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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 2022**

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 2022, together with the comparative figures for year 2021 are as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	139,285	543,280
Cost of revenue		<u>(120,286)</u>	<u>(307,638)</u>
Gross profit		18,999	235,642
Interest revenue		1,337	1,476
Other income, gains and losses		(571,970)	(482,378)
Selling and distribution costs		(22,875)	(53,753)
Administrative expenses		<u>(61,648)</u>	<u>(62,060)</u>
Loss from operations		(636,157)	(361,073)
Finance costs	4	(50,982)	(50,801)
Share of loss of an associate		(592)	(110)
Fair value gain/(loss) on convertible bonds through profit or loss		<u>3,792</u>	<u>(4,397)</u>

* *For identification purpose only*

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss before tax		(683,939)	(416,381)
Income tax credit	<i>5</i>	<u>90,225</u>	<u>38,434</u>
Loss for the year	<i>7</i>	<u>(593,714)</u>	<u>(377,947)</u>
Attributable to:			
Owners of the Company		(392,648)	(224,271)
Non-controlling interests		<u>(201,066)</u>	<u>(153,676)</u>
		<u>(593,714)</u>	<u>(377,947)</u>
Loss per share			
Basic (<i>HK cents per share</i>)	<i>8</i>	<u>(160.3)</u>	<u>(91.6)</u>
Diluted (<i>HK cents per share</i>)		<u>(160.3)</u>	<u>(91.6)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Loss for the year	7	<u>(593,714)</u>	<u>(377,947)</u>
Other comprehensive (loss)/income			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value gain on financial liabilities designated at fair value through profit or loss attributable to change in credit risk		309	273
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>(146,961)</u>	<u>50,104</u>
Total comprehensive loss for the year		<u>(740,366)</u>	<u>(327,570)</u>
Attributable to:			
Owners of the Company		(471,845)	(200,397)
Non-controlling interests		<u>(268,521)</u>	<u>(127,173)</u>
		<u>(740,366)</u>	<u>(327,570)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		194,619	224,394
Investment properties	9	1,765,736	2,394,190
Intangible asset		10,834	12,600
Goodwill		–	36,773
Right-of-use assets		7,709	8,995
Investment in an associate		1,295	2,031
		1,980,193	2,678,983
Current assets			
Trade receivables		3,843	6,529
Properties for sale under development		544,319	723,833
Properties for sale		204,464	238,031
Other receivables, deposits and prepayments		61,582	50,260
Amount due from a director		688	205
Amount due from an associate		564	612
Tax recoverable		188	93
Cash and cash equivalents		25,418	51,582
		841,066	1,071,145
Current liabilities			
Trade and other payables	10	412,323	417,410
Interest-bearing borrowings	11	210,321	222,265
Lease liabilities		189	542
Amounts due to directors		13	362
Convertible bonds		–	101,408
Tax payable		122,439	145,908
		745,285	887,895
Net current assets		95,781	183,250
Total assets less current liabilities		2,075,974	2,862,233

		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Deferred tax liabilities		287,780	412,934
Convertible bonds		90,884	–
Interest-bearing borrowings	<i>11</i>	438,154	453,065
Lease liabilities		<u>–</u>	<u>189</u>
		<u>816,818</u>	<u>866,188</u>
NET ASSETS		<u><u>1,259,156</u></u>	<u><u>1,996,045</u></u>
Capital and reserves			
Share capital	<i>14</i>	2,449	2,449
Reserves		<u>566,694</u>	<u>1,038,539</u>
Equity attributable to owners of the Company		569,143	1,040,988
Non-controlling interests		<u>690,013</u>	<u>955,057</u>
TOTAL EQUITY		<u><u>1,259,156</u></u>	<u><u>1,996,045</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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, hotel operation 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 2022. 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Sales of properties	108,941	505,845
General trading	3,501	22,646
Properties management services	5,458	4,077
Hotel operation	2,353	–
Others	375	131
	<hr/>	<hr/>
Revenue from contracts with customers	120,628	532,699
Rental income	18,657	10,581
	<hr/>	<hr/>
Total revenue	139,285	543,280
	<hr/> <hr/>	<hr/> <hr/>
Timing of revenue recognition		
– At a point in time	115,170	528,622
– Over time	5,458	4,077
	<hr/>	<hr/>
Revenue from contracts with customers	120,628	532,699
	<hr/> <hr/>	<hr/> <hr/>

The Group primarily operates in 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.

