



# Grand Field Group Holdings Limited

(incorporated in Bermuda with limited liability)

Interim Report

# 2005

The Board of Directors of Grand Field Group Holdings Limited (the "Company") is pleased to present the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2005 as set out below:

## CONSOLIDATED INCOME STATEMENT – UNAUDITED

For the six months ended 30 June 2005

	Notes	Six months ended 30 June	
		2005 HK\$'000	2004 HK\$'000
Turnover	3	5,729	21,398
Cost of sales		(2,545)	(11,182)
Gross profit		3,184	10,216
Other revenue		502	405
Distribution costs		(953)	(2,961)
Administrative expenses		(6,004)	(6,695)
(Loss)/Profit from operations		(3,271)	965
Finance costs		(1,555)	(2,843)
Loss before taxation	4	(4,826)	(1,878)
Taxation	5	(42)	(249)
Loss attributable to shareholders		(4,868)	(2,127)
Loss per share			
– Basic	7	(0.238) cents	(0.104) cents
– Diluted	7	N/A	N/A

The notes on page 6 to 17 form part of this interim financial report.

**CONSOLIDATED BALANCE SHEET***As at 30 June 2005*

		30 June 2005 (unaudited) HK\$'000	31 December 2004 (restated) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Investment properties	8	57,400	54,986
Property, plant and equipment	8	21,143	21,269
Land use rights	8	4,000	4,059
Mortgage loans receivable due after one year		18,686	18,909
Deposits for acquisition of land		176,779	176,779
Investments in a property development joint venture		5,408	6,488
Pledged bank deposits		5,309	5,503
Properties held for development		11,031	10,885
		<b>299,756</b>	<b>298,878</b>
<b>CURRENT ASSETS</b>			
Properties held for sale		24,324	26,544
Land use rights	8	3,292	3,648
Mortgage loans receivable		11,860	17,516
Other receivables, deposits and prepayments		54,989	50,239
Cash and bank balances		4,231	15,131
		<b>98,696</b>	<b>113,078</b>
<b>CURRENT LIABILITIES</b>			
Current portion of interest-bearing borrowings	10	27,790	32,554
Trade payables, deposits and accruals	9	25,833	29,322
Deposits received on properties held for sale		299	248
Dividend payables		16,373	-
Amounts due to a director		7,819	6,503
Taxes payable		3,485	3,955
		<b>81,599</b>	<b>72,582</b>
<b>NET CURRENT ASSETS</b>		<b>17,097</b>	<b>40,496</b>

The notes on page 6 to 17 form part of this interim financial report.

**CONSOLIDATED BALANCE SHEET***As at 30 June 2005*

		30 June 2005 (unaudited) <i>HK\$'000</i>	31 December 2004 (restated) <i>HK\$'000</i>
	<i>Notes</i>		
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>316,853</b>	<b>339,374</b>
<b>LONG-TERM LIABILITIES</b>			
Interest-bearing borrowings	10	5,840	7,120
<b>NET ASSETS</b>		<b>311,013</b>	<b>332,254</b>
<b>CAPITAL AND RESERVES</b>			
Share capital		40,933	40,933
Reserves		270,080	291,321
		<b>311,013</b>	<b>332,254</b>

The notes on page 6 to 17 form part of this interim financial report.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED***For the six months ended 30 June 2005*

		Share capital	Share premium	Special reserve	Investment property revaluation reserve	Translation reserve	Retained profits	Total
Note	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
Balance at 1 January 2004		40,933	163,446	(2,215)	1,483	3,255	78,177	285,079
Net loss for the period		-	-	-	-	-	(2,127)	(2,127)
Balance at 30 June 2004		40,933	163,446	(2,215)	1,483	3,255	76,050	282,952
Balance at 1 January 2005								
As previously reported		40,933	163,446	(2,215)	7,679	3,255	119,156	332,254
Opening balance adjustments for the adoption of HKAS 40	2(b)	-	-	-	(7,679)	-	7,679	-
As restated		40,933	163,446	(2,215)	-	3,255	126,835	332,254
Net loss for the period		-	-	-	-	-	(4,868)	(4,868)
2004 final dividend	6(b)	-	-	-	-	-	(16,373)	(16,373)
Balance at 30 June 2005		40,933	163,446	(2,215)	-	3,255	105,594	311,013

