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鈞濠集團

鈞濠集團有限公司*

GRAND FIELD GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 115)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the “Board”) of directors (the “Directors”) of Grand Field Group Holdings Limited (the “Company”) hereby announces the consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2021, together with the comparative figures for year 2020 are as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	3	543,280	1,141,245
Cost of revenue		<u>(307,638)</u>	<u>(606,147)</u>
Gross profit		235,642	535,098
Interest revenue		1,476	1,457
Other income, gains and losses		(482,378)	(122,551)
Selling and distribution costs		(53,753)	(64,638)
Administrative expenses		<u>(62,060)</u>	<u>(37,275)</u>
(Loss)/profit from operations		(361,073)	312,091
Finance costs	4	(50,801)	(32,216)
Share of loss of an associate		(110)	(2,188)
Fair value loss on convertible bonds through profit or loss		<u>(4,397)</u>	<u>(4,754)</u>

* For identification purpose only

		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit before tax		(416,381)	272,933
Income tax credit/(expense)	5	<u>38,434</u>	<u>(181,452)</u>
(Loss)/profit for the year	7	<u>(377,947)</u>	<u>91,481</u>
Attributable to:			
Owners of the Company		(224,271)	34,682
Non-controlling interests		<u>(153,676)</u>	<u>56,799</u>
		<u>(377,947)</u>	<u>91,481</u>
(Loss)/earnings per share	8		
Basic (<i>HK cents per share</i>)		<u>(91.6)</u>	<u>14.2</u>
Diluted (<i>HK cents per share</i>)		<u>(91.6)</u>	<u>11.7</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
(Loss)/profit for the year	7	<u>(377,947)</u>	<u>91,481</u>
Other comprehensive income/(loss)			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value gain/(loss) on financial liabilities designated at fair value through profit or loss attributable to change in credit risk		273	(411)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>50,104</u>	<u>142,833</u>
Total comprehensive (loss)/income for the year		<u>(327,570)</u>	<u>233,903</u>
Attributable to:			
Owners of the Company		(200,397)	111,817
Non-controlling interests		<u>(127,173)</u>	<u>122,086</u>
		<u>(327,570)</u>	<u>233,903</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		224,394	23,891
Investment properties	9	2,394,190	3,578,297
Intangible asset		12,600	13,082
Goodwill		36,773	36,773
Right-of-use assets		8,995	6,361
Investment in an associate		2,031	–
		2,678,983	3,658,404
Current assets			
Trade receivables		6,529	1,989
Properties for sale under development		723,833	271,276
Properties for sale		238,031	203,092
Other receivables, deposits and prepayments		50,260	85,823
Amount due from a director		205	656
Amount due from an associate		612	–
Tax recoverable		93	91
Cash and cash equivalents		51,582	60,607
		1,071,145	623,534
Current liabilities			
Trade and other payables	10	417,410	479,180
Interest-bearing borrowings	11	222,265	632,698
Lease liabilities		542	208
Amounts due to directors		362	363
Convertible bonds		101,408	113,211
Tax payable		145,908	179,159
		887,895	1,404,819
Net current assets/(liabilities)		183,250	(781,285)
Total assets less current liabilities		2,862,233	2,877,119

		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Deferred tax liabilities		412,934	507,020
Interest-bearing borrowings	<i>11</i>	453,065	46,484
Lease liabilities		189	–
		<u>866,188</u>	<u>553,504</u>
NET ASSETS		<u>1,996,045</u>	<u>2,323,615</u>
Capital and reserves			
Share capital	<i>14</i>	2,449	244,955
Reserves		<u>1,038,539</u>	<u>998,181</u>
Equity attributable to owners of the Company		1,040,988	1,243,136
Non-controlling interests		<u>955,057</u>	<u>1,080,479</u>
TOTAL EQUITY		<u>1,996,045</u>	<u>2,323,615</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

Grand Field Group Holdings Limited (the “Company”) is a company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company in Hong Kong is located at Unit 1004B, 10th Floor, Tower 5, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are investment holding, property development, property investment and general trading.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. REVENUE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Sales of properties	505,845	1,137,544
General trading	22,646	–
Properties management services	4,077	–
Others	131	–
	<hr/>	<hr/>
Revenue from contracts with customers	532,699	1,137,544
Rental income	10,581	3,701
	<hr/>	<hr/>
Total revenue	<u>543,280</u>	<u>1,141,245</u>
Timing of revenue recognition		
– At a point in time	528,622	1,137,544
– Over time	4,077	–
	<hr/>	<hr/>
Revenue from contracts with customers	<u>532,699</u>	<u>1,137,544</u>

The Group primarily operates in the People's Republic of China (the "PRC"). All of the Group's revenue was generated in the PRC.