General trading

The Group sells food and other commodities to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms ranged from 0 to 30 days.

Properties management services

For properties management services, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis.

Hotel operation

Revenue from hotel operation is recognised over time during the period of stay for the hotel guests.

4. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest expenses on lease liabilities	34	42
Interest expenses on borrowings		
– Interest expenses on loans from third parties	9,581	10,344
– Interest expenses on bank loans	<u>41,367</u>	<u>40,415</u>
Finance costs expensed	<u><u>50,982</u></u>	<u><u>50,801</u></u>

5. INCOME TAX CREDIT

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax		
– Enterprise Income Tax in the PRC	211	22,401
– LAT in the PRC	4,884	54,259
Deferred tax	<u>(95,320)</u>	<u>(115,094)</u>
	<u><u>(90,225)</u></u>	<u><u>(38,434)</u></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 2022 (2021: 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 and loss before tax multiplied by the tax rate applicable to profits in the countries concerned is as follows:

	2022	2021
	HK\$'000	HK\$'000
Loss before tax	<u>(683,939)</u>	<u>(416,381)</u>
Notional tax credit on loss before income tax, calculated at the rates applicable to profits in the countries concerned	(157,013)	(102,212)
Tax effect on share of loss of an associate	148	28
Tax effect on non-deductible expenses	10,805	8,880
Tax effect on non-taxable income	(249)	(250)
Tax effect on tax losses not recognised	52,421	14,426
LAT deductible for calculation of income tax	(1,221)	(13,565)
LAT	<u>4,884</u>	<u>54,259</u>
Income tax credit	<u>(90,225)</u>	<u>(38,434)</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 2022						
Revenue						
External sales	<u>108,941</u>	<u>24,115</u>	<u>2,353</u>	<u>3,501</u>	<u>375</u>	<u>139,285</u>
Segment result	<u>(162,734)</u>	<u>(364,315)</u>	<u>850</u>	<u>(76)</u>	<u>110</u>	<u>(526,165)</u>
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>

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Segment result	(526,165)	(277,332)
Interest revenue	1,337	1,476
Unallocated income, gains and losses	(50,391)	(30)
Unallocated expenses	(60,938)	(85,187)
Loss from operations	(636,157)	(361,073)
Finance costs	(50,982)	(50,801)
Share of loss of an associate	(592)	(110)
Fair value gain/(loss) on convertible bonds through profit or loss	3,792	(4,397)
Loss before tax	(683,939)	(416,381)
Income tax credit	90,225	38,434
Loss for the year	<u>(593,714)</u>	<u>(377,947)</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, depreciation, central administration costs, directors' and chief executives' salaries, finance costs, share of loss of an associate and fair value gain/(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 2022						
Segment assets	751,826	1,765,736	94,012	37	87	2,611,698
Unallocated assets						<u>209,561</u>
						<u>2,821,259</u>
Segment liabilities	(191,218)	(287,780)	-	-	-	(478,998)
Unallocated liabilities						<u>(1,083,105)</u>
						<u>(1,562,103)</u>
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>3,750,128</u>
Segment liabilities	(170,192)	(412,934)	-	-	-	(583,126)
Unallocated liabilities						<u>(1,170,957)</u>
						<u>(1,754,083)</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 certain 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 2022						
Amounts included in the measure of segment profit or loss or segment assets:						
Fair value loss on investment properties	-	(380,484)	-	-	-	(380,484)
Impairment loss of properties for sale under development	(104,322)	-	-	-	-	(104,322)
Capital expenditure	<u>930</u>	<u>69</u>	<u>-</u>	<u>-</u>	<u>17</u>	<u>1,016</u>
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>

(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 2022 (2021: Nil).

7. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the following:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Amortisation of intangible assets	796	827
Auditor's remuneration	735	725
Depreciation	14,131	7,552
Staff costs (including directors' remuneration):		
– salaries, bonuses and allowances	13,244	13,671
– retirement benefits scheme contributions	861	825
	14,105	14,496

8. LOSS PER SHARE

Basic loss per share

Basic loss per share is calculated based on the loss for the year attributable to the owners of the Company of approximately HK\$392,648,000 (2021: HK\$224,271,000) and on the weighted average number of approximately 244,955,000 ordinary shares (2021: 244,955,000 ordinary shares).

Diluted loss per share

No diluted loss per share for the years ended 31 December 2022 and 2021 are presented as the effect of convertible bonds is anti-dilutive.

9. INVESTMENT PROPERTIES

	Under development	Completed	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fair value			
At 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 and 1 January 2022	–	2,394,190	2,394,190
Disposals	–	(72,190)	(72,190)
Fair value loss on investment properties	–	(380,484)	(380,484)
Exchange differences	–	(175,780)	(175,780)
	<hr/>	<hr/>	<hr/>
At 31 December 2022	<u>–</u>	<u>1,765,736</u>	<u>1,765,736</u>

The fair value of the Group's investment properties at 31 December 2022 has been arrived at on the basis of a valuation carried out on that date by Ravia Global Appraisal Advisory Limited (2021: 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 2022, certain investment properties with the fair value of approximately HK\$1,342,439,000 (2021: HK\$455,035,000) were pledged to secure for the interest-bearing borrowings (note 11).

10. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables to building contractors	1,199	1,063
Accruals of cost for contract works	177,813	271,271
Deferred income	19,705	22,916
Accrued salaries and other operating expenses	12,376	19,414
Accrued interest expense	18,161	19,624
Contract liabilities	68,809	24,316
Rental deposits received from tenants	4,195	5,028
Amounts payable on return of properties	5,834	6,332
Other tax payables	982	1,773
Provision for a litigation (<i>note 15(ii)</i>)	47,801	–
Other payables	55,448	45,673
	<u>412,323</u>	<u>417,410</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Over 360 days past due	<u>1,199</u>	<u>1,063</u>

Disclosures of contract liabilities are set out as follows:

	As at	As at	As at
	31 December	31 December	1 January
	2022	2021	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract liabilities	<u>68,809</u>	<u>24,316</u>	<u>96,244</u>
Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:			
– 2022	–	24,316	
– 2023	<u>68,809</u>	–	
	<u>68,809</u>	<u>24,316</u>	
		Year ended 31 December	
		2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue recognised in the year that was included in contract liabilities at beginning of year		<u>18,668</u>	<u>93,447</u>
Significant changes in contract liabilities during the year:			
– Increase due to operations in the year		157,971	364,137
– Transfer of contract liabilities to revenue		<u>110,117</u>	<u>436,742</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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loans from independent third parties payable within one year		
– secured (<i>Note (i)</i>)	6,386	4,448
– unsecured (<i>Note (ii)</i>)	67,209	59,115
	<u>73,595</u>	<u>63,563</u>
Loans from independent third parties payable in the second to fifth years inclusive		
– unsecured (<i>Note (ii)</i>)	3,836	–
Loans from a non-controlling shareholder payable within one year		
– unsecured (<i>Note (iii)</i>)	16,019	14,939
Secured bank loans (<i>Note (iv)</i>)		
– on demand or within one year	120,707	143,763
– in the second to fifth years inclusive	434,318	453,065
	<u>648,475</u>	<u>675,330</u>

Notes:

- (i) At 31 December 2022, a loan with principal amount of RMB5,600,000 (2021: RMB4,020,000), equivalent to approximately HK\$6,386,000 (2021: HK\$4,448,000) from an independent third party is guaranteed by a wholly owned subsidiary of the Group. Interest is charged at 12% (2021: 12%) per annum and repayable in 2023 after an extension of repayment term (2021: repayable in 2022).
- (ii) The unsecured borrowings bear interest at 10% to 12% (2021: 10% to 12%) per annum.
- (iii) The unsecured borrowings bear interest at 9% to 12% (2021: 9% to 12%) per annum.