The notes on page 6 to 17 form part of this interim financial report.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED***For the six months ended 30 June 2005*

	Six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(4,541)	(31,765)
Net cash (used in)/generated from investing activities	(315)	54
Net cash (used in)/generated from financing activities	(6,044)	34,242
Net (decrease)/increase in cash and cash equivalents	(10,900)	2,531
Cash and cash equivalents at 1 January	15,131	(2,238)
Cash and cash equivalents at 30 June	4,231	293
Analysis of the balance of cash and cash equivalents		
Cash and bank balances	4,231	6,270
Bank overdraft, secured	–	(5,977)
	4,231	293

The notes on page 6 to 17 form part of this interim financial report.

## NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

### 1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was approved and authorized for issuance by the Board of Directors on 26 September 2005.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes on the interim financial report include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the 2004 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2004 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2005 annual financial statements. Details of these changes in accounting policies are set out in note 2.

### 2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which term collectively includes HKASs and Interpretations) that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2005, on the basis of HKFRSs currently in issue.

The following sets out further information on the changes in accounting policies for the annual accounting period beginning on 1 January 2005 which have been reflected in this interim financial report.

**(a) Land use rights (HKAS 17, Leases)**

The adoption of HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of land use rights from property, plant and equipment, properties held for development and properties held for sale to operating leases. The up-front prepayments made for the land use right are initially stated at cost and amortized on a straight-line basis over the period of the leases. If the property is in the course of development or re-development the amortization charge is included as part of the costs of the property under development. In all other cases the amortization charge for the period is recognized in the income statement immediately. Where there is impairment, the impairment is expensed in the income statement.

In the prior years, the land use rights as included in the property, plant and equipment, properties held for development and properties held for sale were stated at cost less accumulated depreciation and impairment, at cost or carrying amount less impairment and at the lower of cost and net realizable value, respectively.

The adoption of HKAS 17 resulted in:

	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2005</b>	<b>2004</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Increase in non-current assets-land use rights	4,000	4,059
Increase in current assets-land use rights	3,292	3,648
Decrease in property, plant and equipment	(1,276)	(1,312)
Decrease in properties held for development	(2,724)	(2,747)
Decrease in properties held for sale	(3,292)	(3,648)

There were no material impact on opening retained profits at 1 January 2004 and results for the six months ended 30 June 2005 from the adoption of HKAS 17.



**(b) Investment properties (HKAS 40, Investment Property)**

The adoption of HKAS 40 has resulted in a change in the accounting policy whereby changes in fair values of investment properties are recorded in the income statement. In prior years, the increases in fair value were credited to the investment property revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter recognized in the income statement.

The adoption of HKAS 40 resulted in an increase in opening retained profits at 1 January 2005 of HK\$7,679,000 and a decrease in opening investment property revaluation reserve at 1 January 2005 of HK\$7,679,000.

**(c) Employee share option scheme (HKFRS 2, Share-based payment)**

In prior years, no amounts were recognized when employees (which term includes directors) were granted share options over shares in the Company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 January 2005, in order to comply with HKFRS 2, the Group is required to recognize the fair value of such options as an expense in the income statement, or as an asset, if the cost qualifies for recognition as an asset under the Group's accounting policies. A corresponding increase is recognized in a capital reserve within the entity.

Where the employees are required to meet vesting conditions before they become entitled to the options, the Group recognizes the fair value of the options granted over the vesting period. Otherwise, the Group recognizes the fair value in the period in which the options are granted.

If an employee chooses to exercise options, the related capital reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised the related capital reserve is transferred directly to retained profits.

The Group has taken advantage of the transitional provisions set out in paragraph 53 of HKFRS 2 and accordingly, the new recognition and measurement policies have not been applied to the following grants of options:

- (i) all options granted to employees on or before 7 November 2002; and
- (ii) all options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

All the options granted by the Company fall within the above two categories. This change in accounting policy has no impact on the results of the Group for the six months ended 30 June 2005. Details of the share option schemes can be found in the Company's annual report for the year ended 31 December 2004 and pages 23 to 24 of this interim financial report.

### 3. TURNOVER

The Group is principally engaged in property development and investment. The Group's turnover comprises sales on properties held for sale and property rental.

No geographical analysis are presented for the period as substantially all the Group's turnover and contribution to results were derived from the business of property in the PRC.