Sales of properties

The Group develops and sells properties. Sales are recognised when control of the property has transferred, being when the customer obtains the physical possession or the legal title of the property and the Group has present right to payment and the collection of the consideration is probable.

The Group generally did not grant any credit terms to its customers. For all customers, deposits are required. Deposits received are recognised as a contract liability.

4. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest expenses on lease liabilities	42	20
Interest expenses on borrowings		
– Interest expenses on loans from third parties	10,344	9,425
– Interest expenses on bank loans	40,415	40,892
	<hr/>	<hr/>
Total finance costs	50,801	50,337
Amount capitalised	–	(18,121)
	<hr/>	<hr/>
Finance costs expensed	<u>50,801</u>	<u>32,216</u>

5. INCOME TAX (CREDIT)/EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax		
– Enterprise Income Tax in the PRC	22,401	46,052
– LAT in the PRC	54,259	142,185
Deferred tax	(115,094)	(6,785)
	<hr/>	<hr/>
	<u>(38,434)</u>	<u>181,452</u>

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries of the Company in the PRC is 25% during the year ended 31 December 2021 (2020: 25%).

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs, business taxes and all property development expenditures. LAT is recognised as an income tax expense. LAT paid is a deductible expense for PRC enterprise income tax purposes.

No provision for Hong Kong Profits Tax is required since the Group’s taxable income neither arises, nor is derived, from Hong Kong in both years. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax (credit)/expense and (loss)/profit before tax multiplied by the tax rate applicable to profits in the countries concerned is as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit before tax	<u>(416,381)</u>	<u>272,933</u>
Notional tax (credit)/expense on (loss)/profit before income tax, calculated at the rates applicable to profits in the countries concerned	(102,212)	69,645
Tax effect on non-deductible expenses	8,908	3,231
Tax effect on non-taxable income	(250)	(1,632)
Tax effect on tax losses not recognised	14,426	3,569
LAT deductible for calculation of income tax	(13,565)	(35,546)
LAT	<u>54,259</u>	<u>142,185</u>
Income tax (credit)/expense	<u>(38,434)</u>	<u>181,452</u>

6. SEGMENT REPORTING

Information reported to the executive directors and senior management, being the chief operating decision maker, the purposes of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reporting segments of the Group. Specifically, the Group's reportable operating segments under HKFRS 8 are property development, property investment, hotel operation and general trading.

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Hotel operation <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2021						
Revenue						
External sales	<u>505,845</u>	<u>14,658</u>	<u>-</u>	<u>22,646</u>	<u>131</u>	<u>543,280</u>
Segment result	<u>(22,714)</u>	<u>(254,377)</u>	<u>(155)</u>	<u>32</u>	<u>(118)</u>	<u>(277,332)</u>
Year ended 31 December 2020						
Revenue						
External sales	<u>1,137,544</u>	<u>3,701</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,141,245</u>
Segment result	<u>483,309</u>	<u>(124,280)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>359,029</u>
					2021	2020
					<i>HK\$'000</i>	<i>HK\$'000</i>
Segment result					(277,332)	359,029
Interest revenue					1,476	1,457
Unallocated income, gains and losses					(30)	618
Unallocated expenses					(85,187)	(49,013)
(Loss)/profit from operations					(361,073)	312,091
Finance costs					(50,801)	(32,216)
Share of loss of an associate					(110)	(2,188)
Fair value loss on convertible bonds through profit or loss					(4,397)	(4,754)
(Loss)/profit before tax					(416,381)	272,933
Income tax credit/(expense)					38,434	(181,452)
(Loss)/profit for the year					<u>(377,947)</u>	<u>91,481</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the profit earned/(loss incurred) from each segment without allocation of certain items, mainly comprising interest revenue, loss on disposal of property, plant and equipment, depreciation, central administration costs, directors' and chief executives' salaries, finance costs and fair value loss on convertible bonds through profit or loss. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

(b) **Segment assets and liabilities**

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Hotel operation <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2021						
Segment assets	970,369	2,394,190	108,665	3,236	–	3,476,460
Unallocated assets						<u>273,668</u>
						<u><u>3,750,128</u></u>
Segment liabilities	(170,192)	(412,934)	–	–	–	(583,126)
Unallocated liabilities						<u>(1,170,957)</u>
						<u><u>(1,754,083)</u></u>
As at 31 December 2020						
Segment assets	480,253	3,578,297	–	–	–	4,058,550
Unallocated assets						<u>223,388</u>
						<u><u>4,281,938</u></u>
Segment liabilities	(275,245)	(507,020)	–	–	–	(782,265)
Unallocated liabilities						<u>(1,176,058)</u>
						<u><u>(1,958,323)</u></u>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than unallocated assets (mainly comprising property, plant and equipment, other receivables, deposits and prepayments, amount due from a director and cash and cash equivalents); and
- all liabilities are allocated to operating segments other than unallocated liabilities (mainly comprising certain other payables, interest-bearing borrowings, lease liabilities, convertible bonds and amounts due to directors).