- (iv) At 31 December 2022 and 2021, loans from banks which are bearing interest at 6.35% to 12% (2021: 6.5% to 8.5%) per annum with fixed repayment terms. The interest expenses are calculated using the effective interest method by applying the weighted average effective rate at 7.4% (2021: 7.5%) per annum. The loans were secured by:
- a) certain buildings, investment properties and properties for sale owned by the Group as disclosed in note 9;
 - b) 50% of the share capital of Shenzhen Zongke owned by the Group;
 - c) 50% (2021: 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 (a substantial shareholder of the Company), Mr. Tsang Wai Lun Wayland who is the father of Mr. Tsang Yee and Ms. Kwok Wai Man Nancy who is a close family member of Mr. Tsang Yee (2021: personal guarantees from Mr. Tsang Yee, Mr. Tsang Wai Lun Wayland and Ms. Kwok Wai Man Nancy); and/or
 - f) in 2021, personal guarantees from a staff and a director of the Company's subsidiaries (2022: Nil).

At 31 December 2022, a secured bank loan with a carrying amount of approximately HK\$109,426,000 was classified as repayment on demand because of the failure to fulfil certain financial covenants stated in the loan agreement. Up to the date of the consolidated financial statements, the Group has procured a new bank loan of approximately HK\$33,843,000 and is in the process of procuring other bank loans to mitigate the risk of the loan being called by the bank. Coupled with the Group's working capital, the directors considered that Group would have sufficient cash to fulfil the obligation in the event that the bank demanded immediate repayment for the loan.

As at 31 December 2022 and 2021, 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contracted but not provided for investment properties and properties for sale under development	<u>91,715</u>	<u>99,552</u>

(b) **As lessor**

Property rental income earned during the year was approximately HK\$18,657,000 (2021: HK\$10,581,000).

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within one year	24,787	18,538
In the second to fifth years inclusive	61,896	52,648
Over fifth years	<u>22,938</u>	<u>31,935</u>
	<u><u>109,621</u></u>	<u><u>103,121</u></u>

The Group leases its investment properties (note 9) under operating lease arrangements which run for an initial period of one to twelve years (2021: 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 2022 (2021: Nil).

14. SHARE CAPITAL

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Authorised:		
50,000,000,000 ordinary shares of HK\$0.01 each	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
244,955,413 ordinary shares of HK\$0.01 each	<u>2,449</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.

15 LITIGATIONS AND CONTINGENT LIABILITIES

Save as disclosed below, as at the date of this announcement, 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. By the Judgment of Dongguan the 3rd People’s Court, it was adjudged that Ka Fong Company Limited do pay to the said Chen Huan Chi approximately RMB 15,480,000 and accrued interest thereon out of which approximately RMB 15,080,000 from 13 March 1996 and RMB 400,000 from 13 February 1997 both until 19 August 2019 are at the Financial Institutions Base Rate of the similar loans as pronounced by the People’s Bank of China for the said period of time and as from 20 August, 2019 until payment at the Loan Prime Rate pronounced by the National Interbank Funding Centre for the said period of time. Ka Fong Company Limited appealed against the said judgment. The Appeal was dismissed by Dongguan City Intermediate People’s Court on 23rd May, 2022 and the said judgment was upheld.

Ka Fong Company Limited had lodged a petition for re-trial with The Guangdong Higher High People's Court. The lodge of the said petition has been accepted by The Guangdong Higher High People's Court. However, as advised by the Company's PRC legal adviser, the chance of The Guangdong Higher High People's Court to give a decision ordering the case to be tried is remote. As a result, the Group has made a provision of the compensation of approximately RMB 42,037,000 (equivalent to approximately HK\$49,182,000), which was calculated basing on the principal amount of approximately RMB 15,480,000 and the accrued interest of approximately RMB26,893,000 for the aforesaid periods and rates from 13 March 1996 up to 31 December 2022 as ordered by the said judgment to the consolidated profit or loss for the year ended 31 December 2022.

