

# Report of the Directors

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The directors have pleasure in presenting their report and the audited financial statements of Grand Field Group Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) for the year ended 31 December 2001.

## **PRINCIPAL ACTIVITIES**

The Company is an investment holding company. The principal activities of its subsidiaries and associate are set out in notes 13 and 14, respectively, to the financial statements.

## **SEGMENTAL INFORMATION**

The Group’s turnover and operation results are substantially derived from property sale.

All of the activities of the Group are based in the People’s Republic of China (the “PRC”), excluding Hong Kong, and all of the Group’s turnover and operation results are derived from the PRC, excluding Hong Kong.

## **SUBSIDIARIES**

Details of the Company’s subsidiaries at 31 December 2001 are set out in note 13 to the financial statements.

## **RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 31 December 2001 are set out in the consolidated income statement on page 16.

No interim dividend was paid during the year. The directors do not recommend the payment of a final dividend for the year.

## **RESERVES**

Movements during the year in the reserves of the Group and the Company are set out in note 26 to the financial statements.

## **FINANCIAL SUMMARY**

A financial summary of the Group is set out on page 58.

# Report of the Directors

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## **TANGIBLE FIXED ASSETS**

The Group revalued its investment properties at 31 December 2001, resulting in a revaluation deficit of approximately HK\$3 million (2000: HK\$1.1 million) of which HK\$1.9 million (2000: HK\$1.1 million) and HK\$1.1 million (2000: nil) have been charged to the investment property revaluation reserve and the consolidated income statement respectively.

Details of these and other movements during the year in the tangible fixed assets of the Group are set out in notes 11 and 12 to the financial statements.

## **MAJOR PROPERTIES**

Details of the major properties of the Group at 31 December 2001 are set out on pages 59 to 62.

## **BORROWINGS AND CAPITALISATION OF INTEREST**

Details of bank and other borrowings and obligations under a hire purchase contract are set out in notes 22 and 23, respectively, to the financial statements.

Interest capitalised by the Group during the year in respect of properties under development amounted to HK\$2,563,000 (2000: HK\$2,785,000).

## **SHARE CAPITAL**

Details of movements during the year in the share capital of the Company are set out in note 24 to the financial statements.

## **PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the year, neither the Company nor any of its subsidiaries purchased, sold, redeemed or cancelled any of the Company's listed securities.

# Report of the Directors

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## DIRECTORS

The directors of the Company during the year and up to the date of this report were:

### Executive directors

Mr. Tsang Wai Lun, Wayland (*Chairman*)

Madam Kwok Wai Man, Nancy

Mr. Lau Tam Wah

Mr. Zen Qing Sheng (appointed on 20 August 2001)

Mr. Li Shu Chung (resigned on 20 August 2001)

### Independent non-executive directors

Mr. Hui Pui Wai, Kimber

Mr. Ho Kwong Yue, Sidney

In accordance with clause 111A of the Company's bye-laws, Mr. Zen Qing Sheng and Mr. Hui Pui Wai, Kimber retire by rotation and, being eligible, offer themselves for re-election.

Save as aforesaid, no director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## DIRECTORS' INTERESTS IN SHARES AND OPTIONS

### (i) Shares

At 31 December 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:

| Directors                  | Number of shares held |                  |                             |                 |
|----------------------------|-----------------------|------------------|-----------------------------|-----------------|
|                            | Personal interests    | Family interests | Corporate interests         | Other interests |
| Mr. Tsang Wai Lun, Wayland | 25,000,000            | –                | 732,560,000 ( <i>Note</i> ) | –               |
| Madam Kwok Wai Man, Nancy  | 4,750,000             | –                | 732,560,000 ( <i>Note</i> ) | –               |
| 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.