(c) **Other segment information**

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Hotel operation <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2021						
Amounts included in the measure of segment profit or loss or segment assets:						
Fair value loss on investment properties	-	(264,035)	-	-	-	(264,035)
Impairment loss of properties for sale under development	(195,410)	-	-	-	-	(195,410)
Capital expenditure	<u>271</u>	<u>81,417</u>	<u>45</u>	<u>7</u>	<u>65</u>	<u>81,805</u>
Year ended 31 December 2020						
Amounts included in the measure of segment profit or loss or segment assets:						
Fair value loss on investment properties	-	(127,982)	-	-	-	(127,982)
Loss on disposal of property, plant and equipment	-	(11)	-	-	-	(11)
Capital expenditure	<u>-</u>	<u>121,531</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>121,531</u>

(d) **Geographic information**

Since the Group principally operates in the PRC with revenue and results derived mainly from its operations in the PRC and assets are located in the PRC, no geographical information is used by the chief operating decision maker for further assessment.

(e) **Information about major customer**

No single customer contributes 10% or more of total revenue of the Group during the year ended 31 December 2021 (2020: Nil).

7. (LOSS)/PROFIT FOR THE YEAR

The Group's (loss)/profit for the year is stated after charging the following:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Amortisation of intangible assets	827	776
Auditor's remuneration	725	670
Depreciation	7,552	2,285
Staff costs (including directors' remuneration):		
– salaries, bonuses and allowances	13,671	8,824
– retirement benefits scheme contributions	825	408
	14,496	9,232

8. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

Basic loss (2020: earnings) per share is calculated based on the loss for the year attributable to the owners of the Company of approximately HK\$224,271,000 (2020: profit of HK\$34,682,000) and on the weighted average number of approximately 244,955,000 ordinary shares (2020: 244,955,000 ordinary shares (adjusted)). The weighted average number of ordinary shares for year ended 31 December 2020 is adjusted to reflect the capital reorganisation in respect of the capital of the Company in January 2021.

Diluted (loss)/earnings per share

No diluted loss per share for the year ended 31 December 2021 are presented as the effect of convertible bonds is anti-dilutive.

The calculation of diluted earnings per share for the year ended 31 December 2020 based on the profit for the year attributable to the owners of the Company of approximately HK\$39,436,000 and on the weighted average number of approximately 336,272,000 ordinary shares (as adjusted to reflect the share consolidation in January 2021), is calculated as follows:

	2020 <i>HK\$'000</i>
Earnings	
Earnings for the purpose of calculating basic earnings per share	34,682
Fair value loss on conversion of convertible bonds through profit or loss	<u>4,754</u>
Earnings for the purpose of calculating diluted earnings per share	<u><u>39,436</u></u>
	2020 <i>'000</i>
Number of shares	
Weighted average number of ordinary shares (adjusted)	244,955
Effect of deemed issue of shares upon conversion of the convertible bonds (adjusted)	<u>91,317</u>
	<u><u>336,272</u></u>

9. INVESTMENT PROPERTIES

	Under development	Completed	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fair value			
At 1 January 2020	3,047,422	313,882	3,361,304
Additions	121,531	–	121,531
Fair value loss on investment properties	(135,224)	7,242	(127,982)
Exchange differences	202,160	21,284	223,444
	<hr/>	<hr/>	<hr/>
At 31 December 2020 and 1 January 2021	3,235,889	342,408	3,578,297
Additions	81,417	–	81,417
Transfer to completed investment properties	(2,446,686)	2,446,686	–
Transfer to properties for sale under development	(907,355)	–	(907,355)
Transfer to property, plant and equipment	–	(172,041)	(172,041)
Fair value loss on investment properties	–	(264,035)	(264,035)
Exchange differences	36,735	41,172	77,907
	<hr/>	<hr/>	<hr/>
At 31 December 2021	<u>–</u>	<u>2,394,190</u>	<u>2,394,190</u>

The fair value of the Group's investment properties at 31 December 2021 has been arrived at on the basis of a valuation carried out on that date by Ravia Global Appraisal Advisory Limited (2020: Ravia Global Appraisal Advisory Limited), an independent qualified professional valuers not connected with the Group. Ravia Global Appraisal Advisory Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The Group's investment properties have been valued by using market comparison and residual value approach, which conforms to Hong Kong Institute of Surveyors Valuation Standards on Properties.