## 4. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2005	2004 (restated)
	HK\$'000	HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable		
– Within five years	1,104	2,141
– Over five years	451	702
Amortization of land use rights ( <i>note 8</i> )	36	68
Staff costs, including directors' remuneration		
– Contributions to defined contribution retirement plans	45	75
– Salaries and other staff costs	1,775	1,974
Depreciation	635	623
Amortization on investments in a property development joint venture	1,080	1,080
Provision for doubtful debts	–	840
Cost of properties held for sale sold	2,189	9,570
Cost of land use rights sold ( <i>note 8</i> )	356	1,612
Minimum lease payments on properties under operating leases	112	167
Net exchange losses/(gains)	206	(1)
Gross rental income from investment properties ( <i>Note</i> )	(1,766)	(2,556)
Interest income	(22)	(27)

*Note:* The outgoings related to the gross rents from investment properties for each of the two periods ended 30 June 2005 and 2004 are negligible.

## 5. TAXATION

	Six months ended 30 June	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Income tax in the PRC		
– The subsidiary incorporated in the PRC	–	113
– Subsidiaries incorporated in Hong Kong with property development investments in the PRC	42	136
	<hr/>	<hr/>
	42	249

Enterprise income tax for the subsidiary incorporated in the PRC is calculated at 15% of the estimated assessable profit for the period (30 June 2004: 15%).

Enterprise income tax for the subsidiaries incorporated in Hong Kong, which have property development investments in the PRC is calculated at 3% (30 June 2004: 3%) of the sales revenue on respective property development projects.

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

Deferred tax has not been provided (30 June 2004: Nil) because the Company and the Group had no significant temporary differences at the balance sheet date.

## 6. DIVIDENDS

## (a) Dividends attributable to the interim period

The Directors do not recommend the payment of an interim dividend for the period (six months ended 30 June 2004: Nil).

## (b) Dividends attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
Final dividend in respect of the financial year ended 31 December 2004, approved during the following interim period of 0.8 cents per share (year ended 31 December 2003: Nil)	16,373	–

The final dividend was subsequently paid to shareholders on 5 July 2005.

## 7. LOSS PER SHARE

Basic loss per share is calculated based on the loss attributable to shareholders of HK\$4,868,000 (six months ended 30 June 2004: loss HK\$2,127,000) and on the weighted average number of ordinary shares of 2,046,650,000 (six months ended 30 June 2004: 2,046,650,000).

No diluted loss per share has been presented for the six months ended 30 June 2005 because the exercise of the Company's outstanding share options would have an anti-dilutive effect in the loss per share.

## 8. CAPITAL EXPENDITURES

	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Land use rights	
			Non-current HK\$'000	Current HK\$'000
Opening net book amount as at 1 January 2005	21,269	54,986	4,059	3,648
Addition	509	2,414	-	-
Amortization transfer to properties held for development	-	-	(23)	-
Depreciation/amotization	(635)	-	(36)	-
Transfer to cost of sale	-	-	-	(356)
Closing net book amount as at 30 June 2005	21,143	57,400	4,000	3,292
Opening net book amount as at 1 January 2004	29,413	42,398	4,210	35,318
Addition	9	2,087	-	-
Disposal	(52)	-	-	-
Transfer to properties held for sale	-	(87)	-	-
Transfer	(7,570)	7,570	-	-
Amortization transfer to properties held for development	-	-	(23)	-
Depreciation/amotization	(623)	-	(68)	-
Transfer to cost of sale	-	-	-	(1,612)
Closing net book amount as at 30 June 2004	21,177	51,968	4,119	33,706
Addition	1,055	-	-	-
Disposal	(15)	(4,801)	-	-
Transfer to properties held for sale	-	(48)	-	-
Transfer	(406)	406	-	-
Amortization transfer to properties held for development	-	-	(23)	-
Depreciation/amotization	(542)	-	(37)	-
Transfer to cost of sale	-	-	-	(30,058)
Surplus on revaluation	-	7,461	-	-
Closing net book amount as at 31 December 2004	21,269	54,986	4,059	3,648

### Estimate of fair value of investment properties

Investment properties were assessed annually by BMI Appraisals Limited ("BMI"), an independent professional valuer. The valuation is performed on the basis of open market value of individual property. On 6 April 2005, BMI issued a valuation report of the investment properties as at the date of 31 December 2004. The Directors have considered that the market of investment property have not significantly changed as compared with 31 December 2004. Therefore, the Directors considered that the fair value of investment property at 30 June 2005 is approximately the same as that of 31 December 2004.