# Report of the Directors

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## DIRECTORS' INTERESTS IN SHARES AND OPTIONS (Continued)

### (ii) Options

As is more fully explained in note 25 to the financial statements, 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<br>HK\$ | Exercise period            | Number of share options |                         |                           |
|-------------------------------|---------------|------------------------|----------------------------|-------------------------|-------------------------|---------------------------|
|                               |               |                        |                            | Outstanding at 1/1/2001 | Granted during the year | Outstanding at 31/12/2001 |
| Mr. Tsang Wai Lun,<br>Wayland | 16/8/2000     | 0.2002                 | 16/8/2000 to<br>16/8/2003  | 4,950,000               | –                       | 4,950,000                 |
|                               | 29/10/2001    | 0.0839                 | 1/11/2001 to<br>28/10/2004 | –                       | 4,250,000               | 4,250,000                 |
| Madam Kwok Wai<br>Man, Nancy  | 16/8/2000     | 0.2002                 | 16/8/2000 to<br>16/8/2003  | 4,950,000               | –                       | 4,950,000                 |
|                               | 29/10/2001    | 0.0839                 | 1/11/2001 to<br>28/10/2004 | –                       | 4,250,000               | 4,250,000                 |
| Mr. Lau Tam Wah               | 25/1/2000     | 0.1824                 | 25/1/2000 to<br>24/1/2003  | 2,000,000               | –                       | 2,000,000                 |
|                               | 29/10/2001    | 0.0839                 | 1/11/2001 to<br>28/10/2004 | –                       | 750,000                 | 750,000                   |
| Mr. Li Shu Chung<br>(Note)    | 25/1/2000     | 0.1824                 | 25/1/2000 to<br>24/1/2003  | 500,000                 | –                       | 500,000                   |

Note: Mr. Li Shu Chung resigned as director of the Company on 20 August 2001.

No share options were exercised during the year.

# Report of the Directors

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## **DIRECTORS' INTERESTS IN SHARES AND OPTIONS** *(Continued)*

### **(ii) Options** *(Continued)*

Save as disclosed above, at no time during the year 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<br/>Field Group<br/>Limited</b> | <b>Ka Fong<br/>Industrial<br/>Company,<br/>Limited</b> | <b>Kwan<br/>Cheung<br/>Holdings<br/>Limited</b> | <b>Shing<br/>Fat Hong<br/>Limited</b> |
|----------------------------|--|--|---|---------------------------------------|
| Mr. Tsang Wai Lun, Wayland | 1 share of<br>HK\$100                    | 1,000 shares of<br>HK\$100 each                        | 1 share of<br>HK\$100                           | 1 share of<br>HK\$1                   |
| Madam Kwok Wai Man, Nancy  | 1 share of<br>HK\$100                    | 1,000 shares of<br>HK\$100 each                        | 1 share of<br>HK\$100                           | 1 share of<br>HK\$1                   |

Other than the shareholdings disclosed above and nominee shares in certain subsidiaries held in trust for the Group, at 31 December 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.

## **DIRECTORS' INTERESTS IN CONTRACTS**

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

# Report of the Directors

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## **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 31 December 2001.

## **RETIREMENT SCHEME**

With effect from 1 December 2000, a mandatory provident fund scheme has been set up for all the eligible employees of the Group in Hong Kong. The mandatory provident fund scheme is a defined contribution retirement scheme and the contributions to the fund by the Group and employees are calculated as a percentage of employees' basic salaries. The assets of the scheme are held separately from those of the Group in an independently administered fund. The Group's contribution to the retirement scheme charged to the income statement was approximately HK\$61,000 (2000: HK\$5,000) for the year.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## **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 year.

## **AUDIT COMMITTEE**

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

## **AUDITORS**

A resolution for the re-appointment of Charles Chan, Ip & Fung CPA Ltd. as the auditors of the Company for the ensuing year is to be proposed at the forthcoming annual general meeting.

On behalf of the board  
**Tsang Wai Lun, Wayland**  
*Chairman*

Hong Kong, 29 April 2002