At 31 December 2021, certain investment properties with the fair value of approximately HK\$455,035,000 (2020: HK\$2,114,064,000) were pledged to secure for the interest-bearing borrowings (note 11).

10. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables to building contractors	1,063	1,058
Accruals of cost for contract works	271,271	243,367
Deferred income	22,916	23,793
Accrued salaries and other operating expenses	19,414	17,153
Accrued interest expense	19,624	18,962
Contract liabilities	24,316	96,244
Rental deposits received from tenants	5,028	1,897
Amounts payable on return of properties	6,332	6,084
Other tax payables	1,773	33,259
Other payables	45,673	37,363
	<u>417,410</u>	<u>479,180</u>

An ageing analysis of trade payables presented based on the invoice date at the end of reporting period is set out as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Over 360 days past due	<u>1,063</u>	<u>1,058</u>

Disclosures of contract liabilities are set out as follows:

	As at	As at	As at
	31 December	31 December	1 January
	2021	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract liabilities	<u>24,316</u>	<u>96,244</u>	<u>941,943</u>
Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:			
– 2021	–	96,244	
– 2022	<u>24,316</u>	<u>–</u>	
	<u>24,316</u>	<u>96,244</u>	
		Year ended 31 December	
		2021	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue recognised in the year that was included in contract liabilities at beginning of year		<u>93,447</u>	<u>941,943</u>
Significant changes in contract liabilities during the year:			
– Increase due to operations in the year		364,137	333,498
– Transfer of contract liabilities to revenue		<u>436,742</u>	<u>1,137,544</u>

A contract liability represents the Group's obligation to transfer products or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

11. INTEREST-BEARING BORROWINGS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loans from independent third parties payable within one year		
– secured (<i>Note (i)</i>)	4,448	4,448
– unsecured (<i>Note (ii)</i>)	59,115	58,137
	<u>63,563</u>	<u>62,585</u>
Loans from a non-controlling shareholder payable within one year		
– unsecured (<i>Note (iii)</i>)	14,939	14,541
Secured bank loans (<i>Note (iv)</i>)		
– within one year	143,763	555,572
– in the second to fifth years inclusive	453,065	46,484
	<u>675,330</u>	<u>679,182</u>

Notes:

- (i) At 31 December 2021 and 2020, a loan with principal amount of RMB4,020,000 (equivalent to approximately HK\$4,448,000) from an independent third party is guaranteed by a wholly owned subsidiary of the Group. Interest is charged at 12% (2020: 15%) per annum and repayable in 2022 after an extension of repayment term (2020: repayable in 2021).
- (ii) The unsecured borrowings bear interest at 10% to 12% (2020: 10% to 15%) per annum.
- (iii) The unsecured borrowings bear interest at 9% to 12% (2020: 9% – 12%) per annum.
- (iv) At 31 December 2021 and 2020, loans from banks which are bearing interest at 6.5% to 8.5% (2020: 5.66% to 7%) per annum with fixed repayment terms. The interest expenses are calculated using the effective interest method by applying the weighted average effective rate at 7.5% (2020: 6.9%) per annum. The loans were secured by:
 - a) certain buildings, investment properties and properties for sale owned by the Group;
 - b) 50% of the share capital of Shenzhen Zongke owned by the Group;
 - c) 49.5% of the share capital of Shenzhen Zongke owned by a non-controlling shareholder;
 - d) corporate guarantee from a non-controlling shareholder;

- e) personal guarantees from Mr. Tsang Yee and Mr. Tsang Wai Lun Wayland who is the father of Mr. Tsang Yee and Ms. Tsang Tsz Nok Aleen (both are the substantial shareholders of the Company) (2020: personal guarantees from Mr. Tsang Wai Lun Wayland and Ms. Kwok Wai Man); and/or
- f) personal guarantees from a staff and a director of the Company's subsidiaries (2020: personal guarantee from a staff of the Company's subsidiary).

As at 31 December 2021 and 2020, all interest-bearing borrowings are denominated in RMB.

12. COMMITMENTS

- (a) The Group had the following material commitments at the end of the reporting period:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Contracted but not provided for investment properties and properties for sale under development	<u>99,552</u>	<u>109,631</u>

- (b) **As lessor**

Property rental income earned during the year was approximately HK\$10,581,000 (2020: HK\$3,701,000).