### 9. TRADE PAYABLES, DEPOSITS AND ACCRUALS

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

	As at 30 June 2005 <i>HK\$'000</i>	As at 31 December 2004 <i>HK\$'000</i>
Current to 90 days	10	1,306
91 to 180 days	–	74
181 to 360 days	6,149	–
Over 360 days	3,528	9,246
	<hr/> 9,687	<hr/> 10,626

## 10. INTEREST-BEARING BORROWINGS

	As at 30 June 2005 HK\$'000	As at 31 December 2004 HK\$'000
Loan from a third party, unsecured and wholly repayable		
– On demand or within one year	1,799	1,799
– Between one and two years	1,623	2,790
– Between two and five years	3,644	2,970
– After five years	573	1,360
	<u>7,639</u>	<u>8,919</u>
Less: Portion classified as current liabilities	(1,799)	(1,799)
Total shown as non-current liabilities	<u>5,840</u>	<u>7,120</u>
Current portion of loan from a third party	1,799	1,799
Secured bank loans	25,991	30,755
Total shown as current liabilities	<u>27,790</u>	<u>32,554</u>
Total interest-bearing borrowings	<u>33,630</u>	<u>39,674</u>

Interest of the loan from a third party is charged on outstanding balances at a rate of 11.4% (31 December 2004: 11.4%) per annum. The loans are repaid through monthly installments up to 15 June 2015.

Interest of the bank loans is charged on the outstanding balances at a rate of 7.25% (31 December 2004: 6.90%) per annum. These are secured to the extent of the Group's assets as follows:

- (a) Investment properties of the Group with a carrying amounts of approximately HK\$19,682,000 (31 December 2004: HK\$15,306,000); and
- (b) Properties held for sale of the Group with a carrying amounts of approximately HK\$8,303,000 (31 December 2004: HK\$8,370,000).

Bank overdrafts facilities are secured by the land and buildings of the Group with a carrying amount of approximately HK\$4,929,000 (31 December 2004: HK\$4,977,000).



11. CONTINGENT LIABILITIES

As at 30 June 2005, 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 2004: HK\$4,000,000).

12. CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

	As at 30 June 2005 HK\$'000	As at 31 December 2004 HK\$'000
Capital expenditure in respect of property developments projects:		
Contracted but not provided for	5,038	5,038
Authorized but not contracted for	8,083	8,083
	<hr/> 13,121	<hr/> 13,121

### 13. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDING 31 DECEMBER 2005

Up to the date of issue of this interim financial report, the HKICPA has issued the following amendments, new standards and interpretations, which are not yet effective for the accounting period ending 31 December 2005:

		Effective for accounting periods beginning on or after
HKFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2006
HKFRS-INT 4	Determining whether an Arrangement Contains a Lease	1 January 2006
HKFRS-INT 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2006
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plan and Disclosures	1 January 2006

The Group has not early applied the above amendments, new standards and interpretations. The Directors anticipate that the application of these amendments, new standards and interpretations will have no material impact on the financial statements of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Business review

The Group's turnover for the six months ended 30 June 2005 comprised sales of properties amounted to HK\$4 million (six months ended 30 June 2004: HK\$18.8 million) and rental income amounted to HK\$1.7 million (six months ended 30 June 2004: HK\$2.6 million). Gross profit for the six months ended 30 June 2005 was approximately HK\$3.2 million (six months ended 30 June 2004: HK\$10.2 million), a decrease of approximately 69% as compared with the corresponding period in 2004. Distribution cost dropped by 68% to HK\$1 million during the period. Administrative expenses dropped by 10% to HK\$6 million. Finance costs dropped by 45% to HK\$1.6 million.

During the first half of 2005, the PRC government imposed several macro-economic measures at the property sectors aimed to restrain overheating of property development in certain regions and to ensure economic and financial stability. These measures included control of land supply, tightening of financing terms on bank loans for property-related projects, introduction of business tax for transfer of properties within 2 years after purchase, tightening of terms of mortgage financing, etc.

Under such complicated environment, the Directors believes that a conscientious development and marketing approach, rather than aggressive expansion or price competition, is more appropriate.

