

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 2002.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries and associate are set out in notes 14 and 15, respectively, to the financial statements.

SEGMENTAL INFORMATION

The Group's turnover and profit from operations 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 profit from operations are derived from the PRC, excluding Hong Kong.

SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2002 are set out in note 14 to the financial statements.

FINANCIAL STATEMENTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 17.

The state of affairs of the Group and the Company are set out in the balance sheets on pages 18 to 20.

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 the statements of changes in equity on pages 21 to 23.

FINANCIAL SUMMARY

A financial summary of the Group is set out on page 56.

PROPERTY, PLANT AND EQUIPMENT

The Group revalued its investment properties at 31 December 2002, resulting in a revaluation deficit of approximately HK\$2.8 million (2001: HK\$3.0 million) of which HK\$1.9 million (2001: HK\$1.9 million) and HK\$0.9 million (2001: HK\$1.1 million) have been charged to the investment property revaluation reserve and the consolidated income statement respectively.

Movements in investment properties, property, plant and equipment during the year of the Group are set out in notes 12 and 13 to the financial statements.

REPORT OF THE DIRECTORS

MAJOR PROPERTIES

Details of the major properties of the Group at 31 December 2002 are set out on pages 57 to 60.

BORROWINGS AND CAPITALISATION OF INTEREST

Details of bank and other borrowings are set out in note 22 to the financial statements.

Interest capitalised by the Group during the year in respect of properties under development amounted to HK\$4,847,000 (2001: HK\$2,563,000).

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 25 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.

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

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, Madam Kwok Wai Man, Nancy and Mr. Ho Kwong Yue, Sidney 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, WARRANTS AND OPTIONS**(i) Shares**

At 31 December 2002, the interests of the directors in the share capital and warrants 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	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

As is more fully explained in note 27 to the financial statements, 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:

Directors	Number of warrants held			
	Personal interests	Family interests	Corporate interests	Other 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

As is more fully explained in note 26 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.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES, WARRANTS AND OPTIONS *(Continued)*

(iii) Options *(continued)*

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 31/12/2002
				Outstanding at 1/1/2002	Granted during the year	Exercised during the year	
Mr. Tsang Wai Lun, Wayland	16/8/2000	0.2002	16/8/2000 to 16/8/2003	4,950,000	-	-	4,950,000
	29/10/2001	0.0839	1/11/2001 to 28/10/2004	4,250,000	-	-	4,250,000
	30/1/2002	0.1581	4/2/2002 to 29/1/2005	-	6,500,000	-	6,500,000
Madam Kwok Wai Man, Nancy	16/8/2000	0.2002	16/8/2000 to 16/8/2003	4,950,000	-	-	4,950,000
	29/10/2001	0.0839	1/11/2001 to 28/10/2004	4,250,000	-	-	4,250,000
	30/1/2002	0.1581	4/2/2002 to 29/1/2005	-	6,500,000	-	6,500,000
Mr. Lau Tam Wah	25/1/2000	0.1824	25/1/2000 to 24/1/2003	2,000,000	-	-	2,000,000
	29/10/2001	0.0839	1/11/2001 to 28/10/2004	750,000	-	(750,000)	-
	30/1/2002	0.1581	4/2/2002 to 29/1/2005	-	1,000,000	(250,000)	750,000
Mr. Zen Qing Sheng	30/1/2002	0.1581	4/2/2002 to 29/1/2005	-	6,500,000	-	6,500,000

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.

DIRECTORS' INTERESTS IN SHARES, WARRANTS AND OPTIONS *(Continued)***(iv) Shares in subsidiaries**

Each of Mr. Tsang Wai Lun, Wayland and Madam Kwok Wai Man, Nancy has also had the interests 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 31 December 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.

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.

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 2002.

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\$70,000 (2001: HK\$61,000) for the year.

REPORT OF THE DIRECTORS

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

The accounts have been audited by Charles Chan, Ip & Fung CPA Ltd. the auditors of the Company for the year which, being eligible, is to be proposed for re-appointment at the forthcoming annual general meeting.

AUDITORS' REPORT

In relation to the auditors' qualified opinion in the auditors' report, the directors including independent non-executive directors would like to draw the attention to the word "alone" therein in clarifying the fact that the Group did keep proper books of account, yet those parts in relation to goodwill arising on acquisition of a subsidiary, in auditors' opinion, might not be kept properly.

On behalf of the board
Tsang Wai Lun, Wayland
Chairman

Hong Kong, 28 April 2003