At the end of the reporting period, the Group had contracted with tenants for the following minimum lease payments:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within one year	18,538	9,056
In the second to fifth years inclusive	52,648	46,426
Over fifth years	<u>31,935</u>	<u>27,418</u>
	<u>103,121</u>	<u>82,900</u>

The Group leases its investment properties (note 9) under operating lease arrangements which run for an initial period of one to twelve years (2020: one to twelve years), with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants.

13. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2021 (2020: Nil).

14. SHARE CAPITAL

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Authorised:		
50,000,000,000 ordinary shares of HK\$0.01 each (31 December 2020: 5,000,000,000 ordinary shares of HK\$0.1 each)	<u>500,000</u>	<u>500,000</u>
	Number of shares '000	Amount HK\$'000
Issued and fully paid:		
At 1 January 2020, 31 December 2020 and 1 January 2021 (ordinary shares of HK\$0.1 each)	2,449,554	244,955
Share consolidation	(2,204,599)	–
Capital reduction	<u>–</u>	<u>(242,506)</u>
At 31 December 2021 (ordinary shares of HK\$0.01 each)	<u>244,955</u>	<u>2,449</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Reference is made to the Company's circular (the "Circular") dated 14 December 2020. Capitalised terms used herein shall have the same meanings as those defined in the Circular. On 17 November 2020, the Board proposed to implement the Capital Reorganisation involving (1) Share Consolidation of every ten issued and unissued Existing Shares of par value of HK\$0.10 each into one Consolidated Share of par value of HK\$1.00 each; (2) Capital Reduction of the par value of each issued Consolidated Share from HK\$1.00 each to HK\$0.01 each; (3) Share Subdivision of each authorised but unissued Consolidated Share of par value of HK\$1.00 each in the authorised share capital into 100 New Shares of par value of HK\$0.01 each; and (4) the transfer of the credit arising from the Capital Reduction to the contributed surplus account of the Company within the meaning of the Companies Act. The Capital Reorganisation was completed on 25 January 2021.

15. LITIGATIONS AND CONTINGENT LIABILITIES

Save as disclosed below and elsewhere in the consolidated financial statements, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any material litigation or claims and, so far as the Directors were aware, no material litigation or claims were pending or threatened by or against any companies of the Group which would likely have adverse effect to the Group:

- i) An Originating Summons was issued and filed with the High Court of Hong Kong on 11th August, 2017 pursuant to Section 732 and 733 of the Companies Ordinance, Cap.622 by the plaintiff, Fourseasons Hong Kong Trading Limited, a shareholder of the Company claiming against the Company as the defendant for leave to bring legal proceedings on behalf of the Company against Tsang Wai Lun Wayland and Kwok Wai Man Nancy, the former executive directors of the Company, Kwok Siu Bun, Kwok Siu Wa Alison, Ma Xuemian, Chow Kwai Wa Anne now known as Chow Kwai Wa Charmaine, Hui Pui Wai Kimber, Liu Chaodong, the Directors of the Company, Tsang Tsz Tung Debbie and Chui Wai Hung, the former non-executive director and Independent non-executive Director of the Company respectively, Surplus Full Development Limited (a BVI company) and Intra Asia Limited, both now are the subsidiaries of the Company and the interested parties in the Xuzhou property project (“Xuzhou Project”) and for costs of the proceedings.

The Company upon legal advice opposes the plaintiff’s application and has filed its affirmation in opposition and the Plaintiff has paid into Court security for costs of the Defendants. The trial date of these proceedings has not been fixed yet.

In the opinion of the Directors, the said proceedings have no material impact on the operations of the Group. However, the Directors cannot reasonably measure the financial impact of the Group before the conclusion of the said proceedings.

- ii) Under the case no. (2017) Yue 1973 Min Chu no.5565, Chen Huan Chi claims against Dongguan City Zhangmutou Properties Development Limited, Ka Fong company Limited and Grand Field Group Limited, the latter two companies being the subsidiaries of the Company for the dispute over the construction agreements. It was decided that the Defendants had to pay the Plaintiff a total sum of RMB15,480,436.01 and accrued interest. The Defendants appealed to the Dongguan City Intermediate Court under the case (2021) Yu 19 Min Zong No.6899. The case had been heard on 24th November, 2021 but and the decision thereof has yet to be delivered.

In the opinion of the Directors, the said case has no material impact on the operations of the Group. However, the Directors cannot reasonably measure the financial impact of the Group before the conclusion of the said proceedings.