### 2. Liquidity and financial resources

As at 30 June 2005, the Group's cash and bank deposits were approximately HK\$4.2 million (31 December 2004: HK\$15.1 million). The percentage of cash and bank deposits denominated in Hong Kong Dollar ("HKD") and Renminbi ("RMB") were 88% and 12% respectively (31 December 2004: 25% and 75% respectively).

The Group recorded total current assets of approximately HK\$99 million (31 December 2004: HK\$113 million) and total current liabilities of approximately HK\$82 million (31 December 2004: HK\$73 million). The Group recorded total assets of approximately HK\$398 million (31 December 2004: HK\$412 million) and total bank loans and borrowings of HK\$33.6 million (31 December 2004: HK\$39.7 million). Of the total bank loans and borrowing, HK\$27.8 million (31 December 2004: HK\$32.6 million) was repayable within 1 year, HK\$1.6 million (31 December 2004: HK\$2.8 million) was repayable from 1 to 2 years, HK\$3.6 million (31 December 2004: HK\$3 million) was repayable from 2 to 5 years, HK\$0.6 million (31 December 2004: HK\$1.3 million) was repayable after 5 years. All the Group's borrowings in both periods were denominated at RMB and at fixed interest rate.

The gearing ratio for 30 June 2005, which was calculated on the basis of total bank borrowings to shareholders' equity, was 11% (31 December 2004: 12%).

### 3. Employees

As at 30 June 2005, the total number of employees for the Group was 38; and the staff cost for the period amounted to HK\$1.8 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. Other than statutory provident fund scheme, employees will also be awarded discretionary bonus and employee share options based on the results of the Group and their individual performance.

### 4. Capital structure

There was no change to the Group's capital structure for the six months ended 30 June 2005.

## 5. Prospects

The Directors believe that the austerity measures will only temporary affect the property market. In the long run these measures encourage developing a more rational market for the industry. The Group will continue its efforts in meeting the challenges ahead, and will strive to open up a new path for development.

## 6. Exchange risk

The Group's major operations are located in the PRC and the main operational currencies are HKD and RMB. The Group did not have significant exposure to foreign exchange risk during the period under review. The conversion of RMB into other foreign currencies is subject to the rules and regulation of the foreign exchange control promulgated by the PRC government.

## 7. Charge on assets

Investment properties amounted to HK\$19.7 million (31 December 2004: HK\$15.3 million), and properties held for sale amounted to HK\$8.3 million (31 December 2004: HK\$8.4 million) of the Group have been pledged to banks to secure bank loans granted to the Group.

Land and buildings of the Group amounted to HK\$4.9 million (31 December 2004: HK\$5 million) have been pledged to banks to secure bank overdraft facilities granted to the Group.

Bank deposits of the Group amounted to HK\$5.3 million (31 December 2004: HK\$5.5 million) have been pledged as a security for the mortgage loans made available from the banks to the buyers of the Group's properties

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period (six months ended 30 June 2004: Nil).

## DIRECTORS' INTERESTS IN SHARES, WARRANTS AND OPTIONS

### 1. Long positions in shares of the Company

At 30 June 2005, the interests and long positions of the directors and chief executive in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in the Listing Rules were as follows:

Name of director	Number of ordinary shares held				Total interests as percentage of the issued share capital
	Personal interest	Family interests	Corporate interests	Total interests	
Mr. Tsang Wai Lun, Wayland	59,260,000	-	735,050,000 (Note)	794,310,000	38.81%
Madam Kwok Wai Man, Nancy	8,220,000	-	735,050,000 (Note)	743,270,000	36.32%
Mr. Lau Tam Wah	1,000,000	-	-	1,000,000	0.05%

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

## 2. Warrants

Under an arrangement of bonus issue of warrants (the "Arrangement"), the Company granted and issued warrants to all shareholders on 15 March, 2002 where all shareholders were given a warrant for every five shares held on 14 March, 2002 and therefore, a total of 153,160,000 warrants were granted and issued to directors, Mr. Tsang Wai Lun, Wayland, Madam Kwok Wai Man, Nancy and Mr. Lau Tam Wah on 15 March, 2002. Under the Arrangement, the warrant holders shall have the rights 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.

Warrants were expired during the period under review and none of the warrants granted to the above directors were exercised during the period.