- iii) Under the case No.(2022) Zhe 0111 Min Chu No.864, Xingfu Jiari Hotel Management (Shenzhen) Company Limited ("Xingfu Jiari"), a subsidiary of the Company claims against Zhejiang Beishen Wen Lu Development Company Limited ("Zhejiang Beishen"), Ningbo Heshan Shi Yeh Company Limited ("Ningbo Heshan") and five other companies arising from the dispute over loan agreement for the sum of RMB 30 million and interest thereon to be paid by Zhejiang Beishen and the other defendants shall have collateral liabilities. By the Judgment dated 19 August 2022, It was ordered by The People's Court of Fuyang District, Hangzhou City that Xingfu Jiari had the right of debt against Zhejiang Beishen for RMB 30,426,958.91 and Ningbo Heshan had the collateral liability for the whole amount owed by Zhejiang Beishen and the other five Defendants are liable for 50% of the said liabilities. None of the parties thereto appealed against the said judgment. However, the said The People's Court of Fuyang District, Hangzhou City did on 20 December, 2022 ruled that the said Judgment was mistakenly made and ordered a re-trial of the above case. There has not been any further information above the re-trial of the case.

On 14th March, 2022, The People's Court of Fuyang District, Hangzhou City ruled that the application for winding up case of Zhejiang Beishen was accepted and that on 16th March, 2022 administrators were nominated. At this stage, whether Zhejiang Beishen has sufficient assets to pay damages has yet to be known.

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.

- iv) Under the case No.(2022) Zhe 0111 Min Chu No.910, the administrators of Zhejiang Beishen mentioned in paragraph iii) hereinbefore sued against Grand Field Property Development (Shenzhen) Limited, a subsidiary of the Company for collateral liabilities of the unpaid share capital by Ningbo Heshan (RMB 29,981,200 being registered capital plus the interest incurred thereon). The case has been heard on 22nd March, 2023 and the result thereof has not been delivered.

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.

- v) Reference is made to the announcement by the Company dated 24 March 2023 in respect of the incident that G&H International Supply Chain (Shenzhen) Limited, a wholly subsidiary of the Company (the “Subsidiary”) was alleged to have been defrauded by its business partner through a series of fictitious transactions. The relevant persons of the business partner have been arrested by the PRC Police for criminal investigation. The Company may seek damages against the said business partner and/or the relevant persons by civil action in due course.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the year ended 31 December 2022 (the “Year”), there was a significant decrease in revenue from last year of approximately HK\$543,280,000 to approximately HK\$139,285,000. The revenue for the Year was mainly attributed to the rental income and sale of commercials apartments and offices in Shenzhen, which were accounted for 13% and 78% respectively of the total revenue for the Year. In contrast, contributions of the properties management services income, trading income and hotel operation income for the Year were minimal, which represented approximately 4%, 3% and 2% respectively of the total revenue.

The loss for the Year was approximately HK\$593,714,000 (2021: approximately HK\$377,947,000). The downturn was mainly due to (i) decrease in revenue mainly caused by the decline in trading volume of properties in Shenzhen, the People’s Republic of China (“PRC”); (ii) the decrease in gross profit margin caused by the sale of some properties with lower gross profit margin during the Year; (iii) recognition of significant fair value loss on investment properties, impairment loss on goodwill and properties for sale under development in the PRC of approximately HK\$522 million; and (iv) provision made for losses on litigation of approximately HK\$49 million in connection with certain subsidiaries of the Company (details of which were disclosed in the announcement of the Company dated 19 August 2022). Due to the aforesaid reasons, the loss attributable to owners of the Company was approximately HK\$392,648,000 (2021: approximately HK\$224,271,000).