- iii) Under the case (2019) Yue 1973 Min Chu no. 16767, Chen Huan Chi claims against Ka Fong company Limited, Shing Fat Hong Limited, Shing Fat Hong and Grand Field Group Limited all being the subsidiaries of the Company and Chen Huan Jiang, Dongguan City Zhangmutou Properties Development Limited, Guangxi Jian Gong Holding 3rd Building Construction Limited in respect of disputes over construction agreement for the claimed amount for RMB5,189,100. This case was accepted by the Court on 11th November, 2019 and was heard on 22nd December, 2020 but the said Chen Huan Chi has withdrawn his claims after this case had been heard.

In the opinion of the Directors, the said case has no material impact on the operations nor has any financial impact of the Group.

- iv) Under the case (2021) Yu 0307 Min Chu No.4344, Shenzhen Hong Teng Technology Company Limited (深圳紅騰科技有限公司) (“Shenzhen Hong Teng”) sued Shenzhen Zongke Real Estate Co., Ltd. (深圳棕科置業有限公司) (“Shenzhen Zongke”), a subsidiary of the Group in respect of the dispute over the confirmation of identification of shareholders. The claim is for the amount of RMB2,251,200 and was dismissed on 22nd April, 2021 by the People’s Court of Longgong District of Shenzhen City. However, Shenzhen Hong Teng appealed to the Shenzhen City Intermediate People’s Court and it was heard and the Decision was made on 26th November, 2021 in which it was confirmed that the 0.5% shares in Shenzhen Zongke held by Guangdong Province Hong Leng Group Limited (廣東省紅嶺集團有限公司) was owned by Shenzhen Hong Teng. Apart from legal costs of RMB20,000 in total, Shenzhen Zongke is not liable for any other legal obligations herein.

In the opinion of the Directors, the said case has no material impact on the operations nor has any financial impact of the Group.

- v) Under the case (2021) Yu 0307 Min Chu No.22137, Shen Zhen Geology & Construction Company (深圳市地質建設工程公司) (“Shen Zhen Construction”) sued Shenzhen Zongke for the dispute regarding a construction contract at People’s Court of Longgong District, Shenzhen City. The amount claimed is RMB5,752,462.66. Shenzhen Construction withdrew its claim after the case had been heard by the Court.

In the opinion of the Directors, the said case has no material impact on the operations nor has any financial impact of the Group.

- vi) There are claims against or related to Guojin Property Development Limited, a subsidiary company wholly owned by the Company (“Guojin”) and its contractor Xu Zhou Chiang Chu Constructions Limited (“Chiang Chu”) and/or requests by the Court to Guojin for assistance in execution in respect of the dispute under construction works contract(s) for Xuzhou Project Properties Development Project (“Xuzhou Project”). Some of these cases have been settled and it is expected the rest will be settled shortly. As the Group has reached an amicable agreement with Chiang Chu about the amount of fee outstanding and payable to it regarding XuZhou Project pending the court’s decision as to whether the respective amounts should be paid to Chiang Chu or the relevant claimants.

In the opinion of the Directors, the said cases have no material impact on the operations nor have financial impact on the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the year ended 31 December 2021 (the “Year”), there was a significant decrease in revenue from last year of approximately HK\$1,141,245,000 to approximately HK\$543,280,000. The revenue for the Year was mainly attributed to the sales of Shenzhen Zongke residential units and service apartments being recognised as revenue upon the completion of the properties and be handed over to the customers. The sales of properties were accounted for approximately 93% of the total revenue for the Year. In contrast, the contribution of the trading income and rental income for the Year is minimal, which accounted for approximately 4% and 2% respectively of the total revenue for the Year.

The loss for the Year was approximately HK\$377,947,000 (2020: profit of approximately HK\$91,481,000). The downturn was mainly due to reduction in revenue caused by decrease in trading volume of properties in Shenzhen, the People’s Republic of China (“PRC”), increase in fair value loss on investment properties and impairment loss on properties for sale under development in PRC. Due to the aforesaid reason, the loss attributable to owners of the Company was approximately HK\$224,271,000 (2020: profit of approximately HK\$34,682,000).

BUSINESS REVIEW AND PROSPECT

In 2021, the Group’s Shenzhen Zongke Mix Park Project (“Shenzhen Project”) was completed and inspected. The property certificate has been applied and issued. The various parts of Shenzhen Project have been continuously rented out and put for rent. The Group has signed the memorandum of intention with various popular brands for the shopping centre, some of which have been on soft opening.

In this year the Group will use its best endeavours to complete the rental and operations of all properties and to optimize the combination of assets and to sell part of the non-core assets in order to lower the debt ratio.

