

The directors have pleasure in presenting their report and the audited financial statements of Grand Field Group Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the year ended 31 December, 2003.

## **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. 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 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, 2003 are set out in note 13 to the financial statements.

## **RESULTS**

The results of the Group for the year ended 31 December, 2003 are set out in the consolidated income statement on page 15.

## **DIVIDENDS**

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

## **SHARE CAPITAL**

Details of movements in the share capital of the Company during the year are set out in the statements of changes in equity on pages 19 to 20.

## **RESERVES**

Movements in the reserves of the Group and the Company during the year are set out in the statements of changes in equity on pages 19 to 20.

## **FINANCIAL SUMMARY**

A financial summary of the Group is set out on page 50.

## Report of the Directors

### INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The Group revalued its investment properties at 31 December, 2003, resulting in a revaluation surplus of approximately HK\$1.7 million which has been accounted for in the investment property revaluation reserve. In the year 2002, a revaluation deficit resulted of approximately HK\$2.8 million of which HK\$1.9 million and HK\$0.9 million have been charged to the investment property revaluation reserve and the consolidated income statement respectively.

Movements in investment properties and property, plant and equipment during the year 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, 2003 are set out on pages 51 to 54.

### BORROWINGS AND CAPITALISATION OF INTEREST

Details of bank and other borrowings are set out in note 21 to the financial statements.

During the year, no interest (2002: interest amounting to HK\$4,847,000) was capitalised by the Group in respect of properties held for development.

### 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, Mr. Lau Tam Wah and Mr. Zen Qing Sheng, Sidney retire by rotation and, being eligible, offer themselves for re-election.

None of the directors who are 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, 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 directors	Personal interests	Number of shares held		
		Family interests	Corporate interests	Other interests
Mr. Tsang Wai Lun, Wayland	59,260,000	–	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 26 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:

Name of directors	Personal interests	Number of warrants held		
		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.

## Report of the Directors

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

#### (iii) 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 HK\$	Exercise period	Number of share options			
				Outstanding at 1/1/2003	Granted during the year	Lapsed during the year	Outstanding at 31/12/2003
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
	25/11/2003	0.0650	25/11/2003 to 24/11/2006	–	4,950,000	–	4,950,000
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
	25/11/2003	0.0650	25/11/2003 to 24/11/2006	–	4,950,000	–	4,950,000

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

Name of director	Date of grant	Exercise price HK\$	Exercise period	Outstanding at 1/1/2003	Number of share options		
					Granted during the year	Lapsed during the year	Outstanding at 31/12/2003
Mr. Lau Tam Wah	25/1/2000	0.1824	25/1/2000 to 24/1/2003	2,000,000	-	(2,000,000)	-
	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
Mr. Zen Qing Sheng	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	-	14,300,000	-	14,300,000

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.

**(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

## Report of the Directors

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

#### **(iv) Shares in subsidiaries** *(Continued)*

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

### **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 336 of SFO discloses the following shareholders having an interest of 5% or more in the issued share capital of the Company as at 31 December, 2003.

<b>Name of shareholders</b>	<b>Name 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%

### **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 consolidated income statement was approximately HK\$180,000 (2002: HK\$220,000) for the year.

### **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during 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

Subsequent to the previous annual general meeting, Messrs. Charles Chan, Ip & Fung CPA Ltd., had retired as auditors of the Company and was replaced by Messrs. Chu and Chu, Certified Public Accountants, who retire and, being eligible, offer themselves for re-appointment. There have been no other changes of the Company's auditors in the past three years.

On behalf of the board

**Tsang Wai Lun, Wayland**

*Chairman*

Hong Kong, 19 April, 2004