## 3. Share options in the Company

Details of the share options granted to the directors of the Company under the share option are set out on pages 23 to 24.

## 4. Shares in subsidiaries

Each of Mr. Tsang Wai Lun, Wayland and Madam Kwok Wai Man, Nancy also has interests in the following nonvoting 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 share 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 share 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 2005, 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' INTERESTS IN SECURITIES**

As at 30 June 2005, other than the interests disclosed above in respect of certain directors, so far as is known to the directors, the following parties (other than the directors and chief executives of the Company) had interests of 5% or more in the issued share capital of the Company as recorded in the register required to be kept under Section 336 of SFO:

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

## **SHARE OPTION SCHEME**

Pursuant to the Company's share option scheme which became effective on 4 August, 1999 (the "Share Option Scheme"), the board of directors of the Company may, at its discretion, grant options to eligible employees, including executive directors, of the Company or any of its subsidiaries to subscribe for shares in the Company at a price not less than the higher of 80% of the average of the closing prices of the shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of the grant of the options and the nominal value of the shares.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme may not exceed 10% of the issued share capital of the Company from time to time and the maximum number of shares in respect of which options may granted to any one employee shall not exceed 25% of the maximum number of shares in respect of which options may be granted under the Share Option Scheme.



The summary of movements in share options of certain directors and employees of the Group under the Share Option Scheme was as follows:

Name or category of participant	Date of grant	Exercise price (HK\$)	Exercise period	Outstanding at 1/1/2005	Number of share options		Outstanding at 30/6/2005
					Granted during the period	Lapsed during the period	
Mr. Tsang Wai Lun, Wayland	30/1/2002	0.1581	4/2/2002 to 29/1/2005	6,500,000	-	(6,500,000)	-
	25/11/2003	0.0650	25/11/2003 to 24/11/2006	4,950,000	-	-	4,950,000
Madam Kwok Wai Man, Nancy	30/1/2002	0.1581	4/2/2002 to 29/1/2005	6,500,000	-	(6,500,000)	-
	25/11/2003	0.0650	25/11/2003 to 24/11/2006	4,950,000	-	-	4,950,000
Mr. Lau Tom Wah	30/1/2002	0.1581	4/2/2002 to 29/1/2005	750,000	-	(750,000)	-
	25/11/2003	0.0650	25/11/2003 to 24/11/2006	3,200,000	-	-	3,200,000
Other employees, in aggregate	30/1/2002	0.1581	4/2/2002 to 29/1/2005	9,200,000	-	(9,200,000)	-
	25/11/2003	0.0650	25/11/2003 to 24/11/2006	65,950,000	-	(29,390,000)	36,560,000
				102,000,000	-	(52,340,000)	49,660,000

## 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 2005.

## CORPORATE GOVERNANCE

The remuneration committee of the Company comprised of three independent non-executive directors, namely Mr. Hui Pui Wai, Kimber ("Mr. Hui"), Mr. Lum Pak Sum ("Mr. Lum") and Dr. Wong Yun Kuen ("Dr. Wong") was established this year with written terms of reference in accordance with the requirements of the code provisions in the Code of Corporate Governance Practices set out in Appendix 14 (the "Code Provision") to the Listing Rules.

The Directors believed that the Company has complied with the Code Provisions to the Listing Rules, except that

1. the Independent Non-executive Directors have not been appointed for any specific terms as they are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-laws; and
2. the Code Provisions stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Tsang Wai Lun, Wayland ("Mr. Tsang") is the founder, chairman and managing director of the Group. The Company does not at present have any officer with the title "chief executive officer" and Mr. Tsang has been carrying out the duties of both the chairman and chief executive officer since the establishment of the Group and the Company. The Board intends to maintain this structure in futures as it believes that this structure can ensure efficient and effective formulation and implementation of business strategies without compromising the balance of power and authority between the Board and management of the Company.

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code").

All Directors, after specific enquiries by the Company, confirmed they have complied with the required standard set out in the Model Code and the said code of conduct during the six months ended 30 June 2005.

## **AUDIT COMMITTEE**

The audit committee comprised Mr. Hui, Mr. Lum and Dr. Wong. 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 report for the period.

By order of the Board  
**Tsang Wai Lun, Wayland**  
*Chairman*

Hong Kong, 26 September 2005