Currently, the leverage ratio and assets debt ratio of the Group are relatively low. Under the macro policy of the central Government, the banks are tightening their lending policy towards the landed properties business. In order to respond to the Policy of the Country and to minimize the risk of creating more debt, the Group will positively consider to diversify their business and investment.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group's cash and cash equivalents were approximately HK\$51,582,000 (31 December 2020: approximately HK\$60,607,000) of which most were denominated in Hong Kong Dollar ("HK\$") and Renminbi ("RMB").

As at 31 December 2021, the Group had total current assets of approximately HK\$1,071,145,000 (31 December 2020: approximately HK\$623,534,000), and total current liabilities of approximately HK\$887,895,000 (31 December 2020: approximately HK\$1,404,819,000). The Group recorded total assets of approximately HK\$3,750,128,000 (31 December 2020: approximately HK\$4,281,938,000). As at 31 December 2021, the Group's total interest-bearing borrowings amounted to approximately HK\$675,330,000 (31 December 2020: approximately HK\$679,182,000), of which approximately HK\$222,265,000 was repayable within 1 year (31 December 2020: approximately HK\$632,698,000).

As at 31 December 2021, interest-bearing borrowings of the Group amounted to approximately HK\$675,330,000 (31 December 2020: approximately HK\$679,182,000) are denominated in RMB and such borrowings carried interest at fixed rates of 6.5% to 12% per annum (2020: 5.66% to 15% per annum).

As at 31 December 2021, there are no borrowings denominated in HK\$ (31 December 2020: Nil).

The gearing ratio as at 31 December 2021, which was defined to be total interest-bearing borrowings over shareholders' equity, was approximately 65% (31 December 2020: approximately 55%).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's major operations are located in the People's Republic of China (the "PRC") and the main operational currencies are HK\$ and RMB. There has been no significant change in the Group's policy in terms of exchange rate exposure. The Group is exposed to foreign currency risk due to the exchange rate fluctuation of RMB against HK\$. Moderate fluctuation of RMB against HK\$ was expected. The Group considered the foreign currency risk exposure is acceptable. However, management of the Group will monitor foreign exchange exposure closely and consider the use of hedging instruments when necessary.

As at 31 December 2021, the Group has no material liability denominated in other foreign currencies other than RMB. There was also no hedging transaction contracted for by the Group during the Year.

CAPITAL STRUCTURE

On 21 January 2021, a special resolution was passed at the special general meeting, approving the capital reorganisation by which the issued share capital of the Company was reduced to HK\$2,449,554.13 divided into 244,955,413 shares of par value of HK\$0.01 each with effect from 25 January 2021.

For details of the capital reorganisation, please refer to the announcements of the Company dated 17 November 2020 and 21 January 2021, the circular of the Company dated 14 December 2020 and the next day disclosure return of the Company dated 25 January 2021.

As at 31 December 2021, the Company's issued share capital was HK\$2,449,554.13 and the total number of its issued ordinary shares was 244,955,413 shares of HK\$0.01 each in issue.

On 17 November 2020 (after trading hours of the Stock Exchange), the Company entered into the conditional subscription agreement dated 17 November 2020 (the "Subscription Agreement") with Ms. Tsang Tsz Nok Aleen, a substantial shareholder of the Company, pursuant to which the Company conditionally agreed to issue and Ms. Tsang Tsz Nok Aleen conditionally agreed to subscribe for the 5% coupon convertible bond with a 18 months term to be subscribed by Ms. Tsang Tsz Nok Aleen under the Subscription Agreement (the "New Convertible Bond") (the "Subscription").

Based on (i) the outstanding principal amount of the 3% coupon convertible bond due on 21 February 2021 issued by the Company to Ms. Tsang Tsz Nok Aleen (the "Old Convertible Bond") of HK\$112,320,000 on completion of the Subscription and (ii) the net amount receivable from Ms. Tsang Tsz Nok Aleen excluding the provision amounts under the deed of indemnity dated 28 April 2017, which have been determined on 31 December 2020 to offset the outstanding principal amount of the Old Convertible Bond of HK\$12,562,989 (the "Deemed Settlement Amount") as at 31 December 2020, the New Convertible Bond was issued at a principal amount of HK\$99,757,011. Accordingly, the outstanding principal amount under the Old Convertible Bond was settled.

The New Convertible Bond carries the right to convert into the conversion shares at the conversion price of HK\$0.80 per conversion share (subject to adjustments). Assuming the conversion rights are exercised in full at the conversion price, 124,696,263 new ordinary shares will be allotted and issued to Ms. Tsang Tsz Nok Aleen. Upon full exercise of the conversion rights attaching to the New Convertible Bond, the shareholdings of Ms. Tsang Tsz Nok Aleen will be changed from approximately 28.92% to 52.90% of the total number of issued shares of the Company as enlarged by the issue of the shares of the Company upon the conversion of the New Convertible Bond. All the conditions precedent to the Subscription Agreement have been fulfilled and completion took place on 21 February 2021. Accordingly, the New Convertible Bond in the principal amount of HK\$99,757,011 was issued in accordance with the terms and conditions of the Subscription Agreement.

