief executives in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept pursuant to section 352 of the SFO; or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

(i) Shares

Name of director	Capacity	Long position in the shares				Total	Percentage of the issued share capital
		Personal interests	Family interests	Corporate interests			
Mr. Tsang Wai Lun, Wayland	Beneficial owner	59,260,000	-	735,050,000 (Note)	794,310,000	38.81%	
Madam Kwok Wai Man, Nancy	Beneficial owner	8,220,000	-	735,050,000 (Note)	743,270,000	36.32%	
Mr. Lau Tam Wah	Beneficial owner	1,000,000	-	-	1,000,000	0.05%	

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 warrantholders 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	Number of warrants held				Percentage of the issued warrants
	Personal interests	Family interests	Corporate interests	Total	
Mr. Tsang Wai Lun, Wayland	5,000,000	-	147,010,000 (Note)	152,010,000	43.89%
Madam Kwok Wai Man, Nancy	950,000	-	147,010,000 (Note)	147,960,000	42.72%
Mr. Lau Tam Wah	200,000	-	-	200,000	0.06%

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

(iii) Share Options Scheme and Directors' Rights to Acquire Shares or Debentures

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 30/6/2004
Mr. Tsang Wai Lun, Wayland	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
	25/11/2003	0.0650	25/11/2003 to 24/11/2006	4,950,000
Madam Kwok Wai Man, Nancy	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
	25/11/2003	0.0650	25/11/2003 to 24/11/2006	4,950,000
Mr. Lau Tam Wah	30/1/2002	0.1581	4/2/2002 to 29/1/2005	750,000
	25/11/2003	0.0650	25/11/2003 to 24/11/2006	3,200,000

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:

	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 shareholdings disclosed above and nominee shares in certain subsidiaries held in trust for the Group, at 30 June 2004, 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

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 2004.

Name of shareholders	Capacity	Type of interest	Number of shares	Percentage of interest
Mr. Tsany Wai Lun, Wayland	Beneficial owner	Personal and Corporate	794,310,000 <i>Note (i)</i>	38.81%
Modam Kwok Wai Man, Nancy	Beneficial owner	Personal and Corporate	743,270,000 <i>Note (i)</i>	36.32%
Worldgate Developments Ltd. <i>Note (ii)</i>	Beneficial owner	Corporate	126,000,000	6.16%
Logistic China Enterprises Ltd. <i>Note (iii)</i>	Beneficial owner	Corporate	126,000,000	6.16%

Note: (i) These shareholdings have also been included as personal and corporate interests of Directors as disclosed under the section headed "Directors' interests and short positions in the shares, underlying shares and debentures" above.

(ii) The entire issued share capital of Worldgate Developments Ltd is beneficially owned by Mr. Lin Xian Guo.

(iii) The entire issued share capital of Logistic China Enterprises Ltd is beneficially owned by Mr. Zeng Qing Chun.

Save as disclosed above, the Company has not been notified of any other interest representing 5% or more of the Company issued shares as at 30 June 2004.

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 2004.

CODE OF BEST PRACTICE AND MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules and the Code of Best Practice (the "Code of Best Practice") as set out in Appendix 14 of the Listing Rules.

None of the directors is aware of any information that would reasonably indicate that the Company or any of its directors is not or was not in compliance with the Model Code or the Code of Best Practice for any part of the period ended 30 June 2004.

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, 13 September 2004