BUSINESS REVIEW AND PROSPECT

In 2022, the serviced apartments and offices of the Group’s Shenzhen Zongke Mix Park Project (“Shenzhen Project”) are being put for sale. The hotel is formally put in operation. Although in the past one year the economy of Mainland was under pressure continuously due to the epidemic outbreak, the management of the Group believe that after the Chinese New Year 2023, the property market will be in recovery period. In 2023, the Group will use its best endeavours to complete the rental and operations of all properties, to increase the rental rate 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 in the same field. Under the macro policy of the central Government, the banks are relaxing their lending policy towards the landed properties business. The Group will take this opportunity to sell its the non-core assets in order to optimize its cash flows and lower the Group’s risk on debts.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the Group's cash and cash equivalents were approximately HK\$25,418,000 (31 December 2021: approximately HK\$51,582,000) of which most were denominated in Hong Kong Dollar ("HK\$") and Renminbi ("RMB").

As at 31 December 2022, the Group had total current assets of approximately HK\$841,066,000 (31 December 2021: approximately HK\$1,071,145,000), and total current liabilities of approximately HK\$745,285,000 (31 December 2021: approximately HK\$887,895,000). The Group recorded total assets of approximately HK\$2,821,259,000 (31 December 2021: approximately HK\$3,750,128,000). As at 31 December 2022, the Group's total interest-bearing borrowings amounted to approximately HK\$648,475,000 (31 December 2021: approximately HK\$675,330,000), of which approximately HK\$210,321,000 was repayable within 1 year (31 December 2021: approximately HK\$222,265,000), approximately HK\$3,836,000 (31 December 2021: approximately HK\$Nil) was repayable within a period of more than one year but not exceeding two years, approximately HK\$434,318,000 (31 December 2021: approximately HK\$453,065,000) was repayable within a period of more than two years but not exceeding five years.

As at 31 December 2022, interest-bearing borrowings of the Group amounted to approximately HK\$648,475,000 (31 December 2021: approximately HK\$675,330,000) are denominated in RMB and such borrowings carried interest at fixed rates of 6.35% to 12% per annum (2021: 6.5% to 12% per annum).

As at 31 December 2022, there are no borrowings denominated in HK\$ (31 December 2021: Nil).

The gearing ratio as at 31 December 2022, which was defined to be total interest-bearing borrowings over shareholders' equity, was approximately 114% (31 December 2021: approximately 65%).

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 2022, the Group has no material liability denominated in foreign currencies other than RMB. There was also no hedging transaction contracted for by the Group during the Year.

CAPITAL STRUCTURE

As at 31 December 2022, 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.

References are made to 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. The Company has issued convertible bonds in an aggregate principal amount of HK\$99,757,011 to Ms. Tsang Tsz Nok Aleen, a substantial shareholder of the Company (the "Subscriber"), on 21 February 2021 in accordance with the conditional subscription agreement dated 17 November 2020 (the "Old Convertible Bond"). Pursuant to the terms of the Old Convertible Bond, the Old Convertible Bond has been matured on 22 August 2022.

On 12 August 2022 (after trading hours), the Company has entered into a standstill agreement (the "Standstill Agreement") with the Subscriber to extend the time of repayment of all amounts outstanding under the Old Convertible Bond to 30 November 2022 with interest rate unchanged. If the proposed subscription of new convertible bond is materialised, the expiry date of the Standstill Agreement will be the date of completion of the said subscription or 30 November 2022, whichever is earlier.

On 5 September 2022 (after trading hours of the Stock Exchange), the Company entered into the conditional subscription agreement dated 5 September 2022 (the "Subscription Agreement") with the Subscriber pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for the 6% convertible bond with a 18 months term to be subscribed by the Subscriber under the Subscription Agreement with a principal amount of up to HK\$96.5 million (the "New Convertible Bond") (the "Subscription").

All the conditions precedent under the Subscription Agreement have been fulfilled, completion of the Subscription has taken place on 31 October 2022. Based on (i) the outstanding principal amount of the Old Convertible Bond of HK\$94,985,654.09 on completion of the Subscription and (ii) the interest accrued during the standstill period from 22 August 2022 to 31 October 2022 of approximately HK\$910,821.34, the New Convertible Bond was issued at a principal amount of HK\$95,896,475.43. 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\$0.38 per conversion share (subject to adjustments). Assuming the conversion rights are exercised in full at the conversion price, 252,359,145 new ordinary shares will be allotted and issued to the Subscriber. Upon full exercise of the conversion rights attaching to the New Convertible Bond, the shareholdings of the Subscriber will be changed from approximately 28.92% to 64.99% 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.