Details were set out in the announcements of the Company dated 17 November 2020, 14 December 2020, 21 January 2021 and 21 February 2021 and the circular of the Company dated 14 December 2020.

CAPITAL COMMITMENTS

The Group had the following material commitments as at 31 December 2021 and 31 December 2020:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for:		
Investment properties and properties for sale under development	<u>99,552</u>	<u>109,631</u>

CHARGE ON GROUP ASSETS

As at 31 December 2021, certain completed investment properties located in Xuzhou with fair value of approximately HK\$259,115,000 (2020: HK\$266,162,000), which were owned by a wholly-owned subsidiary, were pledged to secure for the interest-bearing bank loans with principal amounts of RMB39,000,000 (2020: RMB80,000,000) which equivalent to approximately HK\$47,756,000 (2020: HK\$95,352,000).

As at 31 December 2021, certain properties (2020: properties) situated in Shenzhen owned by Shenzhen Zongke Real Estate Co., Ltd (“Shenzhen Zongke”) were pledged for several bank loans with principal amount of approximately RMB448,405,000 (2020: RMB425,123,000), which equivalent to approximately HK\$549,072,000 (2020: HK\$506,704,000).

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were neither significant investments held as at 31 December 2021 nor material acquisitions and disposals of subsidiaries during the Year.

In 2022, the Company will continue to make intensive efforts to expand its existing business and explore other business opportunities and try to seek opportunities actively to promote diversified business development. The Company will be continuing its effort in mergers and acquisitions deals as a way to expand into new markets and gain additional revenue streams apart from the real estate development. Bearing any further unforeseen material adverse external developments, the Company will continue to adhere to these principles in 2022 and is cautiously optimistic about the Group’s further prospects.

CONTINGENT LIABILITIES

The Group’s contingent liabilities are disclosed in note 15.

SEGMENT INFORMATION

The details of the segment information of the Group are set out in note 6.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group employed 106 employees (31 December 2020: 88) and had 7 Directors (31 December 2020: 7). The total staff costs (including Directors' remuneration) for the Year amounted to approximately HK\$14,496,000 (2020: approximately HK\$9,232,000). No equity-settled share option arrangement was included in staff cost for the Year (2020: Nil). 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. Apart from basic salary and statutory provident fund scheme, employees will also be offered bonus based on the results of the Group and their individual performance.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

DIVIDENDS

The Directors do not recommend the payment of final dividend in respect of the Year (2020: Nil). No interim dividend was declared for the six months ended 30 June 2021 (2020: Nil).

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained an appropriate liquidity position throughout the year of 2021. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial condition of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements from time to time.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures. The Company has complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report to the Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “CG Code”) (the “Listing Rules”) during the Year except for the following deviation:

Code Provision A.2.1

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual.

During the Year, the role of the Chairman is performed by Mr. Ma Xuemian but the office of the chief executive is vacated. Given all major decisions are reserved to the Board, the Company considers that there is an adequate balance of power and authority in place between the Board and the management of the Company. However, the Board will keep reviewing the current structure of the Board from time to time and should candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post as appropriate.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms as set out in Appendix 10 to the Listing Rules (the “Model Code”). Having made specific enquiry to all Directors, the Company was not aware of any non-compliance with the required standard in the Model Code for dealing in securities of the Company throughout the Year.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) has reviewed the Group’s audited consolidated financial statements for the year ended 31 December 2021. The Audit Committee is of the opinion that such financial statements comply with the applicable accounting standards, the Listing Rules and other applicable legal requirements, and those adequate disclosures have been made.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Group’s auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the Year. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

EVENT AFTER THE REPORTING PERIOD

The Group does not have any material subsequent event after the Year and up to the date of this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the Company's website (<http://www.gfghl.com>) and the Stock Exchange's website (<http://www.hkex.com.hk>). The annual report for the Year containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and available on the same websites in due course.

By order of the Board
Grand Field Group Holdings Limited
Ma Xuemian
Chairman

Hong Kong, 28 March 2022

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Ma Xuemian, Mr. Kwok Siu Bun, Ms. Chow Kwai Wa Charmaine and Ms. Kwok Siu Wa Alison; and three independent non-executive Directors, namely Mr. Hui Pui Wai Kimber, Mr. Liu Chaodong and Mr. Tsui Matthew Mo Kan.