

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their annual report and the audited financial statements of Grand Field Group Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries of the Company are set out in the note 14 to the financial statements respectively. There have been no significant changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

The Group's turnover and profit from operations are all derived from the sales of properties in the People's Republic of China (the "PRC"). No segment information is presented in the financial statements.

RESULTS

The consolidated results of the Group for the year ended 31 December 2005 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 23 to 25.

DIVIDENDS

The directors do not recommend the payment of final dividend in respect of the year ended 31 December 2005 (2004: HK 0.8 cents per share). No interim dividend was declared for the six months ended 30 June 2005 (2004: Nil)

INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in the statements of changes in equity on pages 26 of the financial statements.

REPORT OF THE DIRECTORS

FINANCIAL SUMMARY

The following is a summary of the consolidated results and of the consolidated assets and liabilities of the Group for the five years ended 31 December 2005.

Consolidated results

	Year ended 31 December,				
	2005	2004	2003	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	9,776	138,628	68,956	72,161	82,865
Profit/(Loss) before income tax	3,103	47,707	(66,118)	(5,051)	(3,681)
Income tax	(68)	(7,089)	(733)	(383)	(137)
Profit/(Loss) attributable to shareholders	3,035	40,618	(66,851)	(5,434)	(3,818)

Consolidated assets and liabilities

	As at 31 December,				
	2005	2004	2003	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	375,851	411,956	456,795	611,109	574,409
Total liabilities	(53,810)	(79,702)	(171,716)	(268,620)	(322,394)
Net assets	322,041	332,254	285,079	342,489	252,015

MAJOR PROPERTIES

Details of the major properties of the Group at 31 December 2005 are set out on pages 59 to 62.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, turnover made to the five largest customers of the Group accounted for approximately 19% (2004: 77%) of the Group's total turnover for the year. Turnover made to the Group's largest customer accounted for approximately 6% (2004: 70%) of the Group's total turnover for the year.

Purchases from the five largest suppliers of the Group accounted for approximately 91% (2004: 84%) of the Group's total purchases for the year. Purchases from the Group's largest supplier accounted for approximately 43% (2004: 44%) of the Group's total purchases for the year.

As far as the directors are aware, neither the directors, their associates, nor the shareholders which to the best knowledge of the directors own more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers and suppliers during the year.

BANK LOANS AND OTHER BORROWINGS

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

PURCHASE, SALE 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

Independent Non-executive Directors

Mr. Hui Pui Wai, Kimber

Mr. Lum Pak Sum

Dr. Wong Yun Kuen

In accordance with clause 111A of the Company's Bye-Laws, Mr. Tsang Wai Lun, Wayland (Chairman) and Madam Kwok Wai Man, Nancy will retire by rotation and, being eligible, offer themselves for re-election.

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 6 to 7 of the Company's annual report.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES, WARRANTS AND OPTIONS

(i) Short positions in shares of the Company

At 31 December 2005, the interests and short 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	Total interests as percentage of the issued share capital
	Personal Interests	Family interests	Corporate 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.

(ii) 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 year and none of the warrants granted to the above directors were exercised throughout the year.

(iii) 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 18 to 19.

(iv) Share in subsidiaries

Each of Mr. Tsang Wai Lun, Wayland and Madam Kwok Wai Man, Nancy also has interests in the following 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 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed under the headings "Directors' interests in shares, warrants and options" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors or chief executives of the Company (including their spouses or children under 18 years of age) to have any rights to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

No director of the Company had a significant beneficial interest, either directly or indirectly, in any contracts of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year or at the end of the year.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 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:

Name of shareholders	Number of ordinary shares	Percentage of interest
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 31/12/2005
					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 Tam 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

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, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

REPORT OF THE DIRECTORS

COMPLIANCE

In the opinion of the directors, the Company has complied with the code provisions set out in the Code on Corporate Governance in Appendix 14 of the Listing Rules throughout the year except deviations stated in the Corporate Governance Report on pages 8 to 12.

AUDIT COMMITTEE

The audit committee has reviewed with the management of the Group the accounting principles and practices adopted by the Group and discussed auditing, internal control and financing reporting matters including the review of the audited financial statements for the year ended 31 December 2005 with external auditors. There were no disagreement from the auditors or the audit committee with the accounting policies adopted by the Company.

AUDITORS

Baker Tilly Hong Kong Limited retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the board

Tsang Wai Lun, Wayland

Chairman

Hong Kong
26 April 2006