Details were set out in the announcements of the Company dated 12 August 2022, 5 September 2022, 5 October 2022, 10 October 2022, 26 October 2022 and 31 October 2022 and the circular of the Company dated 10 October 2022.

CAPITAL COMMITMENTS

The Group had the following material commitments as at 31 December 2022 and 31 December 2021:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for:		
Investment properties and properties for sale under development	<u>91,715</u>	<u>99,552</u>

CHARGE ON GROUP ASSETS

As at 31 December 2022, certain properties (2021: properties) situated in Shenzhen owned by Shenzhen Zongke Real Estate Co., Ltd (“Shenzhen Zongke”) with carrying amount of approximately HK\$1,767,297,000 were pledged for several bank loans with principal amounts of approximately RMB492,000,000 (2021: RMB448,405,000), which equivalent to approximately HK\$555,025,000 (2021: HK\$549,072,000).

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 2022 nor material acquisitions and disposals of subsidiaries during the Year.

In 2023, 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 2023 and is cautiously optimistic about the Group’s further prospects.

CONTINGENT LIABILITIES

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

SEGMENT INFORMATION

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group employed 132 employees (31 December 2021: 106) and had 7 Directors (31 December 2021: 7). The total staff costs (including Directors' remuneration) for the Year amounted to approximately HK\$14,105,000 (2021: approximately HK\$14,496,000). No equity-settled share option arrangement was included in staff cost for the Year (2021: 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 (2021: Nil). No interim dividend was declared for the six months ended 30 June 2022 (2021: 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 2022. 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 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 C.2.1

According to the code provision C.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 2022. 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.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is an extract of the independent auditor’s report on the consolidated financial statements of the Group for the year ended 31 December 2022.

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss attributable to owners of the Company of approximately HK\$392.6 million for the year ended 31 December 2022 and net cash flows used in operating activities of approximately HK\$72.1 million. In addition, as disclosed in note 31 to the consolidated financial statements, the Group’s secured bank loan with a carrying amount of approximately HK\$109.4 million was classified as repayment on demand because of the failure to fulfil certain financial covenants stated in the loan agreement. These conditions indicate a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

EVENT AFTER THE REPORTING PERIOD

Pursuant to a banking facility letter (the “Loan Facility”) entered into between a commercial bank in the PRC (the “Lender”) as lender, and G & H International Supply Chain (Shenzhen) Limited* (濠康國際供應鏈(深圳)有限公司), a wholly owned subsidiary of the Company (the “Subsidiary”) as borrower, the Subsidiary is required to satisfy certain financial covenants, failure to perform or comply with any of which entitles the Lender to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Loan Facility immediately due and payable.

As at the date of this announcement, the aggregate outstanding principal amount of the Loan Facility amounts to approximately HK\$109 million.

Based on the unaudited management account of the Subsidiary for the year ended 31 December 2022, the Subsidiary has failed to satisfy such financial covenants under the Loan Facility (the “Breach”). The Breach constitutes an event of default under the Loan Facility, in which case the Lender shall be entitled to declare that the loan under the Loan Facility, together with accrued interest and other sums payable under the Loan Facility, be immediately due and payable. The Breach has not resulted in the breach of other subsisting loan agreements and/or banking facilities entered into by the Group.

The Group is in discussions with the Lender for a waiver in respect of the Breach. As at the date of this announcement, the Lender has not made any demand for immediate repayment of the loan under the Loan Facility. The Directors considered that the Group would have sufficient financial resources to repay its indebtedness under the Loan Facility in the event that the Lender demands for immediate repayment and that there is no material adverse impact on the Group’s operation as a result of the Breach.

Details were set out in the announcement of the Company dated 30 March 2023.

Save as disclosed above, 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 (<https://www.gfghl.com>) and the Stock Exchange's website (<https://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, 30 March